Board of Directors  
Brazos Valley Affordable Housing Corporation  
Bryan, Texas

We have audited the financial statements of Brazos Valley Affordable Housing Corporation (a nonprofit organization) for the year ended September 30, 2014, and have issued our report thereon dated April 22, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 15, 2014. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include management’s estimate of the allowance for uncollectible notes receivable. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.
Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 22, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, LLP

Waco, Texas
April 22, 2015
BRAZOS VALLEY
AFFORDABLE HOUSING CORPORATION
(A NONPROFIT ORGANIZATION)

INDEPENDENT AUDITORS’ REPORT
AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 2014
# Table of Contents

**BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2014**

<table>
<thead>
<tr>
<th>Section</th>
<th>Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL SECTION</strong></td>
<td></td>
</tr>
<tr>
<td>Independent Auditors’ Report</td>
<td>1 – 2</td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Functional Expenses</td>
<td>5 – 6</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>7</td>
</tr>
<tr>
<td>Notes to the Financial Statements</td>
<td>8 – 11</td>
</tr>
<tr>
<td><strong>COMPLIANCE SECTION</strong></td>
<td></td>
</tr>
<tr>
<td>Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133</td>
<td>14 – 15</td>
</tr>
<tr>
<td>Schedule of Expenditures of Federal Awards</td>
<td>16</td>
</tr>
<tr>
<td>Notes to the Schedule of Expenditures of Federal Awards</td>
<td>17</td>
</tr>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td>18</td>
</tr>
</tbody>
</table>
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, 2014, 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.

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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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, 2014, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 22, 2015, on our consideration of Brazos Valley Affordable Housing Corporation’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Brazos Valley Affordable Housing Corporation’s internal control over financial reporting and compliance.

Pattillo, Brown & Hill, LLP

Waco, Texas
April 22, 2015
BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION

STATEMENT OF FINANCIAL POSITION

AS OF SEPTEMBER 30, 2014

ASSETS

Current assets:
- Cash and cash equivalents $2,392,492
- Accounts receivable $4,047
- Grants receivable $435,294
- Prepaid expenses $10,470
Total current assets $2,842,303

Noncurrent assets:
- Notes receivable, net of allowance for doubtful accounts $522,084
- Property and equipment, net of accumulated depreciation $8,949,283
- Investment in property held for sale $1,408,367
Total noncurrent assets $10,879,734

Total assets $13,722,037

LIABILITIES AND NET ASSETS

Current liabilities:
- Accounts payable $101,661
- Accrued liabilities $28,788
- Refundable advances $461,544
- Security deposits $95,364
- Current portion of long-term debt $397,114
Total current liabilities $1,084,471

Long-term debt $8,492,533
Total liabilities $9,577,004

Net assets:
- Unrestricted $2,773,218
- Temporarily restricted $1,371,815
Total net assets $4,145,033

Total liabilities and net assets $13,722,037

The notes to the financial statements are an integral part of this statement.
## BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION

### STATEMENT OF ACTIVITIES

#### AS OF SEPTEMBER 30, 2014

<table>
<thead>
<tr>
<th>Revenues, gains, and other support:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental revenue</td>
<td>$ 2,368,674</td>
<td>$</td>
<td>$ 2,368,674</td>
</tr>
<tr>
<td>Grant revenue</td>
<td>87,845</td>
<td>455,518</td>
<td>543,363</td>
</tr>
<tr>
<td>Contributions</td>
<td>60,466</td>
<td>-</td>
<td>60,466</td>
</tr>
<tr>
<td>Service income</td>
<td>24,540</td>
<td>-</td>
<td>24,540</td>
</tr>
<tr>
<td>Administrative fees</td>
<td>20,998</td>
<td>-</td>
<td>20,998</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>16,248</td>
<td>-</td>
<td>16,248</td>
</tr>
<tr>
<td>Interest</td>
<td>16,264</td>
<td>-</td>
<td>16,264</td>
</tr>
<tr>
<td>Net gain on sale of housing</td>
<td>18,559</td>
<td>-</td>
<td>18,559</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>16,373</td>
<td>(16,373)</td>
<td></td>
</tr>
<tr>
<td>Total revenues, gains, and other support</td>
<td>2,629,967</td>
<td>439,145</td>
<td>3,069,112</td>
</tr>
</tbody>
</table>

