COMMUNITY LINC, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

COMMUNITY LINC, INC.

We have audited the accompanying financial statements of Community LINC, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, 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 auditors consider internal control relevant to the Organization'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 Organization'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, 2017, and the changes in net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, an adjustment was made to correct an error reported on the December 31, 2016 net asset balances. Our opinion is not modified with respect to that matter.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
May 25, 2018

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COMMUNITY LINC, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2017

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	435,523
Certificates of deposit		447,968
Accounts receivable		114,198
Pledges receivable, current portion		204,760
TOTAL CURRENT ASSETS		1,202,449
PROPERTY AND EQUIPMENT		
Land		60,460
Buildings and improvements		1,924,676
Furniture and office equipment		292,397
		2,277,533
Accumulated depreciation		(992,189)
NET PROPERTY AND EQUIPMENT		1,285,344
PLEDGES RECEIVABLE, less current portion, net of allowance for doubtful accounts and unamortized discount		256,470
TOTAL ASSETS	$	2,744,263

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	$	20,799
Accrued liabilities		9,485
Client deposits		4,039
Long-term debt, current portion		11,147
TOTAL CURRENT LIABILITIES		45,470
LONG-TERM DEBT, less current portion above		59,390
TOTAL LIABILITIES		104,860

NET ASSETS

NET ASSETS		
Undesignated		1,470,847
Board designated		518,690
Total unrestircted net assets		1,989,537
Temporarily restricted net assets		649,866
TOTAL NET ASSETS		2,639,403
TOTAL LIABILITIES AND NET ASSETS	$	2,744,263

See Notes to Financial Statements

COMMUNITY LINC, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contracts	$ 203,101	$ -	$ 203,101
Grants	33,046	314,741	347,787
Contributions	511,229	368,860	880,089
Special events	534,019	-	534,019
United Way support	9,179	27,861	37,040
Other income	24,472	-	24,472
In-kind contributions	47,773	-	47,773
Net assets released from restrictions	541,766	(541,766)	-
TOTAL SUPPORT AND REVENUE	1,904,585	169,696	2,074,281
EXPENSES			
Program	1,664,719	-	1,664,719
Fundraising	346,839	-	346,839
Management and general	146,203	-	146,203
TOTAL EXPENSES	2,157,761	-	2,157,761
OTHER EXPENSE			
Loss on disposal of equipment	(15,751)	-	(15,751)
CHANGE IN NET ASSETS	(268,927)	169,696	(99,231)
NET ASSETS, BEGINNING OF YEAR, as restated	2,258,464	480,170	2,738,634
NET ASSETS, END OF YEAR	$ 1,989,537	$ 649,866	$ 2,639,403

See Notes to Financial Statements

COMMUNITY LINC, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

	Program	Fundraising	Management and General	Total
Salaries and wages	$ 744,425	$ 121,404	$ 87,854	$ 953,683
Payroll taxes	59,869	9,630	7,146	76,645
Employee benefits	101,400	17,176	12,735	131,311
TOTAL PERSONNEL EXPENSES	905,694	148,210	107,735	1,161,639
Other contract services	79,241	2,277	528	82,046
Volunteer program	2,285	-	-	2,285
Client costs	169,831	-	5,900	175,731
Advertising and promotion	21,113	-	-	21,113
Equipment maintenance	1,370	216	110	1,696
Building and grounds maintenance	85,450	907	789	87,146
Utilities	86,744	978	978	88,700
Telephone	12,062	1,178	1,000	14,240
Office supplies	12,461	1,345	652	14,458
Dues and subscriptions	4,667	348	786	5,801
Postage	4,300	1,815	236	6,351
Printing	13,259	5,939	294	19,492
Insurance	31,106	2,128	1,226	34,460
Travel and entertainment	19,735	531	240	20,506
Professional fees	-	-	17,038	17,038
IT services	30,247	2,783	4,452	37,482
Indirect special event costs	-	53,616	-	53,616
Direct special event costs	-	119,575	-	119,575
Interest expense	4,353	-	-	4,353
Depreciation	116,031	-	-	116,031
Donated household goods	47,773	-	-	47,773
Miscellaneous	11,040	4,066	3,767	18,873
Lease expense	5,957	927	472	7,356
TOTAL EXPENSES	$ 1,664,719	$ 346,839	$ 146,203	$ 2,157,761
	77.15%	16.07%	6.78%	100.00%

COMMUNITY LINC, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$	(99,231)
Adjustments to reconcile changes in net assets to net cash flows from operating activities		
Depreciation		116,031
Loss on disposal of assets		15,751
Decrease (increase) in operating assets		
Accounts receivable		26,813
Pledges receivable		(121,586)
Prepaid expenses		1,800
Increase (decrease) in operating liabilities		
Accounts payable		(9,554)
Accrued liabilities		2,997
Client deposits		8
NET CASH FLOWS FROM OPERATING ACTIVITIES		(66,971)
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemptions of certificates of deposit		70,535
Purchases of certificates of deposit		(14,087)
Purchases of property and equipment		(69,665)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(13,217)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt		(87,565)
Proceeds from long-term debt		75,000
NET CASH FLOWS FROM FINANCING ACTIVITIES		(12,565)
NET CHANGES IN CASH AND CASH EQUIVALENTS		(92,753)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		528,276
CASH AND CASH EQUIVALENTS, END OF YEAR	$	435,523

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Organization – 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 accounting – The Organization's financial statements are prepared on the accrual basis of accounting.

