

Community Link, Inc.

FINANCIAL STATEMENTS
AND SUPPLEMENTAL DATA

June 30, 2008 and 2007

Community Link, Inc.
TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT</u> <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)	19-25
Grant Report.....	26-27

GLASS AND SHUFFETT, LTD.

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

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

INDEPENDENT AUDITORS' REPORT

September 18, 2008

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, 2008 and 2007, 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, 2008 and 2007, 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 18, 2008, 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.

Board of Directors

September 18, 2008

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Community Link, Inc. taken as a whole. The "Schedule of Program Costs" (pages 19 through 25) and "Grant Report" (pages 26 and 27) are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, 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.

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

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 18, 2008

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, 2008, and have issued our report thereon dated September 18, 2008. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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.

Board of Directors
Community Link, Inc.

September 18, 2008

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 grants, 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 that are required to be reported under Government Auditing Standards.

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,

Glass and Shuffett, Ltd.

EXHIBIT A

LIABILITIES AND NET ASSETS

	<u>2008</u>	<u>2007</u>
Current Liabilities:		
Accounts Payable	\$ 94,589	\$ 85,855
Notes Payable -- Due Within One Year	155,838	130,028
Package Insurance Payable	37,172	35,840
W/C Insurance Assessment Payable	16,012	-
Accrued Expenses	224,115	176,241
Unearned Income	309,737	367,727
Compensated Absences Payable	129,994	113,254
	<u>967,457</u>	<u>908,945</u>
 Long Term Liabilities (Due After One Year):		
W/C Insurance Assessment Payable	48,036	-
Notes Payable	2,011,347	1,478,948
	<u>2,059,383</u>	<u>1,478,948</u>
 Total Long Term Liabilities		
	<u>2,059,383</u>	<u>1,478,948</u>
 Total Liabilities	<u>3,026,840</u>	<u>2,387,893</u>
 Net Assets:		
Unrestricted	<u>1,101,642</u>	<u>1,128,793</u>
 Total Liabilities and Net Assets	<u>\$ 4,128,482</u>	<u>\$ 3,516,686</u>

See accompanying notes to financial statements.

Community Link, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash on Hand and in Bank -- Operating	\$ 571,683	\$ 691,288
Cash in Bank -- Reserves	112,223	107,325
Accounts Receivable -- Trade	969,426	832,899
Prepaid Expenses	65,577	62,518
Deposit	100	100
	<hr/>	<hr/>
Total Current Assets	1,719,009	1,694,130
	<hr/>	<hr/>
Property and Equipment:		
Land and Land Improvements	267,530	182,530
Buildings and Improvements	3,063,142	2,436,505
Furniture, Fixtures and Equipment	277,673	331,781
Vehicles	326,614	275,366
	<hr/>	<hr/>
Total Cost	3,934,959	3,226,182
	<hr/>	<hr/>
Less -- Accumulated Depreciation	1,525,486	1,403,626
	<hr/>	<hr/>
Net Property and Equipment	2,409,473	1,822,556
	<hr/>	<hr/>
	<hr/>	<hr/>
Total Assets	\$ 4,128,482	\$ 3,516,686
	<hr/>	<hr/>

EXHIBIT B

Community Link, Inc.
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Support and Revenue:		
Support		
Grants	\$ 920,139	\$ 819,974
Contributions	351,081	423,974
Total Support	<u>1,271,220</u>	<u>1,243,948</u>
Revenue:		
Fees for Services	4,286,754	3,848,371
Investment Income	10,136	9,487
Other Income	498,769	349,466
Gain (Loss) on Sale of Assets	(703)	108,312
Total Revenue	<u>4,794,956</u>	<u>4,315,636</u>
Total Support and Revenue	<u>6,066,176</u>	<u>5,559,584</u>
Expenses:		
Program Services:		
Adult Day Programs	2,849,614	2,396,415
Community Living Programs	1,543,482	1,372,366
Infant Programs	937,647	932,170
General and Administrative Services	<u>760,154</u>	<u>682,669</u>
Total Expenses	<u>6,090,897</u>	<u>5,383,620</u>
Change in Unrestricted Net Assets	(24,721)	175,964
Unrestricted Net Assets, Beginning of Year	1,128,793	957,092
Prior Period Adjustment	<u>(2,430)</u>	<u>(4,263)</u>
Unrestricted Net Assets, End of Year	<u>\$ 1,101,642</u>	<u>\$ 1,128,793</u>

See accompanying notes to financial statements.

