

**CONCHO VALLEY
ECONOMIC DEVELOPMENT
DISTRICT, INC.**

FINANCIAL STATEMENTS

**and
INDEPENDENT AUDITOR'S
REPORT**

**Year Ended
June 30, 2007**

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position.....	2
Statement of Activities	3
Statement of Functional Expenses.....	4
Statement of Cash Flows	5
Notes to Financial Statements	6



Davis, Kinard & Co., P.C.
Certified Public Accountants

First Financial Bank Building
400 Pine Street, Suite 600
Abilene, Texas 79601-5128
Office (325) 672-4000
FAX (325) 672-7049
1-800-588-2525

Independent Auditor's Report

To the Board of Directors of
Concho Valley Economic Development District, Inc.

We have audited the accompanying statement of financial position of **Concho Valley Economic Development District, Inc.** (a nonprofit organization) as of June 30, 2007, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the **District's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Concho Valley Economic Development District, Inc.** as of June 30, 2007, 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.

Davis, Kinard & Co., P.C.

DAVIS, KINARD & CO., P.C.

Abilene, Texas
December 21, 2007

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Statement of Financial Position

June 30, 2007

Assets

Cash and cash equivalents	\$	28,390
Grants receivable		8,951
Foreclosed assets, held for sale		44,193
Notes receivable		<u>178,268</u>
Total assets	\$	<u><u>259,802</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$	<u>6,524</u>
Total liabilities		<u>6,524</u>

Net Assets

Unrestricted		20,278
Permanently restricted		<u>233,000</u>
Total net assets		<u>253,278</u>
Total liabilities and net assets	\$	<u><u>259,802</u></u>

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

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Statement of Activities
Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
EDD grant	-	51,604	-	51,604
Other revenue	16,420	-	-	16,420
Net assets released from restrictions	51,604	(51,604)	-	-
Total revenues	<u>68,024</u>	<u>-</u>	<u>-</u>	<u>68,024</u>
Expenses and Losses				
Grant programs	70,726	-	-	70,726
Supporting services	786	-	-	786
Total expenses	<u>71,512</u>	<u>-</u>	<u>-</u>	<u>71,512</u>
Loss on foreclosed assets, held for sale	18,888			18,888
Total expenses and losses	<u>90,400</u>	<u>-</u>	<u>-</u>	<u>90,400</u>
Change in net assets	(22,376)	-	-	(22,376)
Net assets, beginning of year	<u>42,654</u>	<u>-</u>	<u>233,000</u>	<u>275,654</u>
Net assets, end of year	<u>\$ 20,278</u>	<u>\$ -</u>	<u>\$ 233,000</u>	<u>\$ 253,278</u>

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

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Statement of Functional Expenses

Year Ended June 30, 2007

	<u>Grant Programs</u>	<u>Supporting Services</u>	<u>Total</u>
Expenses			
Personnel	\$ 50,760	\$ -	\$ 50,760
Contract services	5,000	-	5,000
Travel	5,801	-	5,801
Printing and publications	239	-	239
Rent	3,834	-	3,834
Utilities	835	-	835
Dues and fees	602	-	602
Other	3,655	-	3,655
Loan administration	-	786	786
	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ 70,726	\$ 786	\$ 71,512

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

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Statement of Cash Flows

Year Ended June 30, 2007

Cash flows from operating activities	
Change in net assets	\$ (22,376)
Adjustments to reconcile change in net assets to cash used in operating activities:	
Increase in grants receivable	(8,951)
Increase in notes receivable	(14,092)
Decrease in accounts receivable	275
Decrease in deferred revenue	(17,653)
Increase in accounts payable	4,762
Net cash used in operating activities	<u>(58,035)</u>
Net decrease in cash and cash equivalents	(58,035)
Cash and cash equivalents, beginning of year	<u>86,425</u>
Cash and cash equivalents, end of year	\$ <u><u>28,390</u></u>
Non-cash transactions:	
Assets acquired through foreclosure	\$ <u><u>44,193</u></u>

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

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

June 30, 2007

Note 1: Summary of Significant Accounting Policies

A summary of the **Concho Valley Economic Development District, Inc.**'s significant accounting policies consistently applied in the preparation of the accompanying statements follows:

Organization and Nature of Activities

The **Concho Valley Economic Development District, Inc.** ("the District") is a nonprofit organization whose primary purpose and objectives are to further the economic development and social welfare in the Concho Valley by promoting and assisting the economic growth and development of this geographic region. The principal objectives of the District are to increase the employment opportunities of the unemployed and underemployed through expansion of the business and industry base within the economy. The District assists and coordinates economic development efforts of local governments and organizations, coordinates economic development planning with transportation planning, community development programs and activities which might stimulate the region's economic betterment, to implement an economic development technical assistance program which includes workshops, assistance in implanting economic development programs, and assistance to local organizations in applying for grant assistance for economic development purposes and to develop a regional overall economic development program (OEDP) which builds upon county level OEDPs.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenue is recognized when earned, and expenses are generally recognized when incurred.