Basis of presentation – In accordance with the limitations, designations, and restrictions placed on the use of resources available to the Organization, the following classifications are utilized according to the nature and purpose of the resources:

- Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Organization's Board of Directors.

- Temporarily restricted net assets: Net assets whose use by the Organization is subject to donor-imposed or legal stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire by the passage of time. Amounts received that are restricted for future periods or restricted by the donor for specific purposes are reported as temporarily restricted. Temporarily restricted net assets are released from restriction when the expenses are incurred for their restricted purpose or the time restriction lapses.

- Permanently restricted net assets: Net assets subject to donor-imposed stipulations and those which are interpreted by the Board of Directors that are maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2017.

Revenue Recognition – Grants, contributions, special event, and United Way revenue are recognized in the period received. In-kind contributions are recorded at their estimated fair value at the date of receipt. Unconditional promises to give are recognized in the period received while conditional promises to give are not recorded until all conditions have been met. These types of revenue are reflected as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions. Contract revenue is recognized as it is earned through expenditure in accordance with the applicable agreements. Contract revenue is considered an exchange transaction and is, therefore, not subject to donor-imposed restrictions.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents consist of available cash balances on deposit at financial institutions. The Organization considers cash equivalents to be short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less. At times, the Organization maintains deposits in financial institutions in excess of federally insured limits. At December 31, 2017, the Organization's uninsured balances totaled $520,201. The Organization has not experienced any losses in such accounts and management believes the risk of loss is negligible.

(1) Summary of significant accounting policies (continued)

Certificates of deposit – Certificates of deposit are maintained at cost-basis plus accrued interest, which approximates fair value, with interest being paid out on a varying schedule through the year. The certificates earn interest at rates between .20% and .40% with maturity dates ranging from March 2018 to May 2018. At times, the Organization maintains certificates of deposits in excess of federally insured limits. At December 31, 2017, the Organization's uninsured balances totaled $216,926. The Organization has not experienced any losses in such accounts and management believes the risk of loss is negligible.

Accounts and pledges receivable – Accounts and pledges receivable are reported at the present value of the amount management expects to collect on balances outstanding at year end. Management estimates the allowance for doubtful accounts based on history of collections and knowledge acquired about specific items. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the reserve. An account is considered uncollectible when all efforts to collect the account have been exhausted. The allowance for doubtful accounts was $7,591 at December 31, 2017.

Property and equipment – Property and equipment are stated at cost or the fair value at date of gift for donated assets, less accumulated depreciation. If a donor stipulates how long the assets must be used, the contribution is recorded as restricted support. In the absence of such stipulation, a contribution of property and equipment is recorded as unrestricted support. Maintenance and repairs are charged to expense as incurred. When items of property and equipment are sold or retired, the related cost is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Estimated Useful Lives
Building and improvements	5 - 27.5 Years
Furniture and office equipment	5 - 15 Years

Income taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as a not-for-profit organization. In addition, the Organization has been classified as a publicly-supported organization which is not a private foundation within the meaning of Section 509(a)(1) of the Code. Accordingly, no provision has been made for Federal income tax.

The Organization's present accounting policy for the evaluation of uncertain tax positions is to review those positions on an annual basis. A liability would be recorded in the financial statements during the period which, based on all available evidence, management believes it is more likely than not that the tax position would not be sustained upon examination by taxing authorities and the liability would be incurred by the Organization. No accrual has been recorded at December 31, 2017 as management does not believe any material uncertainties exist.

Functional expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management's estimate of resources devoted to the programs or support services.

(2) Pledges receivable

Pledges receivable that are expected to be collected within one year are recorded at net realizable value and are not discounted. Pledges receivable that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. The discount rate used in valuing pledges receivable was 1%. Amortization of the discounts is included in contribution revenue.

Due in less than one year	$	204,760
Due in one to five years		271,212
		475,972
Allowance for doubtful accounts		(7,591)
Discount to present value		(7,151)
Total pledges receivable	$	461,230

(3) Line of credit

The Organization has a $150,000 line of credit with a bank. The line bears interest at prime plus .5% but not less than 5.0% and expires July 2019. The line is collateralized by property and all business assets. The Organization had no amounts outstanding on the line at December 31, 2017.

