

COMMUNITY BUILDERS, INC.

FINANCIAL STATEMENTS

June 30, 2018



**COMMUNITY BUILDERS, INC.
FINANCIAL STATEMENTS**

June 30, 2018

TABLE OF CONTENTS

ITEM	PAGE NUMBER
Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Notes to Financial Statements	5

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Builders, Inc.

We have audited the accompanying financial statements of Community Builders, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows 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

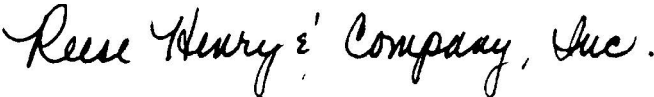
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Community Builders, Inc. as of June 30, 2018, 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.



Certified Public Accountants
Aspen, Colorado
April 15, 2019

COMMUNITY BUILDERS, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS

Cash & Cash Equivalents	\$ 1,263,376
Accounts Receivable	18,733
Pledges Receivable, Net of \$44,783 Discount	482,950
Prepaid Expenses	1,503
TOTAL ASSETS	<u>\$ 1,766,562</u>

LIABILITIES

Accounts Payable	\$ 22,321
TOTAL LIABILITIES	<u>22,321</u>

NET ASSETS

Unrestricted, Undesignated	1,261,291
Temporarily Restricted	482,950
TOTAL NET ASSETS	<u>1,744,241</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,766,562</u>

The accompanying notes are an integral part of the financial statements.

COMMUNITY BUILDERS, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS & OTHER SUPPORT			
Contributions	\$ 10,690	\$ -	\$ 10,690
Grants	59,742	-	59,742
Fees for Service Revenue	325,083	-	325,083
Interest Income	470	-	470
Other Income	107	-	107
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	565,558	(565,558)	-
TOTAL REVENUES, GAINS & OTHER SUPPORT	961,650	(565,558)	396,092
EXPENSES			
Program Expenses			
Technical Assistance Program	475,405	-	475,405
Training Program	141,572	-	141,572
Communications	110,558	-	110,558
Research	79,429	-	79,429
Other Program Expenses	11,503	-	11,503
Total Program Expenses	818,467	-	818,467
Supporting Services			
General & Administrative Expenses	92,503	-	92,503
Fundraising Expenses	15,000	-	15,000
TOTAL EXPENSES	925,970	-	925,970
CHANGE IN NET ASSETS	35,680	(565,558)	(529,878)
NET ASSETS, Beginning of Year	1,225,611	1,048,508	2,274,119
NET ASSETS, End of Year	\$ 1,261,291	\$ 482,950	\$ 1,744,241

The accompanying notes are an integral part of the financial statements.

COMMUNITY BUILDERS, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (529,878)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Assets:	
Accounts Receivable	(13,558)
Pledges Receivable	565,558
Prepaid Expenses	(1,503)
Increase (Decrease) in Liabilities:	
Accounts Payable	16,058
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>36,677</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	36,677
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,226,699</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 1,263,376</u></u>

The accompanying notes are an integral part of the financial statements.

COMMUNITY BUILDERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

1. ORGANIZATION AND PURPOSE

Community Builders, Inc. (the Organization) was established May 6, 2015 as an independent nonprofit corporation with a mission to help local leaders build livable communities across the American West. The Organization is governed by a board of directors. The Organization has been granted an exemption from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

BASIS OF PRESENTATION

The Organization follows FASC 958-205, *Presentation of Financial Statements for Not-for-Profit Organizations*. Under FASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

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 Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets received and spent in the same year are included in temporarily restricted net assets.

Permanently Restricted Net Assets: Net assets that are subject to donor-imposed stipulations requiring that they be maintained permanently by the Organization. There are no permanently restricted net assets as of June 30, 2018.

CASH AND CASH EQUIVALENTS

Cash equivalents include highly liquid investments not held for resale with original maturities of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk with respect to these accounts.

ACCOUNTS AND PLEDGES RECEIVABLE

The Organization writes off accounts and pledges when they are considered uncollectible. Pledges due to be received beyond one year from the date of the financial statements are recognized at their estimated present value.

PREPAID EXPENSES

Prepaid expenses consist of various items and deposits that will be fully expensed in the next fiscal year.

FAIR VALUE MEASUREMENTS

The Organization is subject to the provisions of FASB ASC 820-10, *Fair Value Measurements and Disclosures*. This standard requires use of a hierarchy of fair value that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

CONTRIBUTIONS AND GRANTS

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions received with donor imposed restrictions that are met in the same year in which the contributions were received, are recorded as temporarily restricted contributions and are re-classified as unrestricted contributions when the restrictions have been met.

