El Paso Collaborative for Community and Economic Development

Financial Statements
for the Years Ended
December 31, 2014, and 2013
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

Report on the Financial Statements

We have audited the accompanying financial statements of El Paso Collaborative for Community and Economic Development (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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 El Paso Collaborative for Community and Economic Development as of December 31, 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 March 1, 2015, 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* in considering El Paso Collaborative for Community and Economic Development's internal control over financial reporting and compliance.

El Paso, Texas
March 1, 2015

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	$ 89,514	$ 108,214
Cash and cash equivalents - temporarily restricted	438,760	607,387
Grants receivable	46,751	60,508
NSP grants advance construction	-	12,704
NSP loan receivable, current	167,095	2,399,786
Notes receivable, current, net of allowance	212,030	108,197
Mortgages receivable, current	18,623	17,597
Other receivables	4,242	295
Total current assets	977,015	3,314,688
NSP loan receivable, net of current portion	1,025,124	1,300,316
Notes receivable, net of current portion	118,579	155,903
Mortgages receivable, net of current portion	185,365	187,136
Property and equipment, net	1,584,644	1,354,301
TOTAL ASSETS	$ 3,890,727	$ 6,312,344

LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 30,163	$ 58,172
Accrued expenses	4,563	7,821
Total current liabilities	34,726	65,993
Notes payable, net of current portion	293,881	293,881
NSP forgivable loans	1,190,260	1,293,663
Total liabilities	1,518,867	1,653,537
NET ASSETS:		
Unrestricted	37,084	94,975
Temporarily restricted	2,334,776	4,563,832
Total net assets	2,371,860	4,658,807
TOTAL LIABILITIES AND NET ASSETS	$ 3,890,727	$ 6,312,344

See accompanying notes to financial statements and independent auditors' report.

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Unrestricted net assets:		
Support and revenues:		
Grants	$ 482,322	$ 173,730
Interest income	35,389	39,398
In-kind revenue	2,000	5,600
Program income	180,326	123,997
Donations	2,426	117
Other income	4,173	1,566
Net assets released from restriction	3,071,201	3,960,041
Total unrestricted support	3,777,837	4,304,449
EXPENSES:		
Program services	3,586,531	4,552,148
Support services	71,952	99,970
Total expenses	3,658,483	4,652,118
Change in unrestricted net assets	119,354	(347,669)
Temporarily restricted net assets:		
Grants	664,900	4,086,783
Net assets released from restriction	(3,071,201)	(3,960,041)
Change in temporarily restricted net assets	(2,406,301)	126,742
Change in net assets	(2,286,947)	(220,927)
NET ASSETS, Beginning of year	4,658,807	4,879,734
NET ASSETS, End of year	$ 2,371,860	$ 4,658,807

See accompanying notes to financial statements and independent auditors' report.

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services	Support Services	Total Programs
Salary and related expenses:			
Salaries and wages	$ 339,502	$ 20,859	$ 360,361
Payroll taxes and fringe benefits	66,071	20,037	86,108
Total salaries and related expenses	405,573	40,896	446,469
Other operational expenses:			
TDHCA	393,734	-	393,734
NSP2	2,616,114	-	2,616,114
IDA	19,588	-	19,588
TSHAC	24,094	-	24,094
Professional fees	8,105	1,845	9,950
Consultant services	4,608	-	4,608
In-kind expense	2,000	-	2,000
Bank fees	-	1,946	1,946
Computer service	6,765	2,444	9,209
Rent	11,715	3,285	15,000
Office expense	2,834	973	3,807
Financial literacy	1,200	-	1,200
Other rental expense	17,671	-	17,671
Meeting	208	1,558	1,766
Interest expense	-	5,876	5,876
Telephone	4,208	2,632	6,840
Bad debt expense	10,450	-	10,450
Dues and subscriptions	4,419	485	4,904
Insurance	2,978	1,183	4,161
Payroll service	11,307	3,136	14,443
Mileage	1,955	1,015	2,970
Other expenses	867	663	1,530
Depreciation	36,138	4,015	40,153
Total other operational expenses	3,180,958	31,056	3,212,014
Total functional expenses	$ 3,586,531	$ 71,952	$ 3,658,483

See accompanying notes to financial statements and independent auditors' report.

