

Communitas America, Inc.

Financial Statements

December 31, 2020

Independent Auditors' Report

Board of Directors Communitas America, Inc.

We have audited the accompanying financial statements of Communitas America, Inc., which comprise the statement of financial position as of December 31, 2020, 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.

Auditors' 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 from 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 auditors' 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 Communitas America, Inc., as of December 31, 2020, 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.

PKF O'Connor Davies, LLP

June 24, 2021

Communitas America, Inc.

Statement of Financial Position
December 31, 2020

ASSETS

Cash	\$ 1,176,105
Security deposits	<u>11,950</u>
	<u>\$ 1,188,055</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable and accrued expenses	\$ 23,099
Accrued vacation	15,578
Deferred rent	<u>2,126</u>
Total Liabilities	40,803
Net assets without donor restrictions	<u>1,147,252</u>
	<u>\$ 1,188,055</u>

See notes to financial statements

Communitas America, Inc.

Statement of Activities
Year Ended December 31, 2020

REVENUE

Contributions	\$ 1,251,010
Donated pro-bono legal services	5,000
Other revenue	<u>7,413</u>
Total Revenue	1,263,423

EXPENSES

Program services	405,758
Management and general	72,267
Fundraising	<u>88,228</u>
Total Expenses	<u>566,253</u>

Change in Net Assets	697,170
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NET ASSETS WITHOUT DONOR RESTRICTIONS

Beginning of year	<u>450,082</u>
End of year	<u>\$ 1,147,252</u>

See notes to financial statements

Communitas America, Inc.

Statement of Functional Expenses Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 262,873	\$ 24,967	\$ 67,497	\$ 355,337
Payroll taxes and employee benefits	<u>62,136</u>	<u>5,901</u>	<u>15,955</u>	<u>83,992</u>
Total Salaries and Related Costs	325,009	30,868	83,452	439,329
Advertising and marketing	2,665	1,460	-	4,125
Bank fees	-	37	-	37
Conferences	2,843	90	-	2,933
Filing fees	-	545	-	545
Grant expense	38,000	-	-	38,000
Internet expenses	2,007	347	-	2,354
Professional and legal fees	5,075	34,443	-	39,518
Meals and entertainment	1,315	426	-	1,741
Membership fees	-	99	-	99
Office supplies and software	689	1,822	-	2,511
Payroll processing fees	8,362	794	2,147	11,303
Photography	300	-	-	300
Postage and delivery	147	40	-	187
Miscellaneous	2,439	-	-	2,439
Program expenses	1,190	-	-	1,190
Rent expense	10,238	968	2,629	13,835
Honorarium	1,400	-	-	1,400
Subsidies	3,600	-	-	3,600
Travel	<u>479</u>	<u>328</u>	<u>-</u>	<u>807</u>
Total Expenses	<u>\$ 405,758</u>	<u>\$ 72,267</u>	<u>\$ 88,228</u>	<u>\$ 566,253</u>

See notes to financial statements

Communitas America, Inc.

Statement of Cash Flows
Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 697,170
Adjustments to reconcile change in net assets to net cash from operating activities	
Deferred rent	2,126
Change in operating assets and liabilities	
Security deposits	(2,050)
Accounts payable and accrued expenses	(5,923)
Accrued vacation	<u>15,578</u>
Net Cash from Operating Activities	<u>706,901</u>

CASH

Beginning of year	<u>469,204</u>
End of year	<u>\$ 1,176,105</u>

See notes to financial statements

Communitas America, Inc.

Notes to Financial Statements December 31, 2020

1. Nature of Organization and Tax Status

Communitas America, Inc.'s (the "Organization") mission is to develop impact ecosystems in under-resourced communities and aim to develop sustainable resources by addressing persistent and systemic lack of access to economic and social opportunities in the United States of America. The Organization was incorporated in Delaware in March 2018.

The Organization is investing in and empowering local change makers, social entrepreneurs and grass-root leaders to enact positive changes through social innovation, leadership development and creation of an impact ecosystem within their own communities. The Organization is providing impact programming such as co-living residences, co-working spaces, a social impact accelerator and other entrepreneurial learning opportunities for local change makers.

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a).

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The financial statements have been prepared in conformity with accounting principles general accepted in the United States of America ("U.S. GAAP") which 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 revenue and expenses reported during that period. Actual results could differ from those estimates.

Change in Accounting Principle

Recognition of Contributions

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). ASU 2018-08 provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. ASU 2018-08 is effective for fiscal years beginning after December 15, 2018. The Organization adopted ASU 2018-08 on a modified prospective basis and has determined there to be no impact to the financial statements.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Communitas America, Inc.

