

COMMUNITYWORKS, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2014 and 2013



Junkermier • Clark

Campanella • Stevens • P.C.

Certified Public Accountants and Business Advisors

**COMMUNITYWORKS, INC.
CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	2
AUDITED FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statement of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 13



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Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
CommunityWorks, Inc.
Helena, MT

We have audited the accompanying statements of financial position of CommunityWorks, Inc. (a nonprofit organization) as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 CommunityWorks, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
September 21, 2015

Great Falls • Helena • Hamilton • Kalispell • Missoula • Whitefish

COMMUNITYWORKS, INC.
STATEMENTS OF FINANCIAL POSITION
Year Ended December 31, 2014 and 2013

	ASSETS	
	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 115,863	\$ 125,597
Accounts receivable	10,429	18,551
Pledges receivable	6,896	3,240
Inventory	<u>3,553</u>	<u>3,905</u>
	<u>136,741</u>	<u>151,293</u>
OTHER ASSETS		
Noncurrent pledges receivable, net	<u>15,124</u>	<u>49,114</u>
FIXED ASSETS		
Fixed assets, net	<u>1,823,524</u>	<u>1,994,026</u>
Total assets	<u>\$ 1,975,389</u>	<u>\$ 2,194,433</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 4,123	\$ 26,287
Payroll liabilities	8,421	16,987
Line of credit	16,347	17,510
Current portion of long-term debt	<u>-</u>	<u>5,138</u>
	<u>28,891</u>	<u>65,922</u>
NET ASSETS		
Unrestricted	1,945,476	2,066,257
Temporarily restricted	<u>1,022</u>	<u>62,254</u>
	<u>1,946,498</u>	<u>2,128,511</u>
Total liabilities and net assets	<u>\$ 1,975,389</u>	<u>\$ 2,194,433</u>

See the notes to financial statements

COMMUNITYWORKS, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT EARNED INCOME			
Admissions	\$ 56,797	\$ -	\$ 56,797
Membership	66,029	-	66,029
Program fees	73,000	-	73,000
Event income	40,057	-	40,057
Other earned income	<u>62,497</u>	<u>-</u>	<u>62,497</u>
	298,380	-	298,380
 Cost of goods sold	 <u>(35,091)</u>	 <u>-</u>	 <u>(35,091)</u>
Contribution margin	<u>263,289</u>	<u>-</u>	<u>263,289</u>
 OTHER REVENUE			
Grants	-	65,381	65,381
In-kind	2,674	-	2,674
Sponsorships	-	56,696	56,696
Other contributed income	186,076	10,100	196,176
Investment income	8,720	-	8,720
Net assets released from restrictions	<u>193,409</u>	<u>(193,409)</u>	<u>-</u>
Total revenues and support	<u>654,168</u>	<u>(61,232)</u>	<u>592,936</u>
 EXPENSES			
Program expenses	606,500	-	606,500
Management and general expenses	102,954	-	102,954
Fundraising expenses	<u>65,495</u>	<u>-</u>	<u>65,495</u>
	<u>774,949</u>	<u>-</u>	<u>774,949</u>
 CHANGE IN NET ASSETS	 (120,781)	 (61,232)	 (182,013)
 NET ASSETS, beginning of year	 <u>2,066,257</u>	 <u>62,254</u>	 <u>2,128,511</u>
 NET ASSETS, end of year	 <u>\$ 1,945,476</u>	 <u>\$ 1,022</u>	 <u>\$ 1,946,498</u>

See the notes to financial statements

COMMUNITYWORKS, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT EARNED INCOME			
Admissions	\$ 53,921	\$ -	\$ 53,921
Membership	62,313	-	62,313
Program fees	75,141	-	75,141
Event income	69,262	-	69,262
Other earned income	<u>60,769</u>	<u>-</u>	<u>60,769</u>
	321,406	-	321,406
 Cost of goods sold	 <u>(46,038)</u>	 <u>-</u>	 <u>(46,038)</u>
Contribution margin	<u>275,368</u>	<u>-</u>	<u>275,368</u>
 OTHER REVENUE			
Grants	32,779	108,928	141,707
In-kind	21,534	-	21,534
Sponsorships	17,825	18,825	36,650
Other contributed income	169,801	67,620	237,421
Investment income	9,039	-	9,039
Net assets released from restrictions	<u>205,416</u>	<u>(205,416)</u>	<u>-</u>
Total revenues and support	<u>731,762</u>	<u>(10,043)</u>	<u>721,719</u>
 EXPENSES			
Program expenses	546,230	-	546,230
Management and general expenses	70,301	-	70,301
Fundraising expenses	<u>81,815</u>	<u>-</u>	<u>81,815</u>
	<u>698,346</u>	<u>-</u>	<u>698,346</u>
 CHANGE IN NET ASSETS	 33,416	 (10,043)	 23,373
 NET ASSETS, beginning of year	 <u>2,032,841</u>	 <u>72,297</u>	 <u>2,105,138</u>
 NET ASSETS, end of year	 <u>\$ 2,066,257</u>	 <u>\$ 62,254</u>	 <u>\$ 2,128,511</u>

