

**North & East Lubbock Community
Development Corporation**

Lubbock, Texas

Audited Financial Statements

September 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5

JW Anderson & Associates, PC

Certified Public Accountants

Coppertree Office Park
4412 74th Street, Suite F-101
PO Box 6785
Lubbock, Texas 79493-6785
Office (806) 771-4000
Fax (806) 771-4005

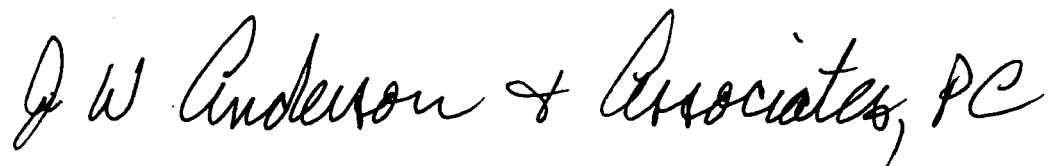
INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of North & East Lubbock Community Development Corporation as of September 30, 2005, and the related statements of activities and changes in net assets, and cash flows for the year 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 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 North & East Lubbock Community Development Corporation as of September 30, 2005, and the results of its operations and changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



JW ANDERSON & ASSOCIATES, PC
A Professional Corporation
Lubbock, Texas
December 2, 2005
(except for Note E, as to
which the date is January 12, 2006)

NORTH & EAST LUBBOCK COMMUNITY
 DEVELOPMENT CORPORATION
 STATEMENTS OF FINANCIAL POSITION
 September 30, 2005

	2005
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 13,039
Grant Receivable	<u>51,954</u>
Total Current Assets	64,993
Land Held for Development	404,995
Equipment	15,013
Accumulated Depreciation	<u>(1,691)</u>
	<u>418,317</u>
	<u><u>\$ 483,310</u></u>
LIABILITIES NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 181,355
Other Current Liabilities	<u>168</u>
Total Current Liabilities	181,523
Unrestricted Net Assets	<u>301,787</u>
	<u><u>\$ 483,310</u></u>

NORTH & EAST LUBBOCK COMMUNITY
 DEVELOPMENT CORPORATION
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 Year Ended September 30, 2005

	2005
UNRESTRICTED NET ASSETS	
Unrestricted Revenues and Gains	
Grants and Contributions	\$ 302,954
Special Events (Net)	12,093
Interest	<u>102</u>
Total Unrestricted Revenues and Gains	315,149
Net Assets Released from Restrictions	
Satisfaction of Program Restrictions	<u>180,671</u>
Total Unrestricted Revenues, Gains and Other Support	495,820
Expenses	
Program Services	149,450
Fundraising	14,734
Management and General	<u>45,615</u>
Total Expenses	<u>209,799</u>
Increase in Unrestricted Net Assets	286,021
TEMPORARILY RESTRICTED NET ASSETS	
Grants and Contributions	152,033
Net Assets Released from Restrictions	<u>(180,671)</u>
Decrease in Temporarily Restricted Net Assets	<u>(28,638)</u>
Increase in Net Assets	257,383
Net Assets at Beginning of Year	<u>44,404</u>
Net Assets At End of Year	<u>\$ 301,787</u>

NORTH & EAST LUBBOCK COMMUNITY
 DEVELOPMENT CORPORATION
 STATEMENTS OF CASH FLOWS
 Year Ended September 30, 2005

	2005
CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ 257,383
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	1,691
Changes in	
Grant Receivable	(51,954)
Accounts Payable	181,355
Other Accrued Liabilities	<u>168</u>
Net Cash Provided by Operating Activities	388,643
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of Land and Equipment	<u>(410,439)</u>
Net Cash Used by Investing Activities	<u>(410,439)</u>
Net Decrease in Cash	(21,796)
Cash at Beginning of Year	<u>34,835</u>
Cash at End of Year	<u><u>\$ 13,039</u></u>

NORTH & EAST LUBBOCK COMMUNITY
DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

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.

Method of Accounting - The Organization prepares its financial statements on the accrual basis of accounting where revenues are recognized when earned and expenditures when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation - In accordance with SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows.

Contributions - In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of and donor 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.

NORTH & EAST LUBBOCK COMMUNITY
DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 - Cash payments for interest during 2005 totaled \$856.

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.

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 under SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, 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.

NORTH & EAST LUBBOCK COMMUNITY
 DEVELOPMENT CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2005

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, 2005 is fully collectible, and therefore has not recorded an allowance.

NOTE C - PROPERTY AND EQUIPMENT

During the fiscal year, the Organization purchased land from the City of Lubbock in the northeast section of the City of Lubbock to be used for commercial property development. In addition, the Organization incurred development costs during the current fiscal year. Property and equipment additions, retirements and balances for the Organization for the year ended September 30, 2005 was as follows:

	Balance <u>9/30/04</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>9/30/05</u>
Land and Development	\$ 9,569	\$ 395,426	\$	\$ 404,995
Equipment	<u> </u>	<u>15,013</u>	<u> </u>	<u>15,013</u>
Totals Cost	9,569	410,439		420,008
Less Depreciation	<u> </u>	<u>(1,691)</u>	<u> </u>	<u>(1,691)</u>
Property and Equipment, Net	<u>\$ 9,569</u>	<u>\$ 408,748</u>	<u>\$</u>	<u>\$ 418,317</u>

NOTE D - CONCENTRATIONS

The Organization maintains cash balances at a financial institution located in Lubbock, Texas. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of September 30, 2005, the organization has no uninsured cash balances.

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, 2005.

	2005
Local Government	99%
Other	<u>1</u>
	<u>100%</u>

NORTH & EAST LUBBOCK COMMUNITY
DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE E - CONTINGENCY

The Organization has obtained a signed memorandum of understanding from Texland Petroleum L.P. to define the terms of current and future uses of the surface of the lands within the King's Dominion Addition. The uses include, but are not limited to, the drilling and or operating of oil and gas wells and the building of residential and or commercial structures within the King's Dominion Addition. The Organization, as owner of the surface rights of the property, desires to subdivide and develop residential and commercial structures on the surface of the property. Texland, as operator of oil and gas rights in and under the property, desires to continue producing oil and gas from the property through existing wells and future wells to be drilled on and under the property. The memorandum of understanding shall become a binding agreement between the Organization, Texland and the owners of the mineral rights if and when 100% of the owners have agreed to the terms and provisions of the memorandum. Management of the Organization obtained the signature of all of the owners as of January 12, 2006.

NOTE F - COMMITMENT

During the fiscal year, the Organization entered into an engineering contract with G. Greenstreet, Inc. to develop the King's Dominion Addition, with an original contract amount of \$1,140,467. As of September 30, 2005, the Organization had paid the contractor \$49,147. The Organization is committed to G. Greenstreet, Inc. for the remaining \$1,091,320 due under the contract, of which \$180,511 is included in accounts payable in the Balance Sheet.