

COMMUNITY LINC, INC.

FINANCIAL STATEMENTS

December 31, 2011 and 2010

IFFT & CO. PA

Certified Public Accountants

11030 Granada Lane • Suite 100 • Overland Park, Kansas 66211
Tel 913-345-1120 • Fax 913-345-0724 • E-mail info@ifftcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community LINC, Inc.
Kansas City, Missouri

We have audited the accompanying statements of financial position of Community LINC, Inc. (a not-for-profit organization) as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community LINC, Inc. as of December 31, 2011 and 2010, 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.

IFFT & Co. PA

May 17, 2012

COMMUNITY LINC, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|---|----------------------------|-------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 658,998 | 444,995 |
| Certificates of deposit | 20,000 | - |
| Accounts receivable | 97,701 | 83,163 |
| Inventory | 2,605 | 3,469 |
| Prepaid expenses | <u>1,200</u> | <u>1,575</u> |
| TOTAL CURRENT ASSETS | 780,504 | 533,202 |
| PROPERTY AND EQUIPMENT | | |
| Land | 60,460 | 60,460 |
| Buildings and improvements | 1,336,652 | 1,220,004 |
| Furniture and office equipment | <u>272,754</u> | <u>251,572</u> |
| | 1,669,866 | 1,532,036 |
| Accumulated depreciation | <u>602,471</u> | <u>622,258</u> |
| NET PROPERTY AND EQUIPMENT | 1,067,395 | 909,778 |
| CASH HELD FOR CLIENTS | <u>14,852</u> | <u>17,996</u> |
| TOTAL ASSETS | <u>\$ 1,862,751</u> | <u>1,460,976</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Current portion of long-term debt | \$ 12,185 | 11,377 |
| Accounts payable | 10,030 | 24,968 |
| Accrued expenses | 9,850 | 8,275 |
| Accrued unrelated business income tax | 623 | 4,850 |
| Client deposits | <u>14,852</u> | <u>17,996</u> |
| TOTAL CURRENT LIABILITIES | 47,540 | 67,466 |
| LONG-TERM DEBT, less current portion | <u>148,023</u> | <u>160,089</u> |
| TOTAL LIABILITIES | 195,563 | 227,555 |
| NET ASSETS | | |
| Unrestricted net assets | 1,276,260 | 1,071,712 |
| Temporarily restricted net assets | <u>390,928</u> | <u>161,709</u> |
| TOTAL NET ASSETS | <u>1,667,188</u> | <u>1,233,421</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,862,751</u> | <u>1,460,976</u> |

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

COMMUNITY LINC, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|-------------------------|-----------------------------------|-------------------------|
| SUPPORT AND REVENUE | | | |
| Contracts | \$ 660,182 | - | 660,182 |
| Grants | 73,820 | 294,000 | 367,820 |
| Contributions | 218,912 | 141,639 | 360,551 |
| Special events | 410,860 | - | 410,860 |
| United Way support | - | 27,538 | 27,538 |
| Other income | 11,049 | - | 11,049 |
| Bayer food service contract | | | |
| Contract revenue | \$ 239,744 | | |
| Contract expenses | <u>(212,147)</u> | | |
| Net income from contract | 27,597 | - | 27,597 |
| In-kind revenue | 27,203 | - | 27,203 |
| Net assets released from restrictions | <u>233,958</u> | <u>(233,958)</u> | <u>-</u> |
| | | | |
| TOTAL SUPPORT AND REVENUE | 1,663,581 | 229,219 | 1,892,800 |
| | | | |
| EXPENSES | | | |
| Program | 1,196,881 | - | 1,196,881 |
| Fundraising | 197,076 | - | 197,076 |
| Management and general | <u>65,076</u> | <u>-</u> | <u>65,076</u> |
| | | | |
| TOTAL EXPENSES | <u>1,459,033</u> | <u>-</u> | <u>1,459,033</u> |
| | | | |
| CHANGE IN NET ASSETS | 204,548 | 229,219 | 433,767 |
| | | | |
| NET ASSETS, BEGINNING OF YEAR | <u>1,071,712</u> | <u>161,709</u> | <u>1,233,421</u> |
| | | | |
| NET ASSETS, END OF YEAR | <u>\$ 1,276,260</u> | <u>390,928</u> | <u>1,667,188</u> |

