

COMMUNITIES FIRST ASSOCIATION
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2014 AND 2013
TOGETHER WITH AUDITOR'S REPORT

Dugan & Lopatka

Certified Public Accountants & Consultants
A Professional Corporation
104 East Roosevelt Road
Wheaton, Illinois 60187
(630) 665-4440
Fax (630) 665-5030
www.duganlopatka.com
e-mail: info@duganlopatka.com

Karen M. Olson
Hugh E. Elliott
Ron A. Marklund

Gwen S. Henry

Michael J. Dugan
Jerry L. Lopatka
Mark F. Schultz
Peter J. Zich
Leo M. Misdom

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Communities First Association

We have audited the accompanying financial statements of Communities First Association (the Association) (a non-profit organization) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, cash flows and functional expenses for the year 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

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 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors of
Communities First Association
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Communities First Association as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Communities First Association as of December 31, 2013, were audited by other auditors whose reported dated May 6, 2014, expressed an unmodified opinion on those statements.

Dugan + Lopatka

DUGAN & LOPATKA

Wheaton, Illinois
October 2, 2015

COMMUNITIES FIRST ASSOCIATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 320,002	\$ 431,114
Contributions and other receivables	117,350	5,068
Prepaid expenses	-	156
Total current assets	<u>437,352</u>	<u>436,338</u>
PROPERTY AND EQUIPMENT, net	<u>3,761</u>	<u>932</u>
Total assets	<u>\$ 441,113</u>	<u>\$ 437,270</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accrued compensation	\$ 7,369	\$ 8,911
Other accrued liabilities	-	22,688
Total liabilities	<u>7,369</u>	<u>31,599</u>
COMMITMENTS		
NET ASSETS:		
Unrestricted net assets	433,744	404,310
Temporarily restricted	-	1,361
Total net assets	<u>433,744</u>	<u>405,671</u>
Total liabilities and net assets	<u>\$ 441,113</u>	<u>\$ 437,270</u>

The accompanying notes are an integral part of this statement.

COMMUNITIES FIRST ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support						
Contributions	\$ 57,384	\$ 13,800	\$ 71,184	\$ 35,618	\$ 55,340	\$ 90,958
World Renew Grants	456,250	-	456,250	625,000	-	625,000
Investment income	580	-	580	916	-	916
Miscellaneous income	23,797	-	23,797	33,479	-	33,479
Net assets released from restrictions	15,161	(15,161)	-	59,486	(59,486)	-
Total revenues and support	553,172	(1,361)	551,811	754,499	(4,146)	750,353
Expenses:						
Program services	261,335	-	261,335	496,730	-	496,730
Management and general	222,644	-	222,644	123,605	-	123,605
Fundraising	39,759	-	39,759	103,511	-	103,511
Total expenses	523,738	-	523,738	723,846	-	723,846
Change in net assets	29,434	(1,361)	28,073	30,653	(4,146)	26,507
Net assets, beginning of year	404,310	1,361	405,671	373,657	5,507	379,164
Net assets, end of year	\$ 433,744	\$ -	\$ 433,744	\$ 404,310	\$ 1,361	\$ 405,671

The accompanying notes are an integral part of this statement.

COMMUNITIES FIRST ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 28,073	\$ 26,507
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities -		
Depreciation	999	3,557
Gain from sale of equipment	(700)	(11,000)
Changes in assets and liabilities:		
(Increase) decrease in contributions and other receivables	(112,282)	52,095
(Increase) decrease in prepaid expenses	156	(156)
(Decrease) increase in accrued compensation	(1,542)	1,393
(Decrease) increase in other accrued liabilities	(22,688)	11,069
	<u>(107,984)</u>	<u>83,465</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(3,828)	(1,165)
Proceeds from disposition of property and equipment	700	11,000
	<u>(3,128)</u>	<u>9,835</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(111,112)	93,300
CASH AND CASH EQUIVALENTS, Beginning of year	<u>431,114</u>	<u>337,814</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 320,002</u>	<u>\$ 431,114</u>

The accompanying notes are an integral part of this statement.

COMMUNITIES FIRST ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 78,912	\$ 130,884	\$ 31,691	\$ 241,487
Employee benefits	10,474	13,725	3,523	27,722
Contract Services	41,477	29,620	-	71,097
Copying, printing, postage	4,418	6,491	-	10,909
Depreciation	-	999	-	999
Insurance	-	-	-	-
Rent	-	1,500	154	1,654
Repairs and maintenance	-	-	-	-
Supplies	3,216	4,204	-	7,420
Subscriptions	645	2,326	-	2,971
Telephone and internet	1,084	3,410	-	4,494
Travel	36,128	10,970	4,391	51,489
Website development	606	-	-	606
Other operating costs	1,368	12,466	-	13,834
Grants	41,008	-	-	41,008
Training and conferences	41,999	6,049	-	48,048
	<u>\$ 261,335</u>	<u>\$ 222,644</u>	<u>\$ 39,759</u>	<u>\$ 523,738</u>
Total functional expenses	<u>\$ 261,335</u>	<u>\$ 222,644</u>	<u>\$ 39,759</u>	<u>\$ 523,738</u>

The accompanying notes are an integral part of this statement.