Basis of Presentation

The focus of these financial statements is to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into three classes of net assets 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 District and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the District. Generally, the donors of these permit the District to use all or part of the income earned on any related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

June 30, 2007

Note 1: Summary of Significant Accounting Policies - continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

The District maintains its cash deposits at banks. Cash deposits at each bank as of June 30, 2007 are within the federal insurance limits. For purposes of the statement of cash flows, the District considers all short-term highly liquid investments that are readily convertible into cash within ninety (90) days of date of purchase to be cash equivalents.

Support and Revenue

The District receives substantially its entire grant and contract revenue from federal agencies. Grant revenue is recognized (up to the contract amount) to the extent that program expenses are incurred.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated assets are recorded at estimated fair market value at the time of receipt. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The estimated useful lives range from 5 to 39 years. The District's policy is to capitalize individual asset additions of more than \$5,000. Property and equipment were fully depreciated at June 30, 2005 and were retired from the books since all assets were individually below the \$5,000 capitalization threshold.

Foreclosed Assets

Foreclosed assets, held for sale include property for which the District has taken physical possession after the formal foreclosure of a loan.

Foreclosed assets, held for sale are recorded at the lower of its carrying amount or fair value less costs to sell. Costs incurred in maintaining foreclosed real estate are included in income (loss) on foreclosed assets, held for sale.

Allocated Expenses

The details of the costs of providing the various programs and other activities are reflected in the statement of functional expenses. Accordingly, certain indirect costs and expenses have been allocated among the programs and supporting services benefited based on management's estimates.

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

June 30, 2007

Note 1: Summary of Significant Accounting Policies - continued

Income Taxes

The District is an exempt organization for federal income tax purposes under Section 501(c)(6) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements.

Note 2: Notes Receivable

Notes receivable consist of notes made to various businesses from the EDA Revolving Loan Fund. \$168,098 of these notes are collateralized with real property and/or business equipment. The remaining notes are unsecured. The notes bear interest between 8% and 10%. The District considers these notes to be fully collectible and/or secured; accordingly, no allowance for doubtful accounts is considered necessary at June 30, 2007. If amounts become uncollectible, they will be charged to operations when that determination is made.

Note 3: Foreclosed Assets, Held for Sale

At June 30, 2007, the District had foreclosed assets, held for sale of \$44,193. Costs incurred to maintain foreclosed assets amounted to \$18,888 at June 30, 2007.

Note 4: Restricted Net Assets

Permanent restrictions on net assets at June 30, 2007 are as follows:

EDA - RLF business loans	\$233,000
--------------------------	-----------

Net assets were released from temporary restrictions by incurring expenses satisfying the purpose restrictions specified by the grant contract as follows:

EDD Grant	\$51,604
-----------	----------

Note 5: Concentrations and Uncertainties

The District receives a significant amount of its support and revenue from the U.S. Department of Commerce- Economic Development Administration (EDA). The District receives annual grants from this agency and is required to prepare biannual (revolving loan fund) and annual (grant) reports that detail the program expenses incurred for which the District is requesting reimbursement. The District would realize a severe negative impact should the level of this federal grant revenue be significantly reduced or discontinued.

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

June 30, 2007

Note 6: Related Party Transactions

During the normal course of business, the District contracts for administration, staffing and financial services with the Concho Valley Council of Governments (CVCOG). For the year ended June 30, 2007, the District was charged \$5,000 for contract services provided by this related party. In addition, the District operates within CVCOG's facilities and reimburses CVCOG for rent, overhead, and other related expenses. As of June 30, 2007, \$6,493 was owed to the CVCOG for 2007 expenses.

Note 7: Revolving Loan Fund Grant

The District is the recipient of a Revolving Loan Fund (RLF) grant from the EDA. Under this grant, the District makes business loans to qualified recipients and receives 75% of the loan amount from the EDA. RLF income earned in a period may be used for lending or for RLF administrative expenses of the same period. RLF income includes the interest earned on loans, interest earned on accounts holding RLF funds not needed for immediate lending, loan fees received from borrowers and other income generated from RLF activities. The capital received from EDA is permanently restricted for the revolving loan fund.