

**El Paso Collaborative for Community
and Economic Development
Financial Statements
for the Year Ended
December 31, 2010
and Independent Auditors' Report**

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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 nonprofit organization) as of December 31, 2010, 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 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 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 the 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 as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2011, on our consideration of El Paso Collaborative for Community and Economic Development'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 and should be considered in assessing the results of our audit.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

August 19, 2011
El Paso, Texas

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2010

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 408,895
Cash and cash equivalents - temporarily restricted	631,515
Accrued interest receivable	8,053
Grants receivable	207,161
Notes receivable, current, net of allowance	65,702
Mortgages receivable, current	6,553
Inventory	<u>17,526</u>

Total current assets 1,345,405

Notes receivable, net of current portion	315,687
Mortgages receivable, net of current portion	68,117
Furniture and equipment, net	<u>10,692</u>

TOTAL ASSETS \$ 1,739,901

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 22,203
Accrued expenses	<u>1,568</u>

Total current liabilities 23,771

NOTES PAYABLE 293,881

Total liabilities 317,652

NET ASSETS:

Unrestricted	583,573
Temporarily restricted	<u>838,676</u>

Total net assets 1,422,249

TOTAL LIABILITIES AND NET ASSETS \$ 1,739,901

See accompanying notes to financial statements and auditors' report.

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2010

Unrestricted net assets:	
Support and revenues:	
Grants	\$ 1,015,996
Interest income	36,392
Contributed facilities and services	8,717
Program income	12,191
Contract services	3,188
Donations	3,215
Net assets released from restriction	<u>146,551</u>
Total unrestricted support	<u>1,226,250</u>
EXPENSES:	
Program services	1,085,826
Support services	<u>84,000</u>
Total expenses	<u>1,169,826</u>
Change in unrestricted net assets	56,424
Temporary restricted net assets:	
Grants	19,187
Net assets released from restriction	<u>(146,551)</u>
Change in temporary restricted net assets	<u>(127,364)</u>
Change in net assets	<u>(70,940)</u>
NET ASSETS, Beginning of year	<u>1,493,189</u>
NET ASSETS, End of year	<u>\$ 1,422,249</u>

See accompanying notes to financial statements and auditors' report.

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Services	Support Services	Total Programs
Salary and related expenses:			
Salaries and wages	\$ 166,104	\$ 55,368	\$ 221,472
Payroll taxes and fringe benefits	<u>13,837</u>	<u>4,612</u>	<u>18,449</u>
Total salaries and related expenses	179,941	59,980	239,921
Other operational expenses:			
ADDI pass through	110,750	-	110,750
NSP2	176,845	-	176,845
IDA II	54,584	-	54,584
Professional fees	558	6,991	7,549
Consultant services	6,745	-	6,745
Other program expense	12,988	-	12,988
RHED MH replacement	49,667	-	49,667
TDHCA	367,051	-	367,051
Rent	7,195	3,544	10,739
Office expense	20,493	2,278	22,771
Meeting	3,211	-	3,211
Interest expense	5,876	-	5,876
Telephone	4,004	1,973	5,977
Advertising	1,167	-	1,167
Bad debt expense	75,135	-	75,135
Dues and subscriptions	-	1,849	1,849
Insurance	2,807	934	3,741
Revolving loan costs	1,040	-	1,040
Equipment lease	504	506	1,010
Miscellaneous	-	5,360	5,360
Depreciation	<u>5,265</u>	<u>585</u>	<u>5,850</u>
Total other operational expenses	<u>905,885</u>	<u>24,020</u>	<u>929,905</u>
Total functional expenses	<u>\$ 1,085,826</u>	<u>\$ 84,000</u>	<u>\$ 1,169,826</u>

See accompanying notes to financial statements and auditors' report.

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (70,940)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	5,850
Bad debt expense	75,135
Changes in assets and liabilities:	
Grants receivable	311,772
Accounts payable	(2,557)
Accrued expenses	<u>533</u>
Net cash provided by operating activities	319,793
CASH FLOWS FROM INVESTING ACTIVITIES:	
Advances on notes and mortgage receivable	(160,187)
Payments received on notes and mortgage receivable	119,358
Purchase of property and equipment	<u>(5,471)</u>
Net cash used in investing activities	(46,300)
NET INCREASE IN CASH AND CASH EQUIVALENTS	273,493
CASH AND CASH EQUIVALENTS - Beginning of year	<u>766,917</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 1,040,410</u>
SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid for interest	\$ 5,876

See accompanying notes to financial statements and auditors' report.

