

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

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2009**

**BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION
(PARENT ONLY)**

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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 Affordable Housing Corporation
Bryan, Texas

We have audited the accompanying statement of financial position of Brazos Valley Affordable Housing Corporation (the "Organization"), a nonprofit organization, as of September 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 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 audit 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 the Organization as of September 30, 2008, 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, L.L.P.

April 7, 2010

BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION

STATEMENT OF FINANCIAL POSITION (PARENT ONLY)

AS OF SEPTEMBER 30, 2009

ASSETS

Current assets:	
Cash and cash equivalents	\$ 856,007
Accounts receivable, net of allowance for doubtful accounts	185,774
Prepaid expenses	39,869
Other	102,165
Total current assets	<u>1,183,815</u>
Noncurrent assets:	
Notes receivable, net of allowance for doubtful accounts	608,724
Property, plant, and equipment, net of accumulated depreciation \$894,492	8,649,991
Investment in property for resale	1,507,930
Total noncurrent assets	<u>10,766,645</u>
Total assets	<u>\$ 11,950,460</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 186,220
Accrued liabilities	88,208
Current portion of long-term debt	230,187
Deferred revenue	330,586
Security deposits	81,654
Total current liabilities	<u>916,855</u>
Long-term debt	<u>9,073,136</u>
Total liabilities	<u>9,989,991</u>
Net assets:	
Unrestricted	<u>1,960,469</u>
Total net assets	<u>1,960,469</u>
Total liabilities and net assets	<u>\$ 11,950,460</u>

The accompanying notes are an integral part of these financial statements.

BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION

**STATEMENT OF ACTIVITIES
(PARENT ONLY)**

FOR THE YEAR ENDED SEPTEMBER 30, 2009

CHANGES IN UNRESTRICTED NET ASSETS

Revenue and gains:	
Rental revenue	\$ 1,825,788
Homebuyer assistance	135,985
Administration fees	23,699
Repair service	22,434
Service income	58,132
Donations	60,583
Program income	524,327
Miscellaneous	58,992
Interest	11,621
Total unrestricted revenue and gains	<u>2,721,561</u>
Expenses and losses:	
Personnel	312,503
Contractual	197,625
Travel	20,396
Utilities	76,517
Maintenance and repairs	378,554
Insurance	44,057
Supplies	5,077
Printing and postage	17,842
Loan related expense	547
Membership dues	4,150
Training	6,963
Rental expense	16,821
Other	272,941
Depreciation	330,082
Interest	597,846
Total expenses and losses	<u>2,281,921</u>
INCREASE IN UNRESTRICTED NET ASSETS	439,640
NET ASSETS, BEGINNING OF YEAR	<u>1,520,829</u>
NET ASSETS END OF YEAR	<u>\$ 1,960,469</u>

The accompanying notes are an integral part of these financial statements.

BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION

STATEMENT OF CASH FLOWS (PARENT ONLY)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 439,640
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	330,082
(Increase) decrease in accounts receivable	(1,841)
(Increase) decrease in prepaid and other current assets	(1,542)
(Increase) decrease in notes receivable	(65,561)
Increase (decrease) in accounts payable	70,195
Increase (decrease) in accrued liabilities	88,208
Increase (decrease) in security deposits payable	(28,279)
Increase (decrease) in deferred revenue	(429,383)
Total adjustments	<u>(38,121)</u>
Net cash provided by operating activities	<u>401,519</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of real estate investments	(1,046,064)
Disposal of property, plant, and equipment	<u>420,407</u>
Net cash used by investing activities	<u>(625,657)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt	400,452
Principal payments on long-term debt	<u>(386,404)</u>
Net cash provided by financing activities	<u>14,048</u>

NET INCREASE IN CASH AND EQUIVALENTS (210,090)

CASH AND EQUIVALENTS, BEGINNING OF YEAR 1,066,097

CASH AND EQUIVALENTS, END OF YEAR \$ 856,007

The accompanying notes are an integral part of these financial statements.

**BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION
(PARENT ONLY)**

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

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 non-profits, 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, housing counseling, homebuyer assistance (through down payment assistance and mortgages) and new construction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-profit Organizations*. Under SFAS No. 117, the Organization is required to report 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.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of 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.

Investment in Property for Resale

Investments in Property for Resale are composed of land and improvement purchases by the Organization for resale. These investments are reported at fair value which approximates cost of the investment.