#### Expenses:

**Program services:**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner occupied home repair</td>
<td>30,505</td>
<td>-</td>
<td>30,505</td>
</tr>
<tr>
<td>Rental opportunities</td>
<td>198,552</td>
<td>-</td>
<td>198,552</td>
</tr>
<tr>
<td>Homebuyer assistance</td>
<td>176,763</td>
<td>-</td>
<td>176,763</td>
</tr>
<tr>
<td>New home construction</td>
<td>181,478</td>
<td>-</td>
<td>181,478</td>
</tr>
<tr>
<td>Economic development</td>
<td>53,057</td>
<td>-</td>
<td>53,057</td>
</tr>
</tbody>
</table>

**Supporting services:**

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and general</td>
<td>33,755</td>
<td>-</td>
<td>33,755</td>
</tr>
<tr>
<td>Commercial real estate</td>
<td>1,715,114</td>
<td>-</td>
<td>1,715,114</td>
</tr>
<tr>
<td>Total expenses</td>
<td>2,389,224</td>
<td>-</td>
<td>2,389,224</td>
</tr>
</tbody>
</table>

### CHANGE IN NET ASSETS

- 240,743
- 459,145
- 679,888

### NET ASSETS, BEGINNING OF YEAR

- 2,532,475
- 952,670
- 3,465,145

### NET ASSETS, END OF YEAR

- $2,773,218
- $1,371,815
- $4,145,033

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, 2014

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owner</td>
<td>Rental</td>
<td>Homebuyer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Occupied Home</td>
<td>Opportunities</td>
<td>Assistance</td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>$11,412</td>
<td>$4,315</td>
<td>$105,866</td>
<td></td>
</tr>
<tr>
<td>Professional services</td>
<td>95</td>
<td>41,505</td>
<td>12,324</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>103</td>
<td>260</td>
<td>6,793</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>10</td>
<td>22,087</td>
<td>144</td>
<td></td>
</tr>
<tr>
<td>Maintenance and repairs</td>
<td>18,182</td>
<td>52,195</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>25,632</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Supplies</td>
<td>45</td>
<td>583</td>
<td>292</td>
<td></td>
</tr>
<tr>
<td>Printing and postage</td>
<td>32</td>
<td>67</td>
<td>1,636</td>
<td></td>
</tr>
<tr>
<td>Membership dues</td>
<td>-</td>
<td>-</td>
<td>682</td>
<td></td>
</tr>
<tr>
<td>Training</td>
<td>-</td>
<td>-</td>
<td>1,072</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>29,809</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>-</td>
<td>51</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Property tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Homebuyer assistance</td>
<td>-</td>
<td>-</td>
<td>30,000</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>626</td>
<td>22,048</td>
<td>17,954</td>
<td></td>
</tr>
</tbody>
</table>

TOTAL FUNCTIONAL EXPENSES

$30,505          $198,552          $176,763

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>Program Services</th>
<th>Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Management and</td>
</tr>
<tr>
<td></td>
<td>General</td>
</tr>
<tr>
<td>New Home</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>Economic</td>
</tr>
<tr>
<td></td>
<td>Development</td>
</tr>
<tr>
<td>$ 82,136</td>
<td>$ 27,646</td>
</tr>
<tr>
<td>8,525</td>
<td>1,818</td>
</tr>
<tr>
<td>7,201</td>
<td>4,046</td>
</tr>
<tr>
<td>12,986</td>
<td>421</td>
</tr>
<tr>
<td>-</td>
<td>117</td>
</tr>
<tr>
<td>11,044</td>
<td>-</td>
</tr>
<tr>
<td>934</td>
<td>333</td>
</tr>
<tr>
<td>9,578</td>
<td>512</td>
</tr>
<tr>
<td>420</td>
<td>300</td>
</tr>
<tr>
<td>77</td>
<td>2,854</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>18,367</td>
<td>5,278</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>30,210</td>
<td>9,732</td>
</tr>
</tbody>
</table>

| $ 181,478 | $ 53,057 | $ 33,755 | $ 1,715,114 | $ 2,389,224 |
BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES
Cash received from contributors and grants $ 173,778
Cash received from service recipients 2,424,378
Cash received for interest on financing notes 16,264
Cash paid for interest on long-term debt (527,519)
Cash paid to suppliers for goods and services (1,296,078)
Net cash provided by operating activities 790,823

