

R. D. Harrison, CPA

Certified Public Accountant

Member American Institute of Certified Public Accountants
Registered with the Public Company Accounting Oversight Board

AVENIDA GUADALUPE
ASSOCIATION



AUDITED FINANCIAL STATEMENTS

YEARS ENDED
SEPTEMBER 30, 2013 AND 2012

AVENIDA GUADALUPE ASSOCIATION
TABLE OF CONTENTS
September 30, 2013 and 2012

	<u>Page</u>
Independent Auditor’s Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Schedule of Expenditures of Federal Awards	13
Independent auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	14
Independent Auditor’s Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	16
Schedule of Findings and Questioned Costs	19
Summary Schedule of Prior Audit Findings	19
Corrective Action Plan	20

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Avenida Guadalupe Association

Report on the Financial Statements

I have audited the accompanying statements of Avenida Guadalupe Association, which comprise the statements of financial position as of September 30, 2013 and 2012; and the related statements of activities, functional expenses and cash flows for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avenida Guadalupe Association as of September 30, 2013 and 2012, and the

changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 9, 2013, on my consideration of Avenida Guadalupe Association's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government auditing Standards* in considering Avenida Guadalupe Association's internal control over financial reporting and compliance.



R. D. Harrison, CPA
San Antonio, Texas
December 9, 2013

AVENIDA GUADALUPE ASSOCIATION
Statement of Financial Position
September 30, 2013 and 2012

	September 30,	
	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 144,076.	\$ 61,739.
Receivables:		
Grants	283,023.	173,682.
Fundraising Event	19,599.	5,800.
First-time Homebuyers	94,169.	98,543.
Rent	16,859.	8,543.
Affiliates	<u>20,000.</u>	<u>20,000.</u>
	433,650.	306,568.
Prepaid Insurance	15,589.	5,087.
Real Estate Held for Development	55,000.	55,000.
Restricted Cash	352,518.	587,358.
Fixed Assets		
Buildings	10,900,010.	8,081,385.
Equipment and Furniture	290,204.	245,877.
Less: Accumulated Depreciation	<u>(5,050,817)</u>	<u>(4,731,516)</u>
	<u>6,139,397.</u>	<u>3,595,746.</u>
TOTAL ASSETS	<u>\$ 7,140,230.</u>	<u>\$ 4,611,498.</u>
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	\$ 268,517.	\$ 106,053.
Rent Deposits Payable	33,284.	30,906.
Note Payable	<u>820,736.</u>	<u>-</u>
TOTAL LIABILITIES	1,122,537.	136,959.
NET ASSETS		
Unrestricted	239,739.	374,443.
Temporarily Restricted	214,921.	254,995.
Permanently Restricted:		
Invested in Fixed Assets	5,543,033.	3,825,101.
Endowed Funds	<u>20,000.</u>	<u>20,000.</u>
TOTAL NET ASSETS	<u>6,017,693.</u>	<u>4,474,539.</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,140,230.</u>	<u>\$ 4,611,498.</u>

See notes to financial statements.

AVENIDA GUADALUPE ASSOCIATION
Statement of Activities
Year ended September 30, 2013 and 2012

	Years ended September 30,	
	2013	2012
UNRESTRICTED NET ASSETS		
Support:		
Government Grants - Federal	\$ 240,752.	\$ 191,675.
Government Grants – City of San Antonio	144,824.	209,234.
Contributions and Grants	272,336.	181,229.
Rent (including government subsidy: \$43,085 in 2013 and \$45,307 in 2012)	593,332.	572,353.
Interest and Investment Income	10,761.	17,323.
	1,262,005.	1,171,814.
 Net assets Released from Restrictions:		
Restrictions Satisfied by Payments	40,074.	10,000.
	1,302,079.	1,181,814.
 Expenses:		
Program Expenses	1,109,448.	1,017,690.
General and Administrative	199,819.	169,089.
Fundraising	46,500.	53,750.
	1,355,717.	1,240,529.
	(53,638)	(58,715)
Transfer to Permanently Restricted Net Assets	(81,066)	-
DECREASE IN UNRESTRICTED NET ASSETS	(134,704)	(58,715)
 TEMPORARILY RESTRICTED NET ASSETS		
Restriction Satisfied by Payments	(40,074)	(10,000)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	(40,074)	(10,000)
 PERMANENTLY RESTRICTED NET ASSETS		
Government Grants – Federal	1,956,167.	255,717.
Government Grants – City of San Antonio	-	650,000.
Depreciation	(319,301)	(300,213)
Transfer from Unrestricted Net Assets	81,066.	-
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	1,717,932.	605,504.
INCREASE IN NET ASSETS	1,543,154.	536,789.
Net Assets at Beginning of Year	4,474,539.	3,937,750.
NET ASSETS AT END OF YEAR	\$ 6,017,693.	\$ 4,474,539.

