

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

**INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2015**



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

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P A T T I L L O , B R O W N & H I L L , 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, 2015, 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, 2015, 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.

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

Waco, Texas  
June 28, 2016

**BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION**

**STATEMENT OF FINANCIAL POSITION**

**AS OF SEPTEMBER 30, 2015**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 3,117,230
Accounts receivable	377,080
Prepaid expenses	<u>16,765</u>
Total current assets	<u>3,511,075</u>
Noncurrent assets:	
Line-of-credit receivable	200,000
Notes receivable, net of allowance for doubtful accounts	355,940
Property and equipment, net of accumulated depreciation	8,473,020
Investment in property held for sale	<u>1,246,403</u>
Total noncurrent assets	<u>10,275,363</u>
Total assets	<u>\$ 13,786,438</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable	\$ 77,405
Accrued liabilities	26,296
Unearned rental revenue	55,944
Refundable advances	519,653
Security deposits	100,485
Note payable	30,000
Current portion of long-term debt	<u>370,528</u>
Total current liabilities	<u>1,180,311</u>
Long-term debt	<u>8,271,086</u>
Total liabilities	<u>9,451,397</u>
Net assets:	
Unrestricted	3,349,445
Temporarily restricted	<u>985,596</u>
Total net assets	<u>4,335,041</u>
Total liabilities and net assets	<u>\$ 13,786,438</u>

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



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**BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, gains, and other support:</b>			
Rental revenue	\$ 2,407,846	\$ -	\$ 2,407,846
Contributions	17,948	-	17,948
Service income	33,966	-	33,966
Administrative fees	21,523	-	21,523
Miscellaneous	19,255	-	19,255
Interest	11,711	-	11,711
Net gain on sale of housing	86,769	-	86,769
Net assets released from restrictions	<u>386,219</u>	<u>( 386,219)</u>	<u>-</u>
<b>Total revenues, gains, and other support</b>	<u>2,985,237</u>	<u>( 386,219)</u>	<u>2,599,018</u>
<b>Expenses:</b>			
<b>Program services:</b>			
Owner occupied home repair	904	-	904
Rental opportunities	201,939	-	201,939
Homebuyer assistance and counseling	40,276	-	40,276
New home construction	205,683	-	205,683
Economic development	143,877	-	143,877
<b>Supporting services:</b>			
Management and general	22,012	-	22,012
Commercial real estate	<u>1,794,319</u>	<u>-</u>	<u>1,794,319</u>
<b>Total expenses</b>	<u>2,409,010</u>	<u>-</u>	<u>2,409,010</u>
<b>CHANGE IN NET ASSETS</b>	576,227	<u>( 386,219)</u>	190,008
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,773,218</u>	<u>1,371,815</u>	<u>4,145,033</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,349,445</u>	<u>\$ 985,596</u>	<u>\$ 4,335,041</u>

**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, 2015**

	Program Services		
	Owner Occupied Home Repair	Rental Opportunities	Homebuyer Assistance and Counseling
Personnel	\$ -	\$ 3,125	\$ 32,495
Professional services	868	43,943	1,773
Travel	9	194	1,600
Utilities	-	25,439	-
Maintenance and repairs	-	53,239	-
Insurance	-	23,042	-
Supplies	27	1,003	194
Printing and postage	-	73	1,003
Membership dues	-	-	325
Training	-	-	1,200
Depreciation	-	29,806	-
Interest	-	-	-
Property tax	-	-	-
Other	-	22,075	1,686
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 904</b>	<b>\$ 201,939</b>	<b>\$ 40,276</b>

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

<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
<u>New Home Construction</u>	<u>Economic Development</u>	<u>Management and General</u>	<u>Commercial Real Estate</u>	
\$ 87,130	\$ 86,484	\$ -	\$ 68,354	\$ 277,588
12,911	9,195	-	141,698	210,388
6,745	8,236	4,519	3,943	25,246
7,528	-	-	54,208	87,175
22,188	-	26	295,985	371,438
11,005	-	3,180	45,336	82,563
486	249	18	118	2,095
3,426	1,925	143	2,927	9,497
1,337	325	2,025	1,120	5,132
227	2,140	5,298	2,406	11,271
-	-	-	446,457	476,263
9,349	-	-	492,156	501,505
-	-	-	195,928	195,928
<u>43,351</u>	<u>35,323</u>	<u>6,803</u>	<u>43,683</u>	<u>152,921</u>
<u>\$ 205,683</u>	<u>\$ 143,877</u>	<u>\$ 22,012</u>	<u>\$ 1,794,319</u>	<u>\$ 2,409,010</u>