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services	Support Services	Total Programs
Salary and related expenses:			
Salaries and wages	$ 401,669	$ 50,944	$ 452,613
Payroll taxes and fringe benefits	90,109	15,606	105,715
Total salaries and related expenses	491,778	66,550	558,328
Other operational expenses:			
CDFI	1,879	-	1,879
TDHCA	310,935	-	310,935
NSP2	3,523,961	-	3,523,961
IDA III	11,858	-	11,858
SNAP	4,761	-	4,761
TSHAC	688	-	688
Act vet	24,180	-	24,180
Fresh start	80,589	-	80,589
Professional fees	5,479	3,321	8,800
Consultant services	19,412	-	19,412
Other program expense	3,670	-	3,670
Bank fees	-	2,508	2,508
Computer service	9,048	2,115	11,163
Rent	8,419	3,281	11,700
Office expense	6,145	1,529	7,674
In-kind expense	5,600	-	5,600
Meeting	119	980	1,099
Interest expense	-	5,876	5,876
Telephone	4,368	2,115	6,483
Advertising	-	2,400	2,400
Dues and subscriptions	2,583	1,404	3,987
Insurance	1,986	365	2,351
Payroll service	15,443	2,267	17,710
Mileage	3,460	2,197	5,657
Travel	3,256	1,990	5,246
Other expenses	3,276	56	3,332
Depreciation	9,255	1,016	10,271
Total other operational expenses	4,060,370	33,420	4,093,790
Total functional expenses	$ 4,552,148	$ 99,970	$ 4,652,118

See accompanying notes to financial statements and independent auditors' report.

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (2,286,947)	$ (220,927)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	28,274	10,271
Changes in assets and liabilities:		
Inventory	-	620,212
Grants receivable	13,757	(1,021)
Other assets	(3,947)	2,770
Accounts payable	(28,009)	(17,698)
Accrued expenses	(3,258)	4,224
Net cash provided by (used in) operating activities	(2,280,130)	397,831
CASH FLOWS FROM INVESTING ACTIVITIES:		
Issuance of notes and mortgage receivable	(210,000)	(16,803)
Payments received on notes and mortgage receivable	144,236	84,682
NSP program loans	2,520,587	594,946
Purchase of property and equipment	(258,617)	(1,361,714)
Net cash provided by (used in) investing activities	2,196,206	(698,889)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Forgiven NSP loans	(103,403)	276,321
Net cash provided by (used in) financing activities	(103,403)	276,321
NET DECREASE IN CASH AND CASH EQUIVALENTS	(187,327)	(24,737)
CASH AND CASH EQUIVALENTS - Beginning of year	715,601	740,338
CASH AND CASH EQUIVALENTS - End of year	$ 528,274	$ 715,601
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 5,876	$ 5,876

See accompanying notes to financial statements and independent auditors' report.

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 facilitating affordable housing, small business and economic development in El Paso and contiguous counties. The Organization serves the geographic, racial, ethnic and cultural diversity of its service area. It implements its community development mission by providing loan products and development services, and assistance to homeowners and potential home buyers. Sources of revenue include federal, state 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 Property and Equipment* -** Donations of property 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. Property 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. 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 $25,651 and $76,155 at December 31, 2014 and 2013, respectively. There were no loans on nonaccrual status as of December 31, 2014 and 2013. Loans receivable in the amount of $534,597 and $468,834 in loans were collateralized at December 31, 2014 and 2013, respectively.

With the implementation of the Neighborhood Stabilization Program (NSP) in 2011, new loan products were added – loans to NSP Developers and Consortium Members. The majority of the loans are for home ownership development, with a small number reserved for single-family scattered site rentals. For its 3 non-profit Consortium Members, loans were made to acquire and rehabilitate foreclosed properties. These loans were completely forgivable. For its for-profit developer partners, the Organization made loans to acquire and rehabilitate foreclosed properties at .005% (1/2 %) interest for terms of 6 months. Loans to Consortium Members for rental properties carry zero percent interest and 15 year terms. At the end of the 15-year period, the Organization will release its liens on these properties, with no expectation of payments if properties were used for purposes and clients intended. For home ownership development, loans made to Habitat for Humanity El Paso carry zero percent interest and 6-month terms. Liens are released at the time of home buyer purchase. Loan repayment for home ownership loans to for-profit developers is made at the time of home buyer purchase. If the amount available from the sale of the property is less than the loan amount, the Organization collects the funds available at closing, forgives the remainder and releases the lien. The balance of NSP loans at December 31, 2014 and 2013 amounted to $1,192,219 and $3,700,102, respectively. The forgivable portion of the loans at December 31, 2014 and 2013 amounted to $1,025,124 and $1,300,316, respectively.

During 2014, a change was made for certain loans made to two NSP2 Consortium Members. These loans were recognized as contingent assets, as they are not considered assets of the Organization.

