



First Step Early Head Start Annual Report 2018 - 2019

Executive Director: John Huelskamp First Step Director: Shelise Zurliene

Office Phone Number: 618-526-8830

Find us at www.commlink.org and on

Facebook at 1st Step Early Head Start & Children's Learning Programs

Community Link initiated the first home-based infant stimulation program in Southern Illinois. This program has grown over the years into 1st Step Early Head Start & Children's Learning Programs. 1st Step is dedicated to providing exceptional family centered services to families who have children up to the age of three. Early Head Start is a federally funded, home-based program for low-income pregnant women and families with children three years and younger in Clinton and Washington Counties who are homeless, receiving TANF or SSI, in foster care, or if the family's income is at or below the Federal Poverty level. Priority for enrollment is based on risk factors including children with disabilities. The program is funded to serve 54 children/ pregnant women residing in Clinton and Washington Counties.

The program uses the Parents as Teachers model, which is research based and nationally regarded. We offer families a sense of belonging, other support services, and a chance to be involved in activities to help the whole family. A number of programs are provided to the children and families we serve, including Early Intervention Services, Infant Mental Health Services, Prevention Services, and Children's Waver Program. In addition, 1st Step Early Head Start provides services for prenatal education, parenting education and support, child development services, play groups, family activities, medical linkages, linkages to community resources, transitions, and limited transportation.

The goal of the Early Head Start Program is to assist families to promote healthy prenatal outcomes for pregnant women, enhance the development of very young children, promote healthy family functioning, and provide opportunities for parents to have a voice in shared governance.

Mission Statement

To challenge, teach, and inspire both participants and community, linking them in ways that enhance their lives.

Core Values

Respect- Honoring the value, autonomy, and contributions of everyone

Commitment- Excellence through passion

Making a Difference- Enhancing the lives of others

Motto

Disability to Possibility

Vision

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.



Policy Council Members 2018 - 2019

Officers

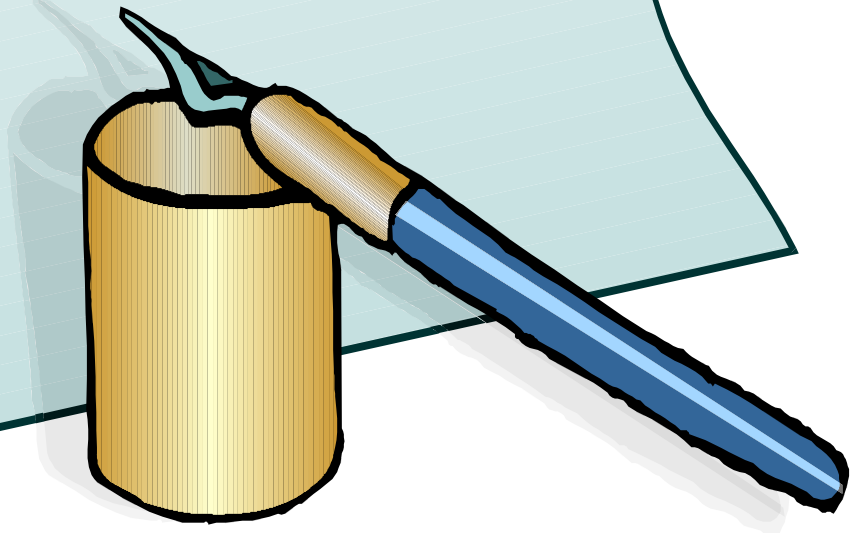
Tasha Marcum - Chairperson (Parent)
Rebecca Gale - Vice Chairperson (Parent)
Carlee Keller - Secretary/Treasurer (Parent)

Parent Representatives

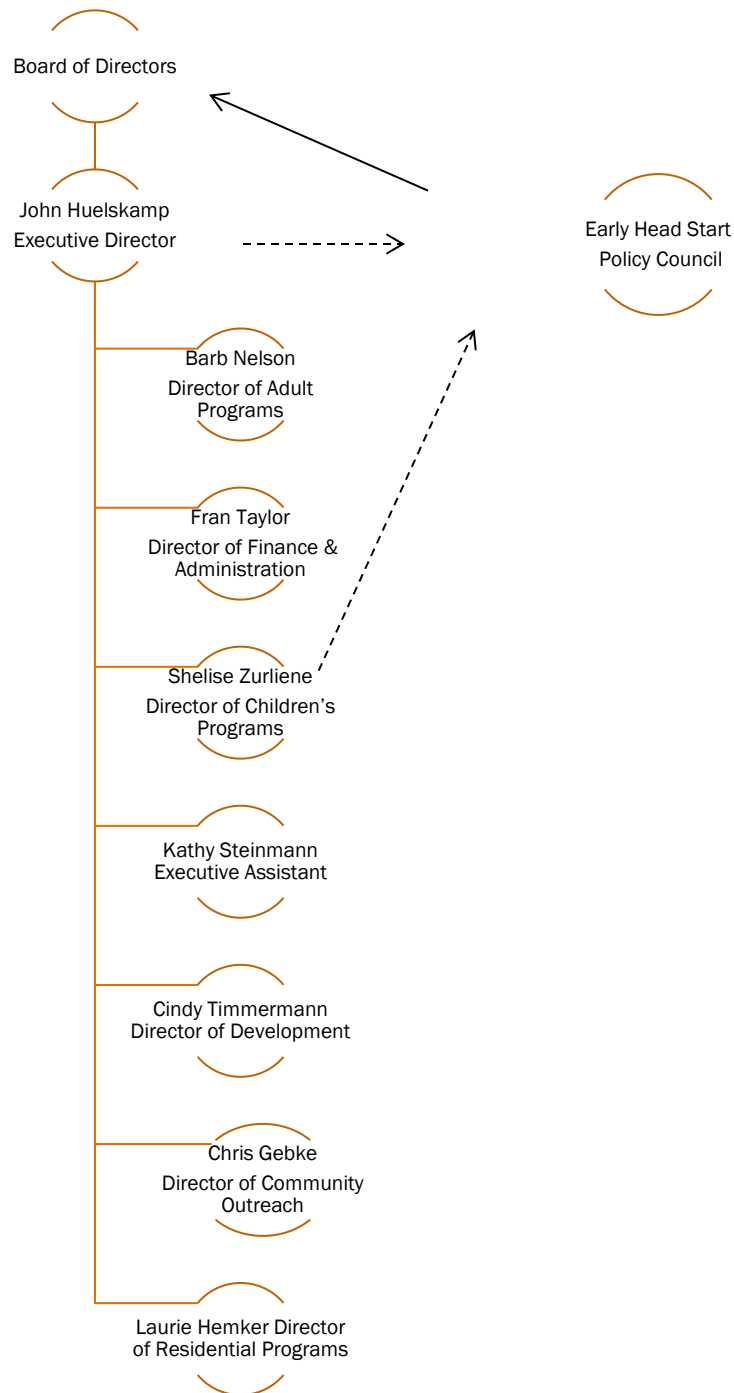
Veronica Caudillo (part year)
Rebecca Gale
Jennifer Gebke
Alma Geronimo
Meghan Haglund (part year)
Carlee Keller (part year)
Tasha Marcum
Ashlyn Medina (part year)

Community Representatives

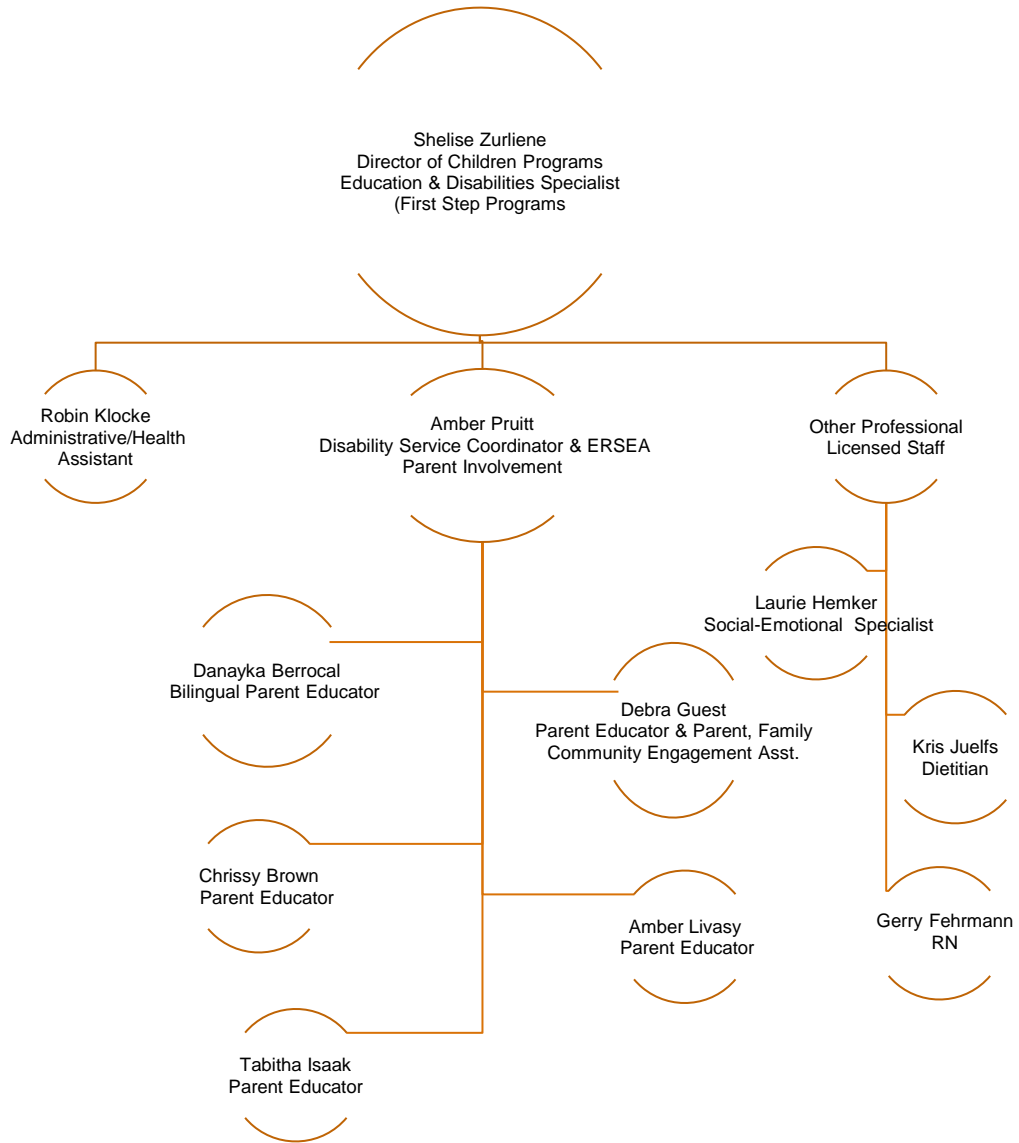
Kate Garrett (part year)
Angela Knaub
Maria Payne
Linda Summers



