

Community Link, Inc.

FINANCIAL STATEMENTS  
AND SUPPLEMENTAL DATA

June 30, 2011 and 2010

Community Link, Inc.  
TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| INDEPENDENT AUDITORS' REPORT .....  | 1-2         |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON<br>COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL<br>STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT</u><br><u>AUDITING STANDARDS</u> ..... | 3-4         |
| FINANCIAL STATEMENTS:   |             |
| <u>Exhibit</u>  |             |
| A    Statement of Financial Position .....  | 5           |
| B    Statement of Activities .....  | 6           |
| C    Statement of Cash Flows.....   | 7           |
| D    Statement of Functional Expenses .....   | 8-9         |
| NOTES TO FINANCIAL STATEMENTS .....   | 10-18       |
| SUPPLEMENTAL DATA:  |             |
| Consolidated Financial Report (CFR) .....   | 19-29       |
| Grant Report .....  | 30-31       |

# GLASS AND SHUFFETT, LTD.

Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

September 27, 2011

Board of Directors  
Community Link, Inc.  
Breese, Illinois 62230

We have audited the accompanying Statements of Financial Position of Community Link, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and its related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended. These basic financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We performed our audits 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, 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.

In accordance with Government Auditing Standards, we have also issued a separate report dated September 27, 2011, on our consideration of Community Link, Inc. internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information as listed in the table of contents is presented for the purposes of additional analysis as required by the Illinois Department of Human Services and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

# GLASS AND SHUFFETT, LTD.

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## 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, 2011

Board of Directors  
Community Link, Inc.  
Breese, Illinois 62230

We have audited the financial statements of Community Link, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated September 27, 2011. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Link, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Link, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 organization's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Link, Inc.'s financial statements are free of 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.

In accordance with SAS No. 114 *The Auditors' Communication with Those Charged with Governance* we have issued a separate letter dated September 27, 2011, to the Board of Directors addressing those required communications.

This report is intended for the information of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Community Link, Inc.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2011 and 2010

| <u>ASSETS</u>                         | <u>2011</u>  | <u>2010</u>  |
|---------------------------------------|--------------|--------------|
| Current Assets:                       |              |              |
| Cash on Hand and in Bank -- Operating | \$ 148,016   | \$ 436,935   |
| Cash in Bank -- Reserves              | 94,308       | 91,027       |
| Accounts Receivable -- Trade          | 1,356,782    | 1,513,465    |
| Prepaid Expenses                      | 56,976       | 72,528       |
|                                       | <hr/>        | <hr/>        |
| Total Current Assets                  | 1,656,082    | 2,113,955    |
|                                       | <hr/>        | <hr/>        |
| Property and Equipment:               |              |              |
| Land and Land Improvements            | 244,020      | 267,530      |
| Buildings and Improvements            | 3,157,703    | 3,150,005    |
| Furniture, Fixtures and Equipment     | 191,659      | 162,424      |
| Vehicles                              | 452,587      | 374,999      |
|                                       | <hr/>        | <hr/>        |
| Total Cost                            | 4,045,969    | 3,954,958    |
|                                       | <hr/>        | <hr/>        |
| Less -- Accumulated Depreciation      | 1,822,509    | 1,646,263    |
|                                       | <hr/>        | <hr/>        |
| Net Property and Equipment            | 2,223,460    | 2,308,695    |
|                                       | <hr/>        | <hr/>        |
|                                       | <hr/>        | <hr/>        |
| Total Assets                          | \$ 3,879,542 | \$ 4,422,650 |
|                                       | <hr/>        | <hr/>        |

