

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

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2009**

**AND INDEPENDENT AUDITORS' REPORT**



Schmid Broadus  
Nugent Gano PC

Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

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

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, 2009, 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, 2009, 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 June 7, 2010, 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 the 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 basic financial statements of El Paso Collaborative for Community and Economic Development taken 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Schmid Broaddus Nugent & Gano PC*

El Paso, Texas  
June 7, 2010

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

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2009**

**ASSETS**

<b>Current assets:</b>	
Cash and cash equivalents	\$ 300,877
Cash and cash equivalents – temporarily restricted	466,040
Accrued interest receivable	8,053
Grants receivable	518,933
Notes receivable – current, net of allowance	345,280
Mortgages receivable, current	11,539
Inventories	<u>17,526</u>
<b>Total current assets</b>	<b>1,668,248</b>
Notes receivable, net of current portion	62,579
Mortgages receivable, net of current portion	70,967
Property and equipment, net of depreciation	<u>11,071</u>
<b>Total assets</b>	<b><u>\$1,812,865</u></b>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities:</b>	
Accounts payable	\$ 24,760
Accrued liabilities	<u>1,035</u>
<b>Total current liabilities</b>	<b>25,795</b>
Notes payable	<u>293,881</u>
<b>Total liabilities</b>	<b><u>319,676</u></b>
<b>Net assets:</b>	
Unrestricted net assets	527,149
Temporarily restricted net assets	<u>966,040</u>
<b>Total net assets</b>	<b><u>1,493,189</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$1,812,865</u></b>

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, 2009**

<b>Unrestricted net assets:</b>	
<b>Support and revenues:</b>	
Grants	\$ 198,932
Interest income	38,344
Contributed facilities and services	19,349
Program income	14,749
Contracted services	1,146
Donations	5,555
Other income	106
Net assets released from restriction	<u>713,510</u>
<b>Total unrestricted support</b>	<u>991,691</u>
<b>Expenses:</b>	
Program services	529,695
Supporting services	<u>95,536</u>
<b>Total expenses</b>	<u>625,231</u>
<b>Increase in unrestricted net assets</b>	<u>366,460</u>
<b>Temporarily restricted net assets:</b>	
Grants	592,103
Net assets released from restriction	<u>(713,510)</u>
<b>Decrease in temporarily restricted net assets</b>	<u>(121,407)</u>
<b>Increase in net assets</b>	<u>245,053</u>
<b>Net assets, beginning of year, as previously reported</b>	1,266,948
<b>Prior period adjustment</b>	<u>(18,812)</u>
<b>Net assets, beginning of year, restated</b>	<u>1,248,136</u>
<b>Net assets, end of year</b>	<u>\$1,493,189</u>

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

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended December 31, 2009**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
<b>Functional expenses:</b>			
<b>Compensation and related expenses:</b>			
Salaries	\$181,528	\$ 60,510	\$242,038
Payroll taxes and fringe benefits	<u>13,337</u>	<u>4,445</u>	<u>17,782</u>
<b>Total compensation and related expenses</b>	<b>194,865</b>	<b>64,955</b>	<b>259,820</b>
ADDI pass through	113,100		113,100
IDA II	84,407		84,407
AmeriCorp	20,925		20,925
Professional fees	1,450	18,183	19,633
Consultant services	16,210		16,210
Other program expense	13,921		13,921
RHED MH replacement	13,629		13,629
Loss on sale of inventory	12,617		12,617
Rent	6,954	3,425	10,379
Office expense	8,440	938	9,378
Meetings	8,818		8,818
Interest expense	7,851		7,851
Telephone	4,786	2,358	7,144
Travel	6,945		6,945
Bad debt expense	5,339		5,339
Dues and subscriptions		2,275	2,275
Insurance	1,631	543	2,174
Contract services	1,483		1,483
Revolving loan costs	782		782
Equipment lease	287	288	575
Miscellaneous	<u>          </u>	<u>1,987</u>	<u>1,987</u>
<b>Total expenses before depreciation</b>	<b>524,440</b>	<b>94,952</b>	<b>619,392</b>
Depreciation	<u>5,255</u>	<u>584</u>	<u>5,839</u>
	<u><b>\$529,695</b></u>	<u><b>\$ 95,536</b></u>	<u><b>\$625,231</b></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, 2009**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 245,053
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Depreciation	5,839
Bad debt expense	5,339
(Increase) decrease in:	
Inventories	69,568
Accounts and grants receivable	(409,053)
(Decrease) in:	
Accounts payable	(31,903)
Accrued expenses	<u>(857)</u>
Net cash used in operating activities	<u>(116,014)</u>
<b>Cash flows from investing activities:</b>	
Notes and mortgages receivable	(449,981)
Payments received on notes and mortgages receivable	360,791
Purchase of fixed assets	<u>(780)</u>
Net cash used in investing activities	<u>(89,970)</u>
<b>Cash flows from financing activities:</b>	
Payments made on notes payable	<u>(50,000)</u>
Net cash used in financing activities	<u>(50,000)</u>
Net decrease in cash and cash equivalents	(255,984)
Cash and cash equivalents, beginning of year	<u>1,022,901</u>
Cash and cash equivalents, end of year	<u>\$ 766,917</u>
<b>Supplemental Information:</b>	
Interest paid	<u>\$7,851</u>