Administration



First Step Program



**Early Head Start
Funding Year 2018-2019**

Revenues

| <i>Funding Sources</i> | <i>Funding Category</i> | <i>Amount</i> |
|---|--|-------------------------|
| ACF Regional Office Health & Human Services (HHS) | Cost for Program Operations | \$367,047 |
| ACF Regional Office Health & Human Services (HHS) | Cost for Training & Technical Assistance | \$10,000 |
| Community | Non-Federal Share | \$94,262 |
| <i>Total (includes *Non-Federal Share)</i> | | <i>\$471,309</i> |

Expenditures

| | |
|---|-------------------------|
| Personnel/Salaries | \$239,487 |
| Fringe Benefits | \$65,601 |
| Staff Training | \$10,000 |
| Supplies | \$ 6,915 |
| Other** | \$149,306 |
| <i>Total (includes *Non-Federal Share)</i> | <i>\$471,309</i> |

*Non-Federal Share Defined

Non-Federal Share represents the reasonable and necessary costs of a Head Start program that are generated from a non-federal source. Non-Federal share is the community's contribution to the local Head Start program

**Other expenditures includes rent, utilities, insurance, maintenance, mileage, in kind and administrative costs



Rationalization of Data

- All services to families data listed in this report are based on the 2018-2019 Program Information Report.
- All budget information is for the funding year of May 1, 2018 - April 30, 2019.
- The pictures used in this annual report are from activities and home visits within the 2018-2019 program year.



Health School Readiness Goal

- In the spring of 2018, the School Readiness team met with a variety of collaborators to discuss what challenges and concerns in regards to learning and development were needed to be successful once starting school. Information was collected from Policy Council parents and community members, the Health Service Advisory Committee, the local Head Start Education Manager, a local Preschool teacher, and the Early Head Start Parent Educators and staff. Many concerns were noted in several different areas, but one concern remained consistent—screen time. Parents, teachers, and staff members all had concerns about the amount of time children are spending on screens of some sort. After researching the topic and discussing how screen time affects so many of the other areas of concern, it was decided that 1st Step would add a Health School Readiness Goal. Parent Educators will work with families in an effort to educate and aid families in following the recommendations from the American Academy of Pediatrics in regards to screen time for children under 3 years old. We believe that if families follow these recommendations, many of the other concerns will be resolved. Data will be collected and analyzed quarterly, and changes will be made as deemed necessary.



Parent Store Continues to Grow

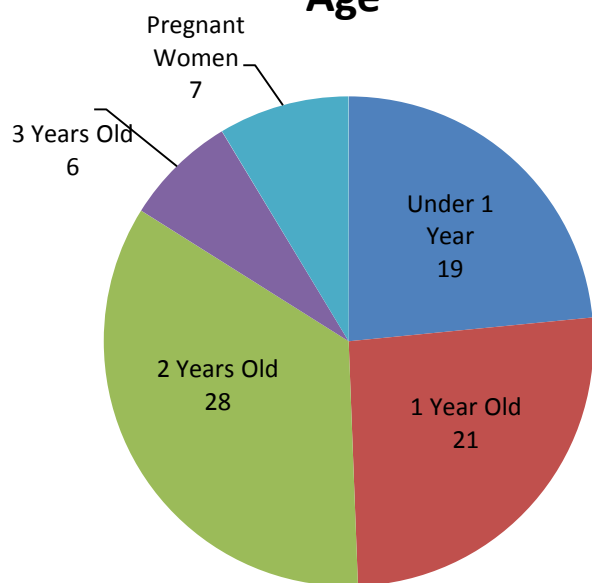
- Families in the 1st Step program earn Parent Bucks for participating in activities and events.
- Parent Bucks can be used to purchase items from our Parent Store.
- Parent Store items are donated or purchased through donated funds.
- Throughout the program year, schools, companies and/or individuals made donations to provide much needed items for our families.
- Thanks to these generous donations our Parent Store continues to grow.
- If you would like to donate to our Parent Store, please contact us at 618-526-8830.

Services to Families

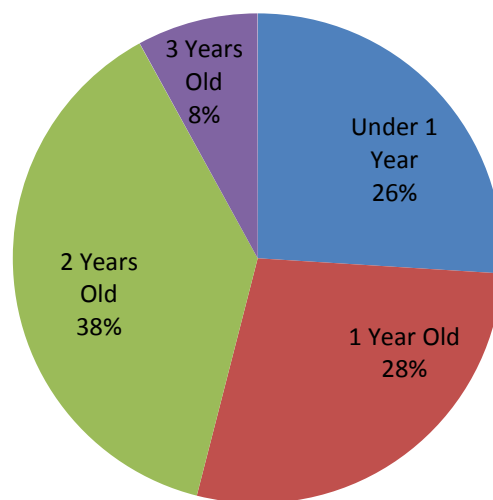
Program Year 2018-2019 Enrollment Status from PIR

For 2018-2019 the Average Monthly Enrollment was 54 which is 100% of Funded Enrollment