## EXHIBIT A

LIABILITIES AND NET ASSETS

|   | <u>2011</u>  | <u>2010</u>  |
|---|--------------|--------------|
| Current Liabilities:                        |              |              |
| Accounts Payable                            | \$ 74,273    | \$ 131,058   |
| Notes Payable -- Due Within One Year        | 288,387      | 509,170      |
| Package Insurance Payable                   | 39,319       | 34,663       |
| W/C Insurance Assessment Payable            | 18,749       | 37,500       |
| Accrued Expenses                            | 160,399      | 213,460      |
| Compensated Absences Payable                | 125,184      | 143,743      |
|   | <hr/>        | <hr/>        |
| Total Current Liabilities                   | 706,311      | 1,069,594    |
|   | <hr/>        | <hr/>        |
| Long Term Liabilities (Due After One Year): |              |              |
| W/C Insurance Assessment Payable            | -            | 18,749       |
| Notes Payable                               | 1,422,998    | 1,728,951    |
|   | <hr/>        | <hr/>        |
| Total Long Term Liabilities                 | 1,422,998    | 1,747,700    |
|   | <hr/>        | <hr/>        |
| Total Liabilities                           | 2,129,309    | 2,817,294    |
|   | <hr/>        | <hr/>        |
| Net Assets:                                 |              |              |
| Unrestricted                                | 1,750,233    | 1,605,356    |
|   | <hr/>        | <hr/>        |
| Total Liabilities and Net Assets            | \$ 3,879,542 | \$ 4,422,650 |
|   | <hr/>        | <hr/>        |

See accompanying notes to financial statements.



## EXHIBIT B

Community Link, Inc.  
STATEMENT OF ACTIVITIES  
For the Years Ended June 30, 2011 and 2010

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| Support and Revenue:                       |                     |                     |
| Support                                    |                     |                     |
| Grants                                     | \$ 853,996          | \$ 991,653          |
| Contributions                              | 160,138             | 203,379             |
| Total Support                              | <u>1,014,134</u>    | <u>1,195,032</u>    |
| Revenue:                                   |                     |                     |
| Fees for Services                          | 5,442,990           | 5,183,536           |
| Investment Income                          | 51,280              | 3,517               |
| Other Income                               | 528,473             | 440,896             |
| Gain (Loss) on Sale of Assets              | (2,552)             | -                   |
| Total Revenue                              | <u>6,020,191</u>    | <u>5,627,949</u>    |
| Total Support and Revenue                  | <u>7,034,325</u>    | <u>6,822,981</u>    |
| Expenses:                                  |                     |                     |
| Program Services:                          |                     |                     |
| Adult Day Programs                         | 3,653,416           | 3,380,629           |
| Community Living Programs                  | 1,627,072           | 1,628,614           |
| Infant Programs                            | 762,684             | 796,698             |
| Funding Development                        | 36,347              | -                   |
| General and Administrative Services        | <u>853,751</u>      | <u>876,921</u>      |
| Total Expenses                             | <u>6,933,270</u>    | <u>6,682,862</u>    |
| Other Changes in Net Assets:               |                     |                     |
| Capital Assets Expensed Per Grant Award    | 76,056              | 79,992              |
| Depreciation on Capital Assets Expensed    | <u>(29,494)</u>     | <u>(5,819)</u>      |
| Total Other Changes in Net Assets          | <u>46,562</u>       | <u>74,173</u>       |
| Change in Unrestricted Net Assets          | 147,617             | 214,292             |
| Unrestricted Net Assets, Beginning of Year | 1,605,356           | 1,395,872           |
| Prior Period Adjustment                    | <u>(2,740)</u>      | <u>(4,808)</u>      |
| Unrestricted Net Assets, End of Year       | <u>\$ 1,750,233</u> | <u>\$ 1,605,356</u> |

See accompanying notes to financial statements.

## EXHIBIT C

Community Link, Inc.  
STATEMENT OF CASH FLOWS  
For the Years Ended June 30, 2011 and 2010

