

**North & East Lubbock Community  
Development Corporation  
Lubbock, Texas**

**Audited Financial Statements**

**September 30, 2010 and 2009**



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# JW Anderson & Associates, PC

## Certified Public Accountants

### INDEPENDENT AUDITORS' REPORT

Board of Directors  
North & East Lubbock Community Development Corporation  
Lubbock, Texas

We have audited the accompanying statements of financial position of North & East Lubbock Community Development Corporation as of September 30, 2010 and 2009, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the management of North & East Lubbock Community Development Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 North & East Lubbock Community Development Corporation as of September 30, 2010 and 2009, and the results of its operations and changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*J W Anderson & Associates, PC*

JW ANDERSON & ASSOCIATES, PC  
A Professional Corporation  
Lubbock, Texas  
September 28, 2011



NORTH & EAST LUBBOCK COMMUNITY  
 DEVELOPMENT CORPORATION  
 STATEMENTS OF FINANCIAL POSITION  
 September 30, 2010 and 2009

	2010	2009
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 158,672	\$ 163,774
Grant Receivable	7,934	50,070
Other Receivables	11,083	-
	<u>177,689</u>	<u>213,844</u>
	<b>Total Current Assets</b>	<b>213,844</b>
<b>NonCurrent Assets</b>		
Land Held for Development	260,386	348,803
Investment in N&E Lubbock Investment, Inc.	588,995	389,735
Equipment, Net	3,403	5,392
	<u>852,784</u>	<u>743,930</u>
	<u>\$ 1,030,473</u>	<u>\$ 957,774</u>
	<b>TOTAL ASSETS</b>	<b>\$ 957,774</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 2,020	\$ 440
Other Liabilities	6,500	8,943
Note Payable	130,000	-
	<u>138,520</u>	<u>9,383</u>
	<b>Total Current Liabilities</b>	<b>9,383</b>
<b>Net Assets</b>		
Unrestricted Net Assets	<u>891,953</u>	<u>948,391</u>
	<u>\$ 1,030,473</u>	<u>\$ 957,774</u>
	<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 957,774</b>

NORTH & EAST LUBBOCK COMMUNITY  
DEVELOPMENT CORPORATION  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
Years Ended September 30, 2010 and 2009

	2010	2009
<b>Unrestricted Revenues and Gains</b>		
Grants and Contributions	\$ 148,886	\$ 448,886
Loss on Sale of Lots	(39,134)	(38,749)
Special Events	34,788	40,745
Interest	396	1,023
	<u>144,936</u>	<u>451,905</u>
<b>Total Unrestricted Revenues and Gains</b>	144,936	451,905
<b>Expenses</b>		
Program Services	150,935	81,901
Special Event Direct Expenses	20,258	12,835
Management and General	30,181	95,799
	<u>201,374</u>	<u>190,535</u>
<b>Total Expenses</b>	201,374	190,535
<b>Increase (Decrease) in Net Assets</b>	(56,438)	261,370
<b>Net Assets at Beginning of Year</b>	<u>948,391</u>	<u>687,021</u>
<b>Net Assets At End of Year</b>	<u>\$ 891,953</u>	<u>\$ 948,391</u>



