

**CONNECTING CARING COMMUNITIES**

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FINANCIAL STATEMENTS

together with

INDEPENDENT AUDITOR'S REPORT

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FOR THE YEAR ENDED DECEMBER 31, 2012

# CONNECTING CARING COMMUNITIES

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Connecting Caring Communities:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Connecting Caring Communities (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statement 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 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 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 Connecting Caring Communities as of December 31, 2012, 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.

*Dennis Kinard & Co., PC*  
Certified Public Accountants

Abilene, Texas  
July 17, 2013

**CONNECTING CARING COMMUNITIES**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	49,693
Contributions receivable		116,315
Prepaid expenses		262
		166,270
Total current assets		166,270

**NONCURRENT ASSETS**

Contributions receivable		37,733
Property and equipment, net		577,705
		615,438
Total noncurrent assets		615,438

Total assets	\$	781,708
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$	98,466
Accrued expenses		2,138
Line of credit		48,000
Current maturities of long term debt		8,252
		156,856
Total current liabilities		156,856

**NONCURRENT LIABILITIES**

Long term debt		151,273
		151,273
Total noncurrent liabilities		151,273

**NET ASSETS**

Unrestricted		278,118
Temporarily restricted		195,461
		473,579
Total net assets		473,579

Total liabilities and net assets	\$	781,708
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The accompanying notes are an integral part of these financial statements.

**CONNECTING CARING COMMUNITIES**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Foundation & trust contributions	\$ 27,736	\$ 38,614	\$ 66,350
Individual & business contributions	44,853	85,000	129,853
Special events (fundraising)	66,374		66,374
Loss on sale/disposal of capital assets	(143,266)		(143,266)
Da'Cipher Peer Support Network contribution		3,973	3,973
Interest income	8		8
Gifts in kind-services		429	429
Net assets released from restriction	196,398	(196,398)	-
	<u>192,103</u>	<u>(68,382)</u>	<u>123,721</u>
<b>EXPENSES</b>			
Program services	249,216		249,216
Supporting services:			
General and administrative	67,946		67,946
Fundraising	15,198		15,198
	<u>332,360</u>	<u>-</u>	<u>332,360</u>
<b>CHANGE IN NET ASSETS</b>	(140,257)	(68,382)	(208,639)
Net assets at beginning of year, as restated	<u>418,375</u>	<u>263,843</u>	<u>682,218</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 278,118</u>	<u>\$ 195,461</u>	<u>\$ 473,579</u>

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

**CONNECTING CARING COMMUNITIES**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2012**

<b>EXPENSES</b>	<u>Program Services</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 103,478	\$ 22,139	\$ 7,900	\$ 133,517
Payroll taxes	8,653	1,175	855	10,683
Employee benefits	7,509	2,856	212	10,576
Total salaries and related expenses	119,640	26,169	8,967	154,776
Travel	192			192
Occupancy	8,276	7,448	828	16,552
Printing and copying	728	728	61	1,517
Program expenses	92,036			92,036
Special events			4,338	4,338
Office supplies	1,291	1,291	109	2,691
Conferences, conventions & meetings	157	2,984		3,141
Telephone	1,797	1,797	150	3,745
Depreciation	6,213	6,213	517	12,942
Outside computer services	427	427	37	890
Publications and subscriptions	1,598	1,598	133	3,328
Fees and licenses	156			156
Interest	12,000			12,000
Postage, shipping, and delivery	664	664	56	1,384
Insurance		10,286		10,286
Property taxes	229			229
Books, subscriptions, and references		367		367
Board expenses		473		473
Advertising and promotion	20	20	2	41
Staff development		1,360		1,360
Da'Cipher Peer Network Support	3,316			3,316
Professional fees		6,122		6,122
Other expenses	478			478
Total expenses	\$ <u>249,216</u>	\$ <u>67,946</u>	\$ <u>15,198</u>	\$ <u>332,360</u>

