

**REGIONAL COMMUNITY
CONNECTIONS ONE, INC.**

FINANCIAL STATEMENTS

December 31, 2013

**REGIONAL COMMUNITY CONNECTIONS ONE, INC.
TABLE OF CONTENTS**

<u>FINANCIAL SECTION</u>	<u>PAGE</u>
Independent Auditors' Report	2
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Notes to Financial Statements	7
 <u>COMPLIANCE SECTION</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Schedule of Findings and Questioned Costs	13
Summary Schedule of Prior Audit Findings	14
Corrective Action Plan	15

FINANCIAL SECTION

KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

P.O. Box 3167
Longview, Texas 75606

Karen A. Jacks, CPA
Peggy J. Lantz, CPA
Sherry Davis, CPA

1501 Colony Circle
Longview, Texas 75604

Phone: 903•238•8822

Fax: 903•238•9838

INDEPENDENT AUDITORS' REPORT

Board of Directors
Regional Community Connections One, Inc.
Longview, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Regional Community Connections One, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 Regional Community Connections One, Inc. as of December 31, 2013, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2014, on our consideration of Regional Community Connections One, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Regional Community Connections One, Inc.'s internal control over financial reporting and compliance.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
July 2, 2014

REGIONAL COMMUNITY CONNECTIONS ONE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2013

Assets	
Current Assets	
Cash	\$ 6,968
Prepaid expenses	1,607
Accounts receivable	136
Total Current Assets	<u>8,711</u>
Property and Equipment	
Furniture and equipment	58,022
Leasehold improvements	435,007
	<u>493,029</u>
Less accumulated depreciation	(141,651)
Total Property and Equipment	<u>351,378</u>
Other Assets	
Security deposits	<u>750</u>
Total Assets	<u><u>\$ 360,839</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 8,495
Payroll liabilities	710
Unearned revenue	406
Tenant security deposits	8,219
Total Current Liabilities	<u>17,830</u>
Net Assets	
Unrestricted	<u>343,009</u>
Total Net Assets	<u>343,009</u>
Total Liabilities and Net Assets	<u><u>\$ 360,839</u></u>

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

REGIONAL COMMUNITY CONNECTIONS ONE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Government grants	\$ 35,000	\$ 75,000	\$ 110,000
Corporate and civic grants	-	5,000	5,000
Contributions	417	20,000	20,417
Rental income	106,161	-	106,161
Interest income	8	-	8
Donated materials	1,858	-	1,858
Other income	1,389	-	1,389
Net assets released from restriction:			
Restrictions satisfied by payments	100,000	(100,000)	-
Total Support and Revenue	<u>244,833</u>	<u>-</u>	<u>244,833</u>
Expenses			
Program Services			
Advertising	577	-	577
Cleaning	14,610	-	14,610
Depreciation	65,218	-	65,218
Insurance	4,174	-	4,174
Legal	285	-	285
Rent expense	9,000	-	9,000
Repairs & maintenance	30,171	-	30,171
Salaries	19,581	-	19,581
Security	1,771	-	1,771
Supplies	2,018	-	2,018
Taxes - payroll	1,498	-	1,498
Telephone	746	-	746
Utilities	33,997	-	33,997
Total Program Services	<u>183,646</u>	<u>-</u>	<u>183,646</u>
General & Administrative			
Accounting	451	-	451
Audit	1,400	-	1,400
Computer expenses	311	-	311
Depreciation	309	-	309
Equipment rental	2,466	-	2,466
Insurance	998	-	998
Memberships & dues	85	-	85
Meetings expense	226	-	226
Office supplies	2,451	-	2,451
Other expenses	1,110	-	1,110
Postage & shipping	139	-	139
Salaries	8,392	-	8,392
Taxes - payroll	642	-	642
Telephone	2,102	-	2,102
Volunteer appreciation	669	-	669
Website design	652	-	652
Loss on sale of equipment	137	-	137
Total General & Administrative	<u>22,540</u>	<u>-</u>	<u>22,540</u>
Total Expenses	<u>206,186</u>	<u>-</u>	<u>206,186</u>
Increase in Net Assets	38,647	-	38,647
Net Assets at Beginning of Year	<u>304,362</u>	<u>-</u>	<u>304,362</u>
Net Assets at End of Year	<u>\$ 343,009</u>	<u>\$ -</u>	<u>\$ 343,009</u>

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

REGIONAL COMMUNITY CONNECTIONS ONE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

Cash Flows From Operating Activities:	
Increase in net assets	\$ 38,647
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	65,527
Loss on asset disposition	137
(Increase) decrease in operating assets:	
Prepaid expenses	(230)
Accounts receivable	189
Increase (decrease) in operating liabilities:	
Accounts payable	3,592
Payroll liabilities	483
Unearned revenue	406
Security deposits	<u>(1,605)</u>
Net Cash Provided by Operating Activities	<u>107,146</u>
Cash Flows from Investing Activities:	
Purchases of property and equipment	(123,349)
Proceeds of equipment sale	<u>350</u>
Net Cash Used by Investing Activities	<u>(122,999)</u>
Net Decrease in Cash and Cash Equivalents	(15,853)
Cash and Cash Equivalents at Beginning of Year	<u>22,821</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 6,968</u></u>

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

REGIONAL COMMUNITY CONNECTIONS ONE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Organization

Regional Community Connections One, Inc. is a Texas non-profit corporation organized to provide a central location for agencies to provide employment, education, health and human services which efficiently utilize resources to promote self sufficiency, self-reliance and wellness among families and children. The organization was established on October 31, 2008 and began operations on September 1, 2009. It operates under the assumed name Community Connections.

