

COMMUNITY LINC, INC.

FINANCIAL STATEMENTS

December 31, 2013 and 2012

IFFT & CO. PA

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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, 2013 and 2012, 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 Community LINC, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Ifft & Co. PA

June 25, 2014

COMMUNITY LINC, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 750,878	411,901
Certificates of deposit	341,605	170,573
Accounts receivable	158,611	78,231
Prepaid expenses	<u>2,720</u>	<u>20,225</u>
TOTAL CURRENT ASSETS	1,253,814	680,930
PROPERTY AND EQUIPMENT		
Land	60,460	60,460
Buildings and improvements	1,629,606	1,623,156
Furniture and office equipment	<u>258,224</u>	<u>276,724</u>
	1,948,290	1,960,340
Accumulated depreciation	<u>725,256</u>	<u>680,832</u>
NET PROPERTY AND EQUIPMENT	1,223,034	1,279,508
CASH HELD FOR CLIENTS	<u>6,469</u>	<u>17,534</u>
TOTAL ASSETS	<u>\$ 2,483,317</u>	<u>1,977,972</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 15,365	14,554
Accounts payable	10,263	35,673
Accrued expenses	6,788	7,595
Accrued unrelated business income tax	-	6,963
Client deposits	<u>6,469</u>	<u>17,534</u>
TOTAL CURRENT LIABILITIES	38,885	82,319
LONG-TERM DEBT, less current portion	<u>117,460</u>	<u>133,133</u>
TOTAL LIABILITIES	156,345	215,452
NET ASSETS		
Unrestricted		
Undesignated	1,671,503	1,397,219
Board designated	372,033	110,187
Temporarily restricted net assets	<u>283,436</u>	<u>255,114</u>
TOTAL NET ASSETS	<u>2,326,972</u>	<u>1,762,520</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,483,317</u>	<u>1,977,972</u>

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

COMMUNITY LINC, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contracts	\$ 417,974	-	417,974
Grants	64,435	280,615	345,050
Contributions	759,822	68,352	828,174
Special events	596,441	35,000	631,441
United Way support	-	27,538	27,538
Other income	13,876	-	13,876
In-kind revenue	25,069	-	25,069
Net assets released from restrictions	<u>383,183</u>	<u>(383,183)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	2,260,800	28,322	2,289,122
EXPENSES			
Program	1,372,569	-	1,372,569
Fundraising	252,251	-	252,251
Management and general	<u>99,850</u>	<u>-</u>	<u>99,850</u>
TOTAL EXPENSES	<u>1,724,670</u>	<u>-</u>	<u>1,724,670</u>
CHANGE IN NET ASSETS	536,130	28,322	564,452
NET ASSETS, BEGINNING OF YEAR	<u>1,507,406</u>	<u>255,114</u>	<u>1,762,520</u>
NET ASSETS, END OF YEAR	<u>\$ 2,043,536</u>	<u>283,436</u>	<u>2,326,972</u>

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
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	1,677,057	(135,814)	1,541,243
EXPENSES			
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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 547,336	63,735	64,877	675,948
Payroll taxes	50,829	6,659	6,136	63,624
Employee benefits	92,311	9,023	6,010	107,344
TOTAL PERSONNEL EXPENSE	690,476	79,417	77,023	846,916
Other contract services	120,454	6,443	153	127,050
Volunteer program	1,431	-	-	1,431
Client costs	164,619	-	-	164,619
Promotion	16,009	5,624	-	21,633
Equipment maintenance	1,070	153	97	1,320
Other renovations	15,274	497	485	16,256
Building and grounds maintenance	53,005	620	586	54,211
Utilities	86,527	815	815	88,157
Telephone	11,997	951	975	13,923
Office supplies	13,037	1,422	856	15,315
Dues and subscriptions	3,167	1,127	663	4,957
Postage	2,166	1,182	178	3,526
Printing	6,537	6,542	433	13,512
Insurance	18,595	222	290	19,107
Travel and entertainment	12,723	2,580	580	15,883
Professional fees	-	-	13,161	13,161
IT services	22,106	6,386	1,394	29,886
Special events expense	-	33,513	-	33,513
Direct fundraising costs, including special events	-	101,382	-	101,382
Interest expense	7,639	-	-	7,639
Depreciation	96,047	-	-	96,047
Loss on sale of equipment	2,651	-	-	2,651
In-kind expense	25,069	-	-	25,069
Miscellaneous	1,970	3,375	2,161	7,506
TOTAL EXPENSE	\$ 1,372,569	252,251	99,850	1,724,670