COMMUNITIES FIRST ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 132,424	\$ 24,128	\$ 86,475	\$ 243,027
Employee benefits	27,982	2,725	7,895	38,602
Contract Services	102,666	29,168	3,375	135,209
Copying, printing, postage	4,069	820	906	5,795
Depreciation	-	3,557	-	3,557
Insurance	-	3,643	-	3,643
Rent	-	6,020	20	6,040
Repairs and maintenance	-	773	-	773
Supplies	665	2,667	1,341	4,673
Subscriptions	5,050	3,241	-	8,291
Telephone and internet	1,270	609	-	1,879
Travel	20,785	9,221	2,962	32,968
Website development	245	-	-	245
Other operating costs	1,438	35,673	-	37,111
Grants	157,359	-	-	157,359
Training and conferences	42,777	1,360	537	44,674
	<u>\$ 496,730</u>	<u>\$ 123,605</u>	<u>\$ 103,511</u>	<u>\$ 723,846</u>
Total functional expenses	<u>\$ 496,730</u>	<u>\$ 123,605</u>	<u>\$ 103,511</u>	<u>\$ 723,846</u>

The accompanying notes are an integral part of this statement.

COMMUNITIES FIRST ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Communities First Association (the Association) is a national, faith-based organization of highly relational, expert practitioners who are committed to community transformation through the multiplication of skillful leaders in asset based community development.

The financial statements were available to be issued on October 2, 2015, with subsequent events being evaluated through this date.

The following summarizes the significant accounting policies and practices reflected in the accompanying financial statements:

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) for Financial Statements of Not-for-Profit Organizations. Under the ASC, the Association is required to report information regarding its financial position and activities according to three classes of net assets, which are unrestricted, temporarily restricted and permanently restricted net assets.

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 Association and/or the passage of time. There were temporarily restricted net assets of \$0- and \$1,361 as of December 31, 2014 and 2013, respectively.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets as of December 31, 2014 and 2013.

Income Taxes -

The Association has been determined by the Internal Revenue Service to be exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes, except for taxes on unrelated business income generated from unrelated trade or business activities. The Association did not have unrelated business income for the years ended December 31, 2014 and 2013. Accordingly, no provision for income tax has been established.

The Association files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Association is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2011. The Association does not expect a material net change in unrecognized tax benefits in the next twelve months.

(1) NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:
(Continued)

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 revenues and expenses during the reporting period. Accordingly, actual results may vary from those estimates.

Cash and Cash Equivalents -

For purposes of the statement of cash flows, the Association considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Contributions Receivable -

Contributions receivable primarily consists of grants and allocations committed from various funding agencies for use in the Association's activities. All contributions are available for unrestricted use unless specifically restricted by the donor. The Association values receivables based on the amount management believes will be collectible. The Association has not recorded a provision for doubtful accounts because it is the opinion of management that its receivables will be collected in full.

Property and Equipment -

Property and equipment are stated at cost. The Association capitalizes all expenditures for fixed assets over \$1,000. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the respective assets which are five years. Upon sale or retirement, the cost and related accumulated depreciation and amortization are eliminated from the respective account and the resulting gain or loss is included in the statement of activities.

Functional Allocation of Expenses -

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program services, management and general and fund-raising expenses based on direct salary expense and relative use of facilities.

(2) PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Furniture and Equipment	\$ 1,165	\$ 1,165
Computer Equipment and Software	<u>3,828</u>	<u>-</u>
	4,993	1,165
Less - accumulated depreciation	<u>(1,232)</u>	<u>(233)</u>
	<u>\$ 3,761</u>	<u>\$ 932</u>

Depreciation expense for 2014 and 2013 was \$999 and \$3,557, respectively.

(3) EMPLOYEE BENEFIT PLAN:

The Association sponsors a 401(k) plan in which the Association provides a three percent unconditional contribution and a dollar-for-dollar matching contribution up to an additional one percent, resulting in a total employer contribution of four percent of gross pay if employees make contributions through payroll of at least one percent of gross pay. Total employer contributions for the years ended December 31, 2014 and 2013 were \$2,709 and \$4,330, respectively.

(4) CONCENTRATION OF CREDIT RISK:

At December 31, 2014, the Association has \$321,746 of cash on deposit with one financial institution. Cash balances in excess of federal insurance limits totaled \$71,746 at December 31, 2014.

(5) MAJOR FUNDING SOURCES:

During 2014 and 2013, the Association received 82% and 73%, respectively, of its public support from one contributor. Because this represents such a substantial portion of the support which the Association receives, a significant reduction of this level of assistance would have a detrimental effect on the Association's operations.