Property and Equipment **-** Property 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:

Assets	**Lives**	**Method**
Furniture and equipment	5-7 Years	Straight -Line
Rental properties	39 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 qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

In general, federal income tax returns are subject to a 3 year statute of limitation from the filing date. The Organization believes it is no longer subject to examination by tax authorities for the years 2011 for federal.

Compensated Absences **-** The Organization co-employs its employees with a professional employment organization. The employees are entitled to accrued vacation and 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 employment organization.

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, 2014 and 2013 were $0 and $2,400, respectively.

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, 2014 and 2013.

Reclassifications **-** Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events **-** Management has evaluated subsequent events through March 1, 2015, 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:

	2014	2013
IDA program	$ 14,324	$ 33,912
Revolving Loan Fund	415,108	500,778
NSP program	7,425	65,317
Escrow	1,903	7,380
	$ 438,760	$ 607,387

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, 2014 and 2013, amounted to $401,213 and $334,139, respectively.

The Organization maintains cash balances at three financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to $250,000, and by the National Credit Union Administration (NCUA insured) up to $250,000. The Organization has not experienced any loss in such accounts. At various points during the years ended December 31, 2014 and 2013, the Organization's cash balances exceeded the FDIC and NCUA insured balances. The Organization believes it is not exposed to any significant credit risk on its cash balances.

5. NOTES RECEIVABLE

Notes receivable consists of various secured and non-secured loans for the purpose of home improvements, micro- and small business loans, community facility loans, and affordable housing development loans. Home improvement loans are small loans made to individuals for a term of six to thirty-six months, at 10% interest per annum.

The Organization has a note receivable due from an organization. The loan is for $291,000, for a term of 81 months, at 7.50 %, paid in monthly installments. The principal is due June 6, 2016. The loan is secured by a junior lien on real property. The loan balance at December 31, 2014 and 2013 amounted to $168,260 and $208,574, respectively.

The Organization has a note receivable due from a company for the purpose of a business venture. The loan is for $12,008 for a term of 12 months, at 10%, with interest payable monthly. The loan is secured by accounts receivable. The loan balance at December 31, 2014 and 2013 amounted to $6,725 and $0, respectively.

The Organization has a note receivable due from an individual for the purpose of a home improvement. The loan is for $2,000 for a term of 36 months, at 10 % interest, paid in monthly installments of $65 including interest. The loan is secured with collateral. The loan balance at December 31, 2014 and 2013 amounted to $436 and $1,175, respectively.

The Organization has a note receivable due from an individual for the purpose of a home improvements. The loan is for $2,000, for a term of 24 months, at 9.75 % interest, paid in monthly installments of $92 including interest. The loan is secured with collateral. The loan balance at December 31, 2014 and 2013 amounted to $104 and $1,154, respectively.

The Organization has a note receivable due from an individual for the purpose of a home improvments. The loan is for $2,900 for a term of 24 months, at 10 % interest, paid in monthly installments of $134 including interest. The loan is unsecured. The loan balance at December 31, 2014 and 2013 amounted to $1,816 and $2,864, respectively.

The Organization has a line of credit due from a company for the purpose of a real estate, affordable housing. The loan is a line of credit at 1 % interest, due upon sale of real property. The balance is secured by real property. The balance at December 31, 2014 and 2013 amounted to $159,468 and $0, respectively.

The Organization has a note receivable due from an individual for the purpose of a home improvement. The loan is for $4,850, for a term of 24 months, at 10% interest, paid in monthly installments of $224 including interest. The loan is secured with collateral. The loan balance at December 31, 2014 and 2013 amounted to $2,425 and $0, respectively.

The Organization has a note receivable due from a company for the purpose of a business venture. The loan is for $9,000, for a term of 36 months, at 8.25 % interest, paid in monthly installments of $283 including interest. The loan is an unsecured loan. The loan balance at December 31, 2014 and 2013 amounted to $6,567 and $0, respectively.

The Organization has a note receivable due from an individual for the purpose of a home improvement. The loan is for $1,000, for a term of 6 months, at 10 % interest, paid in monthly installments of $171 including interest. The loan is an unsecured loan. The loan balance at December 31, 2014 and 2013 amounted to $672 and $0, respectively.