Notes to Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (*continued*)

Net Assets (continued)

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the 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. There are no net assets with donor restrictions as of December 31, 2020.

Contributions

Unconditional contributions are reported on the date the contributions is received. All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Gifts are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets.

Donated Pro-Bono Legal Services

The Organization received in-kind support, specifically pro-bono legal services. Contributions of pro-bono legal services are recognized at fair value. The amount reflected in the accompanying financial statements as donated pro-bono legal services are offset by like amounts included in professional and legal expenses on the statement of functional expenses.

Communitas America, Inc.

Notes to Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (*continued*)

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programmatic and supporting services benefited. Such allocations are determined by management and are allocated as follows:

<u>Expense Classification</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Payroll taxes and employee benefits	Time and effort
Advertising and marketing	Usage
Conferences	Usage
Internet expenses	Usage
Professional and legal fees	Usage
Meals and entertainment	Usage
Office supplies and software	Usage
Payroll processing fees	Time and effort
Postage and delivery	Usage
Rent expense	Time and effort
Travel	Usage

Operating Leases

Operating leases are classified in accordance with the terms of the underlying agreements. Operating lease payments are charged to rental expense. Deferred rent is recorded when there are material differences between the fixed payment and the rent expense as reported on the straight-line method.

Grants

Grants are recorded in the year which they are awarded. There are no conditions or barriers for the recipients of these grants to overcome.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2020 was \$4,125.

Communitas America, Inc.

Notes to Financial Statements
December 31, 2020

2. Summary of Significant Accounting Policies (*continued*)

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. At December 31, 2018, there are no prior year income tax returns subject to examination by the federal, state and local income tax authorities.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is June 24, 2021.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation's insurance limits. As of December 31, 2020, the uninsured portion of this balance was \$926,105.

For the year ended December 31, 2020, approximately 99.9% of the Organization's contributions are from one donor.

4. Liquidity and Availability of Financial Resources

The Organization's financial assets available within one year of the statement of financial position date for general expenditures as of December 31, 2020 includes cash in the amount of \$1,176,105.

Liquidity Management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of liquidity management, the Organization monitors its expenditures and cash balance on a regular basis.

5. Commitments

During 2020, the Organization shared a leased office space with another company until July 31, 2020, at which point the lease agreement ended. The Organization entered into a lease agreement effective August 1, 2020. The lease term is for 12 months through July 31, 2021 with a discount of \$1,635 for the first three months, \$545 for the following three months and \$458 for the remaining six months of the lease. The Organization entered into a lease agreement effective August 1, 2021, through July 31, 2022 with a discount of \$230 over the life of the lease.

Communitas America, Inc.

Notes to Financial Statements December 31, 2020

5. Commitments (*continued*)

The minimum lease payments under significant non-cancelable operating leases that have initial or remaining lease terms in excess of one year are as follows:

2021	\$ 14,443
2022	<u>6,440</u>
	<u>\$ 20,883</u>

6. Defined Contribution Plan

As part of the Organization's Professional Employer Organization, the Organization sponsors a Safe Harbor 401K Plan (the "Plan") which permits employee contributions. Benefits of the Plan are based on the employees' years of service and compensation. The Plan provides for voluntary salary deferrals for eligible employees. The amount contributed cannot be in excess of the maximum amounts allowed under the Internal Revenue Code. The Organization contributes 100% of the first 3% of eligible compensation plus 50% of salary deferrals that exceed 3% but do not exceed 5% of eligible compensation, with the participant directing the investment of said account.

The participant's account is held in trust until the participant retires or otherwise leaves employment after satisfying the vesting rules of the Plan, at which time it is distributed in full in the form of installment payments, a lump sum or a directly rolled over. Contribution expense for the Plan for the year ended December 31, 2020 was \$7,285.

7. Related Party Transactions (Not Disclosed Elsewhere)

A member of the Board of Directors who served during 2020 is related to the Organization's primary donor through a familial relationship. The Organization received \$1,250,000 in contributions from this donor during the year ended December 31, 2020. This member is also the founder of the Organization.

8. Risks and Uncertainties

The ongoing Coronavirus pandemic has resulted in substantial volatility in the global economy. The pandemic may potentially cause a disruption in operations as well as a decline in contributions. The extent to which the Organization's results are impacted will depend on future developments, which are highly uncertain and cannot be predicted. As a result, management cannot reasonably estimate the overall impact of the Coronavirus pandemic to the Organization's future results of operations, cash flows or financial condition.

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