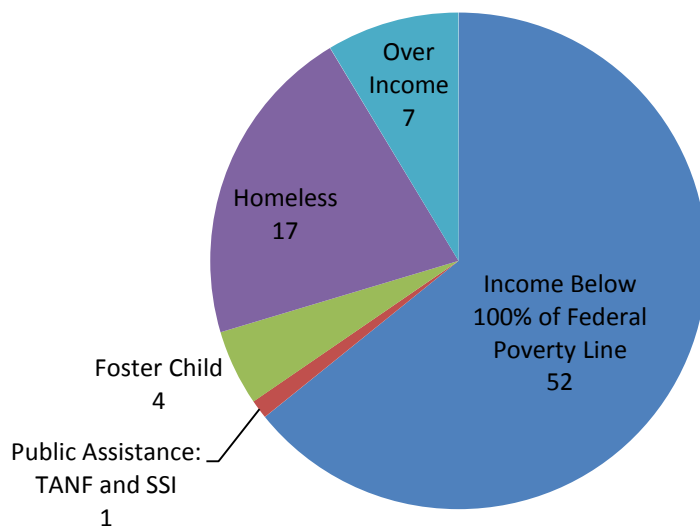
Cumulative Enrollment by Age



Cumulative Enrollment of Children by Age

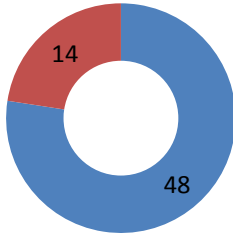


Cumulative Enrollment by Type of Eligibility



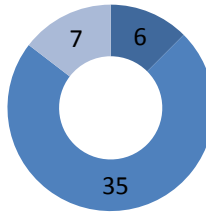
Number of Families

- 2 Parent Families
- 1 Parent Families



Two Parent Families

- Both Employed
- One Employed
- Both Not Working: Unemployed, Retired, Disabled

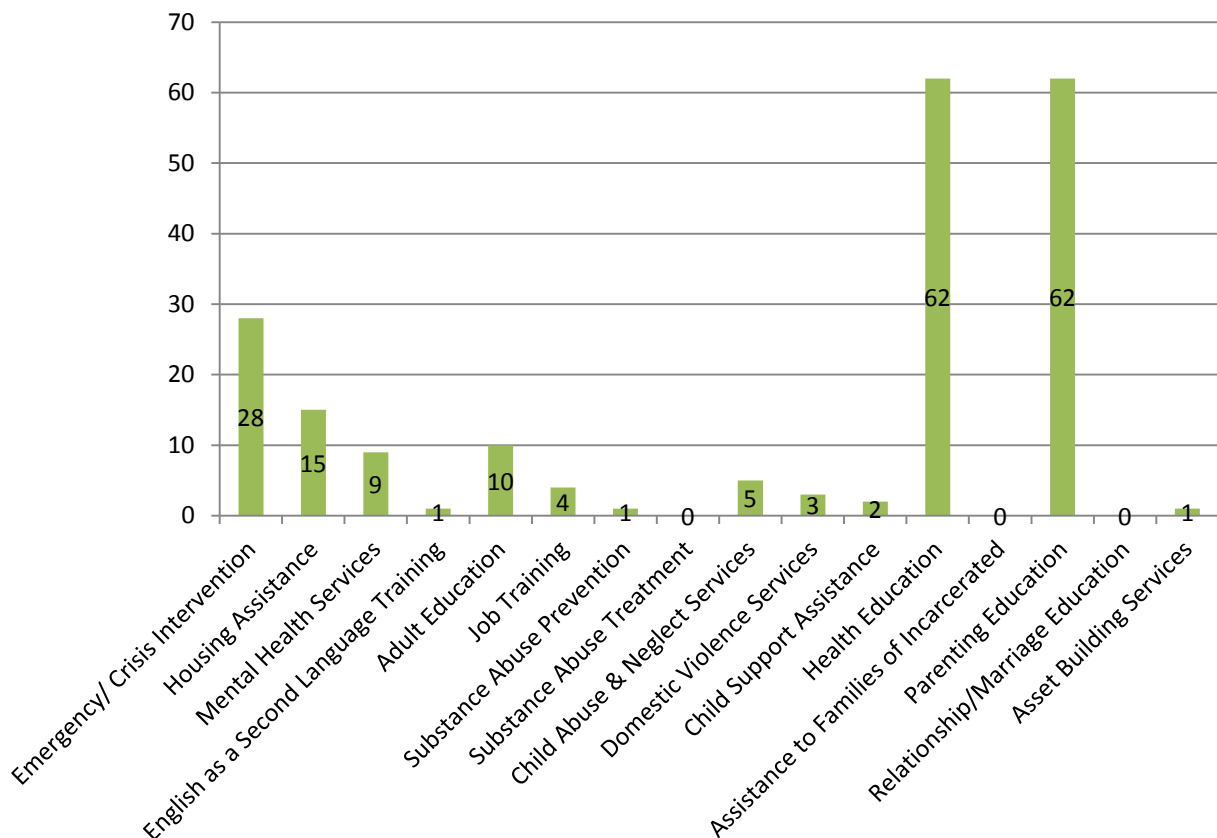


One Parent Families

- Employed
- Not Working: Unemployed, Retired, Disabled

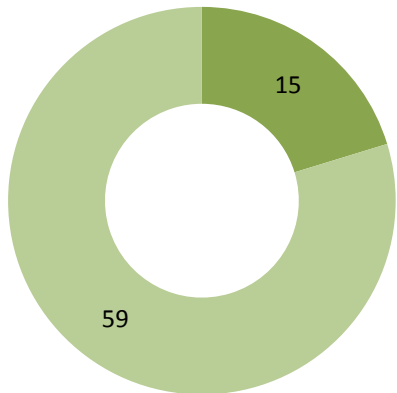


The Number of Families Who Received Services



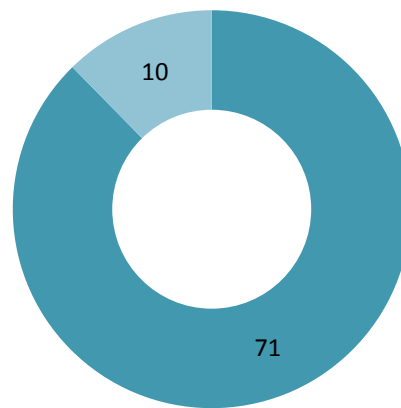
Disability Services

- Children with IFSP
- Children without IFSP



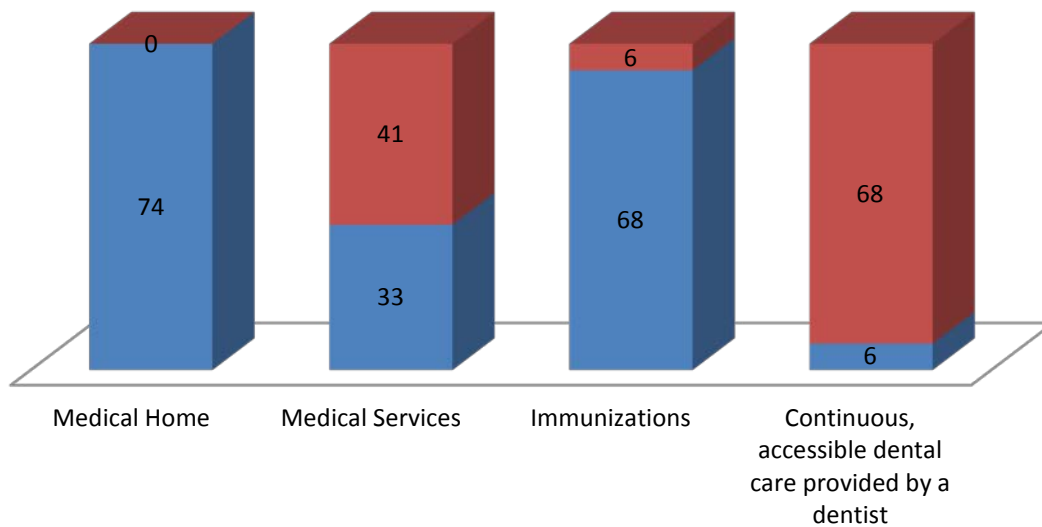
Social Emotional Services

- Pregnant Moms & Children Who Were Served By Social/Emotional Specialist
- Pregnant Moms & Children Who Were Not Served By Social/Emotional Specialist

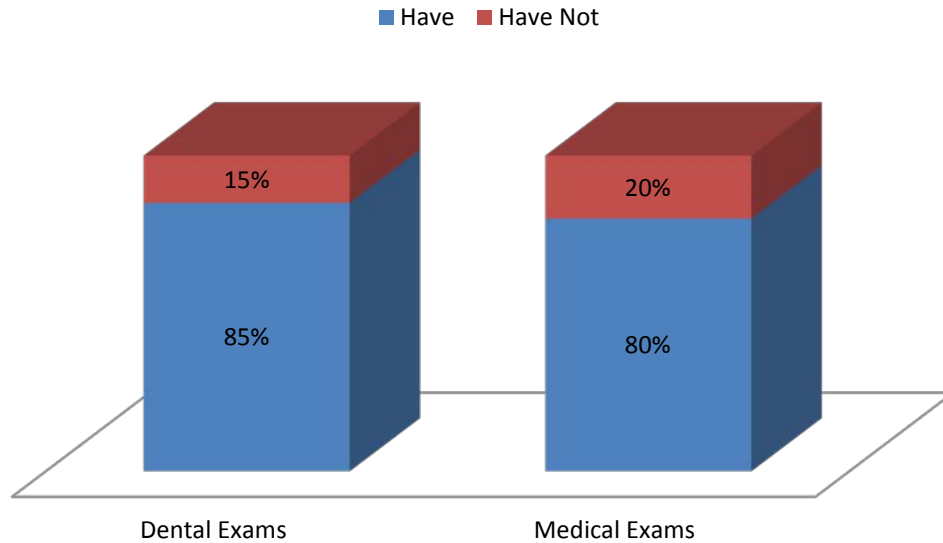


Health Measures- Children

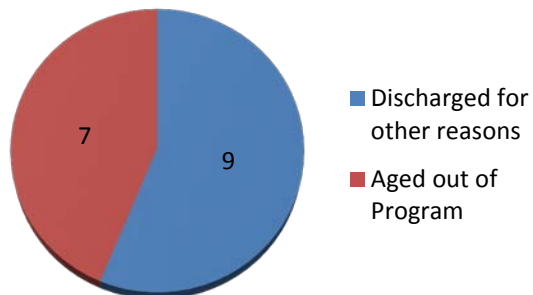
- Have
- Do Not Have



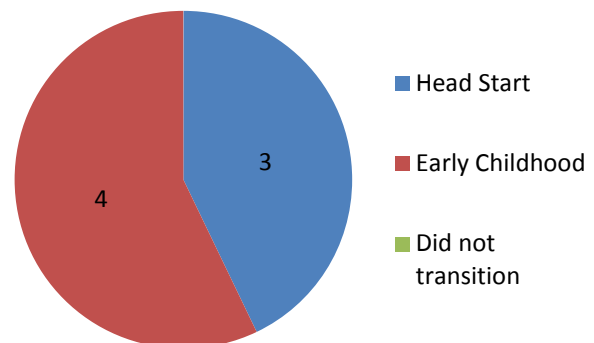
Exams for Enrolled Children



Children Discharged



Transitions of Those Children Who "Aged Out"



The Early Head Start Program has a formal transition process with BCMW Head Start in an attempt to assist in the transition of children from Early Head Start to Head Start. Along with this, the program also has formal agreements with eight local public schools and the local special education district.

Child Outcomes & School Readiness

The Office of Head Start defines school readiness as "children possessing the skills, knowledge, and attitudes necessary for success in school and for later learning and life." The Head Start Approach to School Readiness focuses on creating opportunities for children to develop in all areas to ensure the child is ready for school. 1st Step's set of School Readiness Goals is used to guide the curriculum in all stages, from planning, to implementation, to assessment, to tracking progress.

