



**COMMUNITAS**  
— International —

CHRISTIAN ASSOCIATES INTERNATIONAL,  
INC. COMMUNITAS INTERNATIONAL AND  
SUBSIDIARY

Consolidated Financial Statements  
With Independent Auditors' Report

December 31, 2016 and 2015

**CHRISTIAN ASSOCIATES INTERNATIONAL, INC.  
DBA COMMUNITAS INTERNATIONAL AND SUBSIDIARY**

**Table of Contents**

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6
Supplementary Information	
Independent Auditors' Report on Supplementary Information	12
Unaudited Supplemental Statements of Summarized Financial Information	13

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Christian Associates International, Inc.  
dba Communitas International and Subsidiary  
Portland, Oregon

We have audited the accompanying consolidated financial statements of Christian Associates International, Inc. dba Communitas International and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Christian Associates International, Inc.  
dba Communitas International and Subsidiary  
Portland, Oregon

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Christian Associates International, Inc. dba Communitas International and Subsidiary as of December 31, 2016 and 2015, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Capin Crouse LLP*

Colorado Springs, Colorado  
April 25, 2017

**CHRISTIAN ASSOCIATES INTERNATIONAL, INC.  
DBA COMMUNITAS INTERNATIONAL AND SUBSIDIARY**

**Consolidated Statements of Financial Position**

	December 31,	
	2016	2015
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 497,424	\$ 696,835
Investments	27,209	155,480
Advances	8,160	12,755
Prepaid expenses and other assets	52,269	20,118
Due from affiliates	83,322	102,693
Furniture and equipment–net	180,262	16,060
<b>Total Assets</b>	<b>\$ 848,646</b>	<b>\$ 1,003,941</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 192,524	\$ 18,518
Notes payable	25,000	-
	217,524	18,518
<b>Net assets:</b>		
<b>Unrestricted:</b>		
Operating	(455,438)	(137,171)
Equity in furniture and equipment	155,262	16,060
	(300,176)	(121,111)
Temporarily restricted	931,298	1,106,534
	631,122	985,423
<b>Total Liabilities and Net Assets</b>	<b>\$ 848,646</b>	<b>\$ 1,003,941</b>

See notes to consolidated financial statements

**CHRISTIAN ASSOCIATES INTERNATIONAL, INC.  
DBA COMMUNITAS INTERNATIONAL AND SUBSIDIARY**

**Consolidated Statements of Activities**

	Year Ended December 31,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Contributions	\$ 104,947	\$ 3,483,599	\$ 3,588,546	\$ 350,343	\$ 3,628,617	\$ 3,978,960
Training fees	16,582	-	16,582	48,926	-	48,926
Interest and other income	(5,594)	-	(5,594)	(15,352)	-	(15,352)
<b>Total Support and Revenue</b>	<b>115,935</b>	<b>3,483,599</b>	<b>3,599,534</b>	<b>383,917</b>	<b>3,628,617</b>	<b>4,012,534</b>
<b>NET ASSETS RELEASED:</b>						
From purpose restriction	3,314,943	(3,314,943)	-	3,175,313	(3,175,313)	-
Administrative assessments	343,892	(343,892)	-	353,676	(353,676)	-
	<b>3,658,835</b>	<b>(3,658,835)</b>	<b>-</b>	<b>3,528,989</b>	<b>(3,528,989)</b>	<b>-</b>
<b>EXPENSES:</b>						
Program services	3,466,450	-	3,466,450	3,236,197	-	3,236,197
Supporting activities:						
General and administrative	327,410	-	327,410	330,017	-	330,017
Fund-raising	159,975	-	159,975	152,796	-	152,796
	<b>487,385</b>	<b>-</b>	<b>487,385</b>	<b>482,813</b>	<b>-</b>	<b>482,813</b>
<b>Total Expenses</b>	<b>3,953,835</b>	<b>-</b>	<b>3,953,835</b>	<b>3,719,010</b>	<b>-</b>	<b>3,719,010</b>
Change in Net Assets	(179,065)	(175,236)	(354,301)	193,896	99,628	293,524
Net Assets, Beginning of Year	(121,111)	1,106,534	985,423	(315,007)	1,006,906	691,899
Net Assets, End of Year	<u>\$ (300,176)</u>	<u>\$ 931,298</u>	<u>\$ 631,122</u>	<u>\$ (121,111)</u>	<u>\$ 1,106,534</u>	<u>\$ 985,423</u>