EXHIBIT C

Community Link, Inc.
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows Used for Operating Activities:		
Change in Unrestricted Net Assets	\$ (24,721)	\$ 175,964
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	124,856	129,824
Prior Period Adjustment	(2,430)	(4,263)
(Increase) Decrease in Accounts Receivable	(136,527)	(148,079)
(Increase) Decrease in Prepaid Expenses	(3,059)	40,479
Increase (Decrease) in Accounts Payable and Accrued Expenses	121,988	36,027
Increase (Decrease) in Unearned Income	(57,990)	312,874
Increase (Decrease) in Compensated Absences Payable	16,740	13,547
Total Adjustments	<u>63,578</u>	<u>380,409</u>
Net Cash Provided by Operating Activities	<u>38,857</u>	<u>556,373</u>
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(712,776)	(335,841)
Proceeds from Sale of Assets	300	192,250
(Gain) Loss on Sale of Assets	703	(108,312)
	<u>(711,773)</u>	<u>(251,903)</u>
Cash Flows from Financing Activities:		
Loan Proceeds	695,066	265,936
Principal Payments on Notes Payable	(136,857)	(169,395)
	<u>558,209</u>	<u>96,541</u>
Net Increase (Decrease) in Cash and Equivalents	(114,707)	401,011
Cash and Equivalents at Beginning of Year	<u>798,613</u>	<u>397,602</u>
Cash and Equivalents at End of Year	<u>\$ 683,906</u>	<u>\$ 798,613</u>
Supplemental Data:		
Interest Paid	<u>\$ 87,485</u>	<u>\$ 72,165</u>

See accompanying notes to financial statements.

Community Link, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2008

EXHIBIT D

	Program Services			Total Program Services	General and Administrative	Total Expenses
	Adult Day Programs	Community Living Programs	Infant Programs			
Expenses						
Staff Salaries	\$ 1,444,685	\$ 964,608	\$ 368,490	\$ 2,777,783	\$ 438,559	\$ 3,216,342
Payroll Taxes	123,394	75,160	27,657	226,211	33,296	259,507
Fringe Benefits	332,667	236,978	63,968	633,613	95,709	729,322
Consultants	53	880	86,843	87,776	25,161	112,937
Volunteer Wages	0	0	230,730	230,730	0	230,730
Consumer Wages & Fringes	215,549	0	0	215,549	0	215,549
Medical Supplies	1,825	589	57	2,471	0	2,471
Office Supplies	7,631	1,825	3,715	13,171	19,970	33,141
Program Supplies	14,962	6,979	3,062	25,003	0	25,003
Housekeeping Supplies & Services	31,604	12,797	3,060	47,461	3,709	51,170
Specific Assistance to Individuals	0	28,221	0	28,221	0	28,221
Food	0	1,646	22	1,668	0	1,668
Maintenance Supplies	18,251	5,457	428	24,136	949	25,085
Rent	0	0	24,614	24,614	0	24,614
Utilities	43,239	36,027	4,535	83,801	6,884	90,685
Maintenance Service and Repairs	19,980	11,869	3,174	35,023	2,618	37,641
Computer Repairs and Maintenance	26,278	3,925	1,076	31,279	6,385	37,664
Insurance	12,407	13,327	4,248	29,982	25,109	55,091
Travel and Transportation	408,783	24,193	31,827	464,803	3,969	468,772
Telephone	676	10,826	5,605	17,107	12,474	29,581
Staff Training and Conferences	4,860	722	12,445	18,027	8,566	26,593
Dues and Subscriptions	221	207	2,475	2,903	23,371	26,274
Small Equipment	16,794	11,178	54,412	82,384	977	83,361
Public Relations	0	0	0	0	11,303	11,303
Interest	50,746	42,089	727	93,562	5,421	98,983
Miscellaneous Expenses	13,557	513	1,593	15,663	28,670	44,333
Depreciation Expenses	61,452	53,466	2,884	117,802	7,054	124,856
Total Expenses	<u>\$ 2,849,614</u>	<u>\$ 1,543,482</u>	<u>\$ 937,647</u>	<u>\$ 5,330,743</u>	<u>\$ 760,154</u>	<u>\$ 6,090,897</u>