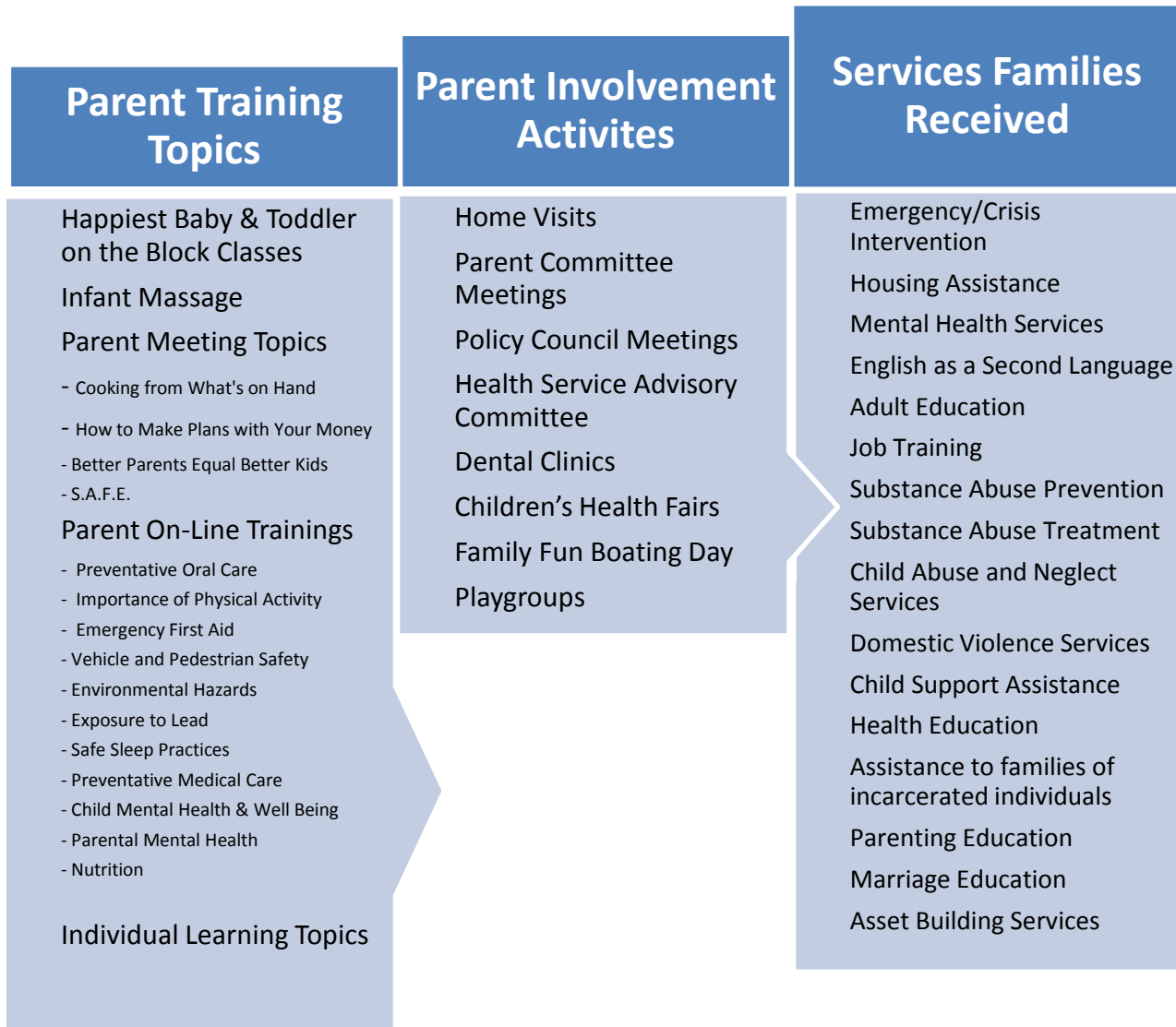
In the spring of 2018, the School Readiness team met with a variety of collaborators to discuss what challenges and concerns in regards to learning and development needed to be successful once starting school. Information was collected from Policy Council parents and community members, the Health Service Advisory Committee, the local Head Start Education Manager, a local Preschool teacher, and the Early Head Start Parent Educators and staff. The goals below are a compilation of those concerns identified by our collaborators.

1st Step Early Head Start uses Parents as Teachers Born to Learn (PAT) as a curriculum and Hawaii Early Learning Profile (HELP) as an assessment tool. Additionally, the ChildPlus Family Outcomes is used as an assessment tool. The benchmarks used include the Head Start Early Learning Outcomes Framework (ELOF) and the Illinois Early Learning Guidelines, both of which support the Parents as Teachers Curriculum. The Parents as Teachers Curriculum also supports both forms of benchmarks. However, the HELP, the ELOF, and the Illinois Early Learning Guidelines are organized by domains and then broken down into ages compared to the PAT which is organized by age and has all of the domains integrated within the curriculum.

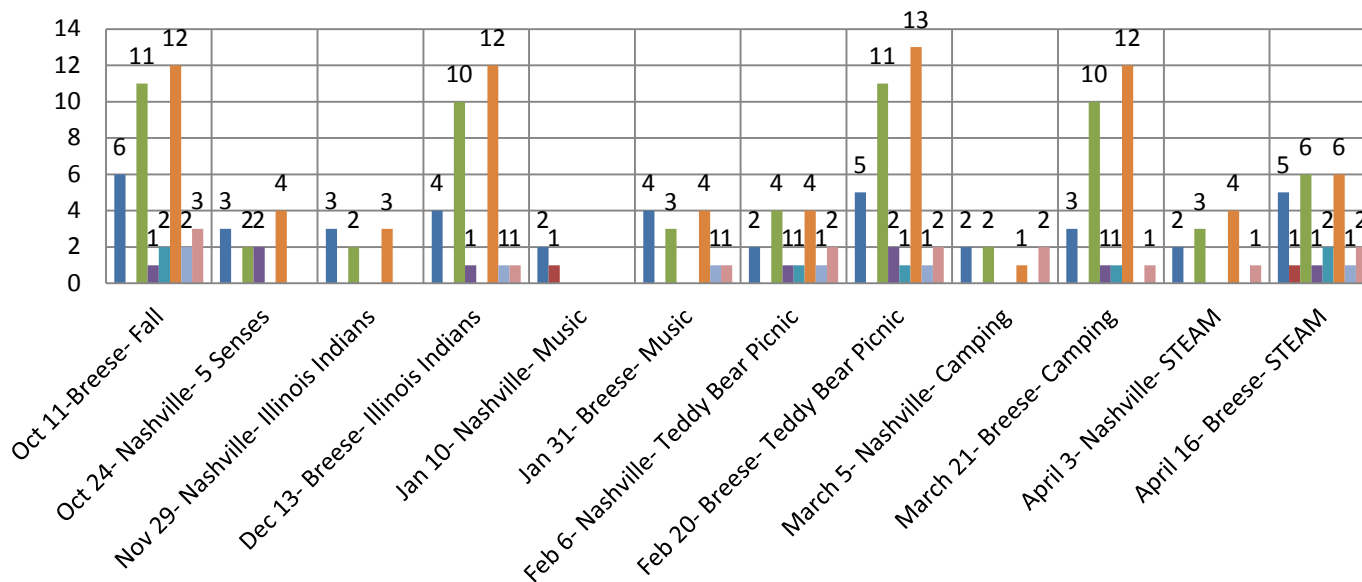
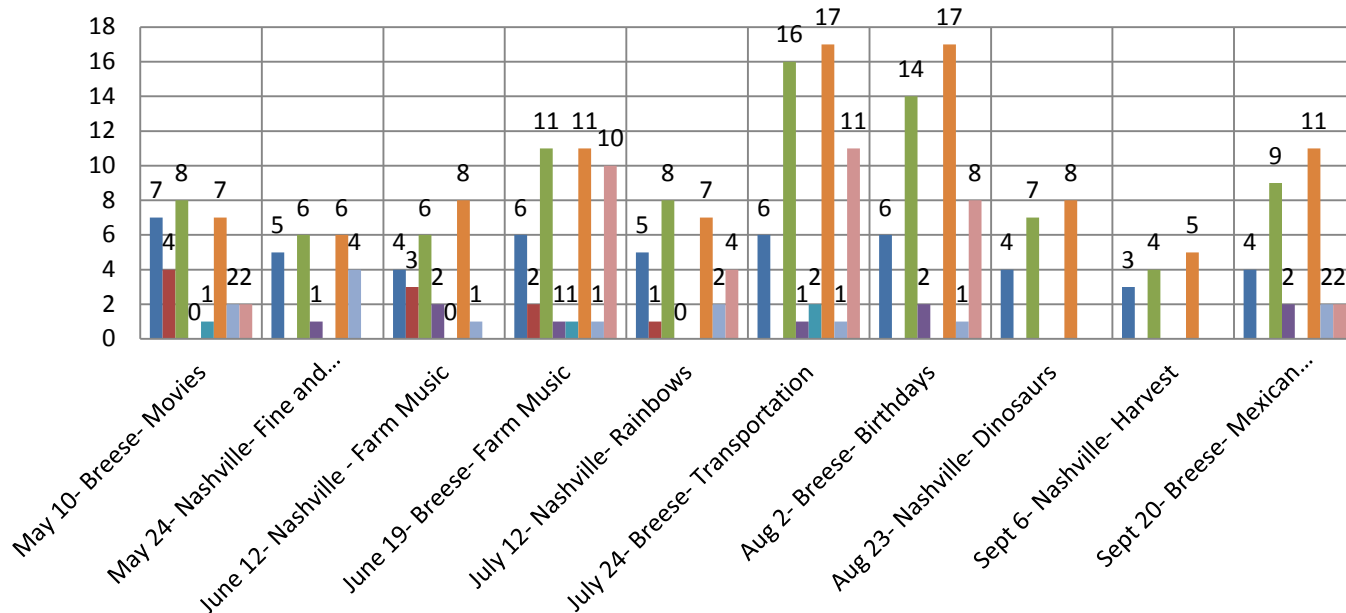
| Domain | Goals |
|---|---|
| Approaches to Learning | <u>Regulatory/Sensory</u> Children are able to organize a variety of sensory experiences that support learning, imagination, exploration, and creativity. |
| Cognition | <u>Spatial Relationships</u> Children will learn about spatial relationships, including containers, gravity effects on objects, depth perception, and dimensionality that are appropriate for their age. |
| Language and Literacy | <u>Understanding and Following Directions</u> Children have age-appropriate receptive language skills, including understanding meaning of words and gestures and understanding and following directions. <u>Communicating with others- Verbally</u> Children have age-appropriate expressive language skills, including communicating with gestures and words, sharing experiences, answering and asking questions, and participate in storytelling. |
| Perceptual, Motor, and Physical Development | <u>Mobility and Transitional Movements</u> Children have age appropriate gross motor and mobility skills, including rolling, sitting, walking, and jumping. <u>Grasp/Prehension</u> Children have age appropriate fine motor skills such as grasping, raking, poking, pointing, holding a crayon, and holding a pencil. |
| Social and Emotional Development | <u>Learning Rules and Expectations</u> Children begin to understand and internalize basic social rules and expectations appropriate for their age and culture. |
| Self-Help | <u>Grooming and Hygiene/ Toileting</u> Children will develop age appropriate self-help skills, especially with daily routines, learning how to maintain hygiene, and toilet training. |
| Health | Families will follow the recommendations from the American Academy of Pediatrics in regards to screen time for children under 3 years old. |

Parent Involvement and Community Partnerships

1st Step Early Head Start is centered on the family as a whole by offering families a sense of belonging, support services, and the chance to be involved in activities to help the whole family. Parent involvement is promoted through family playgroups, Policy Council, Parent Committees, community classes and larger socializations/field trips. Early Head Start parents, children, and staff come together at least two times per month for a two hour playgroup. 1st Step's activities, programs, and educational trainings are constantly and consistently being re-evaluated and modified in order to meet the needs and interest of the families.

