

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

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

YEAR ENDED JUNE 30, 2011

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

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INDEPENDENT AUDITORS' 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, 2011, 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, 2011, 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.

Pattillo, Brown & Hill, L.L.P.

February 3, 2012

FINANCIAL STATEMENTS

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

ASSETS

Cash	\$ 99,462
Grants receivable	13,519
Notes receivable	<u>198,701</u>
 Total assets	 <u>\$ 311,682</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ <u>9,053</u>
Total liabilities	<u>9,053</u>

NET ASSETS

Unrestricted	32,835
Permanently restricted	<u>269,794</u>
Total net assets	<u>302,629</u>
 Total liabilities and net assets	 <u><u>\$ 311,682</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, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Grant revenues				
EDA planning grant	\$ -	56,381	\$ -	\$ 56,381
Tom Green County grant	-	32,177	-	32,177
Interest income	-	11,382	-	11,382
Other revenue	5,554	-	-	5,554
Net assets released from restrictions	107,752	(99,940)	(7,812)	-
 Total revenues	 \$ 113,306	 \$ -	 \$(7,812)	 \$ 105,494
EXPENSES				
Grant programs	\$ 77,113	\$ -	\$ -	\$ 77,113
Supporting services	13,867	-	-	13,867
Total expenses	90,980	-	-	90,980
 CHANGE IN NET ASSETS	 22,326	 -	 (7,812)	 14,514
NET ASSETS, BEGINNING OF YEAR	10,509	-	277,606	288,115
 NET ASSETS, END OF YEAR	 \$ 32,835	 \$ -	 \$ 269,794	 \$ 302,629

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, 2011

	<u>Grant Programs</u>	<u>Supporting Services</u>	<u>Total</u>
EXPENSES			
Personnel	\$ 48,092	\$ 10,167	\$ 58,259
Contract services	7,359	-	7,359
Travel	2,511	-	2,511
Printing and publications	268	-	268
Rent	5,321	-	5,321
Utilities	1,074	-	1,074
Maintenance	800	-	800
Dues and fees	2,737	-	2,737
Audit	-	3,700	3,700
Bad debt expense	7,812	-	7,812
Other	<u>1,139</u>	<u>-</u>	<u>1,139</u>
Total expenses	\$ <u>77,113</u>	\$ <u>13,867</u>	\$ <u>90,980</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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 14,514
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Increase in grants receivable	(2,304)
Decrease in notes receivable	16,835
Decrease in accounts receivable	9,400
Decrease in accounts payable	(1,148)
Decrease in deferred revenue	<u>(755)</u>
Net cash provided by operating activities	<u>36,542</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 36,542
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>62,920</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u>\$ 99,462</u>

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1011

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:

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 New 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.

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, 2011, are within the federal insurance limits. For purposes of the statement of cash flows, the District considered considers all sort-term highly liquid investments that are readily convertible into cash within ninety (90) days day of date of purchase to the 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and 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.

2. NOTES RECEIVABLE

Notes receivable consists of notes made to various businesses from the EDA Revolving Loan Fund. \$198,701 of these notes is 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, 2011. If amounts become uncollectible, they will be charged to operations when that determination is made.

3. RESTRICTED NET ASSETS

Permanent restrictions on net assets at June 30, 2011, are as follows:

EDA - RLF business loans	\$ 269,794
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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	\$ 56,381
Tom Green County Grant	32,177
RLF - Bad debt expense	7,812
RLF - Use of interest revenue	11,382

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.

5. 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.

6. SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 3, 2012, the date the financial statements were available to be issued.