

Community Link Inc  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

June 30, 2016 and 2015

Community Link Inc  
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Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

September 27, 2016

Board of Directors  
Community Link Inc  
Breese, Illinois 62230

We have audited the accompanying financial statements of Community Link Inc (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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**

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.

### **Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Link Inc as of June 30, 2016 and 2015, 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.

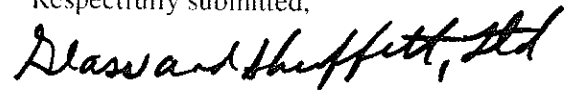
Board of Directors  
Community Link Inc

September 27, 2016

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2016, on our consideration of Community Link Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Link Inc's internal control over financial reporting and compliance.

Respectfully submitted,



Centralia, Illinois

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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

September 27, 2016

Board of Directors  
Community Link Inc  
Breese, Illinois 62230

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Link Inc, (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 27, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Community Link Inc's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Link Inc's internal control. Accordingly, we do not express an opinion on the effectiveness of the Community Link Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

September 27, 2016

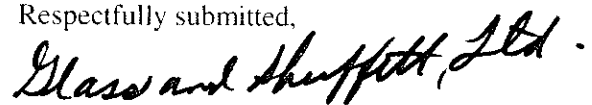
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Community Link Inc's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purposes of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Centralia, Illinois

Community Link Inc  
STATEMENT OF FINANCIAL POSITION  
June 30, 2016 and 2015

ASSETS

	2016	2015
Current Assets:		
Cash on Hand and in Bank -- Operating	\$ 1,202,171	\$ 1,336,546
Cash in Bank -- Reserves	14,717	14,463
Accounts Receivable -- Trade	565,955	708,491
Prepaid Expenses	129,175	111,021
Total Current Assets	1,912,018	2,170,521
 Property and Equipment:		
Land and Land Improvements	268,872	268,872
Buildings and Improvements	3,992,587	3,885,462
Furniture, Fixtures and Equipment	196,313	148,325
Vehicles	672,534	594,593
Total Cost	5,130,306	4,897,252
Less -- Accumulated Depreciation	2,605,007	2,440,473
Net Property and Equipment	2,525,299	2,456,779
 Total Assets	\$ 4,437,317	\$ 4,627,300

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
Current Liabilities:		
Accounts Payable	\$ 107,268	\$ 82,350
Notes Payable -- Due Within One Year	177,251	143,349
Package Insurance Payable	65,377	58,245
Accrued Expenses	150,829	205,163
Compensated Absences Payable	146,733	163,009
Unearned Income	-	12,759
	<u>647,458</u>	<u>664,875</u>
Long Term Liabilities (Due After One Year):		
Notes Payable	<u>1,572,772</u>	<u>1,681,356</u>
Total Long Term Liabilities	<u>1,572,772</u>	<u>1,681,356</u>
Total Liabilities	<u>2,220,230</u>	<u>2,346,231</u>
Net Assets:		
Unrestricted	<u>2,217,087</u>	<u>2,281,069</u>
Total Liabilities and Net Assets	<u>\$ 4,437,317</u>	<u>\$ 4,627,300</u>

See accompanying notes to financial statements.



Community Link Inc  
STATEMENT OF ACTIVITIES  
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Support and Revenue:		
Support		
Grants	\$ 844,410	\$ 794,457
Contributions	287,087	270,489
Total Support	<u>1,131,497</u>	<u>1,064,946</u>
Revenue:		
Fees for Services	5,736,068	6,020,198
Investment Income	1,382	988
Other Income	606,201	532,618
Gain (Loss) on Sale of Assets	(2,589)	-
Total Revenue	<u>6,341,062</u>	<u>6,553,804</u>
Total Support and Revenue	<u>7,472,559</u>	<u>7,618,750</u>
Expenses:		
Program Services:		
Adult Day Programs	4,021,809	4,042,446
Community Living Programs	1,867,720	1,867,706
Infant Programs	632,900	690,849
Funding Development	181,997	175,228
General and Administrative Services	<u>832,416</u>	<u>732,835</u>
Total Expenses	<u>7,536,842</u>	<u>7,509,064</u>
Other Changes in Net Assets:		
Capital Assets Expensed Per Grant Award	55,806	-
Depreciation on Capital Assets Expensed	<u>(46,870)</u>	<u>(52,187)</u>
Total Other Changes in Net Assets	<u>8,936</u>	<u>(52,187)</u>
Change in Unrestricted Net Assets	(55,347)	57,499
Unrestricted Net Assets, Beginning of Year	2,281,069	2,233,134
Prior Period Adjustment	<u>(8,635)</u>	<u>(9,564)</u>
Unrestricted Net Assets, End of Year	<u>\$ 2,217,087</u>	<u>\$ 2,281,069</u>

See accompanying notes to financial statements.

