

**COMMUNITY LINC, INC.**

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**FINANCIAL STATEMENTS**

---

**December 31, 2012 and 2011**

# IFFT & CO. PA

## *Certified Public Accountants*

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### **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Community LINC, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, 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***

The Organization's 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 Community LINC, Inc. as of December 31, 2012 and 2011, 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.

*IFC + Co. PA*

May 15, 2013

**COMMUNITY LINC, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2012 and 2011**

	2012	2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 411,901	658,998
Certificates of deposit	170,573	20,000
Accounts receivable	78,231	97,701
Inventory	-	2,605
Prepaid expenses	20,225	1,200
TOTAL CURRENT ASSETS	680,930	780,504
<b>PROPERTY AND EQUIPMENT</b>		
Land	60,460	60,460
Buildings and improvements	1,623,156	1,336,652
Furniture and office equipment	276,724	272,754
	1,960,340	1,669,866
Accumulated depreciation	680,832	602,471
NET PROPERTY AND EQUIPMENT	1,279,508	1,067,395
CASH HELD FOR CLIENTS	17,534	14,852
TOTAL ASSETS	\$ 1,977,972	1,862,751
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 14,554	12,185
Accounts payable	35,673	10,030
Accrued expenses	7,595	9,850
Accrued unrelated business income tax	6,963	623
Client deposits	17,534	14,852
TOTAL CURRENT LIABILITIES	82,319	47,540
LONG-TERM DEBT, less current portion	133,133	148,023
TOTAL LIABILITIES	215,452	195,563
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	1,397,219	1,276,260
Board designated	110,187	-
Temporarily restricted net assets	255,114	390,928
TOTAL NET ASSETS	1,762,520	1,667,188
TOTAL LIABILITIES AND NET ASSETS	\$ 1,977,972	1,862,751

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

**COMMUNITY LINC, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2012**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contracts	\$ 270,038	-	270,038
Grants	49,097	222,588	271,685
Contributions	218,945	60,000	278,945
Special events	532,949	-	532,949
United Way support	44	64,542	64,586
Other income	30,868	-	30,868
Bayer food service contract			
Contract revenue	\$ 268,420		
Contract expenses	<u>(208,913)</u>		
Net income from contract	59,507	-	59,507
In-kind revenue	32,665	-	32,665
Net assets released from restrictions	<u>482,944</u>	<u>(482,944)</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 <u>1,677,057</u>	 <u>(135,814)</u>	 <u>1,541,243</u>
<b>EXPENSES</b>			
Program	1,124,541	-	1,124,541
Fundraising	235,098	-	235,098
Management and general	<u>86,272</u>	<u>-</u>	<u>86,272</u>
 TOTAL EXPENSES	 <u>1,445,911</u>	 <u>-</u>	 <u>1,445,911</u>
 CHANGE IN NET ASSETS	 231,146	 (135,814)	 95,332
 NET ASSETS, BEGINNING OF YEAR	 <u>1,276,260</u>	 <u>390,928</u>	 <u>1,667,188</u>
 NET ASSETS, END OF YEAR	 <u>\$ 1,507,406</u>	 <u>255,114</u>	 <u>1,762,520</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**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
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>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,663,581</b>	<b>229,219</b>	<b>1,892,800</b>
<b>EXPENSES</b>			
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>
<b>TOTAL EXPENSES</b>	<b><u>1,459,033</u></b>	<b><u>-</u></b>	<b><u>1,459,033</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>204,548</b>	<b>229,219</b>	<b>433,767</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>1,071,712</u></b>	<b><u>161,709</u></b>	<b><u>1,233,421</u></b>
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 1,276,260</u></b>	<b><u>390,928</u></b>	<b><u>1,667,188</u></b>

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

**COMMUNITY LINC, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2012**

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 517,279	50,061	44,738	612,078
Payroll taxes	46,442	4,849	4,062	55,353
Employee benefits	83,401	8,532	6,115	98,048
<b>TOTAL PERSONNEL EXPENSE</b>	<b>647,122</b>	<b>63,442</b>	<b>54,915</b>	<b>765,479</b>
Other contract services	91,669	52,007	97	143,773
Volunteer program	2,641	112	-	2,753
Client costs	37,571	-	-	37,571
Promotion	20,965	357	12	21,334
Equipment maintenance	2,234	194	85	2,513
Other renovations	10,938	98	75	11,111
Building and grounds maintenance	36,668	454	415	37,537
Utilities	76,946	861	861	78,668
Telephone	10,902	790	520	12,212
Office supplies	8,541	1,161	388	10,090
Dues and subscriptions	4,643	4,900	849	10,392
Postage	2,345	1,127	68	3,540
Printing	4,162	3,963	224	8,349
Insurance	17,953	221	221	18,395
Travel and entertainment	5,992	2,833	679	9,504
Professional fees	-	-	12,554	12,554
IT services	18,345	1,294	460	20,099
Special events expense	-	98,793	-	98,793
Interest expense	10,245	-	-	10,245
Depreciation	78,361	-	-	78,361
In-kind expense	32,665	-	-	32,665
Unrelated business income tax	-	-	12,163	12,163
Miscellaneous	3,633	2,491	1,686	7,810
<b>TOTAL EXPENSE</b>	<b>\$ 1,124,541</b>	<b>235,098</b>	<b>86,272</b>	<b>1,445,911</b>