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

1. NATURE OF OPERATIONS

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting 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.

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 Receivables - 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 \$77,860 at December 31, 2010. There were no loans on nonaccrual status as of December 31, 2010. Loans receivable in the amount of \$3,502 were 90 days or more past due and \$412,159 in loans were collateralized at December 31, 2010.

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 \$5,000 are capitalized.

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, 2010.

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.

Advertising Cost - The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2010 was \$1,167.

Analysis for Impairment - Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such assets at December 31, 2010.

Subsequent Events - Management has evaluated subsequent events through August 19, 2011, the date of the financial statements were available to be issued.

3. TEMPORARILY RESTRICTED CASH

Temporarily restricted cash consisted of the following at December 31, 2010:

Assets for independence	\$ 94,257
Community Development Financial Institution	369,322
Wells Fargo	164,650
Escrow	3,286
	<u>\$ 631,515</u>

4. 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, 2010, amounted to \$18,900.

The Organization maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Organization has not experienced any loss in such accounts. As of December 31, 2010, the uninsured balance is \$579,937. The Organization believes it is not exposed to any significant credit risk on its cash balances.

5. NOTES RECEIVABLE

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, 2010, the majority of the loans were unsecured.

The Organization has a note receivable due from Centro del Obrero Fronterizo, Inc. The loan is for \$291,000, for a term of 81 months, at 7.50 %, with interest payable monthly. The principal is due June 6, 2016. The loan is secured by property. The loan balance at December 31, 2010 amounted to \$283,818.

The Organization has a note receivable due from an individual for the purpose of a business venture. The loan is for \$50,000 for a term of five years, at 10% interest, paid in monthly installments of \$1,062 including interest. The loan is secured by furniture and equipment. The loan balance at December 31, 2010 amounted to \$36,741.

Notes receivable, net, consisted of the following at December 31, 2010:

Notes receivable	\$ 459,249
Less allowance for uncollectible loans	<u>(77,860)</u>
	381,389
Less notes receivable, current	<u>65,702</u>
Total notes receivable, net of current portion	<u>\$ 315,687</u>

6. MORTGAGE RECEIVABLE

Mortgages receivable consisted of the following at December 31, 2010:

Mortgage receivable, 6.00% interest, dated March 06, 2006, in the original amount of \$20,963, from an individual, due in monthly installments of \$294, including interest, until maturity in June, 2013, collateralized by real property located at 12116 Rinaldi Drive.	\$ 8,539
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.	24,172
Mortgage receivable, 5.50% interest, dated December 21, 2009, in the original amount of \$45,452, from an individual, due in monthly installments of \$313, including interest, until maturity in February, 2022, collateralized by real property located at 258 Sandy Hills Lane.	<u>41,959</u>
Total mortgage receivable	<u>74,670</u>
Less current maturities	<u>6,553</u>
Mortgage receivable, noncurrent portion	<u>\$ 68,117</u>

7. GRANT RECEIVABLE

Grants receivable consisted of amounts due from the Community Development Financial Institutions Fund, the Department of Housing and Urban Development and the Federal Home Loan Bank of Dallas. Management considers all grants receivable to be collectible at December 31, 2010.

8. INVENTORY

Inventories consisted of the following at December 31, 2010:

811 Luisa Guerra property \$ 17,526

9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2010:

	2010
Equipment	\$ 83,539
Furniture	<u>8,601</u>
Total	92,140
Less accumulated depreciation	<u>81,448</u>
Total	<u>\$ 10,692</u>

Depreciation expense for the year ended December 31, 2010 was \$5,850.

10. 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 \$6,984 for the year ended December 31, 2010. The rental reduction is included as in-kind revenues and expenses.

The Organization received in-kind accounting services in the amount of \$1,733 for the year ended December 31, 2010.