See notes to financial statements.

AVENIDA GUADALUPE ASSOCIATION
Statement of Functional Expenses
Year Ended September 30, 2013 and 2012

	Community and Commerce	Culture	Property Management	Program Expense Total	General and Administrative	Fundraising	2013 Totals	2012 Totals
Advertising/Promotion	\$ 4,650.	\$ 7,122.	\$ 3,711.	\$ 15,483.	\$ 30,822.	\$ -	\$ 46,305.	\$ 24,300.
Consulting/Prof. Fees	13,564.	48,051.	19,147.	80,762.	45,521.	4,950.	131,233.	142,251.
Communications	5,346.	-	12,595.	17,941.	2,711.	-	20,652.	19,201.
Dues/Fees/Licenses/ Training	9,006.	16,393.	4,727.	30,126.	37,590.	-	67,716.	53,647.
Insurance	22.	1,573.	20,163.	21,758.	10,488.	-	32,246.	37,084.
Maintenance	-	767.	107,394.	108,161.	1,922.	-	110,083.	175,923.
Postage/Printing	393.	3,428.	8,207.	12,028.	1,501.	-	13,529.	6,708.
Property Mgmt.	-	-	9,631.	9,631.	-	-	9,631.	10,254.
Rent/Equipment	5,266.	12,548.	7,425.	25,239.	16,732.	-	41,971.	41,125.
Security	-	2,439.	16,864.	19,303.	375.	-	19,678.	26,570.
Supplies	13,107.	6,166.	6,340.	25,613.	2,017.	-	27,630.	29,688.
Utilities	-	-	58,943.	58,943.	2,049.	-	60,992.	58,462.
Compensation/Benefits	320,709.	55,039.	308,712.	684,460.	48,091.	41,500.	774,051.	615,316.
September 30, 2013	<u>\$ 372,063.</u>	<u>\$ 153,526.</u>	<u>\$ 583,859.</u>	<u>\$ 1,109,448.</u>	<u>\$ 199,819.</u>	<u>\$ 46,450.</u>	<u>\$ 1,355,717.</u>	<u>\$ 1,240,529.</u>
2013 Revenues	<u>\$ 408,005.</u>	<u>\$ 94,695.</u>	<u>\$ 732,128.</u>	<u>\$ 1,234,828.</u>	<u>\$ 67,251.</u>	<u>\$ 0.</u>	<u>\$ 1,302,079.</u>	<u>\$ 1,181,814.</u>
September 30, 2012	<u>\$ 262,707.</u>	<u>\$ 57,003.</u>	<u>\$ 697,980.</u>	<u>\$ 1,017,690.</u>	<u>\$ 169,089.</u>	<u>\$ 53,750.</u>	<u>\$ 1,240,529.</u>	<u>\$ 1,240,529.</u>
2012 Revenues	<u>\$ 286,764.</u>	<u>\$ 74,090.</u>	<u>\$ 715,013.</u>	<u>\$ 1,075,867.</u>	<u>\$ 105,947.</u>	<u>\$ -</u>	<u>\$ 1,181,814.</u>	<u>\$ 1,181,814.</u>

See notes to financial statements.

AVENIDA GUADALUPE ASSOCIATION
Statement of Cash Flows
Year Ended September 30, 2013 and 2012

	Year ended September 30,	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 1,543,154.	\$ 536,789.
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	319,301.	300,213.
Permanently restricted contributions	(1,956,617)	(905,717)
Change in operating assets:		
Receivables, (increase) decrease	(127,082)	(60,951)
Prepaid insurance, (increase) decrease	(10,502)	(1,763)
Accounts payable, increase (decrease)	162,464.	85,819.
Rent deposits, increase (decrease)	<u>2,378.</u>	<u>(17,262)</u>
NET CASH USED BY OPERATING ACTIVITIES	(66,904)	(62,872)
 CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) in fixed assets	<u>(2,862,952)</u>	<u>(973,532)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,862,952)</u>	<u>(973,532)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings	820,736.	-
Permanently restricted contributions	<u>1,956,617.</u>	<u>905,717.</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>2,777,353.</u>	<u>905,717.</u>
 NET DECREASE IN CASH	 (152,503)	 (130,687)
 CASH AT BEGINNING OF YEAR	 <u>649,097.</u>	 <u>779,784.</u>
CASH AT END OF YEAR	<u>\$ 496,594.</u>	<u>\$ 649,097.</u>

See notes to financial statements.