(4) Long-term debt

The Organization's long-term debt consists of the following:

Note payable, collateralized by property, payable in monthly payments of $1,219, including interest at 5.25% due July 2023.	$	70,537
Less current portion		(11,147)
Non-current debt	$	59,390

Maturities for notes payable are as follows:

Years ending December 31,		
2018	$	11,147
2019		11,756
2020		12,390
2021		13,072
2022		13,786
Thereafter		8,386
Total	$	70,537

(5) Operating lease

The Organization leases office equipment under an operating leases that expires October 2021. The future minimum rental payments required under the leases are as follows:

Years ending December 31,		
2018	$	7,076
2019		7,076
2020		7,076
2021		5,897
Total	$	27,125

(6) Temporarily restricted net assets

Temporarily restricted net assets consist of donor restricted contributions received for the following:

Purpose restricted		
Interim/immediate housing	$	96,614
Children's program		17,647
Employment readiness		24,426
Aftercare		12,422
Mental wellness		46,749
Other shelter		22,500
Capacity building		21,884
Strategic plan/public education		16,370
Other		8,004
Total purpose restricted		266,616
Time restricted		383,250
Total temporarily restricted net assets	$	649,866

Temporarily restricted net assets released from restriction consisted of the following:

Purpose restricted		
Interim/immediate housing	$	104,131
Children's program		25,353
Employment readiness		20,793
Aftercare		103,438
Mental wellness		45,699
Other shelter		2,170
Capacity building		75,204
Strategic plan/public education		33,630
Other		12,160
Total purpose restricted		422,578
Time restricted		119,188
Total net assets released from temporary restrictions	$	541,766

(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 $8,967 for the year ended December 31, 2017.

(8) Concentrations

Approximately 98% of the Organization's accounts receivable were due from three entities at December 31, 2017. Approximately 75% of the Organization's pledges receivable were due from six donors at December 31, 2017.

Approximately 16% of the Organization's total support and revenue came from one donor for the year ended December 31, 2017.

(9) Recent accounting pronouncements

Recent accounting pronouncements - Not-for-Profit Entities - In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This update, which amends the requirements for financial statements and notes in *Topic 958, Not-for-Profit Entities*, require a Not-for-Profit (NFP) to:

- Present on the face of the statement of financial position amounts for two classes of net assets as "net assets with donor restrictions" and "net assets without donor restrictions," rather than for the currently required three classes.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets (noted above) rather than that of the currently required three classes.
- Continue to present on the face of the statement of cash flows the net amount of operating cash flows using either the direct or indirect method of reporting, but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- Provide enhanced disclosures about (1) amounts and purposes of governing board designations that result in self-imposed limits on the use of resources without donor-imposed restrictions (2) composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources (3) qualitative information that communicates how a NFP manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date (4) quantitative information, either on the face of the statement of financial position or in the notes, and additional qualitative information in the notes that communicates the availability of a NFP's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date (5) amounts of expenses by both their natural classification and their functional classification (6) report investment return net of external and direct internal investment expenses, and no longer require disclosure of those netted expenses (7) use, in absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption.

(9) Recent accounting pronouncements (continued)

This update is effective for the Organization's December 31, 2018 financial statements. The Organization is evaluating the impact that this updated standard will have on the financial statements and related noted to the financial statements.

Recent accounting pronouncements - Leases - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, office equipment, and vehicles. Under the current accounting model, an organization applies a classification test to determine the accounting for the lease arrangement as an operating or capital lease. The new guidance will require organizations that lease assets to recognize on the statements of financial position the assets and liabilities for the rights and obligations created by those leases. A lessee will be required to recognize assets and liabilities for leases with terms of more than twelve months. Consistent with U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a capital or operating lease. However, unlike current U.S. GAAP, the new ASU will require both types of leases to be recognized on the statements of financial position.

The ASU will also require disclosure to help donors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include both qualitative and quantitative analysis.

This update is effective for the Organization's December 31, 2020 financial statements and early adoption is permitted. The Organization is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

Revenue recognition - In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*. This standard applies to most contracts with customers and prescribes a five-step framework in accounting for revenues from contracts, including (a) identification of the contract, (b) identification of the performance obligation under the contract, (c) determination of the transaction price, (d) allocation of the transaction price to the identified performance obligation and (e) recognition of revenue as the identified performance obligation is satisfied. This standard also prescribes additional disclosures and financial statement presentations. This standard is effective for the Organization's December 31, 2020 financial statements, and early adoption is permitted. The Organization may adopt the standard retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. The Organization is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

(10) Prior period adjustment

During the year ended December 31, 2017, an adjustment was made related to the December 31, 2016 financial statements. The balance of long-term pledges receivable was previously presented as unrestricted net assets when in fact they are temporarily restricted net assets. The net assets at December 31, 2016 have been restated from the amounts previously recorded to correct for a previously reported error between unrestricted and temporarily restricted net assets as follows:

	Unrestricted	Temporarily Restricted	Total Net Assets
Balance at December 31, 2016, as previously reported	$ 2,532,999	$ 205,635	$ 2,738,634
Adjustment to correct classification of net assets	(274,535)	274,535	-
Balance at December 31, 2016, as restated	$ 2,258,464	$ 480,170	$ 2,738,634

(11) Subsequent events

The Organization has evaluated subsequent events through May 25, 2018, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.