(Continued on next page)

Community Link, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2007

EXHIBIT D

	Program Services			Total Program Services	General and Administrative	Total Expenses
	Adult Day Programs	Community Living Programs	Infant Programs			
Expenses						
Staff Salaries	\$ 1,343,215	\$ 864,630	\$ 350,479	\$ 2,558,324	\$ 390,110	\$ 2,948,434
Payroll Taxes	110,072	67,635	26,645	204,352	28,446	232,798
Fringe Benefits	270,574	199,666	53,484	523,724	80,985	604,709
Consultants	8,871	528	83,789	93,188	26,725	119,913
Volunteer Wages	0	0	285,209	285,209	0	285,209
Consumer Wages & Fringes	132,336	0	0	132,336	0	132,336
Medical Supplies	2,029	751	85	2,865	0	2,865
Office Supplies	4,752	1,961	4,609	11,322	15,804	27,126
Program Supplies	10,505	6,696	6,734	23,935	0	23,935
Housekeeping Supplies & Services	30,399	11,432	4,188	46,019	3,166	49,185
Specific Assistance to Individuals	0	27,194	10	27,204	0	27,204
Food	0	1,633	0	1,633	0	1,633
Maintenance Supplies	4,247	6,995	411	11,655	499	12,154
Rent	0	3,300	26,544	29,844	0	29,844
Utilities	40,612	33,044	4,079	77,735	5,560	83,295
Maintenance Service and Repairs	22,921	15,083	4,251	42,255	2,470	44,725
Computer Repairs and Maintenance	15,871	2,008	7,798	25,675	3,971	29,646
Insurance	19,148	11,235	2,434	32,817	38,291	71,108
Travel and Transportation	241,053	22,586	35,304	298,943	2,895	301,838
Telephone	2,321	11,389	3,700	17,410	11,839	29,249
Staff Training and Conferences	1,737	1,771	19,049	22,557	8,451	31,008
Dues and Subscriptions	123	180	1,432	1,735	24,203	25,938
Small Equipment	3,932	3,878	2,568	10,378	479	10,857
Public Relations	0	0	0	0	5,364	5,364
Interest	48,089	32,628	2,255	82,972	4,328	87,300
Miscellaneous Expenses	9,078	668	2,537	12,283	23,840	36,123
Depreciation Expenses	74,530	45,475	4,576	124,581	5,243	129,824
Total Expenses	<u>\$ 2,396,415</u>	<u>\$ 1,372,366</u>	<u>\$ 932,170</u>	<u>\$ 4,700,951</u>	<u>\$ 682,669</u>	<u>\$ 5,383,620</u>

Community Link, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Community Link, Inc. is a non-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

In fiscal year 1996, the Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Non-for-Profit Organizations." Under SFAS No. 117, 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) based upon the existence or absence of donor-imposed restrictions. As permitted by this new standard, the Organization discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present classes of net assets. The reclassification had no cumulative effect on the change in net assets for the year adopted.