|   | <u>2011</u>       | <u>2010</u>       |
|---|-------------------|-------------------|
| Cash Flows Used for Operating Activities:   |                   |                   |
| Change in Unrestricted Net Assets   | \$ 147,617        | \$ 214,292        |
| Adjustments to Reconcile Change in Unrestricted Net Assets<br>to Net Cash Provided by Operating Activities: |                   |                   |
| Depreciation  | 178,594           | 150,496           |
| Prior Period Adjustment   | (2,740)           | (4,808)           |
| (Increase) Decrease in Accounts Receivable  | 156,683           | (374,387)         |
| (Increase) Decrease in Prepaid Expenses   | 15,552            | (445)             |
| (Increase) Decrease in Deposits   | -                 | 100               |
| Increase (Decrease) in Accounts Payable and Accrued Expenses  | (142,690)         | 7,615             |
| Increase (Decrease) in Unearned Income  | -                 | (2,800)           |
| Increase (Decrease) in Compensated Absences Payable   | (18,559)          | 5,913             |
| Total Adjustments   | <u>186,840</u>    | <u>(218,316)</u>  |
| Net Cash Provided by Operating Activities   | <u>334,457</u>    | <u>(4,024)</u>    |
| Cash Flows from Investing Activities:   |                   |                   |
| Purchase of Fixed Assets  | (119,421)         | (128,433)         |
| (Gain) Loss on Sale of Assets   | 2,552             | -                 |
| Proceeds from Sale of Assets  | 23,510            | -                 |
|   | <u>(93,359)</u>   | <u>(128,433)</u>  |
| Cash Flows from Financing Activities:   |                   |                   |
| Loan Proceeds   | 506,336           | 1,220,000         |
| Principal Payments on Notes Payable   | (1,033,072)       | (1,104,310)       |
|   | <u>(526,736)</u>  | <u>115,690</u>    |
| Net Increase (Decrease) in Cash and Equivalents   | (285,638)         | (16,767)          |
| Cash and Equivalents at Beginning of Year   | <u>527,962</u>    | <u>544,729</u>    |
| Cash and Equivalents at End of Year   | <u>\$ 242,324</u> | <u>\$ 527,962</u> |
| Supplemental Data:  |                   |                   |
| Interest Paid   | <u>\$ 107,517</u> | <u>\$ 115,359</u> |

See accompanying notes to financial statements.

Community Link, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2011

EXHIBIT D

|                                    | Program Services      |                              |                 |                        | Total Program<br>Services | General and<br>Administrative | Total Expenses |
|------------------------------------|-----------------------|------------------------------|-----------------|------------------------|---------------------------|-------------------------------|----------------|
|                                    | Adult Day<br>Programs | Community<br>Living Programs | Infant Programs | Funding<br>Development |                           |                               |                |
| Expenses                           |                       |                              |                 |                        |                           |                               |                |
| Staff Salaries                     | \$ 1,852,541          | \$ 1,006,278                 | \$ 306,020      | \$ 2,308               | \$ 3,167,147              | \$ 513,621                    | \$ 3,680,768   |
| Payroll Taxes                      | 148,184               | 82,077                       | 24,349          | 33                     | 254,643                   | 36,864                        | 291,507        |
| Fringe Benefits                    | 420,338               | 212,724                      | 53,452          | 60                     | 686,574                   | 66,145                        | 752,719        |
| Consultants                        | -                     | 5,479                        | 166,921         | 8,000                  | 180,400                   | 34,842                        | 215,242        |
| Volunteer Wages                    | -                     | -                            | 116,274         | -                      | 116,274                   | -                             | 116,274        |
| Consumer Wages & Fringes           | 235,885               | -                            | -               | -                      | 235,885                   | -                             | 235,885        |
| Medical Supplies                   | 3,023                 | 891                          | -               | -                      | 3,914                     | -                             | 3,914          |
| Office Supplies                    | 8,959                 | 1,816                        | 3,223           | 117                    | 14,115                    | 15,836                        | 29,951         |
| Program Supplies                   | 30,227                | 8,485                        | 6,557           | 4,553                  | 49,822                    | -                             | 49,822         |
| Housekeeping Supplies & Services   | 27,123                | 12,340                       | 473             | -                      | 39,936                    | 2,111                         | 42,047         |
| Specific Assistance to Individuals | -                     | 14,853                       | -               | 1,000                  | 15,853                    | -                             | 15,853         |
| Food                               | -                     | 61,792                       | -               | -                      | 61,792                    | -                             | 61,792         |
| Maintenance Supplies               | 16,712                | 4,778                        | 275             | -                      | 21,765                    | 1,376                         | 23,141         |
| Rent                               | 300                   | -                            | 6,600           | -                      | 6,900                     | 34,674                        | 41,574         |
| Utilities                          | 75,003                | 40,985                       | 5,345           | -                      | 121,333                   | 7,906                         | 129,239        |
| Maintenance Service and Repairs    | 35,971                | 11,276                       | 3,059           | 2,513                  | 52,819                    | 3,747                         | 56,566         |
| Computer Repairs and Maintenance   | 8,474                 | 1,693                        | 3,208           | 8                      | 13,383                    | 17,112                        | 30,495         |
| Insurance                          | 15,421                | 12,371                       | 5,067           | -                      | 32,859                    | 21,809                        | 54,668         |
| Travel and Transportation          | 505,030               | 26,335                       | 11,964          | 275                    | 543,604                   | 6,153                         | 549,757        |
| Telephone                          | 11,524                | 9,859                        | 7,707           | -                      | 29,090                    | 15,306                        | 44,396         |
| Staff Training and Conferences     | 2,680                 | 630                          | 30,971          | 121                    | 34,402                    | 4,099                         | 38,501         |
| Dues and Subscriptions             | 233                   | 214                          | 1,632           | 362                    | 2,441                     | 8,485                         | 10,926         |
| Small Equipment                    | 60,465                | 37,549                       | 6,342           | 6,118                  | 110,474                   | 7,287                         | 117,761        |
| Public Relations                   | 3,360                 | -                            | -               | 4,713                  | 8,073                     | 10,337                        | 18,410         |
| Interest                           | 93,779                | 19,824                       | -               | -                      | 113,603                   | 5,869                         | 119,472        |
| Miscellaneous Expenses             | 11,935                | 921                          | 1,112           | 6,166                  | 20,134                    | 33,356                        | 53,490         |
| Depreciation Expenses              | 86,249                | 53,902                       | 2,133           | -                      | 142,284                   | 6,816                         | 149,100        |
| Total Expenses                     | \$ 3,653,416          | \$ 1,627,072                 | \$ 762,684      | \$ 36,347              | \$ 6,079,519              | \$ 853,751                    | \$ 6,933,270   |