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

	2014	**2013**
Notes receivable	$ 346,472	$ 311,849
Less allowance for uncollectible loans	(15,863)	(47,749)
	330,609	264,100
Less notes receivable, current	212,030	108,197
Total notes receivable, net of current portion	$ 118,579	$ 155,903

Maturities of notes receivable excluding allowance for uncollectible loans are as follows:

Year Ending December 31,

2015	$ 212,030
2016	134,061
2017	381
Total	$ 346,472

6. MORTGAGES RECEIVABLE

Mortgages receivable consisted of the following at December 31:

	2014	2013
Mortgage receivable, 6.25% interest, dated October 1, 2004, in the original amount of $34,537, drawn to date in the amount of $34,537, from an individual, due in monthly installments of $296, including interest, until maturity in November, 2019, collateralized by real property.	$ 14,732	$ 17,865
Mortgage receivable, 5.50% interest, dated December 21, 2009, in the original amount of $45,462, from an individual, due in monthly installments of $313, including interest, until maturity in January, 2030, collateralized by real property.	32,826	35,197
Mortgage receivable, 4.25% interest, dated December 26, 2012, in the original amount of $89,200, from an individual, due in monthly installments of $914, including interest, until maturity in January 2023, collateralized by real property.	75,055	82,800
Mortgage receivable, 7.00% interest, dated June 6, 2008, in the original amount of $17,500, from an individual, due in monthly installments of $157, including interest, until maturity in June 2023, collateralized by real property located.	11,344	12,354
Mortgage receivable, 5.50% interest, dated September 1, 2010, in the original amount of $66,000, from an individual, due in monthly installments of $454, including interest, until maturity in October, 2030, collateralized by real property.	55,628	58,120
Mortgage receivable, 6.25% interest, dated November 1, 2004, in the original amount of $5,250, from an individual, due in monthly installments of $45, including interest, until maturity in November 2019, collateralized by real property.	1,265	1,893

Mortgage receivable, 5.00% interest, dated August 11, 2010, in the original amount of $32,000, from an individual, due in monthly installments of $253, including interest, until maturity in September, 2025, collateralized by real property.	22,926	24,911
Total mortgage receivable	213,776	233,140
Less allowance for uncollectible mortgages	(9,788)	(28,407)
	203,988	204,733
Less current maturities	18,623	17,597
Mortgages receivable, noncurrent portion	$ 185,365	$ 187,136

Maturities of mortgages receivable excluding allowance for uncollectible mortgages are as follows:

Year Ending December 31:

2015	$ 18,623
2016	19,603
2017	20,384
2018	21,153
2019	21,046
Thereafter	112,967
Total	$ 213,776

7. GRANT RECEIVABLE

Grants receivable at December 31 are:

	2014	2013
NSP	$ 22,995	$ 25,643
TSHAC	8,023	1,559
Bank of America	6,250	-
TDHCA	9,483	33,306
Total	$ 46,751	$ 60,508

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2014	2013
Equipment	$ 83,539	$ 83,539
Furniture	8,601	8,601
Rental properties	1,633,002	1,363,322
Total	1,725,142	1,455,462
Less accumulated depreciation	140,498	101,161
Total	$ 1,584,644	$ 1,354,301

Depreciation expense for the years ended December 31, 2014 and 2013 was $40,153 and $10,271, respectively.

9. 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 $0 and $3,600 for the years ended December 31, 2014 and 2013, respectively.

The Organization received in-kind accounting services in the amount of $2,000 and $5,600 for the years ended December 31, 2014 and 2013, respectively.

10. NOTES PAYABLE

Notes payable consisted of the following at December 31:

	2014	2013
Wells Fargo Community Development Corp., stated interest rate at 2%, payable quarterly. Note matures in January 2016, and is automatically renewed for one year. Note is unsecured.	$ 200,000	$ 200,000
Community Development Financial Institutions Fund, stated interest rate at 2%, payable quarterly. Principal is payable in full on January 2018. Note is unsecured.	93,881	93,881
Total notes payable	$ 293,881	$ 293,881

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2014 and 2013, consisted of funds temporarily restricted for the following purposes:

	2014	2013
IDA Program	$ 14,324	$ 33,912
Revolving Loan Fund	121,227	676,025
Revolving Loan Portfolio	545,053	-
NSP program	1,412,948	3,846,515
Escrow	1,903	7,380
City Rental Program	218,375	-
Financial Literacy	20,946	-
	$ 2,334,776	$ 4,563,832

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

	2014	2013
Net assets released	$ 3,071,201	$ 3,960,041
	$ 3,071,201	$ 3,960,041

12. 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.

13. LEASED EMPLOYEES

The Organization co-employs all its employees from a professional employment organization (PEO). The term of the agreement is January 1, 2015 through December 31, 2015, 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 PEO a monthly service fee in addition to the co- employee's salary and fringe benefits.