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	86,413	2,463	2,586	91,462
<b>TOTAL PERSONNEL EXPENSE</b>	<b>736,801</b>	<b>38,804</b>	<b>40,669</b>	<b>816,274</b>
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	3,373	3,796	937	8,106
<b>TOTAL EXPENSE</b>	<b>\$ 1,196,881</b>	<b>197,076</b>	<b>65,076</b>	<b>1,459,033</b>

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



**COMMUNITY LINC, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 95,332	433,767
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	78,361	68,324
Changes in operating assets and liabilities		
Accounts receivable	19,470	(14,538)
Inventory	2,605	864
Prepaid expenses	(19,025)	375
Cash held for clients	(2,682)	3,144
Accounts payable	25,643	(14,938)
Accrued expenses	(2,255)	1,575
Accrued unrelated business income tax	6,340	(4,227)
Client deposits	<u>2,682</u>	<u>(3,144)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	206,471	471,202
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(290,474)	(225,941)
Purchases of certificates of deposit	<u>(150,573)</u>	<u>(20,000)</u>
NET CASH USED IN INVESTING ACTIVITIES	(441,047)	(245,941)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	<u>(12,521)</u>	<u>(11,258)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(12,521)</u>	<u>(11,258)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	(247,097)	214,003
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>658,998</u>	<u>444,995</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 411,901</u>	<u>658,998</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Interest paid during the year	<u>\$ 10,245</u>	<u>11,508</u>
Income taxes paid during the year	<u>\$ 5,823</u>	<u>9,450</u>

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

**COMMUNITY LINC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**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 operated a cafeteria and provided catering services for Bayer CropScience LP (Bayer), a business located in Kansas City, Missouri. The Organization terminated the cafeteria and catering services effective December 31, 2012.

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, 2012 or 2011.

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, 2012 and 2011**

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, 2012 and 2011, 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.

In-Kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of goods from various donors. It is the policy of the Organization to record the estimated fair value of these in-kind contributions.

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, 2012 and 2011**

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, 2012 and 2011 was \$12,163 and \$5,223, 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 2009. If any were to be incurred, the Organization's policy is to record penalties and interest assessed by income tax authorities as operating expenses.

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 15, 2013, 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 5.0% and expires in July 2013. The line is collateralized by property and all business assets. The Organization had no amounts outstanding on the line at December 31, 2012 or 2011.

**COMMUNITY LINC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 3 - LONG-TERM DEBT**

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

	<u>2012</u>	<u>2011</u>
<p>Installment note payable, collateralized by property, payable in monthly installments of \$487, including interest at 6.875%, maturing in March 2020. This note was refinanced during the year ended December 31, 2012, resulting in an adjustment to the interest rate to 5.50% and a reduction of monthly installments to \$465.</p>	\$ 33,294	36,720
<p>Installment note payable, collateralized by property, payable in monthly installments of \$647, including interest at 6.875%, maturing in December 2020. This note was refinanced during the year ended December 31, 2012, resulting in an adjustment to the interest rate to 5.50% and a reduction in monthly installments to \$619.</p>	47,954	52,261
<p>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. This note was refinanced during the year ended December 31, 2012, resulting in an adjustment to the interest rate to 5.25% and to the maturity date to July 2017, at which time all remaining principal and unpaid interest is due.</p>	<u>66,439</u> 147,687	<u>71,227</u> 160,208
<p>Less current portion</p>	<u>14,554</u>	<u>12,185</u>
	<u>\$ 133,133</u>	<u>148,023</u>

**COMMUNITY LINC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

NOTE 3 - LONG-TERM DEBT - Continued

Future maturities of long-term debt are as follows:

Year Ending <u>December 31,</u>	<u>Amount</u>
2013	\$ 14,554
2014	15,365
2015	16,216
2016	17,113
2017	52,166
Thereafter	<u>32,273</u>
	<u>\$ 147,687</u>

NOTE 4 - UNRESTRICTED DESIGNATED NET ASSETS

Unrestricted net assets designated by the Board of Directors are set aside as a reserve fund and are available to fund Organization expenses approved by the Board of Directors.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Client support services	\$ 248,446	173,390
Property renovations	<u>6,668</u>	<u>217,538</u>
	<u>\$ 255,114</u>	<u>390,928</u>

NOTE 6 - IN-KIND REVENUE

In-kind revenue consisted of the following for the years ended December 31:

	<u>2012</u>	<u>2011</u>
Furniture and household goods	\$ 10,670	17,944
Clothing	1,920	3,575
Children's goods	1,405	770
Food	6,550	-
Professional services	8,970	500
Miscellaneous	<u>3,150</u>	<u>4,414</u>
	<u>\$ 32,665</u>	<u>27,203</u>

**COMMUNITY LINC, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012 and 2011**

**NOTE 7- 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 \$9,679 and \$7,836 for the years ended December 31, 2012 and 2011, respectively. During the year ended December 31, 2012, the Organization also contributed \$11,873 to retirement accounts of Bayer cafeteria employees as part of the termination of the cafeteria and catering services.

**NOTE 8 - MAJOR CONCENTRATIONS**

During the years ended December 31, 2012 and 2011, the Organization received money from several local agencies as funding for its programs. Funding from one agency represented approximately 12% of the Organization's total support and revenue for year ended December 31, 2011. During the year ended December 31, 2011, the funding contract with this agency expired and was not renewed. The Organization had no major funders during the year ended December 31, 2012.

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, 2012 and 2011. At December 31, 2011, the Organization had uninsured balances of \$20,527. There were no uninsured balances at December 31, 2012.

**NOTE 9 - 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.