AVENIDA GUADALUPE ASSOCIATION
Notes to Financial Statements
September 30, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Avenida Guadalupe Association (AGA) is a tax-exempt neighborhood based corporation pursuant to § 501c(3) of the Internal Revenue Code. It was incorporated on December 11, 1979, to assist in the revitalization and attraction of neighborhood businesses to improve economic conditions and living standards of residents and merchants in the Avenida Guadalupe Project area. The financial statements of Avenida Guadalupe Association are prepared in conformity with Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations.

Activities of the Association are as follows:

Land Acquisition and Development

The Association is partially funded by the City of San Antonio (City) for the administration of the organization's land acquisition and development activities, including the relocation, demolition and disposition of vacant and developable land parcels. The Association operates as an "agent" for the City of San Antonio whereby it identifies blighted and problem properties for the purpose of developing projects to promote physical revitalization and community development. The acquisition and renovation of properties are administered by the City of San Antonio and as such, the Association does not receive or disburse funds relating to these activities.

Plaza Guadalupe

The Association manages the Plaza Guadalupe (a public open park and three houses owned by the City of San Antonio) constructed in 1984 primarily with funds from the U.S. Department of Commerce, Economic Development Administration and Community Development Block Grant (CDBG). The Plaza Guadalupe is available for public use on a rental fee basis.

El Parian

The Association constructed an 18,000 square foot marketplace (El Parian) which was completed during 1991. The construction was financed with grants from the U.S. Department of Commerce, the U.S. Department of Health and Human Services, the City of San Antonio CDBG funds and the City of San Antonio general fund.

San Jacinto

The Association constructed of a 50-unit elderly housing project for the economically disadvantaged, which was completed in July, 1996. The construction was financed with a HOME Program Grant and private contributions.

Artist Studios

The Association manages three office bungalows totaling 2,500 rentable square feet, owned by the City of San Antonio.

AVENIDA GUADALUPE ASSOCIATION
Notes to Financial Statements
September 30, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

El Progreso

The Association manages the 5,600 square foot El Progreso Community Center (a public meeting room owned by the City of San Antonio) rehabilitated in 1996 primarily with funds from a Community Development Block Grant. The room is available for public use on a rental fee basis.

Las Oficinas

The Association constructed a 12,000 square foot community office building which was completed in 2003. The construction was financed by a Community Development Block Grant and private contributions.

1310 Guadalupe – Heroes

The Association rehabilitated the former “Pink Building”, which was originally acquired in 2003 for \$34,600, with \$650,000 of grant funds from the City of San Antonio. The rehabilitated structure will provide 1,700 square feet of commercial rental space.

1314 Guadalupe - Promesa

The Association, as part of the Promesa Project, has begun construction of a two story, 15,600 square foot Class A professional office building. Total construction costs are expected to be \$3,830,000 and funded by a \$320,000 grant from the Department of Health and Human Services, \$300,000 of Association funds, a \$1,750,000 grant from the Department of Commerce – Economic Development Administration, and a \$500,000 Community Development Block Grant from the City of San Antonio. The remaining \$960,000 will be provided by a National Council of La Raza development loan. Costs incurred to date are \$3,545,479.

Property Management

The Association manages its commercial real estate, all of which is subject to term operating leases; its venue properties which are subject to daily rentals; and its senior community properties which are subject to term leases with partial government subsidies.

Culture

AVENIDA GUADALUPE ASSOCIATION
Notes to Financial Statements
September 30, 2013 and 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Community and Commerce

The Association offers HUD certified Housing Counseling classes to prospective homebuyers and, in conjunction with a grant from the City of San Antonio, provides down-payment assistance for first-time homebuyers. Twelve loans have been financed under this program.

The Association through a partnership with the City of San Antonio and other grantor sources offers business workshops; referral services for loans, marketing and business plans; and assistance with grant applications to businesses and individuals on Guadalupe Street in the Avenida Guadalupe neighborhood.

Fixed Assets and Depreciation

Donated assets are reported at fair market value at time of acquisition. Depreciation of buildings and equipment and office furniture is provided over the estimated useful lives of the applicable assets on a straight-line basis. Depreciation of assets constructed with contributed capital, which is now permanently restricted net assets, is recorded as a reduction of permanently restricted net assets.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Income Taxes

The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Association considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Date of Management Review

Subsequent events have been evaluated through December 7, 2013, which is the date the financial statements were available to be issued.

Reclassification

Certain amounts in the prior year have been reclassified for comparative purposes.