See the notes to financial statements

COMMUNITYWORKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ 16,399	\$ 100	\$ 1,029	\$ 17,528
Bad debt	-	-	4,373	4,373
Bank charges	6,265	752	-	7,017
Contract labor	-	80	-	80
Computer support/security	19,325	-	1,017	20,342
Depreciation and amortization	187,351	-	-	187,351
Dues and subscriptions	1,800	3,913	150	5,863
Equipment rental	1,404	150	-	1,554
Exhibit rental	19,212	-	-	19,212
Gain/loss on disposal of assets	5,302	-	-	5,302
Insurance	10,702	1,189	-	11,891
Interest	1	2,224	-	2,225
Janitorial	4,011	211	-	4,222
Licenses and permits	35	613	-	648
Other	3,561	1,078	41	4,680
Postage and delivery	1,184	99	216	1,499
Printing	4,291	3	70	4,364
Professional fees	19,495	17,467	-	36,962
Professional development	-	20	30	50
Property tax	-	1,010	-	1,010
Repairs and maintenance	3,106	-	-	3,106
Salaries and benefits	240,897	67,591	56,007	364,495
Supplies	27,538	3,723	285	31,546
Telephone and internet	3,877	363	-	4,240
Transportation and storage	15,932	90	-	16,022
Travel	5,903	1,107	2,277	9,287
Utilities	8,873	1,171	-	10,044
Volunteer support	<u>36</u>	<u>-</u>	<u>-</u>	<u>36</u>
Total expenses	<u>\$ 606,500</u>	<u>\$ 102,954</u>	<u>\$ 65,495</u>	<u>\$ 774,949</u>

See the notes to financial statements

COMMUNITYWORKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Program	Management and General	Fundraising	Total
Advertising	\$ 9,546	\$ 50	\$ -	\$ 9,596
Bad debt	-	-	8,079	8,079
Bank charges	7,060	405	31	7,496
Contract labor	1,010	-	-	1,010
Computer support/security	4,288	-	50	4,338
Depreciation and amortization	155,022	-	-	155,022
Dues and subscriptions	4,609	1,009	150	5,768
Equipment rental	3,185	265	140	3,590
Exhibit rental	4,655	-	-	4,655
Gain/loss on disposal of assets	7,003	-	-	7,003
Insurance	8,111	3,129	-	11,240
Interest	-	1,006	-	1,006
Janitorial	12,872	738	-	13,610
Licenses and permits	140	85	-	225
Other	1,669	3,738	113	5,520
Postage and delivery	2,045	227	459	2,731
Printing	3,693	16	695	4,404
Professional fees	15,039	10,805	-	25,844
Professional development	-	1,000	-	1,000
Property tax	-	1,001	-	1,001
Repairs and maintenance	9,962	-	-	9,962
Salaries and benefits	246,608	43,180	71,415	361,203
Supplies	28,565	1,882	670	31,117
Telephone and internet	3,484	627	-	4,111
Transportation and storage	7,220	-	-	7,220
Travel	366	35	-	401
Utilities	9,952	1,103	-	11,055
Volunteer support	126	-	13	139
Total expenses	\$ 546,230	\$ 70,301	\$ 81,815	\$ 698,346