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

COMMUNITY LINC, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

| | Unrestricted | Temporarily Restricted | Total |
|---------------------------------------|-------------------------|---------------------------|----------------------|
| SUPPORT AND REVENUE | | | |
| Contracts | \$ 570,987 | - | 570,987 |
| Grants | 37,950 | 173,000 | 210,950 |
| Contributions | 295,441 | 154,690 | 450,131 |
| Special events | 305,214 | - | 305,214 |
| United Way support | 1,077 | 32,215 | 33,292 |
| Other income | 8,550 | - | 8,550 |
| Bayer food service contract | | | |
| Contract revenue | \$ 272,948 | | |
| Contract expenses | <u>(237,798)</u> | | |
| Net income from contract | 35,150 | - | 35,150 |
| In-kind revenue | 109,498 | - | 109,498 |
| Net assets released from restrictions | <u>282,957</u> | <u>(282,957)</u> | <u>-</u> |
| TOTAL SUPPORT AND REVENUE | 1,646,824 | 76,948 | 1,723,772 |
| EXPENSES | | | |
| Program | 1,193,633 | - | 1,193,633 |
| Fundraising | 179,552 | - | 179,552 |
| Management and general | <u>88,642</u> | <u>-</u> | <u>88,642</u> |
| TOTAL EXPENSES | <u>1,461,827</u> | <u>-</u> | <u>1,461,827</u> |
| CHANGE IN NET ASSETS | 184,997 | 76,948 | 261,945 |
| NET ASSETS, BEGINNING OF YEAR | <u>886,715</u> | <u>84,761</u> | <u>971,476</u> |
| NET ASSETS, END OF YEAR | <u>\$ 1,071,712</u> | <u>161,709</u> | <u>1,233,421</u> |

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

COMMUNITY LINC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2011

| | <u>Program</u> | <u>Fundraising</u> | <u>Management and General</u> | <u>Total</u> |
|----------------------------------|-------------------------|--------------------|-----------------------------------|----------------------|
| Salaries and wages | \$ 595,812 | 33,156 | 34,912 | 663,880 |
| Payroll taxes | 54,576 | 3,185 | 3,171 | 60,932 |
| Employee benefits | <u>86,413</u> | <u>2,463</u> | <u>2,586</u> | <u>91,462</u> |
| TOTAL PERSONNEL EXPENSE | 736,801 | 38,804 | 40,669 | 816,274 |
| Other contract services | 108,932 | 65,771 | 770 | 175,473 |
| Outreach and referral program | 16,875 | - | - | 16,875 |
| Volunteer program | 2,370 | - | - | 2,370 |
| Client costs | 9,339 | - | - | 9,339 |
| Promotion | 2,386 | 655 | 18 | 3,059 |
| Equipment maintenance | 3,227 | 184 | 70 | 3,481 |
| Other renovations | 7,915 | 29 | 87 | 8,031 |
| Building and grounds maintenance | 28,179 | 291 | 266 | 28,736 |
| Utilities | 85,024 | 897 | 909 | 86,830 |
| Telephone | 13,683 | 449 | 257 | 14,389 |
| Office supplies | 11,945 | 604 | 216 | 12,765 |
| Dues and subscriptions | 2,614 | 5,048 | 673 | 8,335 |
| Postage | 3,664 | 357 | 266 | 4,287 |
| Printing | 8,454 | 1,543 | 198 | 10,195 |
| Insurance | 17,197 | 226 | 226 | 17,649 |
| Travel and entertainment | 9,359 | 731 | 1,060 | 11,150 |
| Professional fees | 1,856 | - | 11,720 | 13,576 |
| IT services | 18,730 | 586 | 254 | 19,570 |
| Special events expense | - | 76,285 | - | 76,285 |
| Interest expense | 11,071 | - | 437 | 11,508 |
| Depreciation | 66,684 | 820 | 820 | 68,324 |
| In-kind expense | 27,203 | - | - | 27,203 |
| Unrelated business income tax | - | - | 5,223 | 5,223 |
| Miscellaneous | <u>3,373</u> | <u>3,796</u> | <u>937</u> | <u>8,106</u> |
| TOTAL EXPENSE | <u>\$ 1,196,881</u> | <u>197,076</u> | <u>65,076</u> | <u>1,459,033</u> |