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**BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from contributors and grantors	\$ 452,794
Cash received from tenants	2,461,521
Cash received from service recipients	67,381
Cash paid to suppliers and employees	( 1,464,285)
Interest received	15,924
Interest paid	( 501,505)
Net cash provided by operating activities	<u>1,031,830</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash received on notes receivable	66,728
Cash repayments received on line-of-credit arrangement	156,980
Cash draws disbursed on line-of-credit arrangement	( 200,000)
Cash paid for improvement to property held for sale	( 385,561)
Cash received from disposal of property held for sale	<u>272,794</u>
Net cash used by investing activities	<u>( 89,059)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal repayments on debt	( 248,033)
Proceeds from issuance of note payable	<u>30,000</u>
Net cash used by financing activities	<u>( 218,033)</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

724,738

**CASH AND CASH EQUIVALENTS, BEGINNING**

2,392,492

**CASH AND CASH EQUIVALENTS, ENDING**

\$ 3,117,230

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

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**BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**RECONCILIATION OF CHANGE IN NET ASSETS**

**TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Change in net assets	\$	190,008
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		476,263
Gain on sale of real property	(	86,769)
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(	14,753)
Decrease (increase) in grants receivable		435,294
Decrease (increase) in prepaid expenses	(	6,295)
Increase (decrease) in accounts payable	(	24,256)
Increase (decrease) in accrued liabilities	(	2,492)
Increase (decrease) in unearned rental revenue		55,944
Increase (decrease) in security deposits		3,765
Increase (decrease) in refundable advances		<u>5,121</u>
Total adjustments		<u>841,822</u>
Net cash provided by operating activities	\$	<u>1,031,830</u>

**SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING  
AND FINANCING ACTIVITIES**

The sale of some real estate projects were facilitated by the Texas State Affordable Housing Corporation (TSAHC). Cash proceeds from those sales were received from TSAHC during the first two months of the subsequent fiscal year, and were reported as accounts receivable at September 30, 2015.

\$ 358,280

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



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# BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

### 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, 2015, 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 \$740,407 at September 30, 2015.

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 \$469,833 at September 30, 2015.

Notes receivable are reported net of an allowance for uncollectible accounts. Allowances for uncollectible accounts include \$666,367 for down payment assistance loans and \$187,933 for owner occupied home repair loans.

#### 6. LONG-TERM DEBT

The Organization's long-term debt at September 30, 2015, consists of the following:

<b>Texas Mezzanine Fund</b>	
Payments made on a monthly basis include only interest at 6.0% per annum. Principal and all accrued interest is due on January 1, 2016.	\$ 149,081
<b>BB&amp;T</b>	
Payments of \$58,550 monthly including interest, due November 19, 2020, and secured by Carter Creek Center. Interest rate is 5.64%.	<u>8,492,533</u>
Total	<u>\$ 8,641,614</u>

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

<u>Years Ending September 30,</u>	<u>Principal</u>
2016	370,528
2017	235,802
2018	249,645
2019	264,301
2020	278,622
Thereafter	<u>7,242,716</u>
Total	<u>\$ 8,641,614</u>

**7. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Organization estimates that the fair value of all financial instruments at September 30, 2015, 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, 2015, were as follows:

	<u>09/30/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>09/30/15</u>
Land	\$ 2,253,747	\$ -	\$ -	\$ 2,253,747
Buildings and improvements	<u>9,831,659</u>	<u>-</u>	<u>-</u>	<u>9,831,659</u>
	12,085,406	-	-	12,085,406
Less: accumulated depreciation	<u>( 3,136,123)</u>	<u>( 476,263)</u>	<u>-</u>	<u>( 3,612,386)</u>
Net	<u>\$ 8,949,283</u>	<u>\$( 476,263)</u>	<u>\$ -</u>	<u>\$ 8,473,020</u>

Depreciation expense for the year ended September 30, 2015, was \$476,263.

**9. GAIN ON SALE OF HOUSING**

In the current fiscal year, real estate projects with capitalized costs of \$547,525 were sold for \$634,294, resulting in a gain of \$86,769. The \$547,525 of costs capitalized in the acquisition and development of these projects consisted of \$36,674 of local unrestricted funds and \$510,851 restricted by the grantor for this purpose.

**10. TEMPORARILY RESTRICTED NET ASSETS**

At September 30, 2015, temporarily restricted net assets included \$493,694 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 \$491,902 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, 2015.

**12. SUBSEQUENT EVENTS**

In preparing these financial statements, subsequent events were evaluated through June 28, 2016, which is the date the financial statements were available to be issued.