

COMMUNITY LINC, INC.

FINANCIAL STATEMENTS

December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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.

IFG + Co. PA

May 30, 2017

COMMUNITY LINC, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 524,020	765,553
Certificates of deposit	504,415	596,998
Accounts receivable	205,711	233,760
Pledges receivable, current portion, net of allowance for doubtful accounts	72,552	-
Prepaid expenses	<u>1,800</u>	<u>5,820</u>
TOTAL CURRENT ASSETS	1,308,498	1,602,131
PROPERTY AND EQUIPMENT		
Land	60,460	60,460
Buildings and improvements	1,893,239	1,816,697
Furniture and office equipment	<u>303,027</u>	<u>255,614</u>
	2,256,726	2,132,771
Accumulated depreciation	<u>909,265</u>	<u>889,348</u>
NET PROPERTY AND EQUIPMENT	1,347,461	1,243,423
PLEDGES RECEIVABLE, less current portion, net of allowance for doubtful accounts		
	202,393	-
CASH HELD FOR CLIENTS		
	<u>4,255</u>	<u>2,708</u>
TOTAL ASSETS	<u>\$ 2,862,607</u>	<u>2,848,262</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 52,365	17,113
Accounts payable	30,353	26,780
Accrued expenses	6,264	6,894
Client deposits	<u>4,255</u>	<u>2,708</u>
TOTAL CURRENT LIABILITIES	93,237	53,495
LONG-TERM DEBT, less current portion		
	<u>30,736</u>	<u>83,459</u>
TOTAL LIABILITIES	123,973	136,954
NET ASSETS		
Unrestricted		
Undesignated	2,028,584	2,053,819
Board designated	<u>504,415</u>	<u>441,926</u>
Total unrestricted net assets	2,532,999	2,495,745
Temporarily restricted net assets	<u>205,635</u>	<u>215,563</u>
TOTAL NET ASSETS	<u>2,738,634</u>	<u>2,711,308</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,862,607</u>	<u>2,848,262</u>

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

COMMUNITY LINC, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contracts	\$ 427,544	-	427,544
Grants	48,075	333,050	381,125
Contributions	855,963	144,500	1,000,463
Special events	491,080	-	491,080
United Way support	-	27,537	27,537
Other income	11,310	-	11,310
In-kind contributions	47,740	-	47,740
Net assets released from restrictions	<u>515,015</u>	<u>(515,015)</u>	<u>-</u>
 TOTAL SUPPORT AND REVENUE	 2,396,727	 (9,928)	 2,386,799
 EXPENSES			
Program	1,844,250	-	1,844,250
Fundraising	374,195	-	374,195
Management and general	<u>141,028</u>	<u>-</u>	<u>141,028</u>
 TOTAL EXPENSES	 <u>2,359,473</u>	 <u>-</u>	 <u>2,359,473</u>
 CHANGE IN NET ASSETS	 37,254	 (9,928)	 27,326
 NET ASSETS, BEGINNING OF YEAR	 <u>2,495,745</u>	 <u>215,563</u>	 <u>2,711,308</u>
 NET ASSETS, END OF YEAR	 <u>\$ 2,532,999</u>	 <u>205,635</u>	 <u>2,738,634</u>

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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 759,410	118,304	81,569	959,283
Payroll taxes	64,742	10,219	7,022	81,983
Employee benefits	133,461	18,298	11,967	163,726
TOTAL PERSONNEL EXPENSES	957,613	146,821	100,558	1,204,992
Other contract services	39,166	1,061	448	40,675
Volunteer program	2,485	-	-	2,485
Client costs	264,315	-	-	264,315
Advertising and promotion	68,966	1,818	-	70,784
Equipment maintenance	3,943	651	332	4,926
Other renovations	789	117	-	906
Building and grounds maintenance	97,402	649	649	98,700
Utilities	83,523	850	850	85,223
Telephone	11,474	1,141	967	13,582
Office supplies	11,485	1,560	1,367	14,412
Dues and subscriptions	4,003	792	860	5,655
Postage	1,399	1,241	97	2,737
Printing	9,658	7,410	198	17,266
Insurance	27,889	2,456	1,408	31,753
Travel and entertainment	22,859	3,153	929	26,941
Professional fees	-	-	18,815	18,815
IT services	45,723	14,645	11,767	72,135
Special events expense	-	49,876	-	49,876
Direct fundraising costs, including special events	-	135,903	-	135,903
Interest expense	5,031	-	-	5,031
Depreciation	113,361	-	-	113,361
Loss on disposal of equipment	13,399	-	-	13,399
In-kind expense	47,740	-	-	47,740
Miscellaneous	12,027	4,051	1,783	17,861
TOTAL EXPENSES	\$ 1,844,250	374,195	141,028	2,359,473

