

Communities First Association

**Financial Report
December 31, 2011**

Communities First Association

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Independent Auditor's Report

To the Board of Directors
Communities First Association

We have audited the accompanying statements of financial position of Communities First Association (a not-for-profit organization) (the "Association") as of December 31, 2011 and 2010 and the related results of its operations and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. 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 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 audits provide 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 Communities First Association at December 31, 2011 and 2010 and the results of its operations and changes in net assets, functional expenses, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

June 7, 2012

Communities First Association

Statements of Financial Position

	December 31, 2011	December 31, 2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 161,104	\$ 140,293
Contribution receivables	2,193	5,004
Prepaid expenses	1,034	1,714
Total current assets	164,331	147,011
Equipment - Net	7,692	11,538
Total assets	<u>\$ 172,023</u>	<u>\$ 158,549</u>
Liabilities and Net Assets		
Current Liabilities		
Accrued compensation	\$ 5,451	\$ 5,310
Other accrued liabilities	5,326	3,324
Total current liabilities	10,777	8,634
Net Assets		
Unrestricted	135,782	112,341
Temporarily restricted	25,464	37,574
Total net assets	161,246	149,915
Total liabilities and net assets	<u>\$ 172,023</u>	<u>\$ 158,549</u>

Communities First Association

Statements of Activities and Changes in Net Assets

	Year Ended					
	December 31, 2011			December 31, 2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support						
Contributions	\$ 106,640	\$ 600	\$ 107,240	\$ 153,198	\$ -	\$ 153,198
Christian Reformed World Relief Committee grants	698,702	-	698,702	750,359	-	750,359
Foundation grants	50,000	-	50,000	-	51,959	51,959
Investment income	443	-	443	276	-	276
Miscellaneous income	8,368	-	8,368	1,888	-	1,888
Net assets released from restrictions	12,710	(12,710)	-	14,385	(14,385)	-
Total revenue, gains, and other support	876,863	(12,110)	864,753	920,106	37,574	957,680
Expenses						
Program services	587,291	-	587,291	697,697	-	697,697
Management and general	91,162	-	91,162	59,668	-	59,668
Fundraising	174,969	-	174,969	97,359	-	97,359
Total expenses	853,422	-	853,422	854,724	-	854,724
Increase (Decrease) in Net Assets	23,441	(12,110)	11,331	65,382	37,574	102,956
Net Assets - Beginning of year	112,341	37,574	149,915	46,959	-	46,959
Net Assets - End of year	<u>\$ 135,782</u>	<u>\$ 25,464</u>	<u>\$ 161,246</u>	<u>\$ 112,341</u>	<u>\$ 37,574</u>	<u>\$ 149,915</u>

Communities First Association

Statements of Functional Expenses

	Year Ended December 31, 2011			
	Program Services	Support Services		Total Expenses
		Management and General	Fundraising	
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

	Year Ended December 31, 2010			
	Program Services	Support Services		Total Expenses
		Management and General	Fundraising	
Salaries	\$ 186,933	\$ 9,487	\$ 64,338	\$ 260,758
Employee benefits	52,953	1,863	11,796	66,612
Total salaries and related expenses	239,886	11,350	76,134	327,370
Contract services	6,551	16,321	11,305	34,177
Copying, printing, and postage	626	535	1,064	2,225
Depreciation	-	3,846	-	3,846
Insurance	-	9,019	-	9,019
Repairs and maintenance	-	1,856	-	1,856
Supplies	2,742	3,426	747	6,915
Subscriptions	5,050	589	-	5,639
Telephone and internet	5,936	1,016	2,704	9,656
Travel	68,688	3,183	4,905	76,776
Website development	916	-	-	916
Other operating costs	7,292	4,268	-	11,560
Grants	331,875	-	-	331,875
Trainings and conferences	28,135	4,259	500	32,894
Total functional expenses	\$ 697,697	\$ 59,668	\$ 97,359	\$ 854,724

Communities First Association

Statements of Cash Flows

	Year Ended	
	December 31, 2011	December 31, 2010
Cash Flows from Operating Activities		
Increase in net assets	\$ 11,331	\$ 102,956
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	3,846	3,846
Changes in operating assets and liabilities which provided (used) cash:		
Contribution receivables	2,811	9,620
Prepaid expenses	680	(1,244)
Accrued compensation	141	-
Other accrued liabilities	2,002	(10)
Net Increase in Cash and Cash Equivalents	20,811	115,168
Cash and Cash Equivalents - Beginning of year	140,293	25,125
Cash and Cash Equivalents - End of year	<u>\$ 161,104</u>	<u>\$ 140,293</u>

Communities First Association

Notes to Financial Statements December 31, 2011 and 2010

Note 1 - Nature of Business and Significant Accounting Policies

Communities First Association (the "Association"), located in Grand Rapids, 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.

Cash and Cash Equivalents - Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an original maturity of three months or less.

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 2009 through 2011. 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, 2011 and 2010, 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, 2008.

Communities First Association

Notes to Financial Statements December 31, 2011 and 2010

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 2011 and 2010, the Association received grants from the Christian Reformed World Relief Committee in the amounts of \$690,105 and \$692,870, respectively, and an additional \$8,597 and \$57,489, 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.

Functional Allocation of Expenses - The costs of providing the program and support services have been reported on a functional basis in the statements 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.

Communities First Association

Notes to Financial Statements December 31, 2011 and 2010

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

Subsequent Events - The financial statements include evaluation of events up through and including June 7, 2012, which is the date the financial statements were available to be issued.

Note 2 - Equipment

The cost of property and equipment is summarized as follows:

	<u>2011</u>	<u>2010</u>	<u>Depreciable Life - Years</u>
Transportation equipment	\$ 19,231	\$ 19,231	5
Less accumulated depreciation	<u>(11,539)</u>	<u>(7,693)</u>	
Net carrying amount	<u>\$ 7,692</u>	<u>\$ 11,538</u>	

Depreciation expense was \$3,846 for 2011 and 2010.

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, 2011 and 2010, amounted to \$8,240 and \$7,600, respectively.