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

**CONNECTING CARING COMMUNITIES**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2012**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (208,639)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	12,942
Loss on sale/disposal of capital assets	217,113
(Increase) decrease in:	
Contributions receivable	7,126
Increase (decrease) in:	
Accounts payable	(22,886)
Accrued expenses	(9)
Net cash provided by operating activities	<u>5,647</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>	
Acquisition of capital assets	(38,176)
Proceeds from sale of capital assets	73,847
Net cash provided by investing activities	<u>35,671</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Repayment of line of credit	(2,000)
Principal payments on construction loan	(42,471)
Net cash used in financing activities	<u>(44,471)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,153)</b>
<b>CASH AND CASH EQUIVALENTS AT JANUARY 1, 2012</b>	<b><u>52,846</u></b>
<b>CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2012</b>	<b>\$ <u><u>49,693</u></u></b>
<b>Supplementary Disclosures</b>	
Interest paid	\$ 12,000
<b>Noncash Investing Transactions</b>	
In-kind services donated	\$ 429

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



## CONNECTING CARING COMMUNITIES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of Connecting Caring Communities' ("the Organization's") significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

##### Organization

Connecting Caring Communities is a non-profit organization formed in 2005 under the laws of the state of Texas. Its mission is to restore the foundation of safe and caring communities in the city of Abilene by rebuilding the system of caring relationships. The Organization uses three strategies to further its goal:

*Caring Team* – The Caring Team is a strategy to identify caring people in our community and to connect them with one another. Individuals, families, businesses, churches, nonprofit organizations, neighborhood groups, and others work together to raise the visibility of a caring culture and to improve the quality of life in Abilene.

*Haven Houses* – This strategy is designed to renew relationships in the city block-by-block. Haven House leaders unite neighbors on the block where they live simply by making friends on their block. The Organization provides training for the Haven House leaders.

*Friendship Houses* – Friendship House is the Organization's most intensive strategy to strengthen the infrastructure of caring relationships in Abilene. The goal of a Friendship House is to be a tool for change in under-resourced neighborhoods that dream of a brighter future. Relationships are built among neighbors, and the Friendship House serves children, youth, adults and families by providing year-round neighborhood support.

The Organization also has the following collaboration:

*Abilene Neighborhood Initiative* – Connecting Caring Communities collaborates with the City of Abilene, the Abilene Police Department, local churches and agencies in a partnership called the Abilene Neighborhood Initiative (ANI). This partnership began in 2009 and seeks to build social capital among neighbors in declining and vulnerable neighborhoods. The initiative brings together interested residents and ANI partners to discuss the neighborhood's assets and challenges and works a plan together to address the neighbors' most immediate, felt needs.

##### Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting. Under this basis of accounting, revenue is recognized when earned, and expenses are recognized when incurred.

## CONNECTING CARING COMMUNITIES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

##### Basis of Presentation

The focus of these financial statements is to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of revenues, expenses, gains and losses into three classes of net assets – unrestricted, temporarily restricted or permanently restricted.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently the Organization. The Organization does not have any permanently restricted net assets.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Changes in other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

With respect to temporarily restricted net assets, the Organization has adopted the following accounting policies:

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

The Organization uses restricted net assets first for contributions received for which both restricted and unrestricted net assets are available.

Contributions of land, building, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of unrestricted net assets. Contributions of cash or other assets to be used to acquire land, building and equipment with such donor stipulations are reported as revenues of temporarily restricted net assets. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

##### Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all investments with an initial maturity of three months or less to be cash equivalents. Cash restricted for long-term purposes such as donor restrictions are reported as restricted cash.

# CONNECTING CARING COMMUNITIES

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### Contributions Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period in which the promise is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

#### Property and Equipment

Property and equipment additions are recorded at cost on the date of acquisition. Gifts of property are recorded using the fair value on the donation date. When disposition is made of property and equipment, the cost and accumulated depreciation are removed from the accounting records. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation of property and equipment is provided using the straight-line method for all depreciable assets over their estimated useful lives as follows:

Buildings and infrastructure	20 to 30 years
Furniture and equipment	5 to 7 years

#### 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Income Taxes

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Internal Revenue Code Section 501(c) (3); therefore, no provision has been made for income taxes in the financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b) (1) (A) (VI).

The Organization is liable for any federal income taxes resulting from certain unrelated business income. For the calendar year 2012, there were no liabilities for any federal income tax resulting from unrelated business income.

The Organization files income tax returns in the U.S. federal jurisdiction. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2008.

