

**LINKING FAMILIES
AND COMMUNITIES**

FINANCIAL REPORT

June 30, 2013

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SCHNURR & COMPANY, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Linking Families and Communities
Fort Dodge, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Linking Families and Communities which comprise the statement of financial position as of June 30, 2013 and 2012, the related statements of activities 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Linking Families and Communities as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schnarr & Company, LLP

Fort Dodge, Iowa
March 12, 2014

LINKING FAMILIES AND COMMUNITIES

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	2013	2012
ASSETS		
Current Assets:		
Cash	\$ 383,974	\$ 383,861
Certificate of Deposit	166,369	162,517
Accounts Receivable	120	-
Accrued interest	1,638	1,611
Prepaid insurance	9,609	10,307
	<u>561,710</u>	<u>558,296</u>
Fixed Assets:		
Furniture, fixtures and equipment	18,093	18,093
Less: accumulated depreciation	(16,131)	(14,540)
	<u>1,962</u>	<u>3,553</u>
Total assets	\$ 563,672	\$ 561,849
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 30,146	\$ 55,400
Payroll taxes payable	2,218	2,717
IPERS payable	1,267	1,452
Deferred revenue	59,552	68,098
Cafeteria plan withholding payable	1,625	109
Total liabilities	94,808	127,776
Net Assets:		
Unrestricted net assets	<u>468,864</u>	<u>434,073</u>
Total liabilities and net assets	\$ 563,672	\$ 561,849

See accompanying Notes to Financial Statements.

LINKING FAMILIES AND COMMUNITIES

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2013 and 2012

	2013	2012
Income:		
Individualized service revenue	\$ 6,751	\$ 32,434
Agency contracts	14,332	18,563
Grants	660,995	687,251
Government contracts	67,434	66,192
Program service fees	1,050	940
Miscellaneous Revenue	420	-
Member donations	-	3,155
Interest income	4,348	4,267
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Total income	755,330	812,802
Operating Expenses:		
Accounting and legal	10,466	11,869
Advertising	24,663	19,055
Bank charges	57	(13)
Board meeting expense	407	835
Child care consultant	57,122	67,199
Contract, program-related expense	19,384	(774)
Dental screening	2,910	2,500
Depreciation allowances	1,591	1,950
Dues and subscriptions	485	140
Family foundations	219,944	220,041
IPERS	11,138	11,325
Individualized services	-	18,478
Insurance	5,614	5,575
Insurance, health	51,273	56,635
Meals and entertainment	76	75
Miscellaneous	-	337
Office expense	7,803	7,064
Parent partner	9,381	17,066
Positive Solutions for Families	5,470	5,708
Professional development	1,464	2,046
Rent	8,400	8,400
Salaries	128,461	140,341

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LINKING FAMILIES AND COMMUNITIES

STATEMENTS OF ACTIVITIES (CONTINUED)
Years Ended June 30, 2013 and 2012

	2013	2012
Operating Expenses (Continued):		
Supplies, operating	\$ 1,697	\$ 2,475
Shipping and postage	-	1,000
Color Me Healthy	-	4,881
Employee welfare	-	75
Healthy Children and Families	12,709	18,939
Juvenile Court Services Prof Development	16,484	22,571
CCNC Webster	25,400	30,400
Taxes, payroll	9,487	11,217
Telephone	3,452	3,857
Travel and lodging	2,240	2,541
Tuition	82,061	113,821
Utilities	900	978
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Total operating expenses	720,539	808,607
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Increase in net assets	34,791	4,195
Net assets, beginning of the year	434,073	429,878
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Net assets, end of the year	\$ 468,864	\$ 434,073
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See accompanying Notes to Financial Statements.