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
TOTAL PERSONNEL EXPENSE	647,122	63,442	54,915	765,479
Other contract services	91,669	27,007	97	118,773
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	-	23,806	-	23,806
Direct fundraising costs, including special events	-	99,987	-	99,987
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
TOTAL EXPENSE	\$ 1,124,541	235,098	86,272	1,445,911

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

COMMUNITY LINC, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 564,452	95,332
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	96,047	78,361
Loss on sale of equipment	2,651	-
Changes in operating assets and liabilities		
Accounts receivable	(80,380)	19,470
Inventory	-	2,605
Prepaid expenses	17,505	(19,025)
Cash held for clients	11,065	(2,682)
Accounts payable	(25,410)	25,643
Accrued expenses	(807)	(2,255)
Accrued unrelated business income tax	(6,963)	6,340
Client deposits	<u>(11,065)</u>	<u>2,682</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	567,095	206,471
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(171,032)	(150,573)
Purchases of property and equipment	(43,020)	(290,474)
Proceeds from sale of equipment	<u>796</u>	<u>-</u>
NET CASH USED IN INVESTING ACTIVITIES	(213,256)	(441,047)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	<u>(14,862)</u>	<u>(12,521)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	338,977	(247,097)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>411,901</u>	<u>658,998</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 750,878</u>	<u>411,901</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest paid during the year	<u>\$ 7,639</u>	<u>10,245</u>
Income taxes paid during the year	<u>\$ -</u>	<u>5,823</u>

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

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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, 2013 or 2012.

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, 2013 and 2012

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, 2013 and 2012, the Organization considered accounts receivable to be fully collectible.

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, 2013 and 2012

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 paid income taxes on certain unrelated business income, principally from food services. Income tax expense for the year ended December 31, 2012 was \$12,163. The Organization had no income tax expense for the year ended December 31, 2013.

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 2010. 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 reclassifications have been made to the 2012 financial statements to conform with the 2013 presentation. These reclassifications had no effect on the previously reported 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 June 25, 2014, 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 2014. The line is collateralized by property and all business assets. The Organization had no amounts outstanding on the line at December 31, 2013 or 2012.

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 3 - LONG-TERM DEBT

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

	<u>2013</u>	<u>2012</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>	\$ 29,450	33,294
<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>	42,694	47,954
<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>60,681</u> 132,825	<u>66,439</u> 147,687
<p>Less current portion</p>	<u>15,365</u>	<u>14,554</u>
	<u>\$ 117,460</u>	<u>133,133</u>

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 3 - LONG-TERM DEBT - Continued

Future maturities of long-term debt are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2014	\$ 15,365
2015	16,216
2016	17,113
2017	52,215
2018	11,514
Thereafter	<u>20,402</u>
	<u>\$ 132,825</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>2013</u>	<u>2012</u>
Client support services	\$ 131,064	248,446
Property renovations	103,168	6,668
Equipment purchases	14,204	-
Time restriction	<u>35,000</u>	<u>-</u>
	<u>\$ 283,436</u>	<u>255,114</u>

NOTE 6 - IN-KIND REVENUE

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

	<u>2013</u>	<u>2012</u>
Furniture and household goods	\$ 13,884	10,670
Clothing	1,340	1,920
Children's goods	700	1,405
Food	250	6,550
Professional services	-	8,970
Miscellaneous	<u>8,895</u>	<u>3,150</u>
	<u>\$ 25,069</u>	<u>32,665</u>

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 \$10,219 and \$9,679 for the years ended December 31, 2013 and 2012, 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, 2013 and 2012, the Organization received money from several local agencies and individuals as funding for its programs. Funding from one individual represented approximately 25% of the Organization's total support and revenue for year ended December 31, 2013. 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. At December 31, 2013, the Organization had uninsured balances of \$797,805. 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.