FEES FOR SERVICES

Fees for services received are recorded when the services occur. These fees are primarily grant reimbursements received for educational programs performed and expenses incurred to educate municipal and construction planning leaders on how to build and maintain livable communities.

ADVERTISING

Advertising costs are expensed as incurred. Advertising expense was \$686 for the year ended June 30, 2018.

RETIREMENT CONTRIBUTIONS

Community Builders adopted a SIMPLE IRA plan which matches, dollar for dollar, up to 3% of the employee's salary. For the year ended June 30, 2018, employer contributions were \$5,435.

INCOME TAXES

Community Builders is organized as a Colorado nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRS Section 501(c)(3), and qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi) and (vii), and has been determined not to be a private foundation under IRS Section 509(a)(1) and (3), respectively. Community Builders is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

3. PLEDGES RECEIVABLE

Pledges receivable are due to be received as follows as of June 30, 2018:

In one year or less	\$ 527,733
Less present value discount	<u>(44,783)</u>
Pledges Receivable, net	<u><u>\$ 482,950</u></u>

Discount rates used in the determination of the net present value were based upon a risk-free rate of return as of the date the promise was made and upon the term of the promised future payments and adjusted for risk factors and the probability of future cash flows. The discount rate used is 3%.

4. FAIR VALUE MEASUREMENT

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The fair value option was chosen to measure all financial assets and liabilities to mitigate volatility in reported changes in net assets. The carrying amount reported in the statement of financial position for cash and cash equivalents, accounts receivable, prepaid expenses and accounts payable approximate fair value because of the immediate or short-term maturities of these financial instruments.

Investments and pledges receivable measured on a recurring basis and reported at fair value are classified and disclosed in one of the three hierarchy categories. These items are considered Level 3 assets, and have been valued using assumptions about discounted cash flow and other present value techniques.

The following table summarizes the valuation of the Organization's financial instruments by the above fair value hierarchy levels as of June 30, 2018:

	Fair Value at June 30, 2018			
	(Level 1)	(Level 2)	(Level 3)	Total
<u>FINANCIAL ASSETS</u>				
Pledges Receivable	\$ -	\$ -	\$ 482,950	\$ 482,950
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482,950</u>	<u>\$ 482,950</u>

The changes in assets and liabilities measured at fair value for which the Organization has used Level 3 inputs to determine fair values are as follows:

	Pledges Receivable
Beginning Balance	\$ 1,048,508
Pledge Payments Received	(600,000)
Present Value Adjustment	<u>34,442</u>
Ending Balance	<u><u>\$ 482,950</u></u>

5. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018, temporarily restricted net assets include \$482,950 of pledges receivable. As pledge payments are received, the net assets are moved to unrestricted net assets.

6. LEASE COMMITMENTS

The Company has contractual obligations in the form of leases for office space and equipment and records the related expenses on a monthly basis. Certain leases contain periodic rent escalation adjustments and renewal options. The Company has chosen not to apply certain provisions of FASC 840, "Accounting for Leases", which requires such leases to be recorded on a straight-line basis over the term of the lease. Instead, rent expense related to such leases is recorded on the basis stated in the actual lease agreement. For the year ended June 30, 2018 the Company recorded \$19,218 for all rental expenses.

The following table presents the estimated future minimum rental payments under operating leases with non-cancelable lease terms that expire after June 30, 2018:

Year Ending June 30,	Operating Leases
2019	\$ 18,180
2020	18,544
2021	<u>10,942</u>
Future Minimum Lease Payments	<u>\$ 47,666</u>

7. CONCENTRATIONS

Cash

The Organization has amounts on deposit at financial institutions that at times exceeds the \$250,000 covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in these amounts and believes there is no significant risk with respect to these deposits. As of June 30, 2018, the Organization estimates approximately \$1,030,000 of its cash and cash equivalents are in excess of FDIC insurance limits.

Pledges

The Organization has one donor with an outstanding pledge representing 100% of total pledges as of June 30, 2018.

Contributions

The Organization has two donors with contributions that represent 34% of total contributions.

8. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of position date, but before financial statements are issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the statement of position date, including the estimates inherent in the process of preparing financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the statement of position date, but arose after that date. Management has evaluated subsequent events through April 15, 2019 the date the financial statements were available for issuance.