

**EL PASO COLLABORATIVE FOR COMMUNITY
AND ECONOMIC DEVELOPMENT**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

AND INDEPENDENT AUDITORS' REPORT



Schmid Broaddus
Nugent Gano PC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
El Paso Collaborative for Community
and Economic Development

We have audited the accompanying statement of financial position of El Paso Collaborative for Community and Economic Development (a non-profit Corporation) for the year ended December 31, 2008, and the related statements of activities, functional expenses, 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 El Paso Collaborative for Community and Economic Development for the year ended December 31, 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.

Schmid, Broaddus, Nugent & Gano PC

April 22, 2009, except for Cash, Accounts Receivable and Temporarily Restricted Net Assets, as to which the date is May 18, 2009.

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**EL PASO COLLABORATIVE FOR COMMUNITY
AND ECONOMIC DEVELOPMENT**

STATEMENT OF FINANCIAL POSITION

December 31, 2008

ASSETS

Current assets:	
Cash and cash equivalents	\$ 391,328
Cash and cash equivalents – temporarily restricted	631,573
Accrued interest receivable	8,053
Accounts and grants receivable	109,880
Notes receivable – current, net of allowance	184,108
Mortgages receivable, current	8,323
Inventories	<u>87,094</u>
Total current assets	1,420,359
Notes receivable, net of current portion	180,630
Mortgages receivable, net of current portion	33,453
Property and equipment, net of depreciation	<u>16,130</u>
Total assets	<u>\$1,650,572</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Current liabilities:	
Notes payable, current	\$ 50,000
Accounts payable	37,851
Accrued liabilities	<u>1,893</u>
Total current liabilities	89,744
Notes payable, net of current maturities	<u>293,880</u>
Total liabilities	<u>383,624</u>
Net assets:	
Unrestricted net assets:	
Designated	192,056
Undesignated	<u>349,439</u>
Total unrestricted net assets	541,495
Temporarily restricted net assets	<u>725,453</u>
Total net assets	<u>1,266,948</u>
Total liabilities and net assets	<u>\$1,650,572</u>

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

**EL PASO COLLABORATIVE FOR COMMUNITY
AND ECONOMIC DEVELOPMENT**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2008

Unrestricted net assets:	
Support and revenues:	
Grants	\$ 380,103
Interest income	42,583
Program income	20,576
Contracted services	16,388
Contributed facilities and services	11,658
Donations	5,021
Other income	464
Net assets released from restriction	<u>361,994</u>
Total unrestricted support	<u>838,787</u>
Expenses:	
Program services	604,500
Supporting services	<u>92,058</u>
Total expenses	<u>696,558</u>
Increase in unrestricted net assets	<u>142,229</u>
Temporarily restricted net assets:	
Grants	519,237
Net assets released from restriction	<u>(361,994)</u>
Increase in temporarily restricted net assets	<u>157,243</u>
Increase in net assets	299,472
Net assets, beginning of year	<u>967,476</u>
Net assets, end of year	<u>\$ 1,266,948</u>

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part of these financial statements.

**EL PASO COLLABORATIVE FOR COMMUNITY
AND ECONOMIC DEVELOPMENT**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2008

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Functional expenses:			
Compensation and related expenses:			
Salaries	\$188,264	\$ 62,754	\$251,018
Payroll taxes and fringe benefits	<u>13,172</u>	<u>4,390</u>	<u>17,562</u>
Total compensation and related expenses	201,436	67,144	268,580
ADDI pass through	210,000		210,000
PATCH program	23,093		23,093
Energy star	21,695		21,695
Other program expense	21,464		21,464
Office expense	16,748	1,860	18,608
TDHCA - DPA program	18,000		18,000
Professional fees	1,067	13,374	14,441
Meetings	14,274		14,274
Consultant services	12,814		12,814
Bad debt expense	10,063		10,063
Rent	6,067	2,988	9,055
Telephone	5,275	2,599	7,874
IDA I	7,420		7,420
IDA II	7,154		7,154
Interest expense	6,033		6,033
Travel	6,013		6,013
Advertising	5,000		5,000
Insurance	2,348	783	3,131
Contract services	2,489		2,489
Dues and subscriptions		1,739	1,739
Revolving loan costs	947		947
Equipment lease	432	434	866
Miscellaneous	<u> </u>	<u>618</u>	<u>618</u>
Total expenses before depreciation	599,832	91,539	691,371
Depreciation	<u>4,668</u>	<u>519</u>	<u>5,187</u>
	<u>\$604,500</u>	<u>\$ 92,058</u>	<u>\$696,558</u>