## CONNECTING CARING COMMUNITIES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

##### Functional Allocation of Expenses

Certain joint expenses, such as occupancy, employee benefits, and payroll, are allocated between the program and supporting services to which they relate. The allocation is based on employees' time incurred or other appropriate usage factors.

##### Advertising

All advertising costs in the statement of functional expenses are charged to operations when incurred. The Organization has not estimated the value of any future benefits from these expenses. Advertising costs for the year ended December 31, 2012 totaled \$41.

##### Donated Services

Only those professional services which meet the criteria to be included as revenue in the financial statements are recorded. In addition, the Organization utilizes volunteers in the areas of neighborhood cleanup projects and Friendship House programs. These services are not recorded in the accompanying financial statements.

#### NOTE 2: CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31, 2012:

Unconditional promises expected to be collected in:

Less than one year	\$	116,315
One year to five years		39,790
		<u>156,105</u>
Less: Net present value discount		<u>(2,057)</u>
Net contributions receivable	\$	<u>154,048</u>

In 2008, the Organization received a pledge of \$250,000 to be collected over five years. A discount rate of 3.25% has been used to value the contribution at present value. No allowance for uncollectible amounts is considered necessary.

## CONNECTING CARING COMMUNITIES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2012:

Land	\$	19,260
Buildings and infrastructure		362,523
Construction in progress		205,230
Furniture and fixtures		28,345
		<hr/>
		615,358
Less: accumulated depreciation		<hr/>
		(37,653)
		<hr/>
Net property and equipment	\$	<u>577,705</u>

Depreciation expense for the year ended December 31, 2012 was \$12,942. Land is restricted by the donor for the use of the North Park Neighborhood development.

#### NOTE 4: EMPLOYEE BENEFITS

The Organization offers a health insurance package for each full-time employee. To become eligible for the Organization's health insurance plan, full-time employees must complete 90 days of continuous service.

The Organization's vacation benefits policy for staff allows each full-time non-Friendship House employee a maximum of 10 vacation days during the first 12 months of employment, after three months of continuous service. This increases to 15 days of vacation from the second to fifth year of service. After five years of service, a maximum of 20 vacation days may be taken per year. Full-time Friendship House employees may take up to 20 vacation days per year after one year of service. Vacation time may not be accrued or carried over to the next year. If an employee resigns before using vacation time, the Organization will not pay further compensation to the employee based upon vacation time.

## CONNECTING CARING COMMUNITIES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 5: RESTRICTIONS ON NET ASSETS

Restricted net assets as of December 31, 2012 consist of the following:

Future Fund - Child Obesity	\$ 1,257
Community Foundation - North Park Community Garden	389
Community Foundation - Haven House and Volunteers	1,119
Community Foundation - Cedar Creek Neighborhood Association	500
Hendrick - College Heights Friendship House	15,091
Hardin-Simmons University - North Park Friendship House	14,697
Da'Cipher Peer Support Network	872
United Way - Abilene Neighborhood Initiative	3,004
Rockwell Collins	4,101
Junior League - North Park	383
Contributions receivable - restricted due to time	<u>154,048</u>
Temporarily restricted net assets	<u>\$ 195,461</u>

During the year ended December 31, 2012, net assets of \$196,398 were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes. Those purposes consist of the following:

Community Foundation - Haven House and Volunteers	\$ 23,510
Hendrick - College Heights Friendship House	37,029
Hardin-Simmons University - North Park Friendship House	52,697
Da'Cipher Peer Support Network	3,243
United Way - Abilene Neighborhood Initiative	20,293
First Baptist Church - Valley View Friendship House	50,000
Rotary Club - North Park	2,500
Decrease in contributions receivable	<u>7,126</u>
	<u>\$ 196,398</u>

## CONNECTING CARING COMMUNITIES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 6: REAL ESTATE DEVELOPMENT PROJECTS

During 2008, the Organization entered into an agreement with the City of Abilene to develop the North Park neighborhood. The project included four energy efficient homes dedicated for low-to-moderate income families, lots available for construction of six additional homes, a Friendship House, and a neighborhood park. The City was to provide up to \$140,000 in infrastructure funds. The Friendship house has been completed. One of the four homes was completed and sold in 2012. The Board of Directors of the Organization decided that it would build no other homes. The remaining lots will be sold to outside parties for development. The park will be developed when a partner can be found to maintain the park upon completion and funds have been raised to cover the cost of development. There is no estimate of completion cost for the park at this time. During 2012, the Organization expended \$30,700 on the housing projects, reclassified \$78,150 from construction in progress to buildings, and wrote off \$290,960 in construction in progress for the housing projects, recorded as loss on the sale/disposal of capital assets in the statement of activities.