See notes to consolidated financial statements

**CHRISTIAN ASSOCIATES INTERNATIONAL, INC.  
DBA COMMUNITAS INTERNATIONAL AND SUBSIDIARY**

**Consolidated Statements of Cash Flows**

	Year Ended December 31,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (354,301)	\$ 293,524
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	4,605	819
Realized and unrealized loss on investments	11,466	42,814
Reinvested dividends	(3,221)	(14,630)
Donated furniture and equipment	-	(12,498)
Changes in operating assets and liabilities:		
Advances	4,595	5,326
Prepaid expenses and other assets	(32,151)	45,895
Due from affiliates	19,371	32,267
Accounts payable and accrued expenses	174,006	(9,698)
Net Cash Provided (Used) by Operating Activities	<u>(175,630)</u>	<u>383,819</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of furniture and equipment	(168,807)	(2,265)
Purchases of investments	-	(164,607)
Proceeds from sales of investments	120,026	6,901
Net Cash Used by Investing Activities	<u>(48,781)</u>	<u>(159,971)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Proceeds from notes payable	25,000	-
Net Cash Provided by Operating Activities	<u>25,000</u>	<u>-</u>
Change in Cash and Cash Equivalents	(199,411)	223,848
Cash and Cash Equivalents, Beginning of Year	<u>696,835</u>	<u>472,987</u>
Cash and Cash Equivalents, End of Year	<u>\$ 497,424</u>	<u>\$ 696,835</u>

See notes to consolidated financial statements

# **CHRISTIAN ASSOCIATES INTERNATIONAL, INC. DBA COMMUNITAS INTERNATIONAL AND SUBSIDIARY**

## **Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

### **1. NATURE OF ORGANIZATION:**

Christian Associates International, Inc. dba Communitas International and Subsidiary a nonprofit organization incorporated in the state of Oregon, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation under Section 509(a). The primary source of revenue is contributions.

The mission of Christian Associates International, Inc. dba Communitas International and Subsidiary is to establish churches who follow Jesus in transforming their world, through the following principles:

- We are called to be his missional followers. Thus, by God's grace and the Holy Spirit's empowerment, we want to foster a great movement that has a tireless passion to plant the Gospel and invite others into a relationship with Jesus and join us in his mission to the world.
- We want to give ourselves to the mission of Jesus Christ to change lives and extend his kingdom in the cities of Europe...and beyond. This includes seeing Jesus bring redemptive healing and wholeness to people's lives and entire communities.
- We strive to see every person with unsurpassable worth, worthy enough for Jesus to die for them and for us to reach out to them in love.

Together we want to manifest God's kingdom love and grace, raise up more and more missional followers/disciples of Jesus, and multiply more missional, Christ-following leaders, communities, and movements.

### **PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of Christian Associates International, Inc. and InterWork Enterprises, LLC (collectively, CI). InterWork Enterprises, LLC, formed in 2015 and developed in 2016, exists to provide coworking space in the city of Denver. CI anticipates receiving revenue from InterWork Enterprises, LLC in fiscal year 2017. All intercompany activity has been eliminated.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

CI maintains its accounts and prepares its consolidated financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The preparation of consolidated 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, disclosures of any contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from the estimates. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.



**CHRISTIAN ASSOCIATES INTERNATIONAL, INC.  
DBA COMMUNITAS INTERNATIONAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

The scope of these consolidated financial statements is limited to the United States organization. The organization is affiliated with Christian Associates International, Inc. of The Netherlands and the United Kingdom. The assets, liabilities, revenues, and expenses of these affiliated organizations have not been included in these financial statements due to the lack of board control and economic influence.

The significant accounting policies are described as follows:

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include checking and money market accounts. These accounts may, at times, exceed federally insured limits. CI has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk.

**INVESTMENTS**

Investments consist of equity securities. Investments are recorded at fair value based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy established under the Fair Value Measurements topic of the FASB Codification. It is the policy of CI to sell donated securities immediately upon receipt. Such donations are recorded at fair value on the date received. Gains and losses are reported within interest and other income on the statements of activities. Investments, as of December 31, 2016 and 2015, consist of equity securities valued at \$27,209 and \$155,480 respectively.

**DUE FROM AFFILIATES**

Amount represents activities in Europe for missionaries and projects of CI that have not been remitted as of December 31, 2016 and 2015.

**FURNITURE AND EQUIPMENT**

Items capitalized as furniture and equipment are recorded at cost. Donated items are recorded at their fair market value on the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives (currently 3-5 years) of the related assets. CI capitalizes fixed asset purchases exceeding \$2,000 with lesser amounts expensed in the year purchased. Assets acquired under a capital lease are amortized over the life of the lease or the estimated useful life, whichever is less.

**CHRISTIAN ASSOCIATES INTERNATIONAL, INC.  
DBA COMMUNITAS INTERNATIONAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

**CLASSES OF NET ASSETS**

The financial statements report amounts separately by class of net assets.

*Unrestricted net assets* include net assets currently available for use in the operations of CI and those resources invested in furniture and equipment.

*Temporarily restricted net assets* are amounts restricted by donors for specific operating purposes. They are not currently available for use in CI activities until restrictions regarding their use have been fulfilled. When a restriction expires, that is when a stipulated purpose restriction is satisfied, temporarily restricted net assets will be reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

**SUPPORT, REVENUE, AND EXPENSES**

Contributions are recorded when made, which may be when cash or other assets are received or unconditionally promised. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donations that are restricted for a specific purpose are assessed an administrative charge of approximately 10-15% as of December 31, 2016. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Those contributions received after year-end that were postmarked by December 31, 2016, were recorded as contributions and cash and cash equivalents rather than promises to give.

Training fees are recorded when earned which is when the training takes place. Interest income is recorded when earned.