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

**EL PASO COLLABORATIVE FOR COMMUNITY
AND ECONOMIC DEVELOPMENT**

STATEMENT OF CASH FLOWS

Year Ended December 31, 2008

Cash flows from operating activities:	
Change in net assets	\$ 299,472
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	5,187
Bad debt expense	10,063
(Increase) decrease in:	
Inventories	(13,564)
Accounts and grants receivable	76,890
Increase in:	
Accounts payable	39,323
Accrued expenses	<u>421</u>
Net cash provided by operating activities	<u>417,792</u>
Cash flows from investing activities:	
Purchase of fixed assets	(1,435)
Notes and mortgages receivable	(342,271)
Payments received on notes and mortgages receivable	<u>196,628</u>
Net cash used in investing activities	<u>(147,078)</u>
Cash flows from financing activities:	
Proceeds from notes payable	<u>93,880</u>
Net cash provided by financing activities	<u>93,880</u>
Net increase in cash and cash equivalents	364,594
Cash and cash equivalents, beginning of year	<u>658,307</u>
Cash and cash equivalents, end of year	<u>\$1,022,901</u>
Supplemental Information:	
Interest paid	<u>\$ 6,033</u>

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

**EL PASO COLLABORATIVE FOR COMMUNITY
AND ECONOMIC DEVELOPMENT**

NOTES TO FINANCIAL STATEMENTS

**NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Purpose – El Paso Collaborative for Community and Economic Development (the Organization), is a Texas non-profit corporation organized and operated for the purpose of increasing the availability and quality of affordable housing for lower income families in the El Paso, Texas geographical area. To achieve this, the Organization serves as a resource organization that provides funding, technical support, and advocacy for community-based non-profit organizations, known as community development corporations (CDC's) that produce affordable housing for low-income families. Sources of revenue include federal and private grants, donations, and program income.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of six months or less to be cash equivalents.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, and permanently restricted support depending on the existence and/or nature of any donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit or designate the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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. The Organization presents restricted support whose restrictions are met within the same reporting period as received, as unrestricted support.

Inventories – Inventories, which consist of land and land improvements, are valued at the lower of cost or market using the specific identification method.

(Continued)

**EL PASO COLLABORATIVE FOR COMMUNITY
AND ECONOMIC DEVELOPMENT**

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

**NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Contributed Furniture and Equipment – Donations of furniture and equipment (non-cash contributions) are recorded as an asset and as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use must be reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization, at its direction, reports expirations of donor restrictions and reclassifies those donated assets to unrestricted net assets at that time. Furniture and equipment are depreciated using the straight-line method over their estimated useful lives.

Notes and Mortgages Receivable – Notes and mortgages receivable are carried at their estimated collectible amounts. Interest income on notes and mortgages receivable is recognized using the interest method over the life of the loan. Loan origination costs are recognized at the time the loan is made since many of the loan terms are less than one year. Interest income on impaired loans is recognized as cash is collected or on a cost recovery basis. Provisions for losses on loans receivable are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral, and current economic conditions. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with contractual terms. Loans determined to be uncollectible are written off.

The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. The allowance for loan losses was \$18,900 at December 31, 2008. There were no loans on nonaccrual status as of December 31, 2008. Loans receivable in the amount of \$3,047 were 90 days or more past due and \$294,220 in loans were collateralized at December 31, 2008.