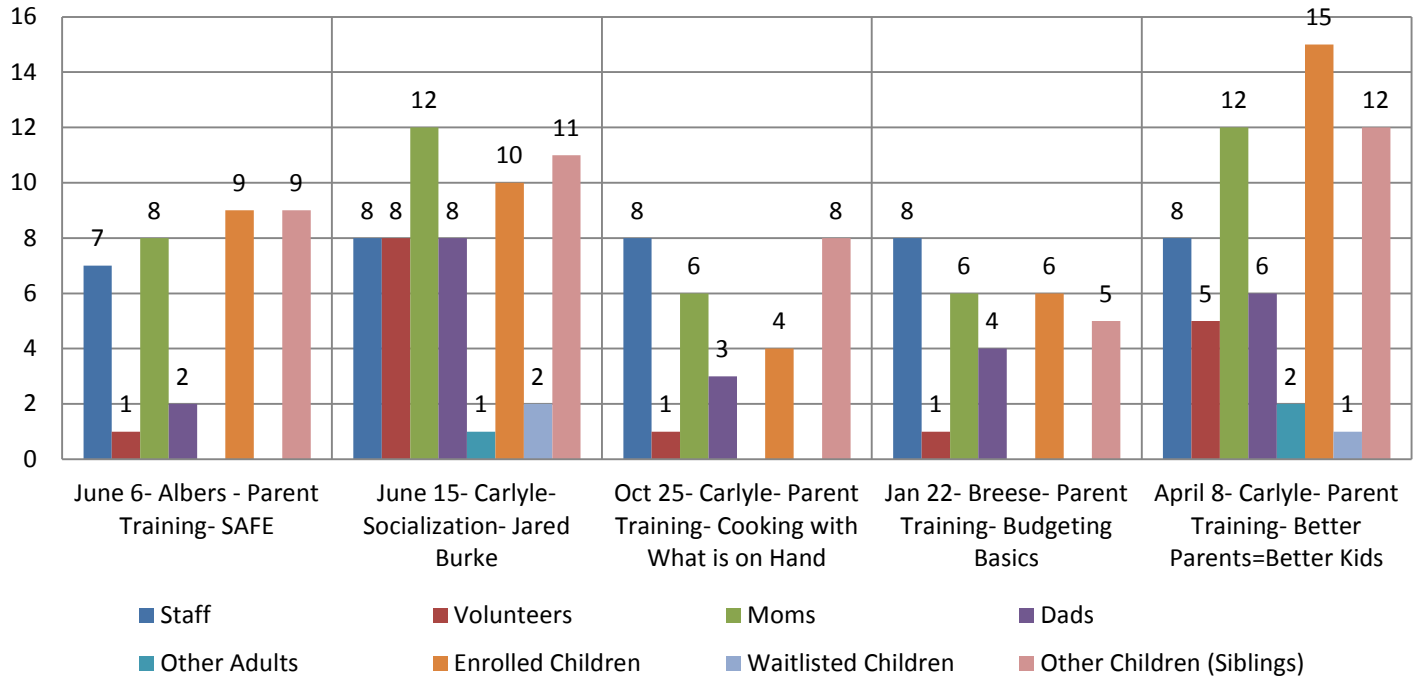


Playgroup Attendance



■ Staff
 ■ Volunteers
 ■ Moms
 ■ Dads
■ Other Adults
 ■ Enrolled Children
 ■ Waitlisted Children
 ■ Other Children (Siblings)

Other 1st Step Events Attendance





ADMINISTRATION FOR
CHILDREN & FAMILIES

Office of Head Start | 8th Floor Portals Building, 1250 Maryland Ave, SW, Washington DC 20024 | eclkc.ohs.acf.hhs.gov

To: Board Chairperson

Mr. Wesley Gozia
Board Chairperson
Community Link, Inc.
1665 N 4th St.
Breese, IL 62230-1791

From: Responsible HHS Official

Dr. Blanca Enriquez
Director, Office of Head Start

Blanca E. Enriquez / 11/3/15
Date

Overview of Findings

From 10/5/15 to 10/9/2015, the Administration for Children and Families (ACF) conducted a Fiscal/ERSEA (Eligibility, Recruitment, Selection, Enrollment, and Attendance) review event for the Community Link, Inc. Early Head Start program. We wish to thank the governing body, Policy Council, staff, and parents of your program for their cooperation and assistance during the review event. This Head Start Review Event Report has been issued to Mr. Wesley Gozia, Board Chairperson, as legal notice to your agency of the results of the on-site review event.

Based on the information gathered, no area of noncompliance was found during the course of the review. Accordingly, no corrective action is required at this time.

During your review, the team used a sampling methodology that included a random selection of child files. If your report includes findings related to evidence that involved sampling, the finding narratives in your report include specific percentages from each sample that were determined by dividing the number of issues found by the total sample size. This methodology, which uses statistically driven random samples, allows the OHS to use information collected through the representative samples to make generalizations regarding your program as a whole.

For example, if, during your review, the reviewer(s) examined a sample of 45 child files, the finding narrative will indicate the percentage of files that were id

Please contact your ACF Regional Office with any questions or concerns you may have about this report.

Distribution of the Head Start Review Report

Copies of this report will be distributed to the following recipients:

Ms. Kay Willmoth, Regional Program Manager
Mrs. Bonita Phillips, Policy Council Chairperson
Mr. John Huelskamp, CEO/Executive Director
Mrs. Laurie Hemker, Head Start Director

Overview Information

| | |
|------------------------|-----------------------------|
| Review Type: | <i>Fiscal/ERSEA</i> |
| Organization: | <i>Community Link, Inc.</i> |
| Program Type: | <i>Early Head Start</i> |
| Field Lead: | <i>Ms. Stephanie Moore</i> |
| Funded Enrollment HS: | <i>Not Applicable</i> |
| Funded Enrollment EHS: | <i>54</i> |

Glossary

A glossary of terms has been included to explain the various terms used throughout this report.

| Term | Definition |
|--------------------------------|--|
| Compliance Measure (CM) | The specific statements that collectively assess the level of program performance for each Key Indicator, focusing on one or more Federal regulations critical to the delivery of quality services and the development of strong management systems. |
| Strength | A new and/or unique way of reaching the community. |
| Compliant | No findings. Meets requirements of Compliance Measure. |
| Concern | An area or areas of performance which need improvement or technical assistance. These items should be discussed with the Regional Office and do not include a timeframe for correction. |
| Noncompliance | A finding that indicates the agency is out of compliance with Federal requirements (including, but not limited to, the Head Start Act or one or more of the performance standards) in an area or areas of program performance, but does not constitute a deficiency. Noncompliances require a written timeline of correction and possible technical assistance (TA) or guidance from their program specialist, and if not corrected within the specified timeline, can become a deficiency. |
| Deficiency | <p>An area or areas of performance in which an Early Head Start or Head Start grantee agency is not in compliance with State or Federal requirements (including but not limited to, the Head Start Act or one or more of the regulations) and which involves:</p> <p>(A) A threat to the health, safety, or civil rights of children or staff;</p> <p>(B) A denial to parents of the exercise of their full roles and responsibilities related to program governance;</p> <p>(C) A failure to perform substantially the requirements related to Early Childhood Development and Health Services, Family and Community Partnerships, or Program Design and Management; or</p> <p>(D) The misuse of Head Start grant funds.</p> <p>(ii) The loss of legal status or financial viability, as defined in part 1302 of this title, loss of permits, debarment from receiving Federal grants or contracts or the improper use of Federal funds; or</p> <p>(iii) Any other violation of Federal or State requirements including, but not limited to, the Head Start Act or one or more of the performance standards of this title, and which the grantee has shown an unwillingness or inability to correct within the period specified by the responsible HHS official, of which the responsible HHS official has given the grantee written notice of pursuant to section 1304.61.</p> |