(Continued on next page)

Community Link, Inc.  
Statement of Functional Expenses  
For the Year Ended June 30, 2010

EXHIBIT D

|                                    | Program Services      |                              |                 | Total Program<br>Services | General and<br>Administrative | Total Expenses |
|------------------------------------|-----------------------|------------------------------|-----------------|---------------------------|-------------------------------|----------------|
|                                    | Adult Day<br>Programs | Community Living<br>Programs | Infant Programs |                           |                               |                |
| Expenses                           |                       |                              |                 |                           |                               |                |
| Staff Salaries                     | \$ 1,716,512          | \$ 1,022,715                 | \$ 286,650      | \$ 3,025,877              | \$ 498,288                    | \$ 3,524,165   |
| Payroll Taxes                      | 164,590               | 79,334                       | 38,380          | 280,304                   | 41,236                        | 321,540        |
| Fringe Benefits                    | 378,956               | 221,092                      | 43,072          | 643,120                   | 90,455                        | 733,575        |
| Consultants                        | -                     | 569                          | 131,847         | 132,416                   | 60,339                        | 192,755        |
| Volunteer Wages                    | -                     | -                            | 108,716         | 108,716                   | -                             | 108,716        |
| Consumer Wages & Fringes           | 186,630               | -                            | -               | 186,630                   | -                             | 186,630        |
| Medical Supplies                   | 1,941                 | 570                          | -               | 2,511                     | -                             | 2,511          |
| Office Supplies                    | 13,362                | 1,584                        | 5,608           | 20,554                    | 20,678                        | 41,232         |
| Program Supplies                   | 30,784                | 6,110                        | 7,362           | 44,256                    | -                             | 44,256         |
| Housekeeping Supplies & Services   | 19,863                | 12,744                       | 706             | 33,313                    | 1,480                         | 34,793         |
| Specific Assistance to Individuals | 49                    | 12,801                       | 680             | 13,530                    | -                             | 13,530         |
| Food                               | -                     | 63,584                       | -               | 63,584                    | -                             | 63,584         |
| Maintenance Supplies               | 18,307                | 1,607                        | 2,802           | 26,716                    | 506                           | 27,222         |
| Rent                               | 12,380                | 1,247                        | 7,665           | 25,292                    | 1,620                         | 26,912         |
| Utilities                          | 68,047                | 38,280                       | 4,989           | 111,316                   | 2,581                         | 113,897        |
| Maintenance Service and Repairs    | 40,909                | 19,169                       | 27,229          | 87,307                    | 1,398                         | 88,705         |
| Computer Repairs and Maintenance   | 16,227                | 4,735                        | 2,311           | 23,273                    | 14,712                        | 37,985         |
| Insurance                          | 16,763                | 13,035                       | 4,084           | 33,882                    | 20,170                        | 54,052         |
| Travel and Transportation          | 466,037               | 26,273                       | 13,034          | 499,344                   | 4,407                         | 503,751        |
| Telephone                          | 15,282                | 11,884                       | 8,351           | 35,517                    | 9,823                         | 45,340         |
| Staff Training and Conferences     | 1,589                 | 433                          | 9,598           | 11,620                    | 15,527                        | 27,147         |
| Dues and Subscriptions             | 275                   | 113                          | 2,973           | 3,361                     | 15,031                        | 18,392         |
| Small Equipment                    | 10,519                | 9,007                        | 87,207          | 106,733                   | 14,370                        | 121,103        |
| Public Relations                   | 730                   | -                            | 63              | 793                       | 19,001                        | 19,794         |
| Interest                           | 100,700               | 27,472                       | 587             | 128,759                   | 2,178                         | 130,937        |
| Miscellaneous Expenses             | 15,150                | 846                          | 1,275           | 17,271                    | 38,390                        | 55,661         |
| Depreciation Expenses              | 85,027                | 53,410                       | 1,509           | 139,946                   | 4,731                         | 144,677        |
| Total Expenses                     | \$ 3,380,629          | \$ 1,628,614                 | \$ 796,698      | \$ 5,805,941              | \$ 876,921                    | \$ 6,682,862   |