Furniture and Equipment – Furniture and equipment are stated at cost or estimated fair market value at the date of donation. Depreciation is computed based on expected useful lives as follows:

<u>Assets</u>	<u>Lives</u>	<u>Method</u>
Office equipment and furniture	5-7 Years	Straight-Line

Maintenance, repairs and minor replacements are charged to operations as incurred; major replacements and betterments are capitalized. The cost and accumulated depreciation of property retired or sold is removed from the respective accounts and gains and losses are included in the statement of activities. All assets with a cost or estimated value of \$150 are capitalized.

(Continued)

**EL PASO COLLABORATIVE FOR COMMUNITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

**NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

Functional Allocation of Expenses – The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status – The Organization is a non-profit organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3). In addition, the Organization has been determined by the Internal Revenue Service to be other than a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2008.

Compensated Absences – The Organization leases its employees from an employee leasing company. The leased employees are entitled to sick leave after they have been with the Organization for 90 days. The Organization’s policy is to recognize the costs of compensated absences when the amount is paid to the employee leasing company.

Reclassifications – Certain items have been reclassified in 2007, so that they are comparable to the 2008 presentation.

TEMPORARILY RESTRICTED CASH

Temporarily restricted cash consisted of the following at December 31, 2008:

Community Development Financial Institutions	\$ 406,169
Assets for Independence	223,657
Other	<u>1,747</u>
	<u>\$ 631,573</u>

(Continued)

**EL PASO COLLABORATIVE FOR COMMUNITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTES RECEIVABLE, NET

Notes receivable consist of loans made to individuals for the purpose of infrastructure improvements. The loans range from \$100 to \$5,250, for a term of six to 24 months, at 10% interest per annum. Payments of principal and interest range from \$17 to \$148 per month. It is the policy of the Organization to obtain collateral on those loans in which operating funds of the Organization are used to fund the loans. If funding to originate a loan is obtained from a grantor or other third party by the Organization, collateral is not required. For the year ended December 31, 2008, the majority of the loans were unsecured.

The Organization has a note receivable due from Karma-JKS Properties, Inc., a Texas Corporation for the purpose of infrastructure improvements. The loan is for \$300,000, for a term of nine months, at 10 % per annum, with interest payable quarterly. The principal is due on June 30, 2009. The loan is secured by a deed of trust. The loan balance at December 31, 2008 amounted to \$19,444.

The Organization also has a note receivable due from Tierra Del Sol Housing Corporation. The loan is for \$233,000, for a term of 2 years, at 5 % per annum, with interest payable at maturity. The principal is due November 26, 2010. The loan is secured by a deed of trust.

Notes receivable, net, consisted of the following at December 31, 2008:

Notes receivable	\$383,638
Less allowance for uncollectible loans	<u>18,900</u>
	364,738
Less notes receivable, current	<u>184,108</u>
Total notes receivable, net of current portion	<u>\$180,630</u>

MORTGAGES RECEIVABLE

Mortgages receivable consisted of the following at December 31, 2008:

Mortgage receivable, 6.25% interest, dated June 30, 2003, in the original amount of \$35,000, from an individual, due in monthly installments of \$397, including interest, until maturity in June, 2013, collateralized by real property located at 12116 Rinaldi Drive.	\$13,974
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**EL PASO COLLABORATIVE FOR COMMUNITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

MORTGAGES RECEIVABLE (continued)

Mortgage receivable, 6.25% interest, dated May 20, 2004, in the original amount of \$34,537, drawn to date in the amount of \$32,867, from an individual, due in monthly installments of \$296, including interest, until maturity in November, 2019, collateralized by real property located at 324 Citadel.	<u>27,802</u>
Total mortgages receivable	41,776
Less mortgages receivable, current	<u>8,323</u>
Mortgages receivable, net of current portion	<u>\$33,453</u>

GRANTS RECEIVABLE

Grants receivable consisted of amounts due from Texas Department of Housing and Community Affairs. Management considers all grants receivable to be collectible at December 31, 2008.

