

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

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2010

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

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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, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the **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, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Davis Kinard & Co., PC
DAVIS KINARD & CO, PC

Abilene, Texas
November 1, 2010

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Statement of Financial Position

June 30, 2010

Assets

Cash and cash equivalents	\$	62,920
Grants receivable		11,215
Accounts receivable		9,400
Notes receivable		<u>215,536</u>
Total assets	\$	<u><u>299,071</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$	10,201
Deferred revenue		<u>755</u>
Total liabilities		<u>10,956</u>

Net Assets

Unrestricted		55,115
Permanently restricted		<u>233,000</u>
Total net assets		<u>288,115</u>
Total liabilities and net assets	\$	<u><u>299,071</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, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
EDA planning grant	\$ -	\$ 50,751	\$ -	\$ 50,751
Tom Green County grant	-	40,800	-	40,800
Interest income	14,614	-	-	14,614
Other revenue	2,501	-	-	2,501
Net assets released from restrictions	<u>91,551</u>	<u>(91,551)</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>108,666</u>	 <u>-</u>	 <u>-</u>	 <u>108,666</u>
 Expenses				
Grant programs	111,512	-	-	111,512
Supporting services	<u>423</u>	<u>-</u>	<u>-</u>	<u>423</u>
 Total expenses	 <u>111,935</u>	 <u>-</u>	 <u>-</u>	 <u>111,935</u>
 Change in net assets	 (3,269)	 -	 -	 (3,269)
 Net assets, beginning of year	 58,497	 -	 233,000	 291,497
 Prior period adjustment	 <u>(113)</u>	 <u>-</u>	 <u>-</u>	 <u>(113)</u>
 Net assets, end of year	 <u>\$ 55,115</u>	 <u>\$ -</u>	 <u>\$ 233,000</u>	 <u>\$ 288,115</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, 2010

Expenses	<u>Grant Programs</u>	<u>Supporting Services</u>	<u>Total</u>
Personnel	\$ 76,190	\$ -	\$ 76,190
Contract services	9,059	-	9,059
Travel	3,109	-	3,109
Printing and publications	502	-	502
Rent	3,810	-	3,810
Utilities	1,084	-	1,084
Maintenance	448	-	448
Dues and fees	845	-	845
Audit	3,828	-	3,828
Bad debt expense	10,151	-	10,151
Other	2,486	-	2,486
Loan administration	-	423	423
	<u>-</u>	<u>423</u>	<u>423</u>
Total expenses	\$ <u>111,512</u>	\$ <u>423</u>	\$ <u>111,935</u>

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, 2010

Cash flows from operating activities	
Change in net assets	\$ (3,269)
Adjustments to reconcile change in net assets to cash used in operating activities:	
Decrease in grants receivable	1,285
Increase in accounts receivable	(4,324)
Decrease in notes receivable	19,137
Decrease in accounts payable	(15,106)
Increase in deferred revenue	755
Net cash used in operating activities	<u>(1,522)</u>
Net decrease in cash and cash equivalents	(1,522)
Cash and cash equivalents, beginning of year	<u>64,442</u>
Cash and cash equivalents, end of year	<u><u>\$ 62,920</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, 2010

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, 2010

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, 2010 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 grant and contract revenue from federal agencies and local governments. 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.

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.

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.

The District adopted authoritative guidance related to uncertain tax positions on July 1, 2009. The District had no unrecognized tax benefits that would require an adjustment to the July 1, 2009, beginning balance of net assets. The District had no unrecognized tax benefits at July 1, 2009 and June 30, 2010.

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

June 30, 2010

Note 1: Summary of Significant Accounting Policies – continued

The District files income tax returns in the U.S. federal jurisdiction. With few exceptions, the District is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2005.

Note 2: Notes Receivable

Notes receivable consist of notes made to various businesses from the EDA Revolving Loan Fund. \$207,724 of these notes are collateralized with real property and/or business equipment. The remaining notes are unsecured. The notes bear interest of 7% and 8%. The District considers these notes to be fully collectible and/or secured; accordingly, no allowance for doubtful accounts is considered necessary at June 30, 2010. If amounts become uncollectible, they will be charged to operations when that determination is made.

Note 3: Restricted Net Assets

Permanent restrictions on net assets at June 30, 2010 are as follows:

EDA - RLF business loans	\$233,000
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Net assets were released from temporary restrictions by incurring expenses satisfying the purpose restrictions specified by the grant contract as follows:

EDA Grant 09-11	\$50,751
Tom Green County Grant	\$40,800

Note 4: 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 multi-year 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.

Note 5: 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, 2010, the District was charged \$9,059 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, 2010, \$10,201 was owed to the CVCOG for these administrative services. The District provides services to CVCOG for regional planning and housing finance. During the year ended June 30, 2010, the District recognized revenue of \$2,501 from CVCOG for these services.

CONCHO VALLEY ECONOMIC DEVELOPMENT DISTRICT, INC.

Notes to Financial Statements

June 30, 2010

Note 6: 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 from capital remaining in the RLF. Funding from a private foundation provided the initial \$100,000 cash injection in 1999, and EDA provided additional funding for the Revolving Loan Fund (75%). 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.

Note 7: Subsequent Events

The District has evaluated subsequent events through November 1, 2010, the date the financial statements were available to be issued.

Note 8: Prior Period Adjustment

An adjustment was made to reduce the balance of the EDA grant receivable by \$113 at July 1, 2009. As a result, net assets at July 1, 2009 were reduced by \$113.