LINKING FAMILIES AND COMMUNITIES

STATEMENTS OF CASH FLOWS Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities:		
Increase in net assets	\$ 34,791	\$ 4,195
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,591	1,950
(Increase) decrease in operating assets:		
Accounts Receivable	(120)	-
Accrued interest receivable	(27)	(47)
Prepaid expenses	698	(5,745)
Increase (decrease) in operating liabilities:		
Accounts payable	(25,254)	(201)
Deferred revenue	(8,546)	(84,445)
Accrued payroll taxes	(499)	(208)
Accrued employee benefits	1,331	157
Net cash provided by (used in) operating activities	3,965	(84,344)
Cash Flows from Investing Activities:		
Additional investment in certificate of deposit	(3,852)	(3,753)
Net cash (used in) investing activities	(3,852)	(3,753)
Net increase (decrease) in cash	113	(88,097)
Cash:		
Beginning	383,861	471,958
Ending	<u>\$ 383,974</u>	<u>\$ 383,861</u>

See accompanying Notes to Financial Statements.

LINKING FAMILIES AND COMMUNITIES

Notes To Financial Statements

Note 1. Nature of Activity and Significant Accounting Policies

Nature of activity: Linking Families and Communities (“Organization”), is a not-for-profit corporation organized under Chapter 504A of the Code of Iowa. The purpose of the Organization is to provide early intellectual stimulation of very young children, increase the basic skill levels of students entering school, increase the health status of children, reduce the incidence of child abuse and neglect, increase the access of children to an adult mentor, increase parental involvement with their children and increase the quality and accessibility of child care. The Organization serves the Community Empowerment area consisting of Calhoun, Pocahontas and Webster County. The Organization’s revenue is primarily from payments based on cost reports filed with the Iowa Department of Human Services and the Iowa Community Empowerment.

A summary of the Organization’s significant accounting policies follows:

Promises to give: Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed services: During the years ended June 30, 2013 and 2012, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization; however, these donated services are not reflected in the financial statements since the services do not require specialized skills.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition and deferred revenue: Grant revenues are recognized in income as funds are expended for the purpose designated by the related grant. Therefore, deferred revenue consists of grant funds received in fiscal years 2013 and 2012, but not yet expended.

Property and equipment: Property and equipment is accounted for on the basis of historical cost. Depreciation is computed using the straight-line basis over a 5-7 year estimated useful life.

Subsequent events: Subsequent events have been evaluated through March 12, 2014, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Notes To Financial Statements

Note 2. Functional Expenses

The Organization's expenses by function are as follows:

	2013	2012
Program services	\$ 478,834	\$ 543,342
General and administrative	<u>241,705</u>	<u>265,265</u>
	<u>\$ 720,539</u>	<u>\$ 808,607</u>

Note 3. Economic Dependency

For years ended June 30, 2013 and 2012, the Organization received 98% and 93%, respectively, of its revenue from government agencies that included the Iowa Department of Health, Iowa Department of Education and Prevent Child Abuse Agency.

Note 4. Income Tax Status

The Internal Revenue Service has issued a determination letter dated October 4, 2006, stating that Linking Families and Communities is exempt from income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Note 5. Lease Commitments and Rent Expense

The Organization leases office equipment under two operating leases with Pitney Bowes and Xerox that require a monthly payment of \$34 and \$294 with the leases expiring July 17, 2013 and July 1, 2015, respectively.

The following is a schedule of minimum future lease payments under these operating leases as of June 30, 2013:

Year Ended	
2014	\$ 3,559
2015	3,525
2016	-
2017	-
2018	-
Thereafter	-
	<u>\$ 7,084</u>

Total rent expense for the years ended June 30, 2013 and 2012 totaled \$8,400 for each year, which includes the above leases along with the month-to-month office space rental.

Notes To Financial Statements

Note 6. Pension Plan

The Organization pays into the Iowa Public Employees Retirement System (IPERS) and Social Security for all eligible employees. All employees, whether they are part-time or full-time, are eligible for this retirement funding. The employer portion submitted to IPERS for the year ended June 30, 2013 and 2012 totaled \$11,138 and \$11,325, respectively.

Note 7. Early Childhood Iowa Local Area

The Organization participates in the Early Childhood Iowa Local Area, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as an Agency Fund because of the County's fiduciary relationship with the Organization. The following financial data is for the year ended June 30, 2013:

	Early Childhood Iowa Local Area		
	Early Childhood Fund	School Ready Fund	Total
Additions:			
State