See the notes to financial statements

COMMUNITYWORKS, INC.
STATEMENTS OF CASH FLOWS
Year Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (182,013)	\$ 23,373
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Bad debt expense	4,373	8,079
Depreciation and amortization	187,351	155,022
Loss on disposal of assets	5,302	7,003
(Increase) decrease in:		
Accounts and pledges receivable	34,083	(62,049)
Inventory	352	2,312
Increase (decrease) in:		
Trade accounts payable	(22,164)	1,316
Payroll, payroll benefits, and payroll taxes	<u>(8,566)</u>	<u>1,430</u>
Net cash from operating activities	<u>18,718</u>	<u>136,486</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid to acquire property and equipment	<u>(22,151)</u>	<u>(104,429)</u>
Net cash from investing activities	<u>(22,151)</u>	<u>(104,429)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash paid for principal payments on long-term debt	<u>(6,301)</u>	<u>(15,448)</u>
Net cash from financing activities	<u>(6,301)</u>	<u>(15,448)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		
	(9,734)	16,609
Cash and cash equivalents, beginning of year	<u>125,597</u>	<u>108,988</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 115,863</u></u>	<u><u>\$ 125,597</u></u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the period for interest	<u><u>\$ 2,225</u></u>	<u><u>\$ 1,006</u></u>

See the notes to financial statements

COMMUNITYWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

CommunityWorks, Inc. operates as a non-profit organization located in Helena, Montana. CommunityWorks, Inc. developed ExplorationWorks, which is an interactive science center. ExplorationWorks opened to the public in November 2007. ExplorationWorks is an innovative, hands-on science center offering programs and exhibits that provide diverse audiences with an engaging discovery of the sciences, technology, math, and engineering.

Basis of Presentation

These financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Revenue is recorded when earned, and expenses are recorded when incurred.

In accordance with U.S. GAAP, restricted contributions received and expensed in the same fiscal year are recorded as unrestricted revenues. Under U.S. GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The following describes the Organization's net assets:

Unrestricted Net Assets - Net assets available to the Organization for day-to-day activities and not subject to donor-imposed stipulation.

Temporarily Restricted Net Assets - Net assets restricted by time and/or purpose by the donor.

Permanently Restricted Net Assets - Net assets contributed with donor stipulations that they be maintained permanently by the Organization. The Organization had no permanently restricted net assets as of December 31, 2014 or 2013.

Inventories

Inventories consist primarily of merchandise sold in the gift shop and coffee cart. They are stated at the lower of cost or market with cost determined on the first-in, first-out (FIFO) basis.

Cash and Cash Equivalents

The Organization considers all highly liquid assets purchased with an original maturity of three months or less to be cash equivalents. At times during the year, the Organization's deposits with financial institutions may be in excess of FDIC insured limits.

Accounts Receivable

The Organization considers trade accounts receivable to be fully collectible; accordingly, management estimates the allowance for doubtful accounts to be zero at December 31, 2014 or 2013. If amounts become uncollectible, they will be charged to operations when that determination is made.

COMMUNITYWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Depreciation

Property, plant, and equipment are stated at historical cost. The Organization established a threshold of \$500 for capitalization of depreciable assets with an expected useful life greater than one year. Contributed assets are recorded based on the estimated fair value of the asset. Fixed assets are depreciated on a straight-line basis. Estimated useful lives for depreciable assets are as follows:

Buildings	20 years
Building improvements	5-10 years
Vehicles and equipment	5-10 years

Compensated Absences

All full-time regular employees earn vacation based on their anniversary date with the Organization. Part-time employees working at least 30 hours per week accumulate vacation in a prorated manner in accordance with the number of hours normally worked. Employees may not accrue, at any given time, a total of more than one year's vacation time. Upon termination, voluntary or involuntary, accrued vacation leave will be paid in full.

Income Tax

CommunityWorks, Inc., is exempt from federal income tax as an entity described in Internal Revenue Code (IRC) Section 501(c)(3) except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515. The Organization did not incur unrelated business income tax for the years ended December 31, 2014 and 2013. Accordingly, no provision for income taxes has been made. The Organization's Federal Forms 990 are generally subject to examination by taxing authorities for the later of three years after the due date or the date filed.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Advertising Costs

The Organization uses advertising to promote its programs among the customers it serves. The cost of advertising is expensed as incurred. Advertising expense for the years ended December 31, 2014 and 2013 was \$17,528 and \$9,596, respectively.

COMMUNITYWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. The amounts of contributed services and property for the year ended December 31, 2014 and 2013 was \$2,674 and \$21,534, respectively.

In addition, a number of volunteers have donated significant amounts of time to the Organization's program services and supporting activities. Although essential to operations, these in-kind contributions are not reflected in the financial statements since these services do not meet the criteria for recognition.