11. NOTES PAYABLE

Notes payable consisted of the following at December 31, 2010:

Wells Fargo Community Development Corp., stated interest rate at 2%, payable quarterly. Principal is payable in full February, 2016. Note is unsecured.	\$ 200,000
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>93,881</u>
Total notes payable	<u>293,881</u>
Less current maturities	<u>-</u>
Notes payable, noncurrent portion	<u>\$ 293,881</u>

Maturities of notes payable are as follows:

Year Ending December 31,

2016 and thereafter \$ 293,881

12. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2010, consisted of funds temporarily restricted for the following purposes:

Assets for independence	\$ 301,418
Community Development Financial Institution	369,322
Wells Fargo Bank	164,650
Escrow	<u>3,286</u>
	<u>\$ 838,676</u>

Temporarily restricted net assets were released from restriction in the following amounts during the year ended December 31, 2010:

Revolving loan funds	<u>\$ 146,551</u>
	<u>\$ 146,551</u>

13. 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.

14. LEASE EMPLOYEES

The Organization leases all its employees from RM. Personnel, Inc. (Company). The term of the agreement is May 1, 2010 through May 1, 2011, 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.

15. 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 2010, amounted to \$3,683.

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2010

Name of Agency Department and Program	Federal CFDA Number	Award Amount	Expenditures
U.S. Department of Treasury Community Development Financial Institutions Program	21.020	\$ 500,000	\$ 240,645
U.S. Department of Housing and Urban Development Rural Housing and Economic Development Program	14.250	\$ 300,000	\$ 101,462
Neighborhood Stabilization Program 2 (NSP2) ARRA	14.256	10,191,000	158,935
Passed through Texas Department of Housing and Community Affairs Home Investment Partnerships Program	14.239	<u>1,042,005</u>	<u>433,463</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 11,533,005</u>	<u>\$ 693,860</u>
Total Federal Assistance		<u>\$ 12,033,005</u>	<u>\$ 934,505</u>

See accompanying notes to schedule of expenditures of federal awards.

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

SUPPLEMENTARY INFORMATION NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2010

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the El Paso Collaborative for Community and Economic Development under programs of the federal government for the year ended December 31, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the El Paso Collaborative for Community and Economic Development, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the El Paso Collaborative for Community and Economic Development.

FEDERAL LOAN OUTSTANDING

El Paso Collaborative for Community and Economic Development had the following loan balance outstanding at December 31, 2010. This loan balance is also included in the schedule of expenditures of federal awards.

Program Title:	Federal CFDA Number	Amount Outstanding
Community Development Financial Institutions Program	21.020	\$ <u>93,881</u>

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 of
El Paso Collaborative for Community and Economic Development

We have audited the financial statements of El Paso Collaborative for Community and Economic Development (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated August 19, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered El Paso Collaborative for Community and Economic Development's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Paso Collaborative for Community and Economic Development's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether El Paso Collaborative for Community and Economic Development's financial statements are free of 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*.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

El Paso, Texas
August 19, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

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

Compliance

We have audited El Paso Collaborative for Community and Economic Development's (a nonprofit organization) 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 El Paso Collaborative for Community and Economic Development's major federal programs for the year ended December 31, 2010. El Paso Collaborative for Community and Economic Development's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of El Paso Collaborative for Community and Economic Development's management. Our responsibility is to express an opinion on El Paso Collaborative for Community and Economic Development's compliance based on our audit.

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 El Paso Collaborative for Community and Economic Development'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. Our audit does not provide a legal determination of El Paso Collaborative for Community and Economic Development's compliance with those requirements.

In our opinion, El Paso Collaborative for Community and Economic Development complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of El Paso Collaborative for Community and Economic Development is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered El Paso Collaborative for Community and Economic Development's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 El Paso Collaborative for Community and Economic Development'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

El Paso, Texas
August 19, 2011

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS DECEMBER 31, 2010

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs

- Material weakness (es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Type of auditors' report issued on compliance with major programs: **Unqualified**

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of Major Programs:

CFDA Number

14.239

Name of Federal Program or Cluster

Home Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000

Auditee qualified as low-risk auditee Yes No

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Section II - Financial Statements Findings and Questioned Costs.

None.

Prior Year Financial Statements Findings and Questioned Costs.

None.