

COMMUNITY LINC, INC.

FINANCIAL STATEMENTS

December 31, 2015 and 2014

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 not-for-profit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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, 2015 and 2014, 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.

IFC & Co. PA

May 10, 2016

COMMUNITY LINC, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 765,553	743,174
Certificates of deposit	596,998	655,687
Accounts receivable	233,760	130,647
Prepaid expenses	5,820	7,180
TOTAL CURRENT ASSETS	1,602,131	1,536,688
PROPERTY AND EQUIPMENT		
Land	60,460	60,460
Buildings and improvements	1,816,697	1,726,922
Furniture and office equipment	255,614	266,894
	2,132,771	2,054,276
Accumulated depreciation	889,348	813,214
NET PROPERTY AND EQUIPMENT	1,243,423	1,241,062
CASH HELD FOR CLIENTS	2,708	1,785
TOTAL ASSETS	\$ 2,848,262	2,779,535
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 17,113	16,216
Accounts payable	26,780	12,285
Accrued expenses	6,894	6,852
Client deposits	2,708	1,785
TOTAL CURRENT LIABILITIES	53,495	37,138
LONG-TERM DEBT, less current portion	83,459	100,919
TOTAL LIABILITIES	136,954	138,057
NET ASSETS		
Unrestricted		
Undesignated	2,053,819	1,910,503
Board designated	441,926	501,097
Total unrestricted net assets	2,495,745	2,411,600
Temporarily restricted net assets	215,563	229,878
TOTAL NET ASSETS	2,711,308	2,641,478
TOTAL LIABILITIES AND NET ASSETS	\$ 2,848,262	2,779,535

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

COMMUNITY LINC, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contracts	\$ 471,109	-	471,109
Grants	94,707	332,494	427,201
Contributions	300,083	202,416	502,499
Special events	650,745	-	650,745
United Way support	-	27,526	27,526
Other income	7,008	-	7,008
In-kind contributions	80,220	-	80,220
Net assets released from restrictions	<u>576,751</u>	<u>(576,751)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	2,180,623	(14,315)	2,166,308
EXPENSES			
Program	1,588,752	-	1,588,752
Fundraising	374,747	-	374,747
Management and general	<u>132,979</u>	<u>-</u>	<u>132,979</u>
TOTAL EXPENSES	<u>2,096,478</u>	<u>-</u>	<u>2,096,478</u>
CHANGE IN NET ASSETS	84,145	(14,315)	69,830
NET ASSETS, BEGINNING OF YEAR	<u>2,411,600</u>	<u>229,878</u>	<u>2,641,478</u>
NET ASSETS, END OF YEAR	<u>\$ 2,495,745</u>	<u>215,563</u>	<u>2,711,308</u>

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

COMMUNITY LINC, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contracts	\$ 550,332	-	550,332
Grants	37,766	231,695	269,461
Contributions	533,780	56,000	589,780
Special events	747,507	-	747,507
United Way support	234	47,537	47,771
Other income	10,723	-	10,723
In-kind contributions	85,322	-	85,322
Net assets released from restrictions	<u>388,790</u>	<u>(388,790)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	2,354,454	(53,558)	2,300,896
EXPENSES			
Program	1,571,033	-	1,571,033
Fundraising	299,243	-	299,243
Management and general	<u>116,114</u>	<u>-</u>	<u>116,114</u>
TOTAL EXPENSES	<u>1,986,390</u>	<u>-</u>	<u>1,986,390</u>
CHANGE IN NET ASSETS	368,064	(53,558)	314,506
NET ASSETS, BEGINNING OF YEAR	<u>2,043,536</u>	<u>283,436</u>	<u>2,326,972</u>
NET ASSETS, END OF YEAR	<u>\$ 2,411,600</u>	<u>229,878</u>	<u>2,641,478</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, 2015

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 638,671	102,214	73,237	814,122
Payroll taxes	56,616	9,416	6,629	72,661
Employee benefits	<u>112,521</u>	<u>37,005</u>	<u>11,650</u>	<u>161,176</u>
TOTAL PERSONNEL EXPENSES	807,808	148,635	91,516	1,047,959
Other contract services	72,275	3,325	1,720	77,320
Volunteer program	1,968	-	-	1,968
Client costs	158,088	-	-	158,088
Advertising and promotion	78,999	12,323	88	91,410
Equipment maintenance	2,172	358	217	2,747
Other renovations	19,557	48	6	19,611
Building and grounds maintenance	67,629	927	822	69,378
Utilities	90,811	867	867	92,545
Telephone	10,598	1,073	1,116	12,787
Office supplies	8,679	1,392	882	10,953
Dues and subscriptions	3,178	384	836	4,398
Postage	2,428	1,900	200	4,528
Printing	7,933	10,225	865	19,023
Insurance	22,765	1,366	880	25,011
Travel and entertainment	12,264	11,597	329	24,190
Professional fees	-	-	16,272	16,272
IT services	25,545	13,972	15,522	55,039
Special events expense	-	37,901	-	37,901
Direct fundraising costs, including special events	-	124,758	-	124,758
Interest expense	5,937	-	-	5,937
Depreciation	103,181	-	-	103,181
Loss on sale of equipment	4,397	-	-	4,397
In-kind expense	80,220	-	-	80,220
Miscellaneous	<u>2,320</u>	<u>3,696</u>	<u>841</u>	<u>6,857</u>
TOTAL EXPENSES	<u>\$ 1,588,752</u>	<u>374,747</u>	<u>132,979</u>	<u>2,096,478</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, 2014