(B) Income Tax Status

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. The Organization's federal Returns of Organization Exempt from Income Tax (Form 990) for 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they are filed.

(C) Basis of Accounting

The financial statements of Regional Community Connections One, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(D) Basis of Presentation

The Organization has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, 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. In addition, the Organization is required to present a statement of cash flows.

(E) Accounts Receivable

Accounts receivable is stated at the amount management expects to collect. Management periodically evaluates the collectibility of outstanding balances and writes them off if deemed uncollectible.

(F) Contributions

Under generally accepted accounting principles for not-for-profit organizations, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(G) Grants

The Organization records income from grants in the period during which contract provisions are satisfied and the grant proceeds are considered to be earned.

REGIONAL COMMUNITY CONNECTIONS ONE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(H) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(I) Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with maturities of 90 days or less to be cash equivalents. At December 31, 2013, the Organization's cash and cash equivalents consisted only of checking and savings accounts.

(J) Advertising

Advertising costs are expensed as they are incurred.

NOTE 2 - PROPERTY AND EQUIPMENT

All acquisitions of property and equipment are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The accumulated depreciation is computed on the straight-line basis, using estimated useful lives as follows:

Furniture and equipment	5 years
Leasehold improvements	5- 30 years

The book value of property and equipment on December 31, 2013 is as follows:

Office furniture, equipment and leasehold improvements	\$ 493,029
Less accumulated depreciation	<u>(141,651)</u>
	<u>\$ 351,378</u>

NOTE 3 - DONATED MATERIALS

The fair value of donated materials included as contributions in the financial statements and the corresponding program expenses for the years ended December 31, 2013, are as follows:

Materials and supplies	<u>\$ 1,858</u>
------------------------	-----------------

The Organization receives services donated by volunteers for janitorial and maintenance services. Consistent with generally accepted accounting principles for not-for-profit organizations, the value of contributed time by unpaid volunteers is not reflected in these statements because the services received did not enhance non-financial assets and the agency would not pay for the services if they were not donated. Such donated services have an estimated value of \$2,907 based on the current rate of minimum wage.

REGIONAL COMMUNITY CONNECTIONS ONE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 - LEASES AS LESSEE

The Organization has entered into an operating lease agreement for the use of office space at a rate of \$750 per month. The term of the new agreement is for five years beginning July 1, 2013, with an option to extend for an additional year with written notice to the Lessor at least 30 days prior to July 1, 2018. Rent expense was \$9,000 for 2013.

Future minimum lease payments under the operating lease as of December 31, 2013 are:

Year ending December 31:	
2014	\$ 9,000
2015	9,000
2016	9,000
2017	9,000
2018	4,500
	<u>\$ 40,500</u>

The facility lessor is Pine Tree Independent School District, and the estimated fair market rental value of the facility is \$17,750 per month assuming full occupancy at the current rate of \$.50 per square foot.

NOTE 5 - LEASES AS LESSOR

The Organization leases office space to various tenants under noncancelable operating leases. The following is a schedule by years of future minimum rentals under the leases at December 31, 2013:

Year Ending December 31:	
2014	\$ 74,559
2015	13,817
2016	12,000
2017	12,000
2018	7,000
	<u>\$ 119,376</u>

In accordance with its mission to provide a central location for services to families and children, the Organization provides facility space at no charge to the City of Longview police department, the Pine Tree ISD Clothes Closet, and the East Texas Literacy Council. In addition, the Organization makes its facility available at no charge for certain public meetings that benefit families and children and to the City of Longview police department for training exercises.

NOTE 6 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 2, 2014, the date on which the financial statements were available to be issued.

COMPLIANCE SECTION

KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

Karen A. Jacks, CPA
Peggy J. Lantz, CPA
Sherry Davis, CPA

P.O. Box 3167
Longview, Texas 75606

1501 Colony Circle
Longview, Texas 75604

Phone: 903•238•8822

Fax: 903•238•9838

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Regional Community Connections One, Inc.
Longview, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Regional Community Connections One, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Regional Community Connections One, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Regional Community Connections One, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
July 2, 2014

**REGIONAL COMMUNITY CONNECTIONS ONE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2013**

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

B. Financial Statement Findings

None

REGIONAL COMMUNITY CONNECTIONS ONE, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2013

Findings Relating to the Financial Statements which are Required to be Reported in Accordance with
Generally Accepted Government Auditing Standards

<u>Program</u>	<u>Findings</u>	<u>Amount</u>
	None	

**REGIONAL COMMUNITY CONNECTIONS ONE, INC.
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2013**

None Required.