The net assets of the Organization are classified entirely as unrestricted. Although the Organization does receive grant awards, which are restricted as to their use, their restrictions are consistently satisfied in the reporting period and are therefore reported as unrestricted.

The Organization adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The adoption had no cumulative effect on net assets at the date of the adoption.

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. 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, 2008 and 2007, were \$124,856 and \$129,824, 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 paid vacation and paid sick leave depending on job classification, length of service, and other factors.

Upon termination, employees are paid for accrued vacation pay at current payroll rates. Sick pay 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, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Illinois Department of Human Services	\$221,000	\$216,932
Illinois Department of Human Services --		
Title XX--DFI	61,799	61,799
Community M.H. Act (708)	69,000	66,526
U.S. Department of Health and		
Human Services	388,594	330,960
United Way	179,746	143,757
	<u>\$920,139</u>	<u>\$819,974</u>

NOTE 3--ACCOUNTS RECEIVABLE

Accounts receivable consists of various receivables as follows:

	<u>2008</u>	<u>2007</u>
Accounts Receivable—Trade	\$ 59,714	\$ 54,480
Illinois Department of Human Services	84,522	52,722
Long-term Care Facilities	465,415	325,430
U.S. Dept. of Health & Human Services	304,622	351,932
Washington County Workshop	1,879	1,879
Central Billing Office (Medicaid)	45,092	38,775
Other	8,182	7,681
	<u>\$969,426</u>	<u>\$832,899</u>

Aging of accounts receivable at June 30, 2008, are as follows:

0-30 Days	\$418,348	43%
31-60 Days	327,032	34
61-90 Days	140,449	14
91 Days or Over	83,597	9
	<u>\$969,426</u>	<u>100%</u>

NOTE 4--NOTES PAYABLE

At June 30, 2008, 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>
Breese CILA Home	02-05-07	02-05-12	7.50%	\$ 212,334	\$ 2,382
Carlyle CILA Home	10-25-05	10-25-11	6.25%	33,559	9,098
Germantown CILA Home	10-25-05	10-25-10	6.25%	80,367	10,395
Building Addition	12-05-02	04-24-20	6.25%	140,006	8,094
2007 Dodge Vans	05-04-07	05-04-12	6.74%	41,304	9,535
2008 Ford Van	10-12-07	10-12-12	6.74%	29,135	5,980
Fairview Heights Real Estate	05-23-08	08-23-08	6.00%	<u>660,024</u>	<u>17,856</u>
				<u>\$1,196,729</u>	<u>\$63,340</u>

On May 23, 2008, the Organization purchased real estate in Fairview Heights, Illinois for \$662,168 and temporarily financed the purchase through a \$710,000 line of credit with First Bank, Breese, Illinois. The Organization has subsequently obtained approval to refinance the property with a USDA - Rural Development 20 year fixed loan at 6%. The current portion reflected above assumes the completion of the refinancing with USDA - Rural Development.

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

NOTE 4--NOTES PAYABLE (CONTINUED)

At June 30, 2008, the Organization was indebted to the Capmark Finance, Inc. 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>
Buildings	1-5-82	1-5-22	5%	<u>\$165,825</u>	<u>\$8,999</u>

The original advance of this loan totaled \$290,000 and requires monthly installments of \$1,425 including interest. The note is secured by a mortgage on the Organization's buildings.

At June 30, 2008, 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>
Buildings	12-7-94	12-7-24	5.25%	<u>\$670,751</u>	<u>\$25,561</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, 2008, the Organization was indebted to the Illinois State Council Knights of Columbus Charities, Inc., on three promissory notes, originally issued in the amounts of \$102,885, \$110,674 and \$192,000, respectively, 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>
Highland CILA					
Home	9-10-02	9-10-09	0%	\$ 17,148	\$14,698
Breese CILA					
Home	9-10-02	9-10-09	0%	18,446	15,811
Aviston CILA					
Home	1-18-05	1-18-12	0%	<u>98,286</u>	<u>27,429</u>
				<u>\$133,880</u>	<u>\$57,938</u>

The notes require monthly payments of \$1,225, \$1,318 and \$2,286, respectively, and are secured by real estate. Imputed interest on these zero percent loans is included in expense totaling \$11,498.