AVENIDA GUADALUPE ASSOCIATION
Notes to Financial Statements
September 30, 2013 and 2012

NOTE B – REAL ESTATE HELD FOR AND UNDER DEVELOPMENT

At September 30, 2013 and 2012 the Association held the following real estate:

	<u>2013</u>	<u>2012</u>
Five lots held for future housing construction	<u>\$ 55,000.</u>	<u>\$ 55,000.</u>

NOTE C - CASH IN BANKS

Cash on hand and in banks and other financial institutions at September 30, 2013 was comprised of the following:

Checking accounts/Money Market	\$ 119,617.
Certificates of Deposit	<u>376,977.</u>
	<u>\$ 496,594.</u>

Restricted cash was comprised of the following amounts at September 30, 2013:

Cash restricted for Promesa construction retainage	\$ 253,482.
Cash restricted for HOME Program	45,752.
Cash restricted for rent deposits	33,284.
Endowment funds	<u>20,000.</u>
	<u>\$ 352,518.</u>

The Association maintains its funds in four separate federally insured depository institutions.

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2013 consisted of the following:

First-time homebuyer – HOME Program	\$ 139,921.
Real estate held for development	55,000.
Receivable from affiliates	<u>20,000.</u>
	<u>\$ 214,921.</u>

AVENIDA GUADALUPE ASSOCIATION
Notes to Financial Statements
September 30, 2013 and 2012

NOTE E – FIXED ASSETS

A summary of fixed assets by function as of September 30, 2013, is presented as follows:

	<u>Cost</u>	<u>Accum. Dep.</u>	<u>Life</u>	<u>Metho d</u>
Office equipment & furniture	\$ <u>169,006.</u>	\$ <u>116,864.</u>	5 yrs	S/L
<u>Plaza Guadalupe</u>				
Improvements	\$ <u>305,084.</u>	\$ <u>135,341.</u>	10 yrs	S/L
<u>El Progreso</u>				
Improvements	\$ 29,908.	\$ 8,973.	10 yrs	S/L
Equipment & furniture	<u>6,433.</u>	<u>6,433.</u>	5 yrs	S/L
	<u>\$ 36,341.</u>	<u>\$ 15,406.</u>		
<u>El Parian</u>				
Building	\$ 2,173,316.	\$ 1,658,257.	20 yrs	S/L
Equipment & furniture	<u>25,086.</u>	<u>25,086.</u>	5 yrs	S/L
	<u>\$ 2,198,402.</u>	<u>\$ 1,683,343.</u>		
<u>Las Oficinas</u>				
Building	\$ 1,231,858.	\$ 598,102.	20 yrs	S/L
Tenant finish	500,844.	368,414.	10 yrs	S/L
Equipment & furniture	<u>26,994.</u>	<u>26,994.</u>	5 yrs	S/L
	<u>\$ 1,759,696.</u>	<u>\$ 993,510.</u>		
<u>San Jacinto</u>				
Building	\$ 2,465,247.	\$ 2,026,553.	20 yrs	S/L
Equipment & furniture	<u>62,685.</u>	<u>62,685.</u>	5 yrs	S/L
	<u>\$ 2,527,932.</u>	<u>\$ 2,089,238.</u>		
<u>1312 Guadalupe - Heroes</u>				
Building	\$ <u>684,600.</u>	\$ <u>17,115.</u>	40 yrs	S/L
<u>1314 Guadalupe - Promesa</u>				
Building (under construction)	\$ <u>3,509,153.</u>	<u>-</u>	40 yrs	S/L

Total depreciation expense for the years ended September 30, 2013 and 2012 was \$319,301 and \$300,213 respectively.

AVENIDA GUADALUPE ASSOCIATION
Notes to Financial Statements
September 30, 2013 and 2012

NOTE F - COMMITMENTS AND CONTINGENCIES

The Association is funded by various federal and the City of San Antonio grant programs which are governed by various rules and regulations of the grantor agencies. Expenses charged to the grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Association has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

The City of San Antonio has the fiduciary responsibility for all aspects of the Community Development Block Grants for land acquisition. The Association does not receive these funds directly but identifies projects to be developed by the City of San Antonio on behalf of the Association.

The City of San Antonio's fiduciary responsibility encompasses all financial and compliance aspects of administering these grant funds which include the approval and payment of all expenses, ensuring compliance with federal laws and regulations, and the preparation and submission of all required reports to granting agencies.