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

COMMUNITY LINC, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

| | <u>Program</u> | <u>Fundraising</u> | <u>Management and General</u> | <u>Total</u> |
|----------------------------------|----------------------------|-----------------------|-----------------------------------|-------------------------|
| Salaries and wages | \$ 495,045 | 27,450 | 18,572 | 541,067 |
| Payroll taxes | 43,327 | 1,695 | 7,855 | 52,877 |
| Employee benefits | <u>80,216</u> | <u>2,201</u> | <u>4,941</u> | <u>87,358</u> |
| TOTAL PERSONNEL EXPENSE | 618,588 | 31,346 | 31,368 | 681,302 |
| Other contract services | 106,140 | 37,233 | 4,817 | 148,190 |
| Outreach and referral program | 75,250 | - | - | 75,250 |
| Volunteer program | 2,207 | 504 | 46 | 2,757 |
| Client costs | 14,899 | - | - | 14,899 |
| Adult life skills | 411 | - | - | 411 |
| Promotion | 34 | 14,180 | 125 | 14,339 |
| Equipment maintenance | 27 | - | 85 | 112 |
| Other renovations | 3,842 | 67 | 67 | 3,976 |
| Building and grounds maintenance | 13,236 | 255 | 295 | 13,786 |
| Utilities | 72,380 | 1,003 | 1,003 | 74,386 |
| Telephone | 19,704 | 680 | 384 | 20,768 |
| Office supplies | 9,378 | 1,155 | 1,555 | 12,088 |
| Dues and subscriptions | 2,633 | 5,800 | 1,663 | 10,096 |
| Postage | 1,576 | 3,435 | 886 | 5,897 |
| Printing | 9,530 | 2,840 | 898 | 13,268 |
| Insurance | 18,229 | 248 | 108 | 18,585 |
| Travel and entertainment | 12,621 | 464 | 733 | 13,818 |
| Professional fees | 18,768 | 2,922 | 32,616 | 54,306 |
| IT services | 9,993 | 363 | 3,581 | 13,937 |
| Special events expense | - | 72,510 | - | 72,510 |
| Interest expense | 12,596 | - | 111 | 12,707 |
| Depreciation | 61,045 | 751 | 751 | 62,547 |
| In-kind expense | 109,498 | - | - | 109,498 |
| Unrelated business income tax | - | - | 4,850 | 4,850 |
| Miscellaneous | <u>1,048</u> | <u>3,796</u> | <u>2,700</u> | <u>7,544</u> |
| TOTAL EXPENSE | <u>\$ 1,193,633</u> | <u>179,552</u> | <u>88,642</u> | <u>1,461,827</u> |

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

COMMUNITY LINC, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010

| | 2011 | 2010 |
|--|-------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 433,767 | 261,945 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 68,324 | 62,547 |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (14,538) | 59,826 |
| Inventory | 864 | 2,706 |
| Prepaid expenses | 375 | 143 |
| Cash held for clients | 3,144 | 18,682 |
| Accounts payable | (14,938) | (1,891) |
| Accrued expenses | 1,575 | 8,275 |
| Accrued unrelated business income tax | (4,227) | 4,850 |
| Client deposits | (3,144) | (18,682) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 471,202 | 398,401 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (225,941) | (100,367) |
| Purchases of certificates of deposit | (20,000) | - |
| NET CASH USED IN INVESTING ACTIVITIES | (245,941) | (100,367) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on long-term debt | (11,258) | (10,510) |
| NET CASH USED IN FINANCING ACTIVITIES | (11,258) | (10,510) |
| CHANGE IN CASH AND CASH EQUIVALENTS | 214,003 | 287,524 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 444,995 | 157,471 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 658,998 | 444,995 |
| SUPPLEMENTAL CASH FLOW DISCLOSURES | | |
| Interest paid during the year | \$ 11,508 | 12,707 |
| Income taxes paid during the year | \$ 9,450 | - |

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

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Community LINC, Inc. (the Organization) is a Missouri not-for-profit corporation that provides transitional housing programs for homeless families in Kansas City, Missouri and is dedicated to ending homelessness, impacting poverty, and removing barriers to self-sufficiency for the families they serve. In addition to the core programs, the Organization operates a cafeteria and provides catering services for Bayer CropScience LP (Bayer), a business located in Kansas City, Missouri.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

The Organization reports 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. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets not subject to donor-imposed restrictions but may be subject to Board designations.
- Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2011 or 2010.

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

Cash Equivalents

The Organization considers all highly liquid investments, including certificates of deposit, purchased with initial maturities of three months or less to be cash equivalents. Certificates of deposit with initial maturities longer than three months are shown separately in the accompanying statements of financial position.

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

The Organization's accounts receivables are due from contracts, grants, and individual donors and are recorded at amounts due. Accounts receivable are generally due within thirty days or at the donor's discretion. Accounts outstanding beyond the time agreed are considered past due. The Organization writes off receivables when they become uncollectible. At December 31, 2011 and 2010, the Organization considered accounts receivable to be fully collectible.

Inventories

Inventories consist of food and supplies for the Organization's cafeteria and catering service. All inventories are valued at the lower of cost or market, with cost being determined using the first-in, first-out (FIFO) method.