Community Link, Inc.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Community Link, Inc. is a not-for-profit community service agency whose goal is to promote the general welfare of adults and infants with developmental disabilities residing in Clinton County, Illinois, and surrounding area by fostering the development of programs in their behalf, providing rehabilitation and habilitation services, and assisting those individuals and their families in acquiring other needed services.

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.

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

### 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.

### H. Property and Equipment

Property, plant and equipment is 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, 2011 and 2010, were \$178,594 and \$150,496, 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 Department of Human Services and Community Mental Health Act. These grants are generally recognized in the year the grant is awarded.

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

### 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 with 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, 2011 and 2010:

|   | <u>2011</u>      | <u>2010</u>      |
|---|------------------|------------------|
| Illinois Department of Human Services                         | \$ 32,741        | \$196,452        |
| Illinois Department of Human Services --<br>Title XX--DFI     | 61,799           | 61,799           |
| Illinois Department of Transportation                         | 34,038           | -                |
| Illinois Department of Commerce and<br>Economic Opportunities | 50,746           | -                |
| Community M.H. Act (708)                                      | 91,200           | 79,124           |
| U.S. Department of Health and<br>Human Services               | 371,891          | 448,433          |
| United Way  | 211,581          | 205,845          |
|   | <u>\$853,996</u> | <u>\$991,653</u> |

### NOTE 3--ACCOUNTS RECEIVABLE

Accounts receivable consists of various receivables as follows:

|  | <u>2011</u>        | <u>2010</u>        |
|--|--------------------|--------------------|
| Accounts Receivable—Trade                                  | \$ 68,486          | \$ 40,331          |
| Illinois Department of Human Services                      | 289,748            | 324,173            |
| Long-term Care Facilities                                  | 919,593            | 1,087,478          |
| U.S. Dept. of Health & Human Services                      | 30,912             | 29,713             |
| Illinois Department of Commerce and Economic Opportunities | 5,075              | -                  |
| Washington County Workshop                                 | 1,879              | 1,879              |
| Central Billing Office (Medicaid)                          | 30,327             | 29,891             |
| Other  | 10,762             | -                  |
|  | <u>\$1,356,782</u> | <u>\$1,513,465</u> |