Fiscal Integrity

| CM# | Compliance Measure | Compliance Level |
|----------------|---|--|
| FIS 1.1 | The grantee's financial management systems provide for effective control over and accountability for grant and sub-grant funds, property, and other assets and ensure they are used solely for authorized purposes. | Compliant 75.302(b)(4-5), 75.352(d)(1-3), 75.352(f-g), 75.501(b) |
| FIS 1.2 | The grantee sought and received prior approval in writing for budget changes where prior approval is required and obtained approval for hiring designated key personnel. | Compliant 75.308(b), 75.308(c)(1-3) |
| FIS 1.3 | The grantee has obtained and maintained required insurance coverage for risks and liabilities. | Compliant 1301.11(a-b), 75.317 |
| FIS 2.1 | Financial reports and accounting records are timely and complete and contain accurate information pertaining to grant or sub-grant awards, authorizations, obligations, unobligated balances, assets, liabilities, outlays (total expenditures), income, and interest. Reports include: <ul style="list-style-type: none"> • SF-425 (paper-based Federal Financial Report filed with the Regional Office) • SF-425 (web-based Federal Cash Transactions Report filed with Division of Payment Management) • USDA/Child and Adult Care Food Program (CACFP) reports | Compliant 1304.23(b)(1)(i), 1304.51(h), 75.302(b)(2-3) |
| FIS 3.1 | The grantee implemented procurement procedures that met, at a minimum, all requirements specified in the applicable Federal, State, and local statutes, regulations, and administrative rules for Federal grants, including a written code or standards of conduct governing the performance of its employees engaged in awarding and administering contracts. The grantee can demonstrate that contractual agreements were met. | Compliant 1309.54, 642(e)(1)(E)(iv)(X)(aa), 75, App II (B, B), 75.327(b), 75.327(c)(1-2), 75.327(h-i), 75.328(a)(1-7), 75.328(b), 75.329(a-b), 75.329(f)(1-4), 75.403(a-g), 75.509(a-c) |
| FIS 4.1 | Original time records are prepared and properly signed by the individual employee and approved by a responsible supervisory official, and an appropriate methodology is used to allocate salaries among Head Start and other programs. | Compliant 75.430(h)(1)(i-ii), 75.430(h)(2-3), 75.430(h)(4)(i-v), 75.430(h)(5)(i-ii), 75.430(h)(6), 75.430(h)(7)(i-ii), 75.430(h)(8), 75.430(i)(1)(i-vii), 75.430(i)(1)(viii)(A-C), 75.430(i)(3-4), 75.430(i)(5)(i)(A-C), 75.430(i)(5)(ii-iii), 75.430(i)(6-8) |
| FIS 4.2 | Head Start or Early Head Start grant funds are not used as any part of the monetary compensation (e.g. salary, bonuses, severance) of an individual employed by the grantee who is paid at an annual rate in excess of Executive Level II (\$183,300, effective January 2015). | Compliant 653(b) |
| FIS 4.3 | Total compensation for personal services, including employee wages and incentive-compensation payments, charged to the grant are allowable and reasonable. | Compliant 75.430(a)(1), 75.430(b-f) |
| FIS 5.1 | The grantee has implemented procedures to determine allowability, allocability, and | Compliant |

| | | |
|----------------|---|--|
| | reasonableness of costs charged against its Head Start and Early Head Start (EHS) grant awards as required by the applicable cost principles. If the grantee is required to allocate costs among funding sources (including Head Start and EHS awards), the program utilizes a method for allocating costs that reflects the relative degree of benefit for each program receiving the benefit of the allocated cost. | 75.309(a), 75.404(a-e), 75.405(a)(1, 3), 75.405(b-c, e) |
| FIS 5.2 | Indirect cost charges are supported by a negotiated Indirect Cost Rate Agreement, are claimed under a valid election to charge a de minimis rate or are included in a written, internally maintained cost allocation plan identifying a reasonable basis for allocating all shared costs of the organization. | Compliant 1301.32, 75.405(a)(2), 75.405(d), 75.414(f) |
| FIS 5.3 | The grantee can demonstrate all contributions of non-Federal share (NFS), including cash and third-party in-kind, are necessary and reasonable for accomplishing program objectives, allowable under applicable cost principles, and allocable if also benefiting another award. Financial records are sufficient and support the verification of adherence to applicable cost principles. | Compliant 75.306(b)(1-5), 75.306(e-g), 75.306(i)(1-3), 75.434(d) |
| FIS 5.4 | During each funding period reviewed, the grantee charged to the award only costs resulting from obligations incurred during the funding period. | Compliant 75.309(a) |
| FIS 6.1 | The grantee has established the allowability of costs for owned or leased facilities and has adequately protected any Federal Interest in facilities through the filing of Notices of Federal Interest, insurance, and maintenance of property records. Compensation for the use of facilities owned by the grantee, a delegate agency, or other related party was through depreciation or use allowance based on the cost of the facility (excluding costs paid by Head Start). The grantee obtained advanced Regional Office permission for any mortgage or loan agreements using collateral property acquired or subject to major renovation using Head Start funds and has ensured that mortgage/loan agreements include the required provisions. There were no occupancy costs charged to the Head Start award in connection with a facility owned by the grantee or a delegate agency (or occupancy costs for these facilities were below the testing threshold). | N/A 1309.10, 1309.20, 1309.21(b), 1309.21(d)(1-3), 1309.21(d)(4)(i-iii), 1309.22(a-c), 1309.23(a)(1-2), 1309.23(b), 1309.31(b), 1309.40, 75.436(a-b), 75.436(c)(1-4), 75.436(d)(1-5), 75.436(e), 75.465(a-b), 75.465(c)(1-3), 75.465(c)(4)(i-vii), 75.465(c)(5-6) |
| FIS 6.2 | The grantee has safeguarded equipment purchased using Head Start funds by maintaining complete and accurate equipment records, verifying the accuracy of records by conducting a physical inventory, and following disposition requirements. The grantee obtained advance Regional Office permission for any encumbrance of equipment acquired using Head Start funds. | Compliant 75.320(a)(2), 75.320(d)(1-2), 75.320(e)(1-4) |

ERSEA

| CM# | Compliance Measure | Compliance Level |
|------------------|--|---|
| ERSEA 2.1 | Program staff verified each child's eligibility and included in each file a statement signed by a program employee identifying the child's eligibility category and the documents examined to determine eligibility. | Compliant 1305.4(c-e) |
| ERSEA 2.2 | The program enrolls children who are categorically eligible (who fall within defined income-eligibility requirements). Defined Eligibility Requirements include: <ul style="list-style-type: none"> • Family income is below the poverty line • Family or child receives public assistance (SSI and TANF) • Family is homeless | Compliant 645(a)(1)(B)(iii)(I-II) |

- Child is a foster child
- Additional income-eligibility requirements:
- Ten percent of children enrolled in the program may be over the income threshold
 - An additional 35 percent of children who are not categorically eligible may be from families whose income is between 100 and 130 percent of poverty

| | | |
|------------------|--|---|
| ERSEA 3.1 | Actual program enrollment is composed at least 10 percent of children with disabilities. | Compliant 1308.5(c)(1-4), 640(d)(1) |
|------------------|--|---|

| | | |
|------------------|--|----------------------------|
| ERSEA 3.2 | The program enrolled 100% of its funded enrollment and ensures an active and ranked waiting list is maintained at all times. | Compliant 642(g) |
|------------------|--|----------------------------|

— END OF REPORT —

Community Link Inc

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2018 and 2017

Community Link Inc
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GLASS AND SHUFFETT, LTD.

Members:
American Institute of
Certified Public Accountants
Illinois Society of
Certified Public Accountants

Certified Public Accountants
1819 West McCord
P.O. Box 489
Centralia, Illinois 62801
(618) 532-5683
FAX (618) 532-5684

Associate Office
961 Fairfax
P.O. Box 322
Carlyle, Illinois 62231
618-594-4737

INDEPENDENT AUDITORS' REPORT

September 19, 2018

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, 2018 and 2017, 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, 2018 and 2017, 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 19, 2018

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2018, 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,

Glass and Shuffett, Ltd.

Centralia, Illinois

GLASS AND SHUFFETT, LTD.

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INDEPENDENT AUDITORS' 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 19, 2018

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, 2018 and 2017, 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 19, 2018.

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 19, 2018

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,

Glass and Shuffett, Ltd.

Centralia, Illinois

Community Link Inc
STATEMENT OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------|----------------------------|----------------------------|
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 1,272,133 | \$ 1,235,809 |
| Cash in Bank -- Reserves | 14,794 | 14,975 |
| Investments | 20,451 | 23,167 |
| Accounts Receivable -- Trade | 635,766 | 553,495 |
| Prepaid Expenses | <u>118,931</u> | <u>142,117</u> |
| Total Current Assets | <u>2,062,075</u> | <u>1,969,563</u> |
| Property and Equipment: | | |
| Land and Land Improvements | 420,572 | 335,572 |
| Buildings and Improvements | 4,971,469 | 4,224,907 |
| Furniture, Fixtures and Equipment | 206,655 | 196,313 |
| Vehicles | <u>762,215</u> | <u>672,836</u> |
| Total Cost | 6,360,911 | 5,429,628 |
| Less -- Accumulated Depreciation | <u>2,945,288</u> | <u>2,760,791</u> |
| Net Property and Equipment | <u>3,415,623</u> | <u>2,668,837</u> |
| Total Assets | <u><u>\$ 5,477,698</u></u> | <u><u>\$ 4,638,400</u></u> |

EXHIBIT A

LIABILITIES AND NET ASSETS

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Current Liabilities: | | |
| Accounts Payable | \$ 134,607 | \$ 58,277 |
| Notes Payable -- Due Within One Year | 211,290 | 176,708 |
| Package Insurance Payable | 74,463 | 68,442 |
| Accrued Expenses | 203,317 | 180,226 |
| Compensated Absences Payable | 149,804 | 146,969 |
| Total Current Liabilities | <u>773,481</u> | <u>630,622</u> |
| Long Term Liabilities (Due After One Year): | | |
| Notes Payable | <u>1,730,591</u> | <u>1,795,575</u> |
| Total Long Term Liabilities | <u>1,730,591</u> | <u>1,795,575</u> |
| Total Liabilities | <u>2,504,072</u> | <u>2,426,197</u> |
| Net Assets: | | |
| Unrestricted | <u>2,973,626</u> | <u>2,212,203</u> |
| Total Liabilities and Net Assets | <u>\$ 5,477,698</u> | <u>\$ 4,638,400</u> |

See accompanying notes to financial statements.