NORTH & EAST LUBBOCK COMMUNITY  
DEVELOPMENT CORPORATION  
STATEMENTS OF CASH FLOWS  
Years Ended September 30, 2010 and 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (56,438)	\$ 261,370
<b>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities</b>		
Depreciation	1,989	2,701
Loss on Sale of Lots	39,134	38,749
<b>Changes in</b>		
Grant Receivable	42,136	(10,044)
Other Receivables	(11,083)	-
Accounts Payable	1,580	(185)
Other Liabilities	(2,443)	728
	<u>14,875</u>	<u>293,319</u>
<b>Net Cash Provided by Operating Activities</b>	14,875	293,319
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Lot Sales	49,283	49,668
Investment N&E Lubbock Investment Inc.	(199,260)	(375,000)
	<u>(149,977)</u>	<u>(325,332)</u>
<b>Net Cash Used by Investing Activities</b>	(149,977)	(325,332)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Note Payable	<u>130,000</u>	<u>-</u>
<b>Net Cash Provided by Investing Activities</b>	<u>130,000</u>	<u>-</u>
<b>Net Decrease in Cash</b>	(5,102)	(32,013)
<b>Cash at Beginning of Year</b>	<u>163,774</u>	<u>195,787</u>
<b>Cash at End of Year</b>	<u>\$ 158,672</u>	<u>\$ 163,774</u>
<b>Supplemental Cash Flow Disclosure</b>		
Transfer of Land to N&E Lubbock Investment, Inc.		\$ 13,735

NORTH & EAST LUBBOCK COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010 and 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - The North & East Lubbock Community Development Corporation is a local entity that drives social change by promoting autonomy and empowerment through increasing the supply of quality and affordable housing, generating economic activity and coordinating the efficient delivery of social services.

**Basis of Accounting** - The Clinic prepares its financial statements on the accrual basis of accounting where revenues are recognized when earned and expenditures when incurred.

**Basis of Presentation** - Financial statement presentation follows the requirements of FASB ASC 958, Financial Statements for Not-for-Profit Organizations, formerly SFAS No. 117. Under this standard, the Clinic is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Codification requires the Clinic to report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, restricted assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

**Promises to Give** - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**Donated Equipment** - Donations of equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

**Revenue Recognition** - Unrestricted contributions are recognized as revenue when received. No amounts have been reflected in the financial statements for donated services inasmuch as no objective basis is available to measure the value of such services.

**Donated Materials** - Donated materials and other non-cash items are recorded as contributions at their estimated fair market value at the date of donation.

**Supplemental Cash Flow Information** - No cash payments for interest were made in 2010 or 2009.

**Property and Equipment** - Property and equipment are recorded at cost for purchased items or at fair market value at the date of acquisition for donated items. When retired or otherwise disposed of, the related carrying value and allowance for depreciation is cleared from the respective accounts and the net difference, less any amount realized on disposition, is reflected in operations.

NORTH & EAST LUBBOCK COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2010 and 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. The cost of maintenance and repairs is expensed as incurred, whereas significant betterments and improvements are capitalized.

**Income Taxes** - The Organization is exempt from income taxes under Section 501(c) of the Internal Revenue Code.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. 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 the reported amounts of certain assets and liabilities and disclosures at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Accordingly, actual amounts could differ from those amounts.

**Investments** - The Organization accounts for investments, if any, under FASB ASC 958-320-50. Under this Standard, investments in marketable securities with readily determinable fair values are recorded at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities and Changes in Net Assets.

**Advertising** - The Organization uses advertising to promote its programs among the audience it serves. The costs of advertising are expensed when incurred.

**Cash and Cash Equivalents** - For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use to be cash equivalents.

**Subsequent Events** - FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. Management has evaluated subsequent events through September 28, 2011, the date the financial statements were available to be issued.

**Recent Accounting Pronouncements** - In June 2009, the FASB established the FASB Accounting Standards Codification (the "Codification") for financial statements issued for annual periods ending after September 15, 2009. The Company adopted FASB Accounting Standards Codification ("FASB ASC") 105-10 The Accounting Standards Codification for the year ended September 30, 2009. FASB ASC 105-10 establishes the Codification as the single source of authoritative accounting principles for US GAAP. Accordingly, previous references to US GAAP accounting standards are no longer used in our disclosures. The Codification does not affect our statement of financial position, statement of activities and changes in net assets and cash flows.