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

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

**NOTES TO FINANCIAL STATEMENTS**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activity** – 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)**

**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 as 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, 2009. There were no loans on nonaccrual status as of December 31, 2009. Loans receivable in the amount of \$12,975 were 90 days or more past due and \$334,926 in loans were collateralized at December 31, 2009.

**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  
AND ECONOMIC DEVELOPMENT**

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**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, 2009.

**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.

**TEMPORARILY RESTRICTED CASH**

Temporarily restricted cash consisted of the following at December 31, 2009:

Assets for Independence	\$247,818
Community Development Financial Institutions	214,194
Escrow	<u>4,028</u>
	<b><u>\$466,040</u></b>

**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, 2009, amounted to \$16,042.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**CONCENTRATION OF CREDIT RISK (Continued)**

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, 2009, the uninsured balance is \$300,721. The Organization believes it is not exposed to any significant credit risk on its cash balances.

**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, 2009, 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 3 months, at 5.25 %, with interest payable monthly. The principal is due January 4, 2011. The loan is secured by property. The loan balance at December 31, 2009 amounted to \$290,165.

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, 2009 amounted to \$44,761.

Notes receivable, net, consisted of the following at December 31, 2009:

Notes receivable	\$426,759
Less allowance for uncollectible loans	<u>18,900</u>
	407,859
Less notes receivable, current	<u>345,280</u>
Total notes receivable, net of current portion	\$ <u>62,579</u>

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**MORTGAGES RECEIVABLE**

Mortgages receivable consisted of the following at December 31, 2009:

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.	\$11,454
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.	25,858
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>45,194</u>
Total mortgages receivable	82,506
Less mortgages receivable, current	<u>11,539</u>
Mortgages receivable, net of current portion	<u>\$70,967</u>

**GRANTS 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, 2009.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**INVENTORIES**

Inventories consisted of the following at December 31, 2009:

881 Luisa Guerra property	\$17,526
---------------------------	----------

**FURNITURE AND EQUIPMENT**

Furniture and equipment consisted of the following at December 31, 2009:

<u>Description</u>	
Equipment	\$ 78,068
Furniture	<u>8,601</u>
	86,669
Less accumulated depreciation	<u>(75,598)</u>
Furniture and equipment, net	\$ 11,071

Depreciation expense for the year ended December 31, 2009, was \$5,839.

**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 \$5,495 for the year ended December 31, 2009. The rental reduction is included as in-kind revenues and expenses.

The Organization received in-kind accounting services in the amount of \$13,854, for the year ended December 31, 2009.

**NOTES PAYABLE**

Notes payable consisted of the following at December 31, 2009:

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  
AND ECONOMIC DEVELOPMENT**

**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>\$ 93,881</u>
	\$293,881

Future maturities on long-term debt are as follows:

**December 31**

2016 and thereafter	\$293,881
---------------------	-----------

**TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2009, consisted of funds temporarily restricted for the following purposes:

Community Development Financial Institutions	\$714,194
Assets for Independence	247,818
Escrow	<u>4,028</u>
	<u>\$966,040</u>

Temporarily restricted net assets were released from restriction in the following amounts during the year ended December 31, 2009:

Revolving loan funds	\$713,510
----------------------	-----------

**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.

(Continued)

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

**NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)**

**LEASED EMPLOYEES**

The Organization leases all its employees from R.M. Personnel, Inc. (Company). The term of the agreement is May 1, 2009 through May 1, 2010, 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 2009, amounted to \$3,488.