Property and Equipment

The Organization capitalizes all significant acquisitions of property and equipment, which are recorded at cost or fair value, if donated. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets.

Client Deposits

Client deposits include pooled funds held in a special resident bank account for use by transitional housing clients who do not have personal checking accounts. The Organization maintains these deposits in a separate bank account.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on management estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Organization is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Organization pays income taxes on certain unrelated business income, principally from food services. Income tax expense for the years ended December 31, 2011 and 2010 was \$5,223 and \$4,850, respectively.

The Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Organization is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Organization is no longer subject to income tax examinations by the applicable tax authorities for the years before 2008. If any were to be incurred, the Organization's policy is to record penalties and interest assessed by income tax authorities as operating expenses.

Reclassifications

Certain items in the 2010 financial statements have been reclassified to conform with the 2011 presentation. These reclassifications had no effect on the change in net assets.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through May 17, 2012, which is the date the financial statements were available to be issued.

NOTE 2 - LINE OF CREDIT

The Organization has a \$150,000 line of credit with a bank. The line bears interest at prime plus 0.5% but no less than 5.5% and expires in July 2012. The line is collateralized by property and all business assets. The Organization had no amounts outstanding on the line at December 31, 2011 or 2010.

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 3 - LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

| | <u>2011</u> | <u>2010</u> |
|--|-------------------|----------------|
| Installment note payable, collateralized by property, payable in monthly installments of \$487, including interest at 6.875%, maturing in March 2020. | \$ 36,720 | 39,920 |
| Installment note payable, collateralized by property, payable in monthly installments of \$647, including interest at 6.875%, maturing in December 2020. | 52,261 | 56,283 |
| Installment note payable, collateralized by property, payable in monthly installments of \$763, including interest at 6.875%, with all remaining principal and interest due upon maturity in March 2013. | <u>71,227</u> | <u>75,263</u> |
| | 160,208 | 171,466 |
| Less current portion | <u>12,185</u> | <u>11,377</u> |
| | <u>\$ 148,023</u> | <u>160,089</u> |

Future maturities of long-term debt are as follows:

| <u>Year Ending</u> <u>December 31,</u> | <u>Amount</u> |
|---|-------------------|
| 2012 | \$ 12,185 |
| 2013 | 75,125 |
| 2014 | 8,907 |
| 2015 | 9,539 |
| 2016 | 10,215 |
| Thereafter | <u>44,237</u> |
| | <u>\$ 160,208</u> |

NOTE 4 - LEASE

The Organization leased telephone equipment under a non-cancelable lease that expired in June 2010. Rent expense related to this lease was \$4,110 for the year ended December 31, 2010 and is included in telephone expense in the accompanying financial statements. There was no such rental expense for the year ended December 31, 2011.

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following as of December 31:

| | <u>2011</u> | <u>2010</u> |
|-------------------------|-------------------|----------------|
| Client support services | \$ 173,390 | 57,035 |
| Property renovations | <u>217,538</u> | <u>104,674</u> |
| | <u>\$ 390,928</u> | <u>161,709</u> |

NOTE 6 - RETIREMENT PLAN

The Organization sponsors a defined contribution plan for the benefit of all eligible employees. Participants may defer a portion of their salary up to the maximum allowed by law as a contribution to the plan. The Organization may also elect to contribute a discretionary amount, up to 3% of employee compensation. Contributions to the plan were \$7,836 and \$7,754 for the years ended December 31, 2011 and 2010, respectively.

NOTE 7 - MAJOR CONCENTRATIONS

During the years ended December 31, 2011 and 2010, the Organization received money from several local agencies as funding for its programs. Funding from one agency represented approximately 12% and 11% of the Organization's total support and revenue for years ended December 31, 2011 and 2010, respectively. This same agency accounted for approximately 0% and 27% of accounts receivable for each of the years ended December 31, 2011 and 2010, respectively. During the year ended December 31, 2011, the funding contract with this agency expired and was not renewed.

The Organization maintains cash balances at financial institutions with balances insured by the Federal Deposit Insurance Corporation up to \$250,000 for interest-bearing accounts and unlimited insurance for non-interest-bearing accounts as of December 31, 2011 and 2010. At December 31, 2011, the Organization had uninsured balances of \$20,527. There were no uninsured balances at December 31, 2010.

NOTE 8 - MATCHING FUNDS

In order to receive reimbursements from certain programs and grants, the Organization is required to provide certain matching funds during the term of the contract. This funding requirement may be met through contributions from public and private sources.