Property and Equipment

Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets ranging from 3 to 40 years using the straight-line method.

All expenditures for land, buildings and equipment are capitalized; the fair value of donated fixed assets is similarly capitalized. Purchased assets are presented at historical cost.

Donated Materials and Services

Donated materials are recorded at fair market value at the date of the donation. Donated services are recognized as contributions in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made. Services are recorded if the service (a) creates or enhances non-financial assets; or (b) requires specialized skills and are performed by people with these skills and would otherwise be purchased by the Organization.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

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 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. NOTES RECEIVABLE

The Organization loaned Brazos Valley Community Development Corporation \$100,000 during a prior fiscal year. The loan matures September 1, 2036. The interest rate on the note is 8.5% and monthly payments due on the last of each month.

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 receivables are \$596,036 as of September 30, 2009.

5. NOTES PAYABLE

The Organization's notes payable at September 30, 2009, consist of the following:

Citibank, N.A.

Payments of \$3,684 monthly including interest, due November 16, 2013, and secured by Oakcreek Condominiums. Interest rate is variable and adjusted every 60 months. The current interest rate is 5.57%. \$ 164,846

Brazos Valley Council of Governments

In April 2008, the Corporation entered into a note payable in the amount of \$695,623 with BVCOG to mature in April 2018. Monthly installments from October 1, 2008 to December 2008, were \$7,736 at 5.95% interest, and from January 2009 to September 2009, were \$5,730 at 5.95% interest. The note payable was \$639,396 at year-end and secured by developed real estate. 639,396

Texas Mezzanine Fund

Payments made on a monthly basis include only interest at 6.0% per annum. Principal due no later than December 1, 2011. 400,452

Citibank, N.A.

Payments of \$58,439 monthly including interest, due January 2, 2017, and secured by Carter Creek Center. Interest rate is 6.6%. 8,098,629

Total \$ 9,303,323

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

Years Ending September 30,	Principal
2010	\$ 230,187
2011	245,466
2012	660,648
2013	279,040
2014	261,396
Thereafter	<u>7,626,586</u>
Total	<u>\$ 9,303,323</u>

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization estimates that the fair value of all financial instruments at September 30, 2009, does not differ from the aggregate carrying value of the financial instrument recorded in the accompanying statement of financial position.

7. PROPERTY AND EQUIPMENT

Changes in property and equipment for the year ended September 30, 2009, are detailed as follows:

	<u>09/30/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>09/30/09</u>
Buildings and improvements	\$ 7,652,584	\$ 99,700	\$ -	\$ 7,752,284
Land	2,077,282	26,465	-	2,103,747
Furniture and fixtures	<u>18,534</u>	<u>-</u>	<u>-</u>	<u>18,534</u>
	9,748,400	126,165	-	9,874,565
Less: accumulated depreciation	<u>(894,492)</u>	<u>(330,082)</u>	<u>-</u>	<u>(1,224,574)</u>
Net	<u>\$ 8,853,908</u>	<u>\$(203,917)</u>	<u>\$ -</u>	<u>\$ 8,649,991</u>

Depreciation expense for the year ended September 30, 2009, was \$330,082.

8. RELATED PARTY TRANSACTIONS

Brazos Valley Council of Governments (BVCOG) is a regional planning commission who's Chairman of the Board of Directors, or their designee, also serves on the Board for the Organization. Although these officials share duties with BVCOG, the Organization maintains its designation as a Community Housing Development Organization (CHDO) and is not publicly controlled. BVCOG merely provides local support consisting of materials, facilities and personnel for the Organization.

Materials, facilities and services were provided by BVCOG in the amount of \$41,345 for the year ended September 30, 2009. These materials and services have been recorded at fair value at the date of occurrence and are included in revenue and expense in the accompanying financial statements.

In addition, BVCOG performed payroll related services totaling \$345,937 for the year ended September 30, 2009.

Rental revenue includes \$750,763 in rent paid during fiscal year 2009 by BVCOG to the Organization under lease agreements. Two locations were leased to BVCOG at below market rates, the first for an initial period of 5 years with options to renew through September 2012, and the second for an initial period of 10 years.

9. PENSION PLAN

The Organization participates in a 401(k) plan that is administered by BVCOG, a related party. All of the Organization's personnel are covered by this plan.

10. CONTINGENCIES

The Organization has received significant financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Organization. However, 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, 2009.