**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 58% of total support was received from Community Development Financial Institutions.

**PRIOR PERIOD ADJUSTMENT**

Unrestricted net assets at the beginning of 2009 have been adjusted for payables recognized in error in prior years. Accordingly, the Organization restated its financial statements for the year ended December 31, 2009. The effect of the correction was to decrease the change in net assets for 2009 by \$18,812. Unrestricted net assets at the beginning of 2009 have been adjusted for the effects of this restatement.

(Continued)

**SUPPLEMENTARY FINANCIAL INFORMATION**



Schmid Broaddus  
Nugent Gano PC

Certified Public Accountants

**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  
El Paso, Texas

We have audited the financial statements of El Paso Collaborative for Community and Economic Development as of and for the year ended December 31, 2009, and have issued our report thereon dated June 7, 2010. 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 the 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, 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.

*Schmid Broaddus August 2, 2010 PC*

El Paso, Texas  
June 7, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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  
El Paso, Texas

**Compliance**

We have audited the compliance of El Paso Collaborative for Community and Economic Development with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

### Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, 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.

*Schmid Broaddus August : Gano PC*

El Paso, Texas  
June 7, 2010

**EL PASO COLLABORATIVE FOR COMMUNITY  
AND ECONOMIC DEVELOPMENT  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2009**

<b>Program Title</b>	<b>Contract Period</b>	<b>Agency or Pass- Through Number</b>	<b>Federal CFDA Number</b>	<b>Program or Award Amount</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF TREASURY</b>					
Community Development Financial Institutions Program	08/28/08-12/31/11	081FA007376	21.020	\$ 580,000	<u>\$ 536,028</u>
<b>Total U.S. Department of Treasury</b>					<u>536,028</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					
Rural Housing and Economic Development Program	03/13/07-03/13/10	RH-07-TX-I-0052	14.250	\$ 300,000	14,667
passed through Texas Department of Housing and Community Affairs					
Home Investment Partnerships Program	07/22/08-07/22/10	M-SG-48-0100	14.239	\$ 208,000	<u>113,100</u>
<b>Total U.S. Department of Housing and Urban Development</b>					<u>127,767</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
Assets for Independence Demonstration Program	09/30/05-09/29/10	90EI0365/01	93.602	\$ 150,000	84,407
<b>Total U.S. Department of Health and Human Services</b>					<u>84,407</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>					<u><u>\$ 748,202</u></u>

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

**NOTES TO SCHEDULE OF FEDERAL EXPENDITURES**

**December 31, 2009**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of El Paso Collaborative for Community and Economic Development is presented to assist in understanding El Paso Collaborative for Community and Economic Development's Schedule of Expenditures of Federal Awards. The Schedule and notes are representations of El Paso Collaborative for Community and Economic Development's management, who is responsible for their integrity and objectivity.

**Basis of Accounting and Presentation** - The Schedule of Expenditures of Federal Awards is prepared using the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Subrecipients** - There were no sub-recipients of the Federal awards received by El Paso Collaborative for Community and Economic Development for the year ended December 31, 2009.

**FEDERAL LOANS OUTSTANDING**

El Paso Collaborative for Community and Economic Development had the following loan balances outstanding at December 31, 2009. These loan balances are also included in the schedule of federal expenditures.

	<b><u>Federal CFDA No.</u></b>	<b><u>Amount Outstanding</u></b>
Program Title:		
Community Development Financial Institutions Program	21.020	<u>\$93,881</u>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended December 31, 2009**

**I. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of El Paso Collaborative for Community and Economic Development.
2. No significant deficiencies were reported in the audit of the financial statements of El Paso Collaborative for Community and Economic Development as reported in the 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*.
3. No instances of non-compliance material to the financial statements of El Paso Collaborative for Community and Economic Development, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for El Paso Collaborative for Community and Economic Development expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was Community Development Financial Institutions Program, CDFA 21.020.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. El Paso Collaborative for Community and Economic Development did not qualify as a low-risk auditee.

(Continued)

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(CONTINUED)**

**Year Ended December 31, 2009**

**II. AUDIT FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS*.**

Current Year Findings: None

**III. AUDIT FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD  
PROGRAMS AUDIT**

Current Year Findings: None