Communities First Association

Financial Report
December 31, 2012

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Independent Auditor's Report

To the Board of Directors
Communities First Association

Report on the Financial Statements

We have audited the accompanying financial statements of Communities First Association (the "Association"), which comprise the statement of financial position as of December 31, 2012 and 2011 and the related statements of activities and changes in net assets, 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

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 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, 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
Communities First Association

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, 2012 and 2011 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 20, 2013

Communities First Association

Statement of Financial Position

	December 31, 2012	December 31, 2011
Assets		
Current Assets		
Cash	$ 337,814	$ 161,104
Contributions and other receivables	57,163	2,193
Prepaid expenses	-	1,034
Total current assets	394,977	164,331
Equipment - Net	3,324	7,692
Total assets	**$ 398,301**	**$ 172,023**
Liabilities and Net Assets		
Current Liabilities		
Accrued compensation	$ 7,518	$ 5,451
Other accrued liabilities	11,619	5,326
Total current liabilities	19,137	10,777
Net Assets		
Unrestricted	373,657	135,782
Temporarily restricted	5,507	25,464
Total net assets	379,164	161,246
Total liabilities and net assets	**$ 398,301**	**$ 172,023**

Communities First Association

Statement of Activities and Changes in Net Assets

	Year Ended					
	December 31, 2012			December 31, 2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support						
Contributions	$ 164,852	$ 20,362	$ 185,214	$ 106,640	$ 600	$ 107,240
World Renew/CRWRC grants	745,620	-	745,620	698,702	-	698,702
Foundation grants	-	-	-	50,000	-	50,000
Investment income	820	-	820	443	-	443
Miscellaneous income	18,513	-	18,513	8,368	-	8,368
Net assets released from restrictions	40,319	(40,319)	-	12,710	(12,710)	-
Total revenue, gains, and other support	970,124	(19,957)	950,167	876,863	(12,110)	864,753
Expenses						
Program services	565,622	-	565,622	587,291	-	587,291
Management and general	113,257	-	113,257	91,162	-	91,162
Fundraising	53,370	-	53,370	174,969	-	174,969
Total expenses	732,249	-	732,249	853,422	-	853,422
Increase (Decrease) in Net Assets	237,875	(19,957)	217,918	23,441	(12,110)	11,331
Net Assets - Beginning of year	135,782	25,464	161,246	112,341	37,574	149,915
Net Assets - End of year	**$ 373,657**	**$ 5,507**	**$ 379,164**	**$ 135,782**	**$ 25,464**	**$ 161,246**

See Notes to Financial Statements.

Communities First Association

Statement of Functional Expenses

	Program Services	Support Services: Management and General	Support Services: Fundraising	Total Expenses
Year Ended December 31, 2012				
Salaries	$ 198,111	$ 45,856	$ 30,955	$ 274,922
Employee benefits	47,119	9,727	8,061	64,907
Total salaries and related expenses	245,230	55,583	39,016	339,829
Contract services	51,464	15,175	7,795	74,434
Copying, printing, and postage	356	2,769	227	3,352
Depreciation	-	3,846	-	3,846
Insurance	-	7,666	-	7,666
Rent	-	2,200	-	2,200
Repairs and maintenance	-	1,971	-	1,971
Supplies	3,833	2,816	1,065	7,714
Subscriptions	6,980	1,867	-	8,847
Telephone and internet	3,618	1,402	1,351	6,371
Travel	23,608	6,139	1,369	31,116
Website development	21	-	-	21
Other operating costs	1,666	8,151	608	10,425
Grants	195,440	-	-	195,440
Trainings and conferences	33,406	3,672	1,939	39,017
Total functional expenses	**$ 565,622**	**$ 113,257**	**$ 53,370**	**$ 732,249**