Community Link Inc  
STATEMENT OF CASH FLOWS  
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows Used for Operating Activities:		
Change in Unrestricted Net Assets	\$ (55,347)	\$ 57,499
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	220,999	213,758
Prior Period Adjustment	(8,635)	(9,564)
(Increase) Decrease in Accounts Receivable	142,536	141,350
(Increase) Decrease in Prepaid Expenses	(18,154)	(18,883)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(22,284)	40,883
Increase (Decrease) in Unearned Income	(12,759)	12,759
Increase (Decrease) in Compensated Absences Payable	(16,276)	17,496
Total Adjustments	<u>285,427</u>	<u>397,799</u>
Net Cash Provided by Operating Activities	<u>230,080</u>	<u>455,298</u>
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(293,015)	(198,574)
Unrecovered Cost of Assets Sold	3,496	-
	<u>(289,519)</u>	<u>(198,574)</u>
Cash Flows from Financing Activities:		
Loan Proceeds	75,128	858,436
Principal Payments on Notes Payable	(149,810)	(824,241)
	<u>(74,682)</u>	<u>34,195</u>
Net Increase (Decrease) in Cash and Equivalents	(134,121)	290,919
Cash and Equivalents at Beginning of Year	<u>1,351,009</u>	<u>1,060,090</u>
Cash and Equivalents at End of Year	<u>\$ 1,216,888</u>	<u>\$ 1,351,009</u>
Supplemental Data:		
Interest Paid	<u>\$ 63,545</u>	<u>\$ 70,980</u>

See accompanying notes to financial statements.

Community Link Inc  
Statement of Functional Expenses  
For the Year Ended June 30, 2016

Expenses	Program Services						Total Program Services	General and Administrative	Total Expenses
	Adult Day Programs		Community Living Programs		Funding Development				
	Adult Day Programs	Community Living Programs	Infant Programs	Program Services	Development	Funding			
Staff Salaries	\$ 2,066,101	\$ 1,190,331	\$ 285,783	\$ 118,705	\$ 3,660,920	\$ 395,539	\$ 4,056,459		
Payroll Taxes	164,245	97,229	20,284	8,447	290,205	29,576	319,781		
Fringe Benefits	426,194	223,921	57,472	15,165	722,752	60,395	783,147		
Consultants	18,460	3,303	108,058	422	130,243	42,243	172,486		
Volunteer Wages	-	-	76,168	-	76,168	-	76,168		
Consumer Wages & Fringes	295,272	-	-	-	295,272	-	295,272		
Medical Supplies	1,524	1,552	-	-	3,076	-	3,076		
Office Supplies	7,332	1,965	3,649	918	13,864	16,448	30,312		
Program Supplies	32,068	10,771	6,137	-	48,976	-	48,976		
Housekeeping Supplies & Services	20,969	22,780	720	-	44,469	1,888	46,357		
Specific Assistance to Individuals	-	-	8,796	-	8,796	-	8,796		
Food	-	77,508	-	-	77,508	-	77,508		
Maintenance Supplies	8,793	7,731	464	-	16,988	724	17,712		
Rent	5,397	2,435	6,600	-	14,432	25,503	39,935		
Utilities	62,428	35,651	4,746	-	102,825	5,917	108,742		
Maintenance Service and Repairs	25,825	33,082	3,477	-	62,384	4,207	66,591		
Computer Repairs and Maintenance	8,532	1,716	1,659	2,274	14,181	35,522	49,703		
Insurance	32,627	18,915	5,021	-	56,563	37,505	94,068		
Travel and Transportation	581,353	27,017	10,298	1,157	619,825	4,813	624,638		
Telephone	33,165	20,928	11,066	-	65,159	13,642	78,801		
Staff Training and Conferences	3,401	866	12,188	50	16,505	8,227	24,732		
Dues and Subscriptions	410	260	4,075	-	4,745	11,441	16,186		
Small Equipment	65,535	11,672	284	-	77,491	2,027	79,518		
Public Relations	-	-	10	918	928	2,892	3,820		
Interest	52,106	9,575	291	-	61,972	3,336	65,308		
Miscellaneous Expenses	14,109	3,343	1,586	33,941	52,979	121,643	174,622		
Depreciation Expenses	95,963	65,169	4,068	-	165,200	8,928	174,128		
Total Expenses	\$ 4,021,809	\$ 1,867,720	\$ 632,900	\$ 181,997	\$ 6,704,426	\$ 832,416	\$ 7,536,842		

(Continued on next page)

See accompanying notes to financial statements.