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 604,616	71,090	65,225	740,931
Payroll taxes	54,967	6,787	6,246	68,000
Employee benefits	<u>105,552</u>	<u>16,492</u>	<u>7,181</u>	<u>129,225</u>
TOTAL PERSONNEL EXPENSES	765,135	94,369	78,652	938,156
Other contract services	79,059	871	11,045	90,975
Volunteer program	975	-	-	975
Client costs	251,478	-	-	251,478
Advertising and promotion	25,090	24,730	15	49,835
Equipment maintenance	1,071	149	57	1,277
Other renovations	13,733	186	174	14,093
Building and grounds maintenance	59,038	614	565	60,217
Utilities	89,375	821	821	91,017
Telephone	10,330	1,342	814	12,486
Office supplies	10,062	1,326	516	11,904
Dues and subscriptions	3,661	299	713	4,673
Postage	2,727	1,492	200	4,419
Printing	7,998	5,783	578	14,359
Insurance	21,628	249	249	22,126
Travel and entertainment	11,825	3,702	587	16,114
Professional fees	-	-	15,749	15,749
IT services	18,306	7,015	1,665	26,986
Special events expense	-	29,204	-	29,204
Direct fundraising costs, including special events	-	125,915	-	125,915
Interest expense	6,811	-	-	6,811
Depreciation	104,072	-	-	104,072
Loss on sale of equipment	-	-	726	726
In-kind expense	85,322	-	-	85,322
Miscellaneous	<u>3,337</u>	<u>1,176</u>	<u>2,988</u>	<u>7,501</u>
TOTAL EXPENSES	<u>\$ 1,571,033</u>	<u>299,243</u>	<u>116,114</u>	<u>1,986,390</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 69,830	314,506
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	103,181	104,072
Loss on disposal of equipment	4,397	726
Changes in operating assets and liabilities		
Accounts receivable	(103,113)	27,964
Prepaid expenses	1,360	(4,460)
Cash held for clients	(923)	4,684
Accounts payable	14,495	2,022
Accrued expenses	42	64
Client deposits	923	(4,684)
NET CASH PROVIDED BY OPERATING ACTIVITIES	90,192	444,894
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemptions (purchases) of certificates of deposit	58,689	(314,082)
Purchases of property and equipment	(109,939)	(122,826)
NET CASH USED IN INVESTING ACTIVITIES	(51,250)	(436,908)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(16,563)	(15,690)
CHANGE IN CASH AND CASH EQUIVALENTS	22,379	(7,704)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	743,174	750,878
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 765,553	743,174
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest paid during the year	\$ 5,937	6,811

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

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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.

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, 2015 or 2014.

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, 2015 and 2014

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, 2015 and 2014, 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 and services from various donors. It is the policy of the Organization to record the estimated fair value of these in-kind contributions.

Advertising and Promotion Costs

Advertising and promotion costs are charged to operations when incurred and are included in advertising and promotion costs in the accompanying statements of functional expenses.

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, 2015 and 2014

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. Accordingly, no provision or liability for income taxes has been included in the accompanying financial statements.

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 2012. 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 10, 2016, which is the date the financial statements were available to be issued.

NOTE 2 - LINE OF CREDIT

The Organization has a \$85,000 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 2016. The line is collateralized by property and all business assets. The Organization had no amounts outstanding on the line at December 31, 2015 or 2014.

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 3 - LONG-TERM DEBT

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

	<u>2015</u>	<u>2014</u>
Installment note payable, collateralized by property, payable in monthly installments of \$465, including interest at 5.50%, maturing in March 2020.	\$ 21,100	25,390
Installment note payable, collateralized by property, payable in monthly installments of \$619, including interest at 5.50%, maturing in December 2020.	31,268	37,138
Installment note payable, collateralized by property, payable in monthly installments of \$763, including interest at 5.25%, with all remaining principal and interest due upon maturity in July 2017.	<u>48,204</u>	<u>54,607</u>
	100,572	117,135
Less current portion	<u>17,113</u>	<u>16,216</u>
	<u>\$ 83,459</u>	<u>100,919</u>

Future maturities of long-term debt are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2016	\$ 17,113
2017	52,307
2018	11,514
2019	12,164
2020	<u>7,474</u>
	<u>\$ 100,572</u>

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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>2015</u>	<u>2014</u>
Client support services	\$ 149,380	201,463
Awareness campaign	56,183	-
Time restricted	10,000	-
Property renovations	<u>-</u>	<u>28,415</u>
	<u>\$ 215,563</u>	<u>229,878</u>

NOTE 6 - IN-KIND CONTRIBUTIONS

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

	<u>2015</u>	<u>2014</u>
Furniture and household goods	\$ 12,860	28,317
Clothing	1,380	2,425
Children's goods	5,710	1,325
Food	1,623	1,150
Scholarships	-	43,000
Promotion and fundraising supplies	42,346	-
Computer software	5,176	-
Miscellaneous	<u>11,125</u>	<u>9,105</u>
	<u>\$ 80,220</u>	<u>85,322</u>

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 \$11,479 and \$10,621 for the years ended December 31, 2015 and 2014, respectively.

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 8 - MAJOR CONCENTRATIONS

A significant funder is defined as any funder that accounts for 10% or more of total support and revenue. The Organization had no significant funders during the year ended December 31, 2015. During the year ended December 31, 2014, support and revenue from two funders represented approximately 31% of the Organization's total support and revenue and accounted for 70% of accounts receivable at December 31, 2014.

The Organization maintains cash balances at financial institutions with balances insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2015 and 2014, the Organization had uninsured balances of \$1,135,017 and \$1,150,623, respectively.

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. These funding requirements generally may be met through contributions from public and private sources.