2. PLEDGES RECEIVABLE

Unconditional promises to give are recorded as receivables and revenue when received. The allowance for uncollectible pledges is based on management's estimate of 3% of the outstanding balance and specific identification of uncollectible balances. The Organization distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions.

Pledges receivable consist of the following as of December 31:

	<u>2014</u>	<u>2013</u>
Pledges receivable, due in 1 year	\$ 6,896	\$ 3,240
Pledges receivable, due in 1-5 years	<u>20,000</u>	<u>57,717</u>
Total	26,896	60,957
Less:		
Allowance for uncollectible pledges	<u>(4,876)</u>	<u>(8,603)</u>
Net pledges receivable	<u>\$ 22,020</u>	<u>\$ 52,354</u>

COMMUNITYWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

3. FIXED ASSETS

Fixed assets consist of the following at December 31:

	2014	2013
Building - CW Facility	\$ 1,399,080	\$ 1,378,726
Land	275,000	275,000
Equipment	125,695	124,284
Exhibits in progress	386	-
Exhibits	571,468	588,368
Software	<u>16,041</u>	<u>16,041</u>
	2,387,670	2,382,419
Less accumulated depreciation	(555,335)	(383,313)
Less accumulated amortization	<u>(8,811)</u>	<u>(5,080)</u>
Fixed assets, net	<u>\$ 1,823,524</u>	<u>\$ 1,994,026</u>

4. LINE OF CREDIT AND NOTE PAYABLE

Line of Credit

The Organization has a \$30,000 line of credit with American Federal Savings Bank to help finance its short-term capital needs. The amounts borrowed under the agreement bear interest at 6.50%. At December 31, 2014 and 2013 the Organization had outstanding borrowings under this line of credit of \$16,347 and \$17,510, respectively.

Note Payable

Note payable to American Federal Savings Bank of Helena in monthly installments of \$1,355 including interest at 6.0% through March 2014.

	2014	2013
	\$ <u>-</u>	\$ <u>5,138</u>

5. RELATED PARTIES

Related party transactions consist of contributions and pledges of future contributions by members of the Board of Directors. Other board contributions include in-kind contributions of material and services.

6. COMMUNITYWORKS, INC. FACILITY

The CommunityWorks, Inc. facility is owned through a tenant-in-common agreement with the City of Helena dated in October 2004. The Organization owns 58.82% and the City owns 41.18%. At December 31, 2014 and 2013, the balance of the share belonging to the Organization was \$1,399,080 and \$1,378,726, respectively.

COMMUNITYWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

7. BENEFICIAL INTEREST IN ASSETS HELD AT MONTANA COMMUNITY FOUNDATION

The Organization is the designated beneficiary of endowment funds held at the Montana Community Foundation (MCF). The donors granted variance power to the MCF; therefore, in accordance with FASB ASC 958-605-25-25, the balance of the endowment account is not recorded in the statements of financial position. Variance power gives the MCF complete control and ownership of the asset. Consequently, the asset is included in the MCF's statement of financial position. The earnings on the endowment fund held at the MCF are paid to the beneficiary, namely CommunityWorks, Inc., at the discretion of the MCF's Board of Directors. Earnings distributed by the MCF to the Organization are recorded as contributions in the year of receipt.

The total amount of the endowment account that is not included in the Organization's statements of financial position is \$18,623 and \$18,253 at December 31, 2014 and 2013, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes during the fiscal year ended December 31:

	<u>2014</u>	<u>2013</u>
Beginning balance - January 1	\$ 62,254	\$ 72,297
Additions:		
Camps	7,275	3,750
Programs and scholarships	16,720	34,490
Staffing	10,000	3,690
Events	26,764	45,025
Building	21,427	31,457
Exhibits	49,991	51,761
Equipment and education	-	25,200
Total additions	<u>132,177</u>	<u>195,373</u>

Temporarily restricted net assets were used for the following programs and released from restriction during the fiscal year:

Camps	7,275	3,750
Programs and scholarships	33,740	14,795
Teacher resource center	15,034	5,931
Staffing	10,000	3,690
Events	26,764	45,025
Building	31,428	21,457
Exhibits	52,334	51,860
Equipment and education	16,834	58,908
Total released from restriction	<u>193,409</u>	<u>205,416</u>
Ending balance - December 31	<u>\$ 1,022</u>	<u>\$ 62,254</u>

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2015 the date on which the financial statements were available to be issued.