Aging of accounts receivable at June 30, 2011, are as follows:

|                 |                    |             |
|-----------------|--------------------|-------------|
| 0-30 Days       | \$ 731,351         | 54%         |
| 31-60 Days      | 25,549             | 2%          |
| 61-90 Days      | 198,210            | 15%         |
| 91 Days or Over | <u>401,672</u>     | <u>29%</u>  |
|                 | <u>\$1,356,782</u> | <u>100%</u> |

### NOTE 4--NOTES PAYABLE

At June 30, 2011, 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> |
|------------------------------|---------------------|-----------------|----------------------|------------------|----------------------------|
| Carlyle CILA Home            | 10-25-05            | 10-25-11        | 6.25%                | \$ 3,681         | \$ 3,681                   |
| Building Addition            | 12-05-02            | 04-24-20        | 6.25%                | 90,424           | 12,274                     |
| 2007 Dodge Vans              | 05-04-07            | 05-04-12        | 6.74%                | 10,651           | 10,651                     |
| 2008 Ford Van                | 10-12-07            | 10-12-12        | 6.74%                | 9,899            | 7,339                      |
| Fairview Heights Real Estate | 10-10-08            | 10-01-28        | 6.85%                | 659,928          | 20,447                     |
| West Building                | 12-16-08            | 12-16-11        | 7.00%                | <u>152,741</u>   | <u>152,741</u>             |
|                              |                     |                 |                      | <u>\$927,324</u> | <u>\$207,133</u>           |

At June 30, 2011, 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%                | <u>\$53,364</u> | <u>\$4,500</u>             |

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



NOTE 4--NOTES PAYABLE (CONTINUED)

At June 30, 2011, the Organization was indebted to the USDA - Rural Development as follows:

| <u>Description</u> | <u>Date of<br/>Note</u> | <u>Due<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Balance</u>   | <u>Due Within<br/>One Year</u> |
|--------------------|-------------------------|---------------------|--------------------------|------------------|--------------------------------|
| Buildings          | 12-7-94                 | 12-7-24             | 5.25%                    | <u>\$586,721</u> | <u>\$30,040</u>                |

The USDA - Rural Development originally approved two separate promissory notes totaling \$823,000 and \$85,000 for refinancing and improvements to Organization buildings. Principal payments commenced January 7, 1996, at \$5,095 per month. The notes are secured by a mortgage on the Organization's buildings.

At June 30, 2011, the Organization was indebted to the Illinois State Council Knights of Columbus Charities, Inc., on two promissory notes, originally issued in the amounts of \$192,000, and \$215,000, respectively, as follows:

| <u>Description</u>      | <u>Date of<br/>Note</u> | <u>Due<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Balance</u>   | <u>Due Within<br/>One Year</u> |
|-------------------------|-------------------------|---------------------|--------------------------|------------------|--------------------------------|
| Aviston CILA<br>Home    | 1-18-05                 | 1-18-12             | 0%                       | \$ 16,000        | \$ 16,000                      |
| Breese 555 CILA<br>Home | 7-25-08                 | 8-10-15             | 0%                       | <u>127,976</u>   | <u>30,714</u>                  |
|                         |                         |                     |                          | <u>\$143,976</u> | <u>\$ 46,714</u>               |

The notes require monthly payments of \$2,286, and \$2,560, respectively, and are secured by real estate. Imputed interest on these zero percent loans is included in expense totaling \$11,954. The effective interest rate used is 6.25%.

Annual debt maturities for future years follow:

|            |                    |
|------------|--------------------|
| 2012       | \$ 288,387         |
| 2013       | 104,490            |
| 2014       | 106,274            |
| 2015       | 111,012            |
| 2016       | 90,452             |
| Thereafter | <u>1,010,770</u>   |
|            | <u>\$1,711,385</u> |

#### NOTE 5--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 \$61,200.

The Organization has continued to fund the reserve with investment earnings in excess of the maximum required reserve balance. As of June 30, 2011, the Organization's reserved balance was invested in Certificates of Deposit totaled \$94,308.

The Organization has complied with the financial loan agreement for the year ended June 30, 2011.