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	1,081	48	6	1,135
Building and grounds maintenance	86,105	927	822	87,854
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 disposal 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.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 27,326	69,830
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	113,361	103,181
Loss on disposal of equipment	13,399	4,397
Changes in operating assets and liabilities		
Accounts receivable	28,049	(103,113)
Pledges receivable	(274,945)	-
Prepaid expenses	4,020	1,360
Cash held for clients	(1,547)	(923)
Accounts payable	3,573	14,495
Accrued expenses	(630)	42
Client deposits	1,547	923
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(85,847)</u>	<u>90,192</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemptions of certificates of deposit	92,583	58,689
Purchases of property and equipment	<u>(230,798)</u>	<u>(109,939)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(138,215)</u>	<u>(51,250)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	<u>(17,471)</u>	<u>(16,563)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(241,533)</u>	<u>22,379</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>765,553</u>	<u>743,174</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 524,020</u></u>	<u><u>765,553</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest paid during the year	<u><u>\$ 5,031</u></u>	<u><u>5,937</u></u>

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

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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, 2016 or 2015.

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, 2016 and 2015

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, 2016 and 2015, the Organization considered accounts receivable to be fully collectible.

Pledges Receivable

The present value of unconditional promises to give, less an allowance for uncollectible amounts, is recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The allowance for doubtful pledges was \$31,095 as of December 31, 2016. The Organization had no pledges receivable as of December 31, 2015.

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.

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 2013. 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.

Reclassifications

Certain items in the 2015 financial statements have been reclassified to conform to the 2016 presentation. These reclassifications had no effect on the previously reported 2015 change in net assets.

Subsequent Events

Subsequent events have been evaluated through May 30, 2017, which is the date the financial statements were available to be issued.

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable at December 31, 2016 were due as follows:

Due in less than one year	\$ 81,070
Due in one to five years	<u>229,880</u>
	310,950
Allowance for doubtful accounts	(31,095)
Discount to present value	<u>(4,910)</u>
	<u><u>\$ 274,945</u></u>

The Organization had no pledges receivable for December 31, 2015. Pledges receivable due over more than one year were recognized at fair value, using present value techniques and a discount rate of 1% at December 31, 2016.

NOTE 3 - 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 2017. The line is collateralized by property and all business assets. The Organization had no amounts outstanding on the line at December 31, 2016 or 2015.

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 4 - LONG-TERM DEBT

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

	<u>2016</u>	<u>2015</u>
Installment note payable, collateralized by property, payable in monthly installments of \$465, including interest at 5.50%, maturing in March 2020.	\$ 16,568	21,100
Installment note payable, collateralized by property, payable in monthly installments of \$619, including interest at 5.50%, maturing in December 2020.	25,067	31,268
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.	41,466	48,204
	83,101	100,572
Less current portion	52,365	17,113
	<u>\$ 30,736</u>	<u>83,459</u>

Future maturities of long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 52,365
2018	11,514
2019	12,164
2020	7,058
	<u>\$ 83,101</u>

NOTE 5 - 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.

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Client support services	\$ 182,384	149,380
Awareness campaign	22,088	56,183
Time restricted	<u>1,163</u>	<u>10,000</u>
	<u>\$ 205,635</u>	<u>215,563</u>

NOTE 7 - IN-KIND CONTRIBUTIONS

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

	<u>2016</u>	<u>2015</u>
Furniture and household goods	\$ 2,980	12,860
Clothing	615	1,380
Children's goods	-	5,710
Food	-	1,623
Promotion and fundraising supplies	34,785	42,346
Computer software	-	5,176
Miscellaneous	<u>9,360</u>	<u>11,125</u>
	<u>\$ 47,740</u>	<u>80,220</u>

NOTE 8 - 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 \$11,775 and \$11,479 for the years ended December 31, 2016 and 2015, respectively.

COMMUNITY LINC, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 9 - MAJOR CONCENTRATIONS

A significant funder is defined as any funder that accounts for 10% or more of total support and revenue. During the year ended December 31, 2016, support and revenue from two funders represented approximately 22% of the Organization's total support and revenue, and one of these funders accounted for approximately 73% of the Organization's pledges receivable at December 31, 2016. The Organization had no significant funders during the year ended December 31, 2015.

The Organization maintains cash balances at financial institutions in the Kansas City area. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. At December 31, 2016 and 2015, the Organization had uninsured balances of \$569,715 and \$1,135,017, respectively.

NOTE 10 - 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.