

**REGIONAL COMMUNITY  
CONNECTIONS ONE, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2018**

REGIONAL COMMUNITY CONNECTIONS ONE, INC.  
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## INDEPENDENT AUDITORS' REPORT

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

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, 2018, 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. 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 Regional Community Connections One, Inc. as of December 31, 2018, 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.

*Karen A. Jacks & Associates, P.C.*

Karen A. Jacks & Associates, P.C.

Longview, Texas  
July 3, 2019

REGIONAL COMMUNITY CONNECTIONS ONE, INC.  
STATEMENT OF FINANCIAL POSITION  
December 31, 2018

Assets		
Current Assets		
Cash	\$	75,682
Accounts receivable		75
Prepaid expenses		1,498
Total Current Assets		<u>77,255</u>
Property and Equipment		
Furniture and equipment		78,866
Leasehold improvements		624,419
		<u>703,285</u>
Less accumulated depreciation		(512,405)
Total Property and Equipment		<u>190,880</u>
Other Assets		
Security deposits		<u>750</u>
Total Assets	\$	<u><u>268,885</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$	4,611
Tenant security deposits		12,446
Current portion of contract payable		12,301
Total Current Liabilities		<u>29,358</u>
Contract payable, less current portion		<u>30,404</u>
Net Assets		
Without donor restrictions		<u>209,123</u>
Total Net Assets		<u>209,123</u>
Total Liabilities and Net Assets	\$	<u><u>268,885</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, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Government grants	\$ 25,000	\$ -	\$ 25,000
Contributions	8,020	-	8,020
Rental income	162,707	-	162,707
Interest income	102	-	102
Other income	841	-	841
Total Revenue, Gains, and Other Support	<u>196,670</u>	<u>-</u>	<u>196,670</u>
Expenses			
Program Services			
Building expenses	4,700	-	4,700
Cleaning	21,714	-	21,714
Depreciation	78,283	-	78,283
Insurance	4,686	-	4,686
Rent expense	9,000	-	9,000
Repairs & maintenance	25,490	-	25,490
Salaries	19,250	-	19,250
Security	1,010	-	1,010
Supplies	599	-	599
Taxes - payroll	1,473	-	1,473
Telephone	755	-	755
Utilities	46,509	-	46,509
Total Program Services	<u>213,469</u>	<u>-</u>	<u>213,469</u>
Management & General			
Audit	1,550	-	1,550
Bank fees	187	-	187
Computer expenses	442	-	442
Depreciation	103	-	103
Equipment rental	1,308	-	1,308
Insurance	1,120	-	1,120
Interest expense	30	-	30
Memberships & dues	45	-	45
Office supplies	341	-	341
Other expenses	233	-	233
Postage & shipping	158	-	158
Salaries	19,250	-	19,250
Taxes - payroll	1,473	-	1,473
Telephone	2,148	-	2,148
Website design	1,952	-	1,952
Total Management & General	<u>30,340</u>	<u>-</u>	<u>30,340</u>
Total Expenses	<u>243,809</u>	<u>-</u>	<u>243,809</u>
Change in Net Assets	(47,139)	-	(47,139)
Net Assets at Beginning of Year	<u>256,262</u>	<u>-</u>	<u>256,262</u>
Net Assets at End of Year	<u>\$ 209,123</u>	<u>\$ -</u>	<u>\$ 209,123</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, 2018**

Cash Flows From Operating Activities:	
Decrease in net assets	\$ (47,139)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	78,386
Decrease in operating assets:	
Accounts receivable	49
Prepaid expenses	33
Increase (Decrease) in operating liabilities:	
Accounts payable	(848)
Security deposits	502
Net Cash Provided by Operating Activities	<u>30,983</u>
Cash Flows from Investing Activities:	
Purchases of property and equipment	<u>(5,885)</u>
Net Cash Used by Investing Activities	<u>(5,885)</u>
Cash Flows from Financing Activities:	
Payments on contractual obligation	(4,101)
Principal paid on debt	<u>(2,159)</u>
Net Cash Used by Financing Activities	<u>(6,260)</u>
Net Increase in Cash and Cash Equivalents	18,838
Cash and Cash Equivalents at Beginning of Year	<u>56,844</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 75,682</u></u>
Supplemental Cash Flow Disclosures:	
Interest paid in cash	<u><u>\$ 30</u></u>
Noncash Investing and Financing Transaction:	
Leasehold Improvement	
Lighting upgrade	\$ (46,805)
Contract payable	46,805

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

**REGIONAL COMMUNITY CONNECTIONS ONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**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 2015, 2016 and 2017 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 two classes of net assets: without donor restrictions and with donor restrictions. 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 collectability 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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.

(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, 2018**

**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) Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and amortization and occupancy, which are allocated based on the purpose and use of each asset. Telephone costs are allocated based on the use for each phone line.

(J) 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, 2018, the Organization's cash and cash equivalents consisted only of checking and savings accounts.

(K) Advertising

Advertising costs are expensed as they are incurred.

**NOTE 2 - PROPERTY AND EQUIPMENT**

Acquisitions of property and equipment with a unit cost of \$500 or more are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. 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, 2018 is as follows:

Office furniture, equipment and leasehold improvements	\$ 703,285
Less accumulated depreciation	(512,405)
	<u>\$ 190,880</u>

**NOTE 3 - 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, 2018, with an option to extend for an additional year with written notice to the Lessor at least 30 days prior to July 1, 2019. Rent expense was \$9,000 for 2018.

**REGIONAL COMMUNITY CONNECTIONS ONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

**NOTE 3 - LEASES AS LESSEE (continued)**

Future minimum lease payments under the operating lease as of December 31, 2018 are:

Year ending December 31:	
2019	\$ 9,000
2020	9,000
2021	9,000
2022	9,000
2023	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 a rate of \$.55 per square foot.

**NOTE 4 - 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, 2018:

Year Ending December 31:	
2019	\$ 71,461
2020	\$ 4,642

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 and the Pine Tree ISD Clothes Closet. 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 5 - CONTRACT PAYABLE**

On April 3, 2018, the Organization's Board approved participating in a lighting upgrade project with Pine Tree Independent School District. The project consisted of replacing all fluorescent lighting with LED lighting and installing motion activated light switches. The project was intended to reduce the cost of the Organization's monthly utility bills. The Organization's share of the project cost was \$46,805.15. The agreed payment terms with Pine Tree Independent School District call for 45 monthly payments of \$1,025.08 beginning on October 1, 2018 with a final payment of \$676.55 due on July 1, 2022.

Future contract payments are due as follows:

Year Ending December 31:	
2019	\$ 12,301
2020	12,301
2021	12,301
2022	5,802
	<u>\$ 42,705</u>

**REGIONAL COMMUNITY CONNECTIONS ONE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2018**

**NOTE 6 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of the statement of financial position date:

Cash	\$ 75,682
Accounts receivable	75
	<u>\$ 75,757</u>

The Organization has no financial assets that are unavailable for general use because of contractual or donor imposed restrictions within one year of the statement of financial position date.

The Organization invests its cash in excess of daily requirements in a bank savings account.

**NOTE 7 - CHANGE IN ACCOUNTING PRINCIPLE**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return among not-for-profit entities. In accordance with generally accepted accounting principles, the Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

**NOTE 8 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 3, 2019, the date on which the financial statements were available to be issued.