CASH FLOWS FROM INVESTING ACTIVITIES
Cash received from loan repayments 46,867
Cash paid for loan disbursements (52,287)
Cash paid for improvement to property held for sale (459,706)
Cash received from disposal of property held for sale 548,072
Cash paid for property and equipment (169,331)
Net cash used by investing activities (86,385)

CASH FLOWS FROM FINANCING ACTIVITIES
Principal repayments on debt (206,136)
Net cash used by financing activities (206,136)

NET INCREASE IN CASH AND CASH EQUIVALENTS 498,302

CASH AND CASH EQUIVALENTS, BEGINNING 1,894,190

CASH AND CASH EQUIVALENTS, ENDING $ 2,392,492

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES
Change in net assets $ 679,888
Adjustments to reconcile operating income to net cash provided by operating activities:
Depreciation and amortization 474,200
Gain on sale of real property (18,559)
Change in assets and liabilities:
Decrease (increase) in accounts receivable 4,905
Decrease (increase) in grants receivable (358,142)
Decrease (increase) in prepaid expenses 12,973
Increase (decrease) in accounts payable 8,165
Increase (decrease) in accrued liabilities (6,641)
Increase (decrease) in security deposits 7,525
Increase (decrease) in refundable advances (90,421)
Total adjustments 110,935
Net cash provided by operating activities $ 790,823

The notes to the financial statements are an integral part of this statement.
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 (through down payment assistance and mortgages) and new construction.

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

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.

*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 is composed of land and improvements purchased by the Organization for development and sale. These investments are reported at fair value which approximates cost of the investment.
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 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. NOTES RECEIVABLE

The Organization loaned Brazos Valley Community Development Corporation, Inc. $156,980 in a prior fiscal year under a line of credit. This line of credit is not to exceed $500,000 and has a final maturity no later than October 1, 2015. The interest rate on the line of credit is 2% payable quarterly.

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 are $763,200 as of September 30, 2014.

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 $481,561 as of September 30, 2014.
Notes receivable are reported net of an allowance for uncollectible accounts. Allowances for uncollectible accounts include $687,033 for down payment assistance loans and $192,624 for owner occupied home repair loans.

5. NOTES PAYABLE

The Organization’s notes payable at September 30, 2014, consist of the following:

Texas Mezzanine Fund
Payments made on a monthly basis include only interest at 6.0% per annum. Principal and all accrued interest is due on January 1, 2015. $186,667

BB&T
Payments of $58,550 monthly including interest, due December 19, 2020, and secured by Carter Creek Center. Interest rate is 5.64%. 8,702,980

Total
8,889,647

On June 16, 2014, BB&T acquired the assets of Citibank in the Bryan/College Station market. As part of the acquisition, the accounts and loans of the Corporation were transferred to BB&T as of that date.

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

<table>
<thead>
<tr>
<th>Years Ending September 30,</th>
<th>Principal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$397,114</td>
</tr>
<tr>
<td>2016</td>
<td>221,447</td>
</tr>
<tr>
<td>2017</td>
<td>235,802</td>
</tr>
<tr>
<td>2018</td>
<td>249,645</td>
</tr>
<tr>
<td>2019</td>
<td>242,385</td>
</tr>
<tr>
<td>Thereafter</td>
<td>7,543,254</td>
</tr>
<tr>
<td>Total</td>
<td>8,889,647</td>
</tr>
</tbody>
</table>

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization estimates that the fair value of all financial instruments at September 30, 2014, does not differ from the aggregate carrying value of the financial instruments recorded in the accompanying statement of financial position.