Community Link Inc  
Statement of Functional Expenses  
For the Year Ended June 30, 2015

Expenses	Program Services					Total Program Services	General and Administrative		Total Expenses
	Adult Day Programs	Community Living Programs	Infant Programs	Funding Development					
Staff Salaries	\$ 2,123,968	\$ 1,219,746	\$ 284,500	\$ 116,355	\$ 403,770	\$ 3,744,569	\$ 403,770	\$ 4,148,339	
Payroll Taxes	170,701	101,702	30,051	8,392	33,124	310,846	33,124	343,970	
Fringe Benefits	413,575	211,459	46,296	11,441	51,924	682,771	51,924	734,695	
Consultants	16,798	8,541	142,625	5,636	25,731	173,600	25,731	199,331	
Volunteer Wages	-	-	90,491	-	-	90,491	-	90,491	
Consumer Wages & Fringes	307,634	-	-	-	-	307,634	-	307,634	
Medical Supplies	1,712	1,113	-	-	-	2,825	-	2,825	
Office Supplies	8,516	2,282	3,544	1,159	16,346	15,501	16,346	31,847	
Program Supplies	29,110	7,263	5,179	607	-	42,159	-	42,159	
Housekeeping Supplies & Services	30,101	18,538	607	-	2,201	49,246	2,201	51,447	
Specific Assistance to Individuals	-	21,122	2,265	-	-	23,387	-	23,387	
Food	-	69,000	-	-	-	69,000	-	69,000	
Maintenance Supplies	12,038	4,257	550	-	973	16,845	973	17,818	
Rent	5,464	2,670	6,613	13	29,883	14,760	29,883	44,643	
Utilities	69,931	52,935	6,553	-	7,263	129,419	7,263	136,682	
Maintenance Service and Repairs	47,554	21,418	11,263	-	6,186	80,235	6,186	86,421	
Computer Repairs and Maintenance	8,532	1,659	1,659	2,410	-	14,260	24,733	38,993	
Insurance	28,297	16,034	5,295	-	34,340	49,626	34,340	83,966	
Travel and Transportation	569,154	27,586	15,633	1,047	5,071	613,420	5,071	618,491	
Telephone	14,538	1,921	9,340	-	17,627	25,799	17,627	43,426	
Staff Training and Conferences	9,723	2,017	14,924	1,297	6,522	27,961	6,522	34,483	
Dues and Subscriptions	492	185	4,051	-	10,945	4,728	10,945	15,673	
Small Equipment	10,459	9,655	5,335	-	2,827	25,449	2,827	28,276	
Public Relations	-	-	-	4,701	41	4,701	41	4,742	
Interest	55,683	11,807	219	-	3,271	67,709	3,271	70,980	
Miscellaneous Expenses	14,839	1,266	1,336	22,170	38,163	39,611	38,163	77,774	
Depreciation Expenses	93,627	53,530	2,520	-	11,894	149,677	11,894	161,571	
Total Expenses	\$ 4,042,446	\$ 1,867,706	\$ 690,849	\$ 175,228	\$ 732,835	\$ 6,776,229	\$ 732,835	\$ 7,509,064	

See accompanying notes to financial statements.

Community Link Inc  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Community Link Inc is a not-for-profit community support agency whose mission is to challenge, teach and inspire both participants and community, linking them in ways to enhance their lives. Community Link strives to promote the general welfare of adults and infants with developmental disabilities and other difficulties, residing in Clinton, St. Clair, Madison and other surrounding areas in Southern Illinois by fostering the development of programs and supports on their behalf as well as assisting those individuals and their families in acquiring other needed supports. The vision of Community Link is to see people with developmental disabilities and other difficulties, live and participate in a community that values their presence and contributions.

B. Financial Statement Presentation

The Organization has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the Organization is required to report 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. In addition, the Organization is required to present a statement of cash flows.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of their recognition.

The Organization maintained its accounting records and prepares its financial statements on the accrual basis. Under this basis, revenues are recognized when they are earned, and expenses are recognized when incurred.

D. Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

E. Investments

In accordance with SFAS No. 124, investments in marketable securities are carried at readily determinable fair values.