Expenses are recognized in accordance with the accrual basis of accounting.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs, such as supplies and payroll, have been allocated among the program services and supporting activities benefited.

**CHRISTIAN ASSOCIATES INTERNATIONAL, INC.  
DBA COMMUNITAS INTERNATIONAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform with the current year presentation.

UNCERTAIN TAX POSITIONS

The financial statement effects of a tax position taken or expected to be taken are recognized in the consolidated financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Interest and penalties, if any, are included in expenses in the consolidated statements of activities. As of December 31, 2016, CI had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

CI is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

3. FURNITURE AND EQUIPMENT:

Furniture and equipment—net consists of:

	December 31,	
	2016	2015
Leasehold improvements	\$ 132,734	\$ -
Furniture and equipment	42,324	33,985
	175,058	33,985
Accumulated depreciation	(18,016)	(32,688)
	157,042	1,297
Work in progress	23,220	14,763
	\$ 180,262	\$ 16,060

4. NOTES PAYABLE:

During the year ended December 31, 2016, CI obtained three unsecured notes payable totaling \$25,000 due to individuals, to be paid in quarterly installments based upon the net income within InterWork Enterprises, LLC, with interest calculated at 10%. Unless previously paid, the notes mature in full in October 2021.

**CHRISTIAN ASSOCIATES INTERNATIONAL, INC.  
DBA COMMUNITAS INTERNATIONAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets for projects consist of:

	December 31,	
	2016	2015
Missionary support	\$ 673,467	\$ 892,194
Church and project support	257,831	214,340
	\$ 931,298	\$ 1,106,534

6. OPERATING LEASE:

During the year ended December 31, 2016, CI entered into an operating lease for office space for InterWork Enterprises, LLC. Lease expense during the year ended December 31, 2016 was \$41,845. Future minimum lease payments are:

<u>Year Ending December 31,</u>	
2017	\$ 44,948
2018	65,090
2019	44,042
	\$ 154,080

7. TRANSACTIONS WITH RELATED PARTIES:

CI provided grant support (net of expenses) in the amount of \$56,722 and \$81,780 to their affiliates during the years ended December 31, 2016 and 2015, respectively. In addition, there was a balance due from affiliates of \$83,322 and \$102,693 as of December 31, 2016 and 2015, respectively, as reflected in the consolidated statements of financial position.

During the year ended December 31, 2016, CI obtained two notes payable from individuals on the board of directors. Related party notes payable as of December 31, 2016 totaled \$10,000.

**CHRISTIAN ASSOCIATES INTERNATIONAL, INC.  
DBA COMMUNITAS INTERNATIONAL AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

December 31, 2016 and 2015

8. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

9. FINANCIAL CONDITION:

At December 31, 2016 and 2015, the balance in the unrestricted operating net assets was a deficit of \$455,438 and \$137,171, respectively. Management has a plan to reduce or eliminate this deficit within the next three to six years through various operating strategies.

## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

Board of Directors  
Christian Associates International, Inc.  
dba Communitas International and Subsidiary  
Portland, Oregon

We have audited the consolidated financial statements of Christian Associates International, Inc. dba Communitas International and Subsidiary as of and for the years ended December 31, 2016 and 2015, and our report thereon dated April 25, 2017 which expresses an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The unaudited supplemental statements of summarized financial information are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been audited and is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the inquiry and analytical procedures and we did not become aware of any material modifications that should be made to such information.

*Capin Crouse LLP*

Colorado Springs, Colorado  
April 25, 2017

**CHRISTIAN ASSOCIATES INTERNATIONAL, INC.  
DBA COMMUNITAS INTERNATIONAL AND SUBSIDIARY**

**Unaudited Supplemental Statements of Summarized Financial Information**

This schedule reports financial information of unconsolidated affiliates in The Netherlands and United Kingdom

	Year Ended December 31,					
	2016			2015		
	The Netherlands	United Kingdom	Total	The Netherlands	United Kingdom	Total
Total assets	\$ 131,014	\$ 2	\$ 131,016	\$ 116,879	\$ 2	\$ 116,881
Total liabilities	\$ 34,022	\$ -	\$ 34,022	\$ 33,888	\$ -	\$ 33,888
Unrestricted net assets	\$ 2,722	\$ -	\$ 2,722	\$ 3,463	\$ -	\$ 3,463
Temporarily restricted net assets	94,270	2	94,272	79,528	2	79,530
Total net assets	<u>\$ 96,992</u>	<u>\$ 2</u>	<u>\$ 96,994</u>	<u>\$ 82,991</u>	<u>\$ 2</u>	<u>\$ 82,993</u>
Total revenue and support	\$ 241,826	\$ 14,561	\$ 256,387	\$ 266,053	\$ 12,036	\$ 278,089
Grants via affiliates	\$ 66,376	\$ (9,654)	\$ 56,722	\$ 81,780	\$ -	\$ 81,780
Total expenses	\$ (294,201)	\$ (4,907)	\$ (299,108)	\$ (329,050)	\$ (19,111)	\$ (348,161)
Change in net assets	\$ 14,001	\$ -	\$ 14,001	\$ 18,783	\$ (7,075)	\$ 11,708