14. 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 2014 and 2013, amounted to $6,493 and $9,461, respectively.

15. INTEREST INCOME

Interest income consists of the following at December 31:

	2014	2013
Loan Capital	$ 2,585	$ 2,217
NSP Interest	1,156	-
Revolving Loan	31,648	37,181
	$ 35,389	$ 39,398

NSP interest income classified as restricted was $1,156 and $3,296 for the year ended December 31, 2014 and 2013, respectively.

16. FORGIVABLE LOAN

The Neighborhood Stabilization Program (NSP) Homebuyer Assistance Program is administered by the Organization. The purpose of the program is to stabilize distressed neighborhoods in El Paso County whose viability has been damaged by the effects of foreclosed or abandoned properties. Under this program, income and credit qualified homebuyers purchasing foreclosed properties acquired by the NSP Program obtain financial assistance in the form of a “soft second loan” to assist with part of the up-front costs of homeownership, i.e. down payment and closing costs. The deferred payment, zero interest, forgivable loans can be used for down payment and closing costs related to the purchase of an owner occupied home. The “soft second loan” will be forgiven on a pro rata basis that is determined by the amount of the NSP assistance. The "soft second loan" will be completely forgiven if the owner occupies the home as their principal residence for the minimum period required by the program. As of December 31, 2014 and 2013, the NSP forgivable portion of loan portfolio is $1,190,260 and $1,293,663, respectively.

17. EXTRAORDINARY ITEM

The Neighborhood Stabilization Program 2 (NSP2) resulted in an extraordinary loss of $2,588,644 for the year ended December 31, 2014. By design, this “loss” is considered a community investment of federal funds in distressed neighborhoods. Funds were invested in each NSP2 property to restore the home to a sellable or rentable condition. Since program guidelines do not allow for profit, homes must be sold for the lesser of appraised value or total development cost. The funds “left on the table” for each project are considered as a community investment. In accounting terms, this year’s decrease in net assets is a result of revenue that was recognized in the prior year and is being expensed in current year. The program is designed to have no residual discretionary funds once the program is concluded. As a result of the design of the NSP2 Program, the Program Support percentage is indicated at 0% for year end December 31, 2014.

SUPPLEMENTARY INFORMATION

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2014

Name of Agency Department and Program	Federal CFDA Number	Award Amount	Expenditures
U.S. Department of Housing and Urban Development			
Neighborhood Stabilization Program 2 (NSP2) ARRA	14.256	10,191,000	191,381
Passed through Texas Department of Housing and Community Affairs			
Home Investment Partnerships Program	14.239	443,875	443,875
Total U.S. Department of Housing and Urban Development		10,634,875	635,256
U.S. Department of Health and Human Services			
Assets for Independence Demonstration Program	93.602	19,588	19,588
Total Federal Assistance		$ 10,654,463	$ 654,844

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, 2014

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, 2014, and is presented on the 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 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 of
El Paso Collaborative for Community and Economic Development

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 El Paso Collaborative for Community and Economic Development (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered El Paso Collaborative for Community and Economic Development'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 El Paso Collaborative for Community and Economic Development's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control. Organization'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 El Paso Collaborative for Community and Economic Development'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.

El Paso, Texas
March 1, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited El Paso Collaborative for Community and Economic Development'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 El Paso Collaborative for Community and Economic Development's major federal programs for the year ended December 31, 2014. El Paso Collaborative for Community and Economic Development'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 El Paso Collaborative for Community and Economic Development'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of El Paso Collaborative for Community and Economic Development's compliance.

Opinion on Each Major Federal Program

In our opinion, El Paso Collaborative for Community and Economic Development 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 December 31, 2014.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered El Paso Collaborative for Community and Economic Development'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 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. 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.

El Paso, Texas
March 1, 2015

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Section I - Summary of Auditors' Results

Financial Statements
Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

• Material weakness (es) identified?	______ Yes	**X** No
• Significant deficiencies identified that are not considered to be material weaknesses?	______ Yes	**X** None reported
Noncompliance material to financial statements noted?	______	**X** No

Federal Awards
Internal control over major programs

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

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.256	Neighborhood Stabilization Program 2 (NSP2) ARRA

Dollar threshold used to distinguish between Type A and Type B programs	$ 300,000	
Auditee qualified as low-risk auditee	**X** Yes	______ No

EL PASO COLLABORATIVE FOR COMMUNITY AND ECONOMIC DEVELOPMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Section II - Financial Statements Findings and Questioned Costs.

None.

Prior Year Financial Statements Findings and Questioned Costs.

None.