

Communities First Association

**Financial Report
December 31, 2013**

Communities First Association

Contents

Report Letter	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-9

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, 2013 and 2012 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 audits 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, 2013 and 2012 and the changes in net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 6, 2014

Communities First Association

Statement of Financial Position

	December 31, 2013	December 31, 2012
Assets		
Current Assets		
Cash	\$ 431,114	\$ 337,814
Contributions and other receivables	5,068	57,163
Prepaid expenses	156	-
Total current assets	436,338	394,977
Equipment - Net	932	3,324
Total assets	<u>\$ 437,270</u>	<u>\$ 398,301</u>
Liabilities and Net Assets		
Current Liabilities		
Accrued compensation	\$ 8,911	\$ 7,518
Other accrued liabilities	22,688	11,619
Total current liabilities	31,599	19,137
Net Assets		
Unrestricted	404,310	373,657
Temporarily restricted	1,361	5,507
Total net assets	405,671	379,164
Total liabilities and net assets	<u>\$ 437,270</u>	<u>\$ 398,301</u>

Communities First Association

Statement of Activities and Changes in Net Assets

	Year Ended					
	December 31, 2013			December 31, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support						
Contributions	\$ 35,618	\$ 55,340	\$ 90,958	\$ 164,852	\$ 20,362	\$ 185,214
World Renew grants	625,000	-	625,000	745,620	-	745,620
Investment income	916	-	916	820	-	820
Miscellaneous income	33,479	-	33,479	18,513	-	18,513
Net assets released from restrictions	59,486	(59,486)	-	40,319	(40,319)	-
Total revenue, gains, and other support	754,499	(4,146)	750,353	970,124	(19,957)	950,167
Expenses						
Program services	496,730	-	496,730	565,622	-	565,622
Management and general	123,605	-	123,605	113,257	-	113,257
Fundraising	103,511	-	103,511	53,370	-	53,370
Total expenses	723,846	-	723,846	732,249	-	732,249
Increase (Decrease) in Net Assets	30,653	(4,146)	26,507	237,875	(19,957)	217,918
Net Assets - Beginning of year	373,657	5,507	379,164	135,782	25,464	161,246
Net Assets - End of year	\$ 404,310	\$ 1,361	\$ 405,671	\$ 373,657	\$ 5,507	\$ 379,164

Communities First Association

Statement of Functional Expenses

	Year Ended December 31, 2013			
	Program Services	Support Services		Total Expenses
		Management and General	Fundraising	
Salaries	\$ 132,424	\$ 24,128	\$ 86,475	\$ 243,027
Employee benefits	27,982	2,725	7,895	38,602
Total salaries and related expenses	160,406	26,853	94,370	281,629
Contract services	102,666	29,168	3,375	135,209
Copying, printing, and 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
Trainings and conferences	42,777	1,360	537	44,674
Total functional expenses	\$ 496,730	\$ 123,605	\$ 103,511	\$ 723,846

	Year Ended December 31, 2012			
	Program Services	Support Services		Total Expenses
		Management and General	Fundraising	
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

Communities First Association

Statement of Cash Flows

	Year Ended	
	December 31, 2013	December 31, 2012
Cash Flows from Operating Activities		
Increase in net assets	\$ 26,507	\$ 217,918
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	3,557	3,846
Gain on sale of equipment	(11,000)	(7,478)
Changes in operating assets and liabilities which provided (used) cash:		
Contributions and other receivables	52,095	(54,970)
Prepaid expenses	(156)	1,034
Accrued compensation	1,393	2,067
Other accrued liabilities	11,069	6,293
Net cash provided by operating activities	83,465	168,710
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,165)	-
Proceeds from disposition of property and equipment	11,000	8,000
Net cash provided by investing activities	9,835	8,000
Net Increase in Cash	93,300	176,710
Cash - Beginning of year	337,814	161,104
Cash - End of year	<u>\$ 431,114</u>	<u>\$ 337,814</u>

Communities First Association

Notes to Financial Statements December 31, 2013 and 2012

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 stand-alone 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, 2013 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 2011 through 2013. 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, 2013 and 2012, 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, 2010.

Communities First Association

Notes to Financial Statements December 31, 2013 and 2012

Note I - 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 2013 and 2012, the Association received grants from World Renew in the amounts of \$625,000 and \$745,620, respectively, and an additional \$1,400 and \$0, respectively, of foundation grants from the AmeriCorps pass-through grants. 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 6, 2014, which is the date the financial statements were available to be issued.

Communities First Association

Notes to Financial Statements December 31, 2013 and 2012

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:

	2013	2012	Depreciable Life - Years
Transportation equipment	\$ -	\$ 16,620	5
Computer equipment and software - Cost	1,165	-	5
Less accumulated depreciation	(233)	(13,296)	
Net carrying amount	<u>\$ 932</u>	<u>\$ 3,324</u>	

Depreciation expense for the years ended December 31, 2013 and 2012 was \$3,557 and \$3,846, respectively.

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, 2013 and 2012, amounted to \$4,330 and \$10,369, respectively.