



CHRISTIAN ASSOCIATES INTERNATIONAL,
INC. DBA COMMUNITAS INTERNATIONAL
AND SUBSIDIARY

Consolidated Financial Statements
With Independent Auditors Report

December 31, 2017 and 2016

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

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Christian Associates International, Inc.
dba Communitas International and Subsidiary
Centennial, Colorado

We have audited the accompanying consolidated financial statements of Christian Associates International, Inc. dba Communitas International and Subsidiary (CI), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, 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
Centennial, Colorado

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, 2017 and 2016, 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.

Emphasis of Matter

As described in note 8 to the consolidated financial statements, CI identified adjustments pertaining to unrecorded accrued expenses in prior years that should have been reported during the year ended December 31, 2016. Accordingly, the 2016 financial statements now presented have been restated. Net asset balances as of January 1, 2016, and ending net asset balances as of December 31, 2016, as well as related activities during 2016 have been adjusted to correct these errors. Our opinion is not modified with respect to that matter.

Capin Crouse LLP

Colorado Springs, Colorado
July 17, 2018

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

Consolidated Statements of Financial Position

	December 31,	
	2017	2016 (Restated)
ASSETS:		
Cash and cash equivalents	\$ 561,486	\$ 497,424
Prepaid expenses and other assets	28,667	52,269
Advances	10,271	8,160
Due from affiliates	91,426	83,322
Investments	55,624	27,209
Furniture and equipment—net	167,706	180,262
Total Assets	\$ 915,180	\$ 848,646
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	\$ 59,469	\$ 86,930
Accrued expenses	350,158	299,434
Notes payable	25,000	25,000
	434,627	411,364
Net assets:		
Unrestricted:		
Operating	(405,259)	(455,438)
Equity in furniture and equipment	142,706	155,262
	(262,553)	(300,176)
Temporarily restricted	743,106	737,458
	480,553	437,282
Total Liabilities and Net Assets	\$ 915,180	\$ 848,646

See notes to consolidated financial statements

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

Consolidated Statements of Activities

	Year Ended December 31,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Contributions	\$ 163,675	\$ 3,509,524	\$ 3,673,199	\$ 104,947	\$ 3,483,599	\$ 3,588,546
Training fees	17,217	-	17,217	16,582	-	16,582
Interest and other income	95,345	-	95,345	(5,594)	-	(5,594)
Total Support and Revenue	276,237	3,509,524	3,785,761	115,935	3,483,599	3,599,534
NET ASSETS RELEASED:						
From purpose restriction	3,144,919	(3,144,919)	-	3,392,984	(3,392,984)	-
Administrative assessments	358,957	(358,957)	-	343,892	(343,892)	-
	<u>3,503,876</u>	<u>(3,503,876)</u>	<u>-</u>	<u>3,736,876</u>	<u>(3,736,876)</u>	<u>-</u>
EXPENSES:						
Program services	3,259,595	-	3,259,595	3,534,775	-	3,534,775
Supporting activities:						
General and administrative	284,206	-	284,206	333,458	-	333,458
Fund-raising	198,689	-	198,689	163,643	-	163,643
	<u>482,895</u>	<u>-</u>	<u>482,895</u>	<u>497,101</u>	<u>-</u>	<u>497,101</u>
Total Expenses	3,742,490	-	3,742,490	4,031,876	-	4,031,876
Change in Net Assets	37,623	5,648	43,271	(179,065)	(253,277)	(432,342)
Net Assets, Beginning of Year, as previously stated	(300,176)	737,458	437,282	(121,111)	1,106,534	985,423
Prior Period Adjustment	-	-	-	-	(115,799)	(115,799)
Net Assets, Beginning of Year, as restated	<u>(300,176)</u>	<u>737,458</u>	<u>437,282</u>	<u>(121,111)</u>	<u>990,735</u>	<u>869,624</u>
Net Assets, End of Year	<u>\$ (262,553)</u>	<u>\$ 743,106</u>	<u>\$ 480,553</u>	<u>\$ (300,176)</u>	<u>\$ 737,458</u>	<u>\$ 437,282</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,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 43,271	\$ (432,342)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	28,344	4,605
Realized and unrealized loss on investments	(7,038)	11,466
Donated investments	(21,254)	-
Changes in operating assets and liabilities:		
Advances	(2,111)	4,595
Prepaid expenses and other assets	23,602	(32,151)
Due from affiliates	(8,104)	19,371
Accounts payable	(27,461)	71,860
Accrued Expenses	50,724	180,187
Net Cash Provided (Used) by Operating Activities	<u>79,973</u>	<u>(172,409)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of furniture and equipment	(15,788)	(168,807)
Reinvested dividends	(123)	(3,221)
Proceeds from sales of investments	-	120,026
Net Cash Used by Investing Activities	<u>(15,911)</u>	<u>(52,002)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Proceeds from notes payable	-	25,000
Net Cash Provided by Operating Activities	<u>-</u>	<u>25,000</u>
Change in Cash and Cash Equivalents	64,062	(199,411)
Cash and Cash Equivalents, Beginning of Year	<u>497,424</u>	<u>696,835</u>
Cash and Cash Equivalents, End of Year	<u>\$ 561,486</u>	<u>\$ 497,424</u>