#### NOTE 6--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<br><br>Property:<br>Property coverages, including special form policy for mine subsidence -- comprehensive 100% co-insurance, \$1,000 deductible:<br><br>Buildings are covered under Blanket #1 in the amount of \$8,691,073<br><br>Contents are covered under Blanket #2 in the amount of \$1,056,048   | 5-1-12            |                 |                 |   |            |            |   |            |            |   |            |            |   |            |            |  |            |            |  |
|   | <table><tr><th><u>Location</u></th><th><u>Property</u></th><th><u>Contents</u></th></tr><tr><td>8510 Old U.S. 50, Breese, IL<br/>-- Workshop</td><td>Blanket #1</td><td>Blanket #2</td></tr><tr><td>8510 Old U.S. 50, Breese, IL<br/>-- Gazebo</td><td>Blanket #1</td><td>Blanket #2</td></tr><tr><td>8510 Old U.S. 50, Breese, IL<br/>-- Storage Shed</td><td>Blanket #1</td><td>Blanket #2</td></tr><tr><td>1665 N. 4th St., Breese, IL<br/>-- Office/Workshop</td><td>Blanket #1</td><td>Blanket #2</td></tr><tr><td>1665 N. 4th St., Breese, IL<br/>-- Gazebo</td><td>Blanket #1</td><td>Blanket #2</td></tr></table> | <u>Location</u>   | <u>Property</u> | <u>Contents</u> | 8510 Old U.S. 50, Breese, IL<br>-- Workshop | Blanket #1 | Blanket #2 | 8510 Old U.S. 50, Breese, IL<br>-- Gazebo | Blanket #1 | Blanket #2 | 8510 Old U.S. 50, Breese, IL<br>-- Storage Shed | Blanket #1 | Blanket #2 | 1665 N. 4th St., Breese, IL<br>-- Office/Workshop | Blanket #1 | Blanket #2 | 1665 N. 4th St., Breese, IL<br>-- Gazebo | Blanket #1 | Blanket #2 |  |
| <u>Location</u>                                   | <u>Property</u>   | <u>Contents</u>   |                 |                 |   |            |            |   |            |            |   |            |            |   |            |            |  |            |            |  |
| 8510 Old U.S. 50, Breese, IL<br>-- Workshop       | Blanket #1  | Blanket #2        |                 |                 |   |            |            |   |            |            |   |            |            |   |            |            |  |            |            |  |
| 8510 Old U.S. 50, Breese, IL<br>-- Gazebo         | Blanket #1  | Blanket #2        |                 |                 |   |            |            |   |            |            |   |            |            |   |            |            |  |            |            |  |
| 8510 Old U.S. 50, Breese, IL<br>-- Storage Shed   | Blanket #1  | Blanket #2        |                 |                 |   |            |            |   |            |            |   |            |            |   |            |            |  |            |            |  |
| 1665 N. 4th St., Breese, IL<br>-- Office/Workshop | Blanket #1  | Blanket #2        |                 |                 |   |            |            |   |            |            |   |            |            |   |            |            |  |            |            |  |
| 1665 N. 4th St., Breese, IL<br>-- Gazebo          | Blanket #1  | Blanket #2        |                 |                 |   |            |            |   |            |            |   |            |            |   |            |            |  |            |            |  |

NOTE 6--INSURANCE COVERAGE (CONTINUED)

