

**Communitas America, Inc.**

Financial Statements

December 31, 2021

## **Independent Auditors' Report**

**Board of Directors**  
**Communitas America, Inc.**

### ***Opinion***

We have audited the accompanying financial statements of Communitas America, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Communitas America, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Communitas America, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**Auditors' Responsibilities for the Audit of the Financial Statements (*continued*)**

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Communitas America, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Communitas America, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*PKF O'Connor Davies, LLP*

April 7, 2022

**Communitas America, Inc.**

Statement of Financial Position  
December 31, 2021

**ASSETS**

Cash	\$ 1,343,747
Security deposits	<u>18,800</u>
	<u>\$ 1,362,547</u>

**LIABILITIES AND NET ASSETS**

Liabilities	
Accounts payable and accrued expenses	\$ 38,140
Accrued vacation	<u>13,327</u>
Total Liabilities	51,467
Net assets without donor restrictions	<u>1,311,080</u>
	<u>\$ 1,362,547</u>

See notes to financial statements

**Communitas America, Inc.**

Statement of Activities  
Year Ended December 31, 2021

**REVENUE**

Contributions	\$ 1,001,658
Donated pro-bono legal services	167,639
Other revenue	<u>1,979</u>
Total Revenue	<u>1,171,276</u>

**EXPENSES**

Program services	629,236
Management and general	275,536
Fundraising	<u>102,676</u>
Total Expenses	<u>1,007,448</u>

Change in Net Assets	163,828
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**NET ASSETS WITHOUT DONOR RESTRICTIONS**

Beginning of year	<u>1,147,252</u>
End of year	<u>\$ 1,311,080</u>

See notes to financial statements

# **Communitas America, Inc.**

## Statement of Functional Expenses Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 377,574	\$ 20,000	\$ 71,410	\$ 468,984
Payroll taxes and employee benefits	<u>95,662</u>	<u>5,037</u>	<u>17,985</u>	<u>118,684</u>
Total Salaries and Related Costs	473,236	25,037	89,395	587,668
Advertising and marketing	2,538	1,322	-	3,860
Bank fees	17	14	-	31
Conferences	518	5	-	523
Filing fees	-	1,420	-	1,420
Grant expense	30,200	-	-	30,200
Internet expenses	7,688	2,083	331	10,102
Professional and legal fees	20,000	223,156	7,750	250,906
Meals and entertainment	9,543	3,576	-	13,119
Office supplies and software	4,222	2,311	-	6,533
Payroll processing fees	15,964	841	3,001	19,806
Photography	350	-	-	350
Postage and delivery	403	18	-	421
Development	300	-	-	300
Program expenses	3,150	-	-	3,150
Rent expense	11,627	616	2,199	14,442
Honorarium	1,800	-	-	1,800
Subsidies	24,600	-	-	24,600
Travel	2,805	13,876	-	16,681
Insurance	-	1,028	-	1,028
Research	<u>20,275</u>	<u>233</u>	<u>-</u>	<u>20,508</u>
Total Expenses	<u>\$ 629,236</u>	<u>\$ 275,536</u>	<u>\$ 102,676</u>	<u>\$ 1,007,448</u>

See notes to financial statements

**Communitas America, Inc.**

Statement of Cash Flows  
Year Ended December 31, 2021

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 163,828
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	(6,850)
Accounts payable and accrued expenses	15,041
Accrued vacation	<u>(2,251)</u>
Net Cash from Operating Activities	167,642

**CASH**

Beginning of year	<u>1,176,105</u>
End of year	<u>\$ 1,343,747</u>

See notes to financial statements

## **Communitas America, Inc.**

### **Notes to Financial Statements December 31, 2021**

#### **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.

##### ***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.

##### ***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.



**Communitas America, Inc.**

Notes to Financial Statements  
December 31, 2021

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

***Net Assets (continued)***

***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, 2021.

***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, 2021

**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.

***Grant Expense***

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, 2021 was \$3,860.

**Communitas America, Inc.**

Notes to Financial Statements  
December 31, 2021

**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. Income tax returns since inception remain 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 April 7, 2022.

**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, 2021, the uninsured portion of this balance was \$1,093,747.

For the year ended December 31, 2021, approximately 99.8% 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, 2021 includes cash in the amount of \$1,343,747.

***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**

The Organization entered into a lease agreement effective August 1, 2020 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 then entered into a lease agreement effective August 1, 2021, through July 31, 2022 with a discount of \$230 over the life of the lease. As of December 31, 2021, the lease was terminated and the Organization entered into a new lease agreement effective January 1, 2022 through December 31, 2022, with a discount of \$4,920 for the first two months and \$492 for the remaining ten months of the lease.

## **Communitas America, Inc.**

### **Notes to Financial Statements December 31, 2021**

#### **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 \$44,280 for the year ending December 31, 2022.

#### **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, 2021 was \$15,536.

#### **7. Related Party Transactions (Not Disclosed Elsewhere)**

A member of the Board of Directors who served during 2021 is related to the Organization's primary donor through a familial relationship. The Organization received \$1,000,000 in contributions from this donor during the year ended December 31, 2021. This member is also the founder and Chief Executive Officer 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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