F. Inventory

Inventories of supplies are immaterial and are expensed as purchased.

G. Allowance for Bad Debts

The Organization does not provide an allowance for bad debts. Bad debts are charged against revenue when they are determined uncollectible.

## NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### H. Property and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation unless donated. Donated items are valued at an amount determined to be fair market value. The Organization has a capitalization threshold of \$5,000. Depreciation is computed using the straight-line method over the estimated lives of the assets as follows:

Office Furniture and Fixtures	3-10 years
Tools and Workshop Equipment	5-12 years
Vehicles--Buses	5- 7 years
Vehicles--Other	5 years
Buildings	12-35 years
Home Furnishings	5- 7 years

Depreciation for the years ended June 30, 2016 and 2015 were \$220,999 and \$213,758, respectively.

### I. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### J. Support and Revenue

The Organization receives fees for services from the Department of Human Services, other community agencies and its clients for billable client services and recognizes these fees as income when earned.

The Organization also receives direct grants from the U.S. Department of Health and Human Services. These grants are generally recognized in the year earned.

### K. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs benefited.

### L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### M. Compensated Absences

Employees of the Organization are entitled to PTO (Paid Time Off) and EIB (Extended Illness Bank) depending on job classification, length of service, and other factors.

Upon termination, employees are paid for accrued PTO at current payroll rates. EIB is not paid to terminating employees and must be used or lost.

### N. Federal Income Tax Status

The Organization has applied for and has been granted, exemption from Federal income taxation under Section 501 (c) (3) of the Internal Revenue Code.

### O. Restatement of Prior Period Data

Certain prior period data has been restated to conform to the current financial statement presentation.

## NOTE 2--SUMMARY OF GRANT FUNDING

The Organization received funding through the following grants during the years ended June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Illinois Department of Human Services -- Title XX--DFI	\$61,799	\$61,799
Illinois Department of Transportation Community M.H. Act (708)	55,806	-
U.S. Department of Health and Human Services	109,400	107,500
United Way	347,895	367,203
Other	250,933	245,462
	<u>18,577</u>	<u>12,493</u>
	<u>\$844,410</u>	<u>\$794,457</u>

## NOTE 3--ACCOUNTS RECEIVABLE

Accounts receivable consists of various receivables as follows:

	<u>2016</u>	<u>2015</u>
Accounts Receivable—Trade	\$ 78,677	\$ 74,420
Illinois Department of Human Services	90,825	132,960
Long-term Care Facilities	347,892	435,307
U.S. Dept. of Health & Human Services	27,475	34,205
Washington County Workshop	1,879	1,879
Central Billing Office (Medicaid)	<u>19,207</u>	<u>29,720</u>
	<u>\$565,955</u>	<u>\$708,491</u>

Aging of accounts receivable at June 30, 2016, are as follows:

0-30 Days	\$406,088	72%
31-60 Days	21,253	4%
61-90 Days	130,619	23%
91 Days or Over	<u>7,995</u>	<u>1%</u>
	<u>\$565,955</u>	<u>100%</u>

Management believes all amounts to be collectible and an allowance for doubtful accounts to be unnecessary. No accounts receivable were written off as uncollectible during the years ended June 30, 2016 and June 30, 2015. Accounts receivable are not collateralized.

## NOTE 4--CONCENTRATION OF CREDIT RISK

### Cash Deposits

The Organization maintains bank accounts at two local banks that are subject to custodial credit risk. At June 30, 2016, the Organization's bank balances that were subject to custodial credit risk totaled \$801,534. On June 28, 2016, the Organization signed an agreement with First County Bank to open a sweep account for use in transferring their funds daily into a collateralized account for FDIC protection. The account was opened on July 6, 2016.

## NOTE 5--NOTES PAYABLE

### First Bank, Breese, Illinois

At June 30, 2016, the Organization was indebted to First Bank, Breese, Illinois as follows:

<u>Description</u>	<u>Date of Note</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Due Within One Year</u>
Fairview Heights Real Estate	07-01-12	07-01-27	3.61%	\$453,333	\$34,114
Fairview Heights Real Estate	07-01-12	07-01-27	4.50%	50,439	3,634
E350 Ford Van	07-30-12	07-30-17	4.25%	5,856	5,856
2005 Dodge Dakota	03-27-14	03-27-17	4.00%	2,165	2,165
				<u>\$511,793</u>	<u>\$45,769</u>

### First County Bank, Trenton, Illinois

At June 30, 2016, the Organization was indebted to First County Bank, Trenton, Illinois as follows:

<u>Description</u>	<u>Date of Note</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Due Within One Year</u>
Germantown CILA Home	10-29-10	10-29-16	5.25%	\$ 27,960	\$27,961
East Building	09-05-14	09-05-29	3.75%	388,553	23,089
West Building	09-05-14	09-05-29	3.75%	348,506	20,710
Chevy Cruze	08-29-14	08-29-19	1.80%	9,754	3,020
Chevy Express	05-06-15	05-06-20	1.80%	26,327	6,546
Chevy Impala	02-08-16	02-08-21	1.99%	11,854	2,448
International Truck	01-12-16	01-12-21	4.7%	20,128	4,032
				<u>\$833,082</u>	<u>\$87,806</u>

The above notes are secured by accounts receivable, equipment and buildings owned by the Organization.

### Chrysler Capital

At June 30, 2016, the Organization was indebted to Chrysler Capital as follows:

<u>Description</u>	<u>Date of Note</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Due Within One Year</u>
Dodge Grand Caravan	11-02-15	11-17-21	0.00%	<u>\$36,759</u>	<u>\$6,786</u>

The Organization secured financing from Chrysler Capital in the amount of \$40,718 to purchase a new van.

The above note is secured by the van. The note is non-interest bearing and requires 72 monthly principal payments of \$565.53.

### USDA Rural Development

At June 30, 2016, the Organization was indebted to the USDA - Rural Development as follows:

<u>Description</u>	<u>Date of Note</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Due Within One Year</u>
Building Improvements	03-26-13	03-26-43	3.125%	<u>\$249,009</u>	<u>\$5,747</u>

During fiscal year 2013, the Organization secured financing totaling \$262,000 from the USDA Rural Development for capital improvements at their metro (Fairview Heights) location. The loan is payable in monthly installments of \$1,148 per month. The note is secured by the Organization's buildings.



NOTE 5--NOTES PAYABLE (CONTINUED)

Illinois State Council Knights of Columbus Charities, Inc.

At June 30, 2016, the Organization was indebted to the Illinois State Council Knights of Columbus Charities, Inc., on one promissory note, originally issued in the amount of \$218,000.

<u>Description</u>	<u>Date of Note</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Balance</u>	<u>Due Within One Year</u>
Breese 373 CILA Home	3-22-13	4-10-20	0%	<u>\$119,380</u>	<u>\$31,143</u>

The note requires monthly payments of \$2,595 on the Breese 373 CILA Home, and is secured by real estate. Imputed interest on the zero percent loans for fiscal year 2016 is included in expense totaling \$5,759. The effective interest rate used was 4.0%.

Annual debt maturities for future years follow:

2017	\$ 177,251
2018	144,926
2019	148,545
2020	144,737
2021	112,851
Thereafter	<u>1,021,713</u>
	<u>\$1,750,023</u>

NOTE 6--RESERVE ACCOUNTS

In accordance with the terms of the Rural Economic and Community Development agreement, the Organization is required to segregate revenues and restrict their use in separate account for the following purposes:

- 1) Payment of note principal and interest when other funds are not available
- 2) Payment of cost of repairs caused by catastrophe
- 3) Extensions or improvements

The maximum required reserve balance for the Rural Economic and Community Development agreement is \$14,400.

The Organization has continued to fund the reserve with investment earnings in excess of the maximum required reserve balance. As of June 30, 2016, the Organization's reserved balance was invested in Certificates of Deposit totaled \$14,717. The reserve balance at June 30, 2015 was \$14,463.

The Organization has complied with the financial loan agreement for the year ended June 30, 2016.

NOTE 7--INSURANCE COVERAGE

<u>Company</u>	<u>Description of Coverage</u>	<u>Expiration</u>
Philadelphia	General liability: bodily injury, personal injury and property damage--\$1 million each occurrence, \$1 million aggregate; medical coverage -- \$5,000 each person, \$1 million each accident; fire damage limit (any one fire) -- \$100,000  Property: Property coverages, including special form policy for mine subsidence -- comprehensive 90% co-insurance, \$1,000 deductible:	5-1-17

NOTE 7--INSURANCE COVERAGE (CONTINUED)

<u>Company</u>	<u>Description of Coverage</u>	<u>Expiration</u>																																																																																							
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Philadelphia	Computer/word processor equipment--\$240,000 blanket for all locations, 100% co-insurance, \$500 deductible	5-1-17																																																																																							
Philadelphia	Earthquake and volcanic eruption--blanket limit -- \$10,391,740, 5% deductible, same coverages as listed on property above	5-1-17																																																																																							

