

COMMUNITY BUILDERS, INC.

FINANCIAL STATEMENTS

June 30, 2019



**community
builders**

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**COMMUNITY BUILDERS, INC.
FINANCIAL STATEMENTS**

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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, 2019, and the related statements of activities, functional expenses, 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, 2019, 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.

Reese Henry & Company, Inc.

Certified Public Accountants
Aspen, Colorado
March 6, 2020

COMMUNITY BUILDERS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Cash & Cash Equivalents	\$	1,095,627
Accounts Receivable		140,252
Employee Advance		800
Pledges Receivable, Net of \$150 Discount		49,850
Prepaid Expenses		1,548
TOTAL ASSETS		<u>1,288,077</u>

LIABILITIES

Accounts Payable	\$	12,809
TOTAL LIABILITIES		<u>12,809</u>

NET ASSETS

Without Donor Restrictions		
Undesignated		1,275,268
TOTAL NET ASSETS		<u>1,275,268</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,288,077</u>

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

COMMUNITY BUILDERS, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS & OTHER SUPPORT			
Contributions	\$ 10,498	\$ -	\$ 10,498
Grants	104,850	44,783	149,633
Fees for Service Revenue	148,917	-	148,917
Cost Sharing Revenue	120,530	-	120,530
Interest Income	1,955	-	1,955
Net Assets Released from Restrictions:			
Satisfaction of Program Restrictions	527,733	(527,733)	-
TOTAL REVENUES, GAINS & OTHER SUPPORT	914,483	(482,950)	431,533
EXPENSES			
Program Expenses			
Technical Assistance Program	406,999	-	406,999
Training Program	139,792	-	139,792
Communications	145,951	-	145,951
Research	86,067	-	86,067
Total Program Expenses	778,809	-	778,809
Supporting Services			
General & Administrative Expenses	116,753	-	116,753
Fundraising Expenses	4,944	-	4,944
Total Supporting Services	121,697	-	121,697
TOTAL EXPENSES	900,506	-	900,506
CHANGE IN NET ASSETS	13,977	(482,950)	(468,973)
NET ASSETS, Beginning of Year	1,261,291	482,950	1,744,241
NET ASSETS, End of Year	\$ 1,275,268	\$ -	\$ 1,275,268

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

COMMUNITY BUILDERS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Expenses					Supporting Services		
	Technical Assistance	Training	Communication	Research	Program Expenses	Management & General	Fundraising	Total
Salaries and Wages	\$ 217,948	\$ 66,612	\$ 97,819	\$ 61,733	\$ 444,112	\$ 51,952	\$ 3,316	\$ 499,380
Employee Benefits	3,003	914	1,343	847	6,107	3,072	197	9,376
Payroll Taxes	16,233	4,943	7,259	4,581	33,016	4,463	285	37,764
Accounting	-	-	-	-	-	30,565	-	30,565
Consultants	125,835	35,775	27,730	9,993	199,333	-	-	199,333
IT Consultant	-	-	-	-	-	7,826	-	7,826
Advertising and Promotion	-	-	-	-	-	3,993	-	3,993
Office Expenses	1,473	131	931	-	2,535	3,119	-	5,654
Information Technology	-	-	-	-	-	2,962	-	2,962
Occupancy	-	240	-	-	240	3,796	-	4,036
Travel	12,207	19,418	7,018	-	38,643	288	-	38,931
Conferences	-	-	-	-	-	1,590	1,146	2,736
Insurance	-	-	-	-	-	3,127	-	3,127
Program Costs	30,300	11,759	3,851	8,913	54,823	-	-	54,823
Total Expenses Included in the expense section on the Statement of Activities	<u>\$ 406,999</u>	<u>\$ 139,792</u>	<u>\$ 145,951</u>	<u>\$ 86,067</u>	<u>\$ 778,809</u>	<u>\$ 116,753</u>	<u>\$ 4,944</u>	<u>\$ 900,506</u>

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

COMMUNITY BUILDERS, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ (468,973)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Assets:	
Accounts Receivable	(121,519)
Employee Advance	(800)
Pledges Receivable	433,100
Prepaid Expenses	(45)
Increase (Decrease) in Liabilities:	
Accounts Payable	<u>(9,512)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(167,749)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(167,749)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>1,263,376</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 1,095,627</u></u>

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

COMMUNITY BUILDERS, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 the Not-for-Profit Entities topics of the Financial Accounting Standards Codification. The Organization is required to report information regarding its financial position and activities based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

Net Assets With Donor Restrictions: Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donors stipulate that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2019, the Organization does not have net assets with donor restrictions.

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 increases in net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions and grants 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 \$3,993 for the year ended June 30, 2019.

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, 2019, employer contributions were \$6,866.

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.

RECENT ACCOUNTING GUIDANCE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958)—Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 6, 2020, which is the date the financial statements were available to be issued. Nothing of significance was noted.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, are comprised of the following:

Cash and Cash Equivalents	\$ 1,095,627
Accounts Receivable	140,252
Pledges Receivable (net of discount)	<u>24,950</u>
	<u>\$ 1,260,829</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come true.

4. PLEDGES RECEIVABLE

Pledges receivable are due to be received as follows as of June 30, 2019:

In one year or less	\$ 25,000
Between 1 to 5 years	<u>25,000</u>
Subtotal	50,000
Less present value discount	<u>(150)</u>
Pledges Receivable, net	<u>\$ 49,850</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 0.2%.

5. 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, 2019:

	Fair Value at June 30, 2019			
	(Level 1)	(Level 2)	(Level 3)	Total
FINANCIAL ASSETS				
Pledges Receivable	\$ -	\$ -	\$ 49,850	\$ 49,850
Total	\$ -	\$ -	\$ 49,850	\$ 49,850

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	\$ 75,000
Pledge Payments Received	(25,000)
Present Value Adjustment	(150)
Ending Balance	\$ 49,850

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. Rent expense related to such leases is recorded on the basis stated in the actual lease agreement. For the year ended June 30, 2019 the Company recorded \$21,046 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, 2019:

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

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, 2019, the Organization estimates approximately \$867,654 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, 2019.

Contributions

The Organization has two donors with contributions that represent 59% of total contributed income.

Fees for Service Revenue

The Organization has three clients that represent approximately 48% of total fees received.