EXHIBIT B

Community Link Inc
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Support and Revenue: | | |
| Support | | |
| Grants | \$ 757,676 | \$ 837,108 |
| Contributions | 1,119,602 | 356,671 |
| Total Support | <u>1,877,278</u> | <u>1,193,779</u> |
| Revenue: | | |
| Fees for Services | 5,881,352 | 5,554,312 |
| Investment Income | 3,377 | 2,090 |
| Other Income | 584,917 | 432,086 |
| Gain (Loss) on Sale of Assets | 5,382 | 34,727 |
| Total Revenue | <u>6,475,028</u> | <u>6,023,215</u> |
| Total Support and Revenue | <u>8,352,306</u> | <u>7,216,994</u> |
| Expenses: | | |
| Program Services: | | |
| Adult Day Programs | 3,698,535 | 3,854,125 |
| Community Living Programs | 2,175,797 | 1,850,851 |
| Infant Programs | 756,956 | 681,780 |
| Funding Development | 194,901 | 165,838 |
| General and Administrative Services | <u>718,098</u> | <u>684,918</u> |
| Total Expenses | <u>7,544,287</u> | <u>7,237,512</u> |
| Other Changes in Net Assets: | | |
| Capital Assets Expensed Per Grant Award | - | 76,352 |
| Depreciation on Capital Assets Expensed | <u>(37,070)</u> | <u>(43,386)</u> |
| Total Other Changes in Net Assets | <u>(37,070)</u> | <u>32,966</u> |
| Change in Unrestricted Net Assets | 770,949 | 12,448 |
| Unrestricted Net Assets, Beginning of Year | 2,212,203 | 2,217,087 |
| Prior Period Adjustment | <u>(9,526)</u> | <u>(17,332)</u> |
| Unrestricted Net Assets, End of Year | <u>\$ 2,973,626</u> | <u>\$ 2,212,203</u> |

See accompanying notes to financial statements.

EXHIBIT C

Community Link Inc
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Cash Flows Used for Operating Activities: | | |
| Change in Unrestricted Net Assets | \$ 770,949 | \$ 12,448 |
| Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation | 252,972 | 230,359 |
| Prior Period Adjustment | (9,526) | (17,332) |
| (Increase) Decrease in Accounts Receivable | (82,271) | 12,460 |
| (Increase) Decrease in Prepaid Expenses | 23,186 | (12,942) |
| Increase (Decrease) in Accounts Payable and Accrued Expenses | 105,442 | (16,529) |
| Increase (Decrease) in Compensated Absences Payable | 2,835 | 236 |
| Total Adjustments | <u>292,638</u> | <u>196,252</u> |
| Net Cash Provided by Operating Activities | <u>1,063,587</u> | <u>208,700</u> |
| Cash Flows from Investing Activities: | | |
| Proceeds from Sale of Investments | 25,000 | - |
| Purchase of Investments | (22,284) | (23,167) |
| Purchase of Fixed Assets | (1,001,033) | (375,372) |
| Unrecovered Cost of Assets Sold | 1,274 | 1,475 |
| | <u>(997,043)</u> | <u>(397,064)</u> |
| Cash Flows from Financing Activities: | | |
| Loan Proceeds | 157,369 | 400,000 |
| Principal Payments on Notes Payable | (187,770) | (177,740) |
| | <u>(30,401)</u> | <u>222,260</u> |
| Net Increase (Decrease) in Cash and Equivalents | 36,143 | 33,896 |
| Cash and Equivalents at Beginning of Year | <u>1,250,784</u> | <u>1,216,888</u> |
| Cash and Equivalents at End of Year | <u>\$ 1,286,927</u> | <u>\$ 1,250,784</u> |
| Supplemental Data: | | |
| Interest Paid | <u>\$ 63,866</u> | <u>\$ 58,712</u> |

See accompanying notes to financial statements.

Community Link Inc
Statement of Functional Expenses
For the Year Ended June 30, 2018

| | Program Services | | | | | General and Administrative | Total |
|------------------------------------|--------------------|-----------------|-----------------|-------------|------------|----------------------------|-------|
| | Adult Day Programs | Community | | Funding | | | |
| | | Living Programs | Infant Programs | Development | | | |
| Expenses | | | | | | | |
| Staff Salaries | \$ 1,860,046 | \$ 1,376,110 | \$ 299,249 | \$ 124,308 | \$ 402,242 | \$ 4,061,955 | |
| Payroll Taxes | 138,517 | 104,216 | 22,022 | 8,425 | 29,150 | 302,330 | |
| Fringe Benefits | 364,085 | 255,318 | 56,320 | 12,391 | 52,230 | 740,344 | |
| Consultants | 17,891 | - | 182,015 | - | 15,512 | 215,418 | |
| Volunteer Wages | - | - | 101,641 | - | - | 101,641 | |
| Consumer Wages & Fringes | 322,383 | - | - | - | - | 322,383 | |
| Medical Supplies | 1,283 | 3,967 | - | - | - | 5,250 | |
| Office Supplies | 4,889 | 1,725 | 4,265 | 769 | 10,611 | 22,259 | |
| Program Supplies | 33,540 | 11,760 | 6,179 | - | - | 51,479 | |
| Housekeeping Supplies & Services | 19,389 | 27,530 | 615 | - | 1,474 | 49,008 | |
| Specific Assistance to Individuals | - | 318 | 1,323 | - | - | 1,641 | |
| Food | 51 | 62,759 | - | - | - | 62,810 | |
| Maintenance Supplies | 10,259 | 8,827 | 228 | - | 1,233 | 20,547 | |
| Rent | 5,524 | 2,805 | 6,600 | - | 25,417 | 40,346 | |
| Utilities | 56,809 | 45,866 | 5,426 | - | 6,625 | 114,726 | |
| Maintenance Service and Repairs | 36,704 | 38,440 | 4,102 | - | 5,174 | 84,420 | |
| Computer Repairs and Maintenance | 9,200 | 2,090 | 1,545 | 5,251 | 18,677 | 36,763 | |
| Insurance | 38,377 | 21,754 | 5,801 | - | 44,629 | 110,561 | |
| Travel and Transportation | 564,951 | 22,987 | 13,224 | 1,405 | 5,434 | 608,001 | |
| Telephone | 39,544 | 39,648 | 11,118 | - | 6,821 | 97,131 | |
| Staff Training and Conferences | 5,343 | 2,920 | 16,247 | 1,197 | 10,292 | 35,999 | |
| Dues and Subscriptions | 967 | 127 | 6,620 | 1,298 | 21,760 | 30,772 | |
| Small Equipment | 4,696 | 30,082 | 4,525 | - | 2,549 | 41,852 | |
| Public Relations | 25 | - | 73 | 891 | 2,409 | 3,398 | |
| Interest | 47,379 | 20,996 | 308 | - | 2,940 | 71,623 | |
| Miscellaneous Expenses | 15,217 | 3,198 | 1,643 | 38,966 | 36,704 | 95,728 | |
| Depreciation Expenses | 101,466 | 92,354 | 5,867 | - | 16,215 | 215,902 | |
| Total Expenses | \$ 3,698,535 | \$ 2,175,797 | \$ 756,956 | \$ 194,901 | \$ 718,098 | \$ 7,544,287 | |

(Continued on next page)

See accompanying notes to financial statements.

Community Link Inc
Statement of Functional Expenses
For the Year Ended June 30, 2017

| | Adult Day Programs | Program Services | | | General and Administrative | Total |
|------------------------------------|--------------------|---------------------------|-----------------|---------------------|----------------------------|--------------|
| | | Community Living Programs | Infant Programs | Funding Development | | |
| Expenses | | | | | | |
| Staff Salaries | \$ 1,912,573 | \$ 1,164,615 | \$ 288,027 | \$ 103,581 | \$ 386,024 | \$ 3,854,820 |
| Payroll Taxes | 155,576 | 104,118 | 20,655 | 7,211 | 28,227 | 315,787 |
| Fringe Benefits | 414,122 | 240,558 | 56,546 | 11,967 | 59,377 | 782,570 |
| Consultants | 24,983 | - | 117,060 | - | 15,731 | 157,774 |
| Volunteer Wages | - | - | 95,164 | - | - | 95,164 |
| Consumer Wages & Fringes | 260,918 | - | - | - | - | 260,918 |
| Medical Supplies | 1,069 | 2,986 | - | - | - | 4,055 |
| Office Supplies | 8,000 | 1,663 | 6,968 | 338 | 11,020 | 27,989 |
| Program Supplies | 29,244 | 10,470 | 4,870 | - | - | 44,584 |
| Housekeeping Supplies & Services | 19,476 | 21,996 | 1,651 | - | 1,767 | 44,890 |
| Specific Assistance to Individuals | - | - | 10,871 | - | - | 10,871 |
| Food | - | 70,453 | - | - | - | 70,453 |
| Maintenance Supplies | 10,457 | 8,246 | 1,006 | - | 312 | 20,021 |
| Rent | 5,181 | 2,657 | 6,600 | - | 25,310 | 39,748 |
| Utilities | 61,385 | 38,455 | 5,008 | - | 6,262 | 111,110 |
| Maintenance Service and Repairs | 27,246 | 13,291 | 4,875 | - | 3,110 | 48,522 |
| Computer Repairs and Maintenance | 11,592 | 2,060 | 2,564 | 5,411 | 17,296 | 38,923 |
| Insurance | 34,730 | 18,833 | 5,450 | - | 41,054 | 100,067 |
| Travel and Transportation | 588,502 | 22,393 | 5,848 | 853 | 4,921 | 622,517 |
| Telephone | 39,144 | 22,238 | 12,073 | - | 6,695 | 80,150 |
| Staff Training and Conferences | 12,113 | 5,117 | 11,846 | 251 | 5,391 | 34,718 |
| Dues and Subscriptions | 421 | 181 | 5,507 | 369 | 16,124 | 22,602 |
| Small Equipment | 80,457 | 13,135 | 11,151 | 110 | 2,930 | 107,783 |
| Public Relations | - | - | 56 | 387 | 3,397 | 3,840 |
| Interest | 49,434 | 7,605 | 366 | - | 3,133 | 60,538 |
| Miscellaneous Expenses | 14,767 | 7,349 | 2,073 | 35,360 | 30,576 | 90,125 |
| Depreciation Expenses | 92,735 | 72,432 | 5,545 | - | 16,261 | 186,973 |
| Total Expenses | \$ 3,854,125 | \$ 1,850,851 | \$ 681,780 | \$ 165,838 | \$ 684,918 | \$ 7,237,512 |