7. PROPERTY AND EQUIPMENT

Changes in property and equipment for the year ended September 30, 2014, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>09/30/13</th>
<th>Additions</th>
<th>Retirements</th>
<th>09/30/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$2,253,747</td>
<td>$-</td>
<td>$-</td>
<td>$2,253,747</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>9,662,328</td>
<td>169,331</td>
<td>-</td>
<td>9,831,659</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(2,661,923)</td>
<td>(474,200)</td>
<td>-</td>
<td>(3,136,123)</td>
</tr>
<tr>
<td>Net</td>
<td>$9,254,152</td>
<td>$(364,869)</td>
<td>$-</td>
<td>$8,949,283</td>
</tr>
</tbody>
</table>

Depreciation expense for the year ended September 30, 2014, was $474,200.
8. **GAIN ON SALE OF HOUSING**

   In the current fiscal year, $529,614 of assets were sold for $548,173, resulting in a gain of $18,559. The funds comprising the $529,614 invested in the assets sold consisted of $429,614 of local unrestricted funds and $100,000 of grant funds.

9. **TEMPORARILY RESTRICTED NET ASSETS**

   As of September 30, 2014, temporarily restricted net assets includes $774,294 of grant funding that is currently invested in property that may only be sold to individuals meeting specified eligibility criteria. The remaining balance of temporarily restricted net assets represents funds that the grantor agency has restricted to specific housing activities.

10. **HOME GRANT**

    During fiscal year 2014 the Organization drew down the remainder of the funds provided under the HOME Investment Partnership Program (HOME) grant contract with the Washington County Consortium. This grant contract was not renewed. This grant is used to fund building, buying, and/or rehabilitating affordable housing for rent or home ownership or providing direct rental assistance to low-income individuals. HOME funding accounted for $501,363 of the grant revenue recognized by the Organization in fiscal year 2014 and $150,158 of the grant revenue recognized in fiscal year 2013. This equates to 16% of total revenues in fiscal year 2014 and 6% of total revenues in fiscal year 2013. The Organization is currently endeavoring to expand their housing rehabilitation program through the utilization of alternate revenue streams and by partnering with other entities who are receiving HOME funding.

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, 2014.

12. **SUBSEQUENT EVENTS**

    In preparing these financial statements, subsequent events were evaluated through April 22, 2015, which is the date the financial statements were available to be issued.
INDEPENDENT AUDITORS’ REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Brazos Valley Affordable Housing Corporation (a nonprofit organization), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Signature]

Waco, Texas
April 22, 2015
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Brazos Valley Affordable Housing Corporation’s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Corporation’s major federal programs for the year ended September 30, 2014. The Corporation’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of the Corporation’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.
We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Corporation’s compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

**Report on Internal Control Over Compliance**

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, LP

Waco, Texas
April 22, 2015
<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/ Program Title</th>
<th>Federal CFDA Number</th>
<th>Pass-through Grantor Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through Washington County HOME Consortium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home Investment Partnerships Program</td>
<td>14.239</td>
<td>MC10DC480233</td>
<td>$ 501,363</td>
</tr>
<tr>
<td>Total Passed through Washington County HOME Consortium</td>
<td></td>
<td></td>
<td>501,363</td>
</tr>
<tr>
<td>Total U. S. Department of Housing and Urban Development</td>
<td></td>
<td></td>
<td>501,363</td>
</tr>
<tr>
<td>Total Federal Awards</td>
<td></td>
<td></td>
<td>$ 501,363</td>
</tr>
</tbody>
</table>
BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Brazos Valley Affordable Housing Corporation and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
BRAZOS VALLEY AFFORDABLE HOUSING CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Summary of Auditors' Results

Financial Statements:
Type of auditors' report issued
Unmodified

Internal control over financial reporting:
Material weakness(es) identified?
No

Significant deficiency(ies) identified?
None reported

Noncompliance material to financial statements noted?
None

Federal Awards:
Internal control over major programs:
Material weakness(es) identified?
No

Significant deficiency(ies) identified?
None reported

Type of auditors' report issued on compliance for major programs
Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?
None

Identification of major programs:
CFDA Number(s):
14.239

Dollar threshold used to distinguish between type A and type B federal programs
$300,000

Auditee qualified as low-risk auditee under Section 510(a) of OMB Circular A-133?
No

Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance With Government Auditing Standards
None

Findings and Questioned Costs for Federal Awards
None