NOTE 7--INSURANCE COVERAGE (CONTINUED)

<u>Company</u>	<u>Description of Coverage</u>	<u>Expiration</u>
Erie Insurance Group	Workers' compensation: statutory coverage; Employers' liability: \$1,000,000 each accident/ each employee policy limit	10-1-16
Philadelphia	Automobile liability: fleet coverage--\$1 million per accident; uninsured motorist--\$1 million automobile medical pay--\$1,000 per person (non-owned and hired auto's also covered on Policy); all vehicles have comprehensive \$500 and \$1,000 deductible collision	5-1-17
Philadelphia	Excess blanket catastrophe liability policy-- \$3 million over other limits	5-1-17
Philadelphia	Directors and officers liability coverage-- \$2 million aggregate	5-1-17
Auto Owners	FHA schedule bond--\$400,000	10-1-16

NOTE 8--RETIREMENT AND FRINGE BENEFIT PLANS

The Organization maintains a 401(k) profit sharing plan for its employees. Provisions of the plan follow:

Plan Year -- January 1 to December 31  
Underwriter -- Mutual of America  
Effective Date of Plan -- August 1, 2010  
Eligibility -- 21 years of age, one year of service, and completion of 1,000 service hours  
Vesting -- 100% upon completion of 3 years of service  
Employer Base Contribution -- 1% of compensation  
Employer Matching Contribution -- 50% up to 4% of compensation  
Maximum Employer Contribution -- \$52,000 or 100% of compensation, whichever is less  
Maximum Employee Contribution -- \$17,500, age 50 and over catch up \$5,500

The cost of the plan for the year ended December 31, 2015, was \$81,359. Plan assets as of December 31, 2015, totaled \$2,542,945 for all participants.

NOTE 9--LEASE OF REAL ESTATE

Effective January 1, 2006, the Organization entered into a lease with Mater Dei High School, Breese, Illinois, for real estate located at 955 North Plum, Breese, Illinois. The lease term was for one year at \$550 per month. The lease has been renewed annually under the same terms and conditions. The minimum required remaining lease payments at June 30, 2016 totaled \$3,300.

NOTE 10--PRIOR PERIOD ADJUSTMENTS/RECLASSIFICATIONS

Prior period adjustments were required for retro-active billing adjustments which increased (decreased) net assets for June 30, 2016 and 2015, in the amounts of \$(8,635) and \$(9,564), respectively.

NOTE 11--FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization has a number of financial instruments and estimates the fair value of all financial instruments at June 30, 2016 and 2015. All investments are recorded at fair market value on the statement of financial position.

#### NOTE 12--OTHER CHANGES IN NET ASSETS

Grant expenditures were reported as grant program expenses in the year incurred to satisfy the expense reporting requirements of the grant. However, Generally Accepted Accounting Principles require that the cost of these assets be depreciated over their estimated useful lives. Therefore, the capital assets purchased from these grants are added back and depreciation is recorded instead totaling \$46,870. Grant equipment acquired in fiscal year 2016 totaled \$55,806.

#### NOTE 13--IN-KIND CONTRIBUTIONS

The Organization routinely receives in-kind services in connection with the Early Head Start Program. The value of these services is included in revenues and expenditures when performed. During the fiscal years ended June 30, 2016 and 2015, the amount of services received was \$76,168 and \$90,491, respectively.

Also, in-kind contributions are recognized for imputed interest on zero percent loans. At June 30, 2016 and 2015, interest was recognized totaling \$5,759 and \$7,887, respectively. See Note 4.

#### NOTE 14--SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 27, 2016, the date the financial statements were available to be issued.

#### NOTE 15--ACCOUNTING FOR UNCERTAIN TAX POSITIONS

Effective July 1, 2009 the Organization adopted the accounting standard regarding "Accounting for Uncertain Tax Positions." This accounting standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax provision recognized in the Organization's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not the position will be sustained upon examination. The Organization has not taken any tax position that is expected to significantly increase or decrease over the next twelve months. The adoption of this standard had no material effect on the Organization's financial position, change in net assets, or cash flows.

The Organization files income tax returns in the United States federal and State of Illinois jurisdictions. The Organization is no longer subject to United States federal or State of Illinois tax examinations for years ending before June 30, 2013.

The Organization would include penalties and interest assessed by income taxing authorities in operating expenses. The Organization did not have penalties and interest expenses for the years ended June 30, 2016 and 2015.