NORTH & EAST LUBBOCK COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2010 and 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Fair Value Measurement** - FASB ASC 820-10-50-1 defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. This statement establishes a hierarchy that prioritizes the methods used to measure fair value such that the highest priority is given to unadjusted quoted prices in active markets for identical assets (Level 1). Second priority is for quoted prices for similar assets in active or inactive markets, or valuations from other sources than quoted prices or other market data that can be observed, correlated or corroborated (Level 2), and the lowest priority to unobservable methods (Level 3). Currently, all the Organization's instruments are valued using Level 1 valuation methods.

**NOTE B - GRANT RECEIVABLE**

Grants awards that are accounted for as reimbursement grants are recorded by the Organization as grants receivable until the reimbursements are received. The management of the Organization feels that the grant receivable at September 30, 2010 and 2009 is fully collectible, and therefore has not recorded an allowance.

**NOTE C - LAND HELD FOR DEVELOPMENT**

**Parkway Place** - During the 2005 fiscal year, the Organization purchased land from the City of Lubbock for \$13,735 in the northeast section of the City of Lubbock to be used for commercial property development tentatively called Parkway Place, situated on Parkway Drive east of Martin Luther King Jr. Drive. In 2008, the corporation purchased 100% of the shares in North & East Lubbock Investment, Inc., a for-profit corporation. In 2009, North & East Lubbock Community Development Corporation contributed the Parkway Place land and \$376,000 to the investment company. Also, in 2009 the investment company became a partner in Parkway Place Lubbock, LLC with Gill Holdings, L.C. in developing the Parkway Place land. Upon completion of the development, North & East Lubbock Investment, Inc. will manage the property and receive management fees for their services.

**King's Dominion** - The Organization purchased land in 2004 with the intention of developing the area into King's Dominion Addition, a mixed-income residential subdivision located in the north-east quadrant of the City of Lubbock. The project was to initially be funded and developed as one project, but the Organization divided the development into two phases for completion in order to expedite the project. Phase I is approximately 95% complete and contains 27 residential lots, 15 of which is designated as affordable unit lots, which the purchaser of the lot must be in compliance with 80% of the area's average median income to meet the US Department of Housing and Urban Development's income guidelines. Phase II contains 28 residential lots and is approximately 7% complete. For Phase I, the Organization did not incur any development costs in 2010 or 2009. For Phase II, the Organization incurred no development costs in 2010 or 2009.

NORTH & EAST LUBBOCK COMMUNITY DEVELOPMENT CORPORATION  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2010 and 2009

**NOTE C - LAND HELD FOR DEVELOPMENT - Continued**

The City of Lubbock, through contributions and a bond package, has contributed \$725,000 toward the cost of the development of the subdivision. Generally accepted accounting principles require reporting the proceeds as temporarily restricted income until the Organization complies with the stipulations imposed on the proceeds. As of September 30, 2010 and 2009, respectively, the Organization has met all stipulations and requirements.

Following is a summary of development activity for the years ended September 30, 2010 and 2009:

	King's Dominion		Parkway	Total
	Phase I	Phase II	Phase II	
Development Costs - September 30, 2008	\$ 239,859	\$ 197,361	\$ 13,735	\$ 450,955
Cost of Lots Sold	<u>(88,417)</u>	<u>-</u>	<u>(13,735)</u>	<u>(102,152)</u>
Development Costs - September 30, 2009	151,442	197,361	-	348,803
Cost of Lots Sold	<u>(88,417)</u>	<u>-</u>	<u>-</u>	<u>(88,417)</u>
Development Costs - September 30, 2010	<u>\$ 63,025</u>	<u>\$ 197,361</u>	<u>\$ -</u>	<u>\$ 260,386</u>

**NOTE D - EQUIPMENT**

Property and equipment additions, retirements and balances for the Organization for the years ended September 30, 2010 and 2009 was as follows:

	Balance 9/30/09	Increases	Decreases	Balance 9/30/10
Equipment	\$ 17,367	\$ -	\$ -	\$ 17,367
Less: Accumulated Depreciation	<u>(11,975)</u>	<u>(1,989)</u>	<u>-</u>	<u>(13,964)</u>
Equipment, Net	<u>\$ 5,392</u>	<u>\$ (1,989)</u>	<u>\$ -</u>	<u>\$ 3,403</u>
	Balance 9/30/08	Increases	Decreases	Balance 9/30/09
Equipment	\$ 17,367	\$ -	\$ -	\$ 17,367
Less: Accumulated Depreciation	<u>(9,274)</u>	<u>(2,701)</u>	<u>-</u>	<u>(11,975)</u>
Equipment, Net	<u>\$ 8,093</u>	<u>\$ (2,701)</u>	<u>\$ -</u>	<u>\$ 5,392</u>

NORTH & EAST LUBBOCK COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
September 30, 2010 and 2009

**NOTE E - NOTE PAYABLE**

In November 2009, the Organization entered into a note payable with a local financial institution for \$350,000. The note bears interest at 6% and was due in November 2010. \$130,000 was outstanding under the note payable as of September 30, 2010. The note is secured by rental income and property.

**NOTE F - LOSS ON SALE OF LOTS**

During 2010 and 2009, the Organization sold four lots in Phase I to developers for construction of single family resident homes in the subdivision. Each lot was sold for approximately \$12,000 for a total sales amount of \$48,000, not including water tap fees. The prorated share of development costs for each lot is approximately \$22,104, for a total cost of \$88,417.

Although the City of Lubbock contributed the proceeds from the bond package toward the development of the subdivision, generally accepted accounting principles require reporting the lot development costs at the gross amount of development costs incurred. Therefore, the bond proceeds are not included in the calculation of the gain or loss on the sale of the lots.

**NOTE G - SPECIAL EVENTS**

Special event funds are from various fundraising events that raise money for the Organization. Below are the related revenues and expenses for the years ended September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Fundraiser Revenues	\$ 34,788	\$ 40,745
Fundraiser Expenses	<u>(20,258)</u>	<u>(12,835)</u>
Net Income from Special Events	<u>\$ 14,530</u>	<u>\$ 27,910</u>

**NOTE H - COMMITMENTS**

Phase II of King's Dominion is currently idle at 7% complete. To continue the development of Phase II, the Organization will have to enter into a separate contract with another developer to complete the development of the phase into marketable lots.

NORTH & EAST LUBBOCK COMMUNITY DEVELOPMENT CORPORATION  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 September 30, 2010 and 2009

**NOTE I - RISKS AND CONCENTRATIONS**

**Deposit Risk** - The Organization maintains cash balances at a local financial institution which, at times, may exceed federally insured limits. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to certain limits. The Organization has not experienced any losses in such accounts.

**Concentration of Funding** - The Organization receives grant and contribution revenues from various sources. The following is a mix of grant revenues from the various sources at September 30, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Department of Health and Human Services	0%	67%
Department of Housing and Urban Development	22%	12%
City of Lubbock	66%	15%
Local Organizations	<u>12%</u>	<u>6%</u>
	<u>100%</u>	<u>100%</u>

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# JW Anderson & Associates, 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*

Board of Directors  
North & East Lubbock Community Development Corporation  
Lubbock, Texas

We have audited the financial statements of North & East Lubbock Community Development Corporation as of and for the year ended September 30, 2010, and have issued our report thereon dated September 28, 2011. 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 audits, we considered the North & East Lubbock Community Development Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North & East Lubbock Community Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North & East Lubbock Community Development Corporation's internal control over financial reporting.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting as 2010-1 and is communicated in a separate letter on internal control dated September 28, 2011. 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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the North & East Lubbock Community Development Corporation'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*.

North & East Lubbock Community Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit North & East Lubbock Community Development Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within North & East Lubbock Community Development Corporation, the Board of Directors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*J W Anderson & Associates, PC*

JW ANDERSON & ASSOCIATES, PC  
A Professional Corporation  
Lubbock, Texas  
September 28, 2011