INVENTORIES

Inventories consisted of the following at December 31, 2008:

1501 Seminole property	\$69,850
881 Luisa Guerra property	<u>17,244</u>
Total	<u>\$87,094</u>

(Continued)

**EL PASO COLLABORATIVE FOR COMMUNITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following at December 31, 2008:

<u>Description</u>	
Equipment	\$ 77,288
Furniture	<u>8,601</u>
	85,889
Less accumulated depreciation	<u>(69,759)</u>
Furniture and equipment, net	\$ <u>16,130</u>

Depreciation expense for the year ended December 31, 2008, was \$5,187.

DONATED FACILITIES AND PROFESSIONAL FEES

The Organization leased office space from El Paso Workforce Collaborative, L.L.C., at a reduced rental rate. The approximate fair value of the rental reduction was \$4,578 for the year ended December 31, 2008. The rental reduction is included as in-kind revenues and expenses.

The Organization received in-kind accounting services in the amount of \$7,080, for the year ended December 31, 2008.

NOTES PAYABLE

Notes payable consisted of the following at December 31, 2008:

Texas Rural Communities, Inc., stated interest rate at 4%, payable quarterly. Principal is payable in full on November 1, 2009. Secured by security interest in personal property.	\$ 50,000
Wells Fargo Community Development Corp., stated interest rate at 2%, payable quarterly. Principal is payable in full February, 2016. Note is unsecured.	200,000

(Continued)

**EL PASO COLLABORATIVE FOR COMMUNITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTES PAYABLE (continued)

Community Development Financial Institutions Fund, stated interest rate at 2%, payable quarterly. Principal is payable in full on January 5, 2018. Note is unsecured.	<u>93,880</u>
	343,880
Note payable current	<u>50,000</u>
Note payable, net of current maturities	<u>\$293,880</u>

Future maturities on long-term debt are as follows:

<u>December 31</u>	
2009	\$ 50,000
2016 and thereafter	<u>293,880</u>
	<u>\$343,880</u>

COMMITMENTS AND CONTINGENCIES

Grantor agencies reserve the right to perform additional work. Disallowed costs, if any, resulting from such work, must be absorbed by the Organization. Management does not believe that any significant costs will be incurred as a result of such additional work.

LEASED EMPLOYEES

The Organization leases all its employees from R.M. Personnel, Inc. (Company). The term of the agreement is May 1, 2008 through May 1, 2009, and automatically renews for another year unless terminated. Either party may terminate the agreement for any reason with 30 days notice. The Organization pays the Company a monthly service fee in addition to the leased employee's salary and fringe benefits.

DEFINED CONTRIBUTION PLAN

In 2003, the Organization obtained a defined contribution plan for its leased employees. Employees are eligible to participate if they are reasonably expected to receive \$5,000 in compensation for the current year and have received at least \$5,000 in compensation in the previous calendar year.

Total contributions made by the Organization in 2008, amounted to \$3,413.

(Continued)

**EL PASO COLLABORATIVE FOR COMMUNITY
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**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2008, consisted of funds temporarily restricted for the following purposes:

Revolving loan funds	\$500,049
Assets for Independence	223,657
Other funds	<u>1,747</u>
	<u>\$725,453</u>

Temporarily restricted net assets were released from restriction in the following amounts during the year ended December 31, 2008:

Revolving loan funds	\$323,227
Assets for Independence	<u>38,767</u>
	<u>\$361,994</u>

CONCENTRATION OF CREDIT RISK

The Organization invests some of its funds in money market funds. Money market funds generally invest in highly liquid U.S. Government and agency obligations. Investments in these funds are not insured or guaranteed by the U.S. Government, however, management believes that the credit risk associated with these investments is minimal. The balance invested in money market funds at December 31, 2008, amounted to \$68,348.

The Organization maintains one checking account with a financial institution in which the balance in the account exceeded the FDIC insured amount (\$250,000) by \$330,050 at December 31, 2008. Management believes that the credit risk associated with this checking account is minimal.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments" requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts and loans receivable, and other short-term assets and liabilities.

MAJOR SUPPORT

Approximately 79% of total support was received from the following sources:

Community Development Financial Institutions	49%
Texas Department of Housing and Community Affairs	<u>30%</u>
Total	<u>79%</u>