See notes to consolidated financial statements

CHRISTIAN ASSOCIATES INTERNATIONAL, INC. DBA COMMUNITAS INTERNATIONAL AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

1. NATURE OF ORGANIZATION:

Christian Associates International, Inc. (CAI) 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 comparable state laws. However, the organization is subject to federal income tax on any unrelated business taxable income. In addition CAI is not a private foundation under Section 509(a) of the IRC. 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. 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, 2017 and 2016

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. As of December 31, 2017 and 2016, respectively, amounts in excess of the federally insured limit were \$80,198 and \$25,859. CI has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

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, 2017 and 2016, consist of equity securities valued at \$55,624 and \$27,209, respectively.

DUE FROM AFFILIATES

Amount represents activities in Europe for missionaries and projects of CI that have not been remitted as of December 31, 2017 and 2016.

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, 2017 and 2016

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% during the years ended December 31, 2017 and 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, 2017, 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, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES, continued

Program expenses of CI include payroll costs and other expenses to promote the growth of the Christian Church in the United States and overseas, expenses related to training and equipping ministry leaders, publishing costs for Christian literature and other media, and money spent aiding the poor and less advantaged.

3. FURNITURE AND EQUIPMENT:

Furniture and equipment—net consists of:

	December 31,	
	2017	2016
Leasehold improvements	\$ 132,734	\$ 132,734
Furniture and equipment	81,331	42,324
	214,065	175,058
Accumulated depreciation	(46,359)	(18,016)
	167,706	157,042
Work in progress	-	23,220
	\$ 167,706	\$ 180,262

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%. Since there was no net income from InterWork Enterprises, LLC during the year ended December 31, 2017, there were no payments on the notes payable. Unless previously paid, the notes mature in full in October 2021.

**CHRISTIAN ASSOCIATES INTERNATIONAL, INC.
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Notes to Consolidated Financial Statements

December 31, 2017 and 2016

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets for projects consist of:

	December 31,	
	2017	2016
Missionary support	\$ 461,656	\$ 479,627
Church and project support	281,450	257,831
	\$ 743,106	\$ 737,458

6. OPERATING LEASE:

During the year ended December 31, 2016, CI entered into an operating lease for contribution processing and for office space for InterWork Enterprises, LLC. Lease expense during the years ended December 31, 2017 and 2016, was \$63,780 and \$41,845, respectively. Future minimum lease payments are:

<u>Year Ending December 31,</u>	
2018	\$ 71,910
2019	50,042
	\$ 121,952

7. TRANSACTIONS WITH RELATED PARTIES:

CI provided grant support (net of expenses) in the amount of \$56,650 and \$56,722 to their affiliates during the years ended December 31, 2017 and 2016, respectively. In addition, there was a balance due from affiliates of \$91,426 and \$83,322 as of December 31, 2017 and 2016, 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, 2017 and 2016 totaled \$10,000.

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

Notes to Consolidated Financial Statements

December 31, 2017 and 2016

8. CORRECTION OF AN ERROR:

During the year ended December 31, 2017, management determined the vacation liability was understated in prior years. As a result, the 2016 financial statements have been restated to properly reflect the vacation liability and related expenses. The impact of this restatement on the 2016 financial statements is as follows:

	As Previously Stated	Prior Period Adjustment	As Restated
Accrued expenses as of December 31, 2016	\$ 105,594	\$ 193,840	\$ 299,434
Releases from purpose restrictions for the year ended December 31, 2016	\$ 3,314,943	\$ 78,041	\$ 3,392,984
Total expenses for 2016	\$ 3,953,835	\$ 78,041	\$ 4,031,876
Program expenses for 2016	\$ 3,466,450	\$ 68,325	\$ 3,534,775
General and administrative expenses for 2016	\$ 327,410	\$ 6,048	\$ 333,458
Fundraising expenses for 2016	\$ 159,975	\$ 3,668	\$ 163,643
Change in temporarily restricted net assets for the year ended December 31, 2016	\$ (175,236)	\$ (78,041)	\$ (253,277)
Temporarily restricted net assets as of January 1, 2016	\$ 1,106,534	\$ (115,799)	\$ 990,735
Temporarily restricted net assets as of December 31, 2016	\$ 931,298	\$ (193,840)	\$ 737,458

9. FINANCIAL CONDITION:

At December 31, 2017 and 2016, the balance in the unrestricted operating net assets was a deficit of \$405,259 and \$455,438, respectively. Management has a plan to reduce or eliminate this deficit within the next three to six years through various operating strategies.

10. SUBSEQUENT EVENTS:

Subsequent events were evaluated through July 17, 2018, which is the date of the consolidated financial statements were available.