Annual debt maturities for future years follow:

2009	\$ 155,838
2010	136,597
2011	185,195
2012	315,208
2013	79,010
Thereafter	<u>1,295,337</u>
	<u>\$2,167,185</u>

NOTE 5--RESERVE ACCOUNTS

In accordance with the terms of the Capmark Finance, Inc. and the Rural Economic and Community Development agreements, the Organization is required to segregate revenues and restrict their use in separate accounts 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 balances for the Capmark Finance, Inc. and Rural Economic and Community Development agreements are \$17,200 and \$61,200, respectively.

The Organization has continued to fund the reserves with investment earnings in excess of the maximum required reserve balances. As of June 30, 2008, the Organization's reserved balances were invested in Certificates of Deposit and totaled \$24,620 and \$87,603, respectively.

The Organization has complied with the financial loan agreements for the year ended June 30, 2008.

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 Property: Property coverages, including special form policy for mine subsidence -- comprehensive 100% co-insurance, \$1,000 deductible: Contents are covered under a "Blanket" amount - \$775,891	5-1-09																		
	<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 -- Workshop</td><td>\$2,335,636</td><td>"Blanket"</td></tr><tr><td>8510 Old U.S. 50, Breese, IL -- Gazebo</td><td>2,000</td><td>"Blanket"</td></tr><tr><td>8510 Old U.S. 50, Breese, IL -- Storage Shed</td><td>2,500</td><td>"Blanket"</td></tr><tr><td>1665 N. 4th St., Breese, IL -- Office/Workshop</td><td>2,479,508</td><td>"Blanket"</td></tr><tr><td>1665 N. 4th St., Breese, IL -- Gazebo</td><td>6,600</td><td>"Blanket"</td></tr></table>	<u>Location</u>	<u>Property</u>	<u>Contents</u>	8510 Old U.S. 50, Breese, IL -- Workshop	\$2,335,636	"Blanket"	8510 Old U.S. 50, Breese, IL -- Gazebo	2,000	"Blanket"	8510 Old U.S. 50, Breese, IL -- Storage Shed	2,500	"Blanket"	1665 N. 4th St., Breese, IL -- Office/Workshop	2,479,508	"Blanket"	1665 N. 4th St., Breese, IL -- Gazebo	6,600	"Blanket"	
<u>Location</u>	<u>Property</u>	<u>Contents</u>																		
8510 Old U.S. 50, Breese, IL -- Workshop	\$2,335,636	"Blanket"																		
8510 Old U.S. 50, Breese, IL -- Gazebo	2,000	"Blanket"																		
8510 Old U.S. 50, Breese, IL -- Storage Shed	2,500	"Blanket"																		
1665 N. 4th St., Breese, IL -- Office/Workshop	2,479,508	"Blanket"																		
1665 N. 4th St., Breese, IL -- Gazebo	6,600	"Blanket"																		

NOTE 6--INSURANCE COVERAGE (CONTINUED)