See accompanying notes to financial statements.

Community Link Inc
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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, 2018 and 2017 were \$252,972 and \$230,359, 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, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Illinois Department of Human Services -- | | |
| Title XX--DFI | \$ 61,799 | \$ 61,799 |
| Illinois Department of Transportation | - | 76,352 |
| Community M.H. Act (708) | 118,200 | 115,200 |
| U.S. Department of Health and | | |
| Human Services | 368,775 | 363,712 |
| United Way | 208,050 | 217,960 |
| Other | 852 | 2,085 |
| | <u>\$757,676</u> | <u>\$837,108</u> |

NOTE 3--ACCOUNTS RECEIVABLE

Accounts receivable consists of various receivables as follows:

| | <u>2018</u> | <u>2017</u> |
|---------------------------------------|------------------|------------------|
| Accounts Receivable—Trade | \$116,597 | \$ 71,533 |
| Illinois Department of Human Services | 241,086 | 176,912 |
| Long-term Care Facilities | 186,873 | 219,859 |
| U.S. Dept. of Health & Human | | |
| Services | 29,662 | 28,817 |
| Washington County Workshop | 1,879 | 1,879 |
| Central Billing Office (Medicaid) | 51,536 | 53,642 |
| 708 Board | 8,133 | 853 |
| | <u>\$635,766</u> | <u>\$553,495</u> |

Aging of accounts receivable at June 30, 2018, are as follows:

| | | |
|-----------------|------------------|-------------|
| 0-30 Days | \$495,233 | 78% |
| 31-60 Days | 53,615 | 8% |
| 61-90 Days | 48,216 | 8% |
| 91 Days or Over | <u>38,702</u> | <u>6%</u> |
| | <u>\$635,766</u> | <u>100%</u> |

Management believes all amounts to be collectible and an allowance for doubtful accounts to be unnecessary. Accounts receivable are not collateralized.

NOTE 4--CONCENTRATION OF CREDIT RISK

Cash Deposits

The Organization maintains bank accounts that are subject to custodial credit risk. At June 30, 2018, the Organization's bank balances of \$1,362,090 were fully insured or collateralized. The Organization has a signed agreement with First County Bank to maintain a sweep account for use in transferring their funds daily into a collateralized account for FDIC protection.

NOTE 5--INVESTMENTS – MARKETABLE SECURITIES

Investments are stated at fair value and are summarized as follows at June 30, 2018:

| | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain (Loss)</u> |
|------------------|-----------------|-------------------|-------------------------------|
| Corporate stocks | \$ 5,128 | \$ 5,128 | \$ - |
| Mutual Funds | <u>14,139</u> | <u>15,323</u> | <u>1,184</u> |
| | <u>\$19,267</u> | <u>\$20,451</u> | <u>\$1,184</u> |

NOTE 6--NOTES PAYABLE

First Bank, Breese, Illinois

At June 30, 2018, 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% | \$384,487 | \$36,666 |
| Fairview Heights Real Estate | 07-01-12 | 07-01-27 | 4.815% | <u>42,926</u> | <u>3,839</u> |
| | | | | <u>\$427,413</u> | <u>\$40,505</u> |

First County Bank, Trenton, Illinois

At June 30, 2018, 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> |
|---------------------|---------------------|-----------------|----------------------|--------------------|----------------------------|
| Trenton | | | | | |
| CILA Home | 05-30-17 | 05-31-23 | 3.95% | \$ 269,892 | \$ 9,758 |
| East Building | 09-05-14 | 09-05-19 | 3.75% | 341,493 | 24,884 |
| West Building | 09-05-14 | 09-05-19 | 3.75% | 306,295 | 22,320 |
| Chevy Cruze | 08-29-14 | 08-29-19 | 1.80% | 3,659 | 3,131 |
| Chevy Express | 05-06-15 | 05-06-20 | 1.80% | 13,116 | 6,786 |
| Chevy Impala | 02-08-16 | 02-08-21 | 1.99% | 6,908 | 2,599 |
| International Truck | 01-12-16 | 01-12-21 | 4.70% | 11,873 | 4,226 |
| Chevy Silverado | 05-16-18 | 05-16-21 | 2.70% | 27,067 | 9,040 |
| Ford T-350 | 09-20-17 | 09-20-22 | 2.75% | 40,368 | 8,979 |
| Ford E-450 | 10-02-17 | 10-02-22 | 2.50% | 55,756 | 11,309 |
| Dodge Grand Caravan | 05-23-18 | 05-23-21 | 2.70% | <u>18,247</u> | <u>6,094</u> |
| | | | | <u>\$1,094,674</u> | <u>\$109,126</u> |

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

NOTE 6--NOTES PAYABLE (CONTINUED)

Chrysler Capital

At June 30, 2018, 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>\$23,187</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, 2018, 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>\$236,655</u> | <u>\$6,587</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.

Illinois State Council Knights of Columbus Charities, Inc.

At June 30, 2018, the Organization was indebted to the Illinois State Council Knights of Columbus Charities, Inc., on two promissory notes, originally issued in the amount of \$218,000 and \$120,000.

| <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 | 03-22-13 | 04-10-20 | 0% | \$ 57,095 | \$31,143 |
| Germantown CILA Home | 06-09-17 | 06-09-24 | 0% | <u>102,857</u> | <u>17,143</u> |
| | | | | <u>\$159,952</u> | <u>\$48,286</u> |

The notes require monthly payments of \$2,595 and \$1,429 on the Breese 373 CILA Home and Germantown CILA Home, respectively, and are secured by real estate. Imputed interest on the zero percent loans for fiscal year 2018 is included in expense totaling \$7,757. The effective interest rate used was 4.0%.

Annual debt maturities for future years follow:

| | |
|------------|--------------------|
| 2019 | \$ 211,290 |
| 2020 | 210,017 |
| 2021 | 178,202 |
| 2022 | 160,809 |
| 2023 | 146,599 |
| Thereafter | <u>1,034,964</u> |
| | <u>\$1,941,881</u> |

NOTE 7--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, 2018, the Organization's reserved balance was invested in Certificates of Deposit totaled \$14,794.

The Organization has complied with the financial loan agreement for the year ended June 30, 2018.

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 -- \$54,000 or 100% of compensation, whichever is less
Maximum Employee Contribution -- \$18,000, age 50 and over catch up \$5,500

The cost of the plan for the year ended December 31, 2017, was \$75,439. Plan assets as of December 31, 2017, totaled \$3,244,046 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, 2018 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, 2018 and 2017, in the amounts of \$(9,526) and \$(17,332), respectively.

NOTE 11--FAIR VALUE MEASUREMENTS

The Organization's investments are reported at fair value in the accompanying statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

| | <u>6-30-18</u> | | <u>6-30-17</u> | |
|-----------------|--|-----------------|--|-----------------|
| | Fair Value Measurement at Reporting Date <u>Fair Value</u> <u>Using Level 1</u> | | Fair Value Measurement at Reporting Date <u>Fair Value</u> <u>Using Level 1</u> | |
| Corporate Stock | \$ 5,128 | \$ 5,128 | \$ - | \$ - |
| Mutual Fund | <u>15,323</u> | <u>15,323</u> | <u>23,167</u> | <u>23,167</u> |
| | <u>\$20,451</u> | <u>\$20,451</u> | <u>\$23,167</u> | <u>\$23,167</u> |

The fair value measurements accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consists of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs were used only when Level 1 inputs were not available.

Level 1 Fair Value Measurements

The fair value of mutual funds and corporate stocks are based on quoted market prices from active markets.

NOTE 12--OTHER CHANGES IN NET ASSETS

Grant expenditures are 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 \$37,070 and \$43,386 for fiscal years 2018 and 2017, respectively. Grant equipment acquired in fiscal year 2017 totaled \$76,352. No grant equipment was acquired in fiscal year 2018.

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, 2018 and 2017, the amount of services received was \$101,641 and \$95,164, respectively.

NOTE 13--IN-KIND CONTRIBUTIONS (CONTINUED)

Also, in-kind contributions are recognized for imputed interest on zero percent loans. At June 30, 2018 and 2017, interest was recognized totaling \$7,757 and \$4,507, respectively. See Note 6.

NOTE 14--SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 12, 2018, 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, 2015.

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, 2018 and 2017.

