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COMMUNICATION OF MATERIAL WEAKNESSES

To the Board of Directors
North and East Lubbock Community Development Corporation
Lubbock, Texas

In planning and performing our audits of the financial statements of North and East Lubbock Community Development Corporation and Subsidiary (the "Organization") as of and for the years ended September 30, 2014, 2013 and 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in the Organization's internal control presented in the following attachment to be material weaknesses.

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.

In addition, we offered additional details and suggestions for improvement involving internal control and its operation that we have reported to management of the Organization in a separate letter dated March 31, 2015

This communication is intended solely for the information and use of management, those charged with governance, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Garrett and Swann, LLP

GARRETT AND SWANN, LLP
Certified Public Accountants

March 31, 2015
Lubbock, Texas

SCHEDULE OF MATERIAL WEAKNESSES

MATERIAL WEAKNESSES

Governance and Oversight

Our audit procedures revealed that there is ineffective oversight of the Organization's financial reporting and internal control by those charged with governance. The board of directors along with management should be closely monitoring accounts balances along with individual transactions in order to prevent, or detect and correct material misstatements to the financial statements from occurring. There were *material weaknesses* identified in the prior audit report that were not corrected during the periods audited, such as monthly reconciliations and closing procedures being performed.

Timely Reconciliation of Accounts

Our audit procedures revealed, in conjunction with prior audit findings, that there are no procedures in place to ensure timely reconciliation of significant account balances. This can lead to material omissions and misstatements in the financial statements as well as allow fraud to exist and continue without notice. A formal policies and procedures manual should be developed and implemented. Some of the significant accounts that should be reconciled monthly include: cash, accounts receivable, fixed assets, investment in subsidiary, accounts payable and long-term debt.

Segregation of Duties

During our audit, we noted several instances where proper segregation of duties does not exist. This can lead to material omissions and misstatements in the financial statements as well as allow fraud to exist and continue without notice. Due to limited staffing, complete segregation of duties may not be possible in some instances. The board of directors and management should remain cognizant of this situation and monitor operations closely.

Documentation of Cash Disbursements

During our audit, we noted that the Organization was unable to provide adequate documentation for some cash disbursements. This can lead to inaccurate accounting information as well as possible fraud to exist and continue without notice. Inadequate documentation can make it difficult for those charged with governance to properly monitor transactions.