	Program Services	Support Services: Management and General	Support Services: Fundraising	Total Expenses
Year Ended December 31, 2011				
Salaries	$ 186,958	$ 27,130	$ 60,879	$ 274,967
Employee benefits	46,357	5,756	17,211	69,324
Total salaries and related expenses	233,315	32,886	78,090	344,291
Contract services	8,095	25,730	79,666	113,491
Copying, printing, and postage	412	1,111	6,970	8,493
Depreciation	-	3,846	-	3,846
Insurance	-	7,014	-	7,014
Repairs and maintenance	-	1,210	-	1,210
Supplies	5,054	4,698	3,542	13,294
Subscriptions	7,000	4,100	-	11,100
Telephone and internet	2,596	1,378	1,800	5,774
Travel	42,898	4,536	2,562	49,996
Website development	108	-	-	108
Other operating costs	4,001	2,052	500	6,553
Grants	260,716	-	-	260,716
Trainings and conferences	23,096	2,601	1,839	27,536
Total functional expenses	**$ 587,291**	**$ 91,162**	**$ 174,969**	**$ 853,422**

Communities First Association

Statement of Cash Flows

	Year Ended December 31, 2012	Year Ended December 31, 2011
Cash Flows from Operating Activities		
Increase in net assets	$ 217,918	$ 11,331
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	3,846	3,846
Gain on sale of equipment	(7,478)	-
Changes in operating assets and liabilities which (used) provided cash:		
Contributions and other receivables	(54,970)	2,811
Prepaid expenses	1,034	680
Accrued compensation	2,067	141
Other accrued liabilities	6,293	2,002
Net cash provided by operating activities	168,710	20,811
Cash Flows from Investing Activities - Proceeds from disposition of equipment	8,000	-
Net Increase in Cash	176,710	20,811
Cash - Beginning of year	161,104	140,293
Cash - End of year	**$ 337,814**	**$ 161,104**

See Notes to Financial Statements.

Note 1 - Nature of Business and Significant Accounting Policies

Communities First Association (the "Association"), located in Holland, Michigan, is a network of professional Christian colleagues using asset-based community development methods to help transform a growing number of communities and engage Christians and churches in their community change story. The Association was established as a standalone 501(c)(3) effective June 13, 2008.

Significant accounting policies are as follows:

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions Receivable - The Association's contributions receivable are comprised primarily of grants and allocations committed from various funding agencies for use in the Association's activities. Contributions receivable at December 31, 2012 are expected to be collected within one year. The Association has not recorded a provision for doubtful accounts since it is the opinion of management that those receivables are collectible in full.

Equipment - Equipment is carried at cost less accumulated depreciation. Depreciation is computed by the straight-line method over the asset's estimated useful life (five years for transportation equipment). The Association capitalizes assets based on a policy threshold of $1,000.

Tax Status - The Association is a not-for-profit corporation and has been granted tax-exempt status by the Internal Revenue Service under the provisions of Code Section 501(c)(3). The Association's open tax years include 2010 through 2012. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association and recognize a tax liability if the Association has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Association and has concluded that as of December 31, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Association is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to December 31, 2009.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Revenue - Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Grant revenue is recorded as deferred revenue upon receipt of the advances and is recognized as the related expenses are incurred. During 2012 and 2011, the Association received grants from the World Renew (formerly known as Christian Reformed World Relief Committee) in the amounts of $745,620 and $690,105, respectively, and an additional $0 and $8,597, respectively, of Americorps pass-through grants from the Christian Reformed World Relief Committee. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. All other contributions are reported as unrestricted support. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Classification of Net Assets - Net assets of the Association are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Association's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. The Association has no permanently restricted net assets.

Subsequent Events - The financial statements include evaluation of events up through and including May 20, 2013, which is the date the financial statements were available to be issued.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Note 2 - Equipment

The cost of equipment is summarized as follows:

	2012	2011	Depreciable Life - Years
Transportation equipment	$ 16,620	$ 19,231	5
Less accumulated depreciation	(13,296)	(11,539)	
Net carrying amount	$ 3,324	$ 7,692	

Depreciation expense was $3,846 for 2012 and 2011.

Note 3 - Employee Benefit Plan

The Association sponsors a 401(k) plan in which the Association provides a 3 percent unconditional contribution and a dollar-for-dollar matching contribution up to an additional 1 percent, resulting in a total employer contribution of 4 percent of gross pay if employees make contributions through payroll of at least 1 percent of gross pay. Total employer contributions for the years ended December 31, 2012 and 2011, amounted to $10,369 and $8,240, respectively.