	<u>Location</u>	<u>Property</u>	<u>Contents</u>
	1665 N. 4th., Breese, IL -- Playground Equipment	\$ 54,000	N/A
	9815 Bunkurn Rd., Fairview Heights, IL -- Vocational School	1,620,000	"Blanket"
	9815 Bunkurn Rd., Fairview Heights, IL -- Storage	35,000	"Blanket"
	1665 N. 4th St., Breese, IL -- Storage Shed	2,200	"Blanket"
	771 Fairfax St., Carlyle, IL -- CILA Home	308,356	"Blanket"
	230 Keeven Drive, Highland, IL -- CILA Home	272,000	"Blanket"
	1005 Church St., Germantown, IL -- CILA Home	407,604	"Blanket"
	245 N. 6th, Breese, IL -- CILA Home	231,000	"Blanket"
	599 West 2nd, Aviston, IL -- CILA Home	308,356	"Blanket"
	955 N. Plum, Breese, IL	Contents only	"Blanket"
	555 N. 6th, Breese, IL	386,725	"Blanket"
	Employee dishonesty--\$1,000,000, \$1,000 deductible		
	Money and securities--\$5,000 on/off premises, \$500 deductible		
Philadelphia	Computer/word processor equipment--8510 Old U.S. 50, Breese, IL--\$230,000; 1665 N. 4 th St., Breese, IL--\$100,000, 100% co-insurance, \$500 deductible		5-1-09
Philadelphia	Earthquake and volcanic eruption-- blanket limit -- \$6,740,013, 5% deductible, same coverages as listed on property above		5-1-09
Life Services Network Trust	Workers' compensation: statutory coverage; Employers' liability: \$1,000,000 each accident/ each employee policy limit		10-1-08

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		5-1-09
Philadelphia	Excess blanket catastrophe liability policy--\$2 million over other limits		5-1-09
Philadelphia	Directors and officers liability coverage--\$1 million aggregate		5-1-09
Auto Owners	FHA schedule bond--\$400,000		10-1-08
Nationwide Life Insurance	Accidental injury medical expense coverage for child care--\$25,000 medical expense, \$5,000 accidental death, & \$15,000 specific loss		10-1-08

NOTE 7--CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

The Organization maintained funds in the First Bank, Breese, Illinois, First National Bank, Carlyle, Illinois and First County Bank, Albers, Illinois in excess of the \$100,000 F.D.I.C. insurance limits. The carrying value of the accounts at June 30, 2008 was \$683,806 and the bank balance was \$785,377 resulting in uninsured cash balances per books and bank of \$383,806 and \$485,377, respectively.

NOTE 8--RELATED PARTY TRANSACTIONS

The Organization entered into the following related party transactions during the audit period:

The Organization purchased insurance from an insurance agency operated by a Board member. The total cost of insurance premiums was \$94,898.

The Organization purchased real estate in Fairview Heights, Illinois during the year through Strano & Associates Realtors. A Board member works for Strano and handled the transaction. Strano's commission on the sale totaled \$17,225.

Management believes that each transaction was handled on an arms length basis and was made in the best interest of the Organization.

NOTE 9--RETIREMENT AND FRINGE BENEFIT PLANS

The Organization maintains a defined contribution money purchase retirement plan for its employees. Provisions of the plan follow:

Underwriter -- Mutual of America
Effective Date of Plan -- July 1, 1984
Eligibility -- 21 Years of Age and One Year of Service
Vesting -- Upon Completion of 3 Years of Service
Contributions -- Employer Contributions Equal to 5% of
Compensation
Maximum Contributions -- \$30,000 or 25% of Salary,
Whichever is Less
Normal Retirement Age -- 65 (Election May be Made to Retire
and Receive a Benefit any Time on or
after Date Employee Reaches Age 55)

The cost of the plan for the year ended June 30, 2008, was \$134,389. Plan assets as of December 31, 2007, totaled \$1,416,745 for participants.

The Organization also maintains a section 125 cafeteria plan for its employees.

NOTE 10--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. On December 20, 2006, the Organization extended the lease for one additional year and again renewed the lease for a second additional year on January 16, 2008. The minimum required remaining lease payments at June 30, 2008 totaled \$3,300.

NOTE 11--PRIOR PERIOD ADJUSTMENT

Prior period adjustments were required for retro-active billing adjustments which increased (decreased) net assets for June 30, 2008 and 2007, in the amounts of \$(2,430) and \$(4,623), respectively.

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, 2008 and 2007, the amount of services received was \$250,097 and \$309,809, respectively.

Clinton County Rehabilitation Organization, Inc.
d/b/a Community Link

SUPPLEMENTAL DATA