NOTE G – FISCAL YEAR 2013 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT AND DEPARTMENT OF COMMUNITY INITIATIVES

The Association met the terms and conditions as stated in the contract between it and the City of San Antonio, and has forwarded all necessary information to the City of San Antonio. No evidence of non-compliance with the programmatic requirements was obtained that would suggest that conditions of non-compliance existed during the period under audit.

NOTE H – NOTE PAYABLE

The Association has a \$960,000 construction loan commitment from the Raza Development Fund dated October 4, 2012 to provide funds to complete the Promesa project. At September 30, 2013 \$820,735 was outstanding. Interest at 5.5% is payable monthly and \$6,959 has been paid through September 30, 2013 and capitalized to the costs of construction. The development loan is due April 4, 2014. The construction loan balance, after any paydown from grants or contributions, will be converted to a permanent loan from a local financial institution or by Raza Development Fund.

AVENIDA GUADALUPE ASSOCIATION
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expe</u> <u>nditures</u>
U. S. Department of Commerce, Economic Development Assistance	11.307	\$ 1,659,988.
City of San Antonio – U. S. Department of Housing and Urban Development, Community Development Block Grant	14.218	296,179.
National Council of La Raza – Department of Housing and Urban Development, Comprehensive Counseling Program	14.169	58,576.
National Council of La Raza – NeighborWorks America, National Foreclosure Mitigation Counseling Program	21.000	59,609.
Mission Economic Development Agency – U. S. Department of Commerce, Broadband Technology Opportunities Program	11.557	83,660.
Southwest Key Programs, Inc. – U. S. Department of Health and Human Services, Responsible Fatherhood Program	93.086	38,907.
San Antonio Housing Authority – U. S. Department of Housing and Urban Development, Rental Assistance Payments	14.157	<u>43,085</u>
Total Expenditure of Federal Awards		<u>\$ 2,240,004.</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Avenida Guadalupe Association, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Avenida Guadalupe Association, it is not intended to and does not present financial position, changes in net assets, or cash flows of Avenida Guadalupe Association.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported in the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122 *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDEPENDENT AUDITOR'S 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*

To the Board of Directors
Avenida Guadalupe Association

I have audited, in accordance with the 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, the financial statements of Avenida Guadalupe Association, which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Avenida Guadalupe Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Avenida Guadalupe Association's internal control. Accordingly, I do not express an opinion on the effectiveness of Avenida Guadalupe Association's internal control.

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. *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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Avenida Guadalupe Association's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

This report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



R. D. Harrison, CPA
San Antonio, Texas
December 9, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Avenida Guadalupe Association

Report on Compliance for the Major Federal Program

I have audited Avenida Guadalupe Association's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Avenida Guadalupe Association's major federal program for the year ended September 30, 2013. Avenida Guadalupe Association's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for Avenida Guadalupe Association's major federal program based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about Avenida Guadalupe Association's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for the major federal program. However, my audit does not provide a legal determination of Avenida Guadalupe Association's compliance.

Opinion on the Major Federal Program

In my opinion, Avenida Guadalupe Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of Avenida Guadalupe Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Avenida Guadalupe Association's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Avenida Guadalupe Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "R. D. Harrison". The signature is written in a cursive style with a prominent initial "R" and a long, sweeping underline.

R. D. Harrison, CPA
San Antonio, Texas
December 9, 2013

AVENIDA GUADALUPE ASSOCIATION
Schedule of Findings and Questioned Costs
Year Ended September 30, 2013

1. SUMMARY OF AUDIT RESULTS

2. The auditor's report expresses an unqualified opinion on the financial statements of Avenida Guadalupe Association
3. No material weaknesses were identified during the audit of the financial statements.
4. No instances of noncompliance material to the financial statements of Avenida Guadalupe Association were disclosed during the audit.
5. No material weaknesses were identified during the audit of the major federal award programs.
6. The auditor's report on compliance for the major federal award programs for Avenida Guadalupe Association expresses an unqualified opinion.
7. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
8. The program tested as a major program was: U. S. Department of Commerce – Economic Development Assistance, CFDA#11.307.
9. The threshold for distinguishing Types A and B programs was \$500,000.
10. Avenida Guadalupe Association was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2013

None.

AVENIDA GUADALUPE ASSOCIATION
Corrective Action Plan
Year Ended September 30, 2013

Department of Housing and Urban Development

Avenida Guadalupe Association respectfully submits the following corrective action plan for the period ended September 30, 2013.

R. D. Harrison, CPA
P. O. Box 65076
San Antonio, Texas 78256-5076

Audit period: September 30, 2013

The findings from the September 30, 2013 scheduled findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule summary of Audit Results does not include findings and is not addressed.

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS – FEDERAL AWARD PROGRAMS AUDIT

None.