#### NOTE 7: RELATED PARTY TRANSACTIONS

The Organization serves as the fiscal agent for two related party entities, Da'Cipher Peer Support Network and Park People. Da'Cipher is an organization started by an employee of the Organization. During 2012, \$3,973 in donations was received and \$3,316 was expended on Da'Cipher's behalf. The Organization holds \$872 of cash at December 31, 2012 that is restricted for use by Da'Cipher. Park People is an organization started by a volunteer of the Organization. During 2012, there were no donations or expenses on Park People's behalf. The Organization's fiscal agency responsibilities for both Da'Cipher and Park People ended in 2012.

The Organization paid \$225 in accounting fees to an accounting firm that employs one of the Organization's Board members. The Organization's attorney is also the spouse of this Board member.

#### NOTE 8: CONCENTRATION OF CREDIT RISK

The Organization carries cash and temporary cash investments with financial institutions which are subject to credit risk to the extent that deposits and cash investments exceed deposit insurance limits of the Federal Deposit Insurance Corporation (FDIC). The Organization's deposits were fully secured by the FDIC at December 31, 2012.

#### NOTE 9: LINE OF CREDIT

On August 9, 2009, the Organization entered into a line of credit with American State Bank. The available amount of the line of credit was set at \$50,000. The line was guaranteed with a CD from an anonymous donor that was held at the bank. Since 2009, the line has been renewed numerous times. On July 27, 2012, the line was renewed with Prosperity Bank for \$49,000 to expire on January 23, 2013.

As of December 31, 2012, \$48,000 had been drawn on the renewed line of credit and carried an interest rate of 2.20 percent.

## CONNECTING CARING COMMUNITIES

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 10: NOTES PAYABLE

The following schedule provides descriptions and balances of debt relationships as of December 31, 2012:

Loan advances under a note payable with a bank dated November 4, 2011, for \$8,800, due in monthly installments of \$77, including interest at 6.5%, until maturity on November 7, 2016. The note payable was secured with a deed of trust.	7,954
Loan advances under a note payable with a bank dated October 7, 2011, for \$36,800, due in monthly installments of \$400, including interest at 6.5%, until maturity on October 7, 2016. The note payable was secured with a deed of trust.	35,731
Loan advances under a note payable with a church dated October 7, 2011, for \$9,200, due in monthly installments of \$272, including interest at 4%, until maturity on October 7, 2014. The note payable was secured with a deed of trust.	5,397
Total	<u>159,525</u>
Less: Current maturities of long term debt	<u>(8,252)</u>
Total noncurrent portion of long term debt	<u>\$ 151,273</u>

A schedule of future maturities of long term debt outstanding at December 31, 2012 follows:

2013	\$ 8,252
2014	111,048
2015	1,611
2016	<u>38,614</u>
Total obligations	<u>\$ 159,525</u>

#### NOTE 11: SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through July 17, 2013, the date the financial statements were available to be issued.



## CONNECTING CARING COMMUNITIES

### NOTES TO FINANCIAL STATEMENTS

#### **NOTE 12: PRIOR PERIOD ADJUSTMENT**

Net assets related to contributions receivable are temporarily restricted due to time; that is, not only are the funds not available until future years but the majority of these contributions are to be used in future operations. Net assets related to contributions receivable were previously reported as unrestricted net assets. As a result, an adjustment was necessary to properly report net assets temporarily restricted due to time related to the contributions receivable. Net assets were restated by increasing temporarily restricted net assets at January 1, 2012 and decreasing unrestricted net assets by \$161,174.

#### **NOTE 13: CONTINGENCIES**

The Organization is pursuing legal action against the contractor in the construction of the LMI1 project for failure to complete the project and pay subcontractors according to the contract. At this time, it is not possible to reasonably estimate the amount of recoveries as the contractor has not been located. If a claim is successfully settled, any recoveries that may arise will be recorded as income in the year received.