|                         | <u>Location</u>   | <u>Property</u> | <u>Contents</u> |
|-------------------------|---|-----------------|-----------------|
|                         | 1665 N. 4th., Breese, IL<br>-- Playground Equipment   | Blanket #1      | Blanket #2      |
|                         | 9815 Bunkurn Rd.,<br>Fairview Heights, IL<br>-- Vocational School   | Blanket #1      | Blanket #2      |
|                         | 9815 Bunkurn Rd.,<br>Fairview Heights, IL<br>-- Storage   | Blanket #1      | Blanket #2      |
|                         | 1665 N. 4th St., Breese, IL<br>-- Storage Shed  | Blanket #1      | Blanket #2      |
|                         | 771 Fairfax St., Carlyle, IL<br>-- CILA Home  | Blanket #1      | Blanket #2      |
|                         | 230 Keeven Drive,<br>Highland, IL<br>-- CILA Home   | Blanket #1      | Blanket #2      |
|                         | 1005 Church St.,<br>Germantown, IL<br>-- CILA Home  | Blanket #1      | Blanket #2      |
|                         | 245 N. 6th, Breese, IL<br>-- CILA Home  | Blanket #1      | Blanket #2      |
|                         | 599 West 2nd, Aviston, IL<br>-- CILA Home   | Blanket #1      | Blanket #2      |
|                         | 955 N. Plum, Breese, IL   | Contents only   | Blanket #2      |
|                         | 555 N. 6th, Breese, IL  | Blanket #1      | Blanket #2      |
|                         | Employee dishonesty--\$1,000,000, \$1,000 deductible  |                 |                 |
|                         | Money and securities--\$5,000 on/off premises,<br>\$500 deductible  |                 |                 |
| Philadelphia            | Computer/word processor equipment--<br>\$200,000 blanket for all locations,<br>100% co-insurance, \$500 deductible                  |                 | 5-1-12          |
| Philadelphia            | Earthquake and volcanic eruption--<br>blanket limit -- \$7,492,376,<br>5% deductible, same coverages<br>as listed on property above |                 | 5-1-12          |
| Erie Insurance<br>Group | Workers' compensation: statutory coverage;<br>Employers' liability: \$1,000,000 each accident/<br>each employee policy limit        |                 | 10-1-11         |

#### NOTE 6--INSURANCE COVERAGE (CONTINUED)

|              | <u>Location</u>  | <u>Property</u> | <u>Contents</u> |
|--------------|--|-----------------|-----------------|
| 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 |                 | 5-1-12          |
| Philadelphia | Excess blanket catastrophe liability policy--\$2 million over other limits   |                 | 5-1-12          |
| Philadelphia | Directors and officers liability coverage--\$1 million aggregate   |                 | 5-1-12          |
| Auto Owners  | FHA schedule bond--\$400,000   |                 | 10-1-11         |

#### NOTE 7--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 -- 3% of compensation  
Employer Matching Contribution -- 100% up to 2% of compensation  
Maximum Employer Contribution -- \$49,000 or 25% of salary  
Maximum Employee Contribution -- \$16,500, age 50 and over catch up \$5,500

The cost of the plan for the year ended December 31, 2010, was \$58,975. Plan assets as of December 31, 2010, totaled \$1,566,663 for all participants.

#### NOTE 8--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, 2011 totaled \$3,300 .

#### NOTE 9--PRIOR PERIOD ADJUSTMENTS/RECLASSIFICATIONS

Prior period adjustments were required for retro-active billing adjustments which increased (decreased) net assets for June 30, 2011 and 2010, in the amounts of \$(2,740) and \$(4,808), respectively.

#### NOTE 10--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, 2011 and 2010. All investments are recorded at fair market value on the statement of financial position.

#### NOTE 11--OTHER CHANGES IN NET ASSETS

Grant expenditures in fiscal year 2011 for the DCEO Recycling Grant and IDOT Vehicle Procurement program included equipment totaling \$42,018 and \$34,038, respectively. Also, in the previous year, equipment was acquired through the Early Head Start program totaling \$79,992. These costs were authorized costs to the grant programs. These assets are reported as a grant program expense in the year incurred to satisfy the expense reporting requirements of the grant. However, Generally Accepted Accounting Principles requires the cost of these assets to be depreciated over their estimated useful life. Therefore, the capital assets purchased from these grants are added back (\$76,056) and depreciation is recorded (\$29,494) on the Statement of Activities.

#### NOTE 12--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, 2011 and 2010, the amount of services received was \$116,274 and \$109,352, respectively.

Additional in-kind contributions are recognized for imputed interest on zero percent loans (\$11,954). See Note 4.

#### NOTE 13--SUBSEQUENT EVENTS

Management have evaluated subsequent events through September 27, 2011, the date the financial statements were available to be issued.

#### NOTE 14--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, 2008.

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, 2011 and 2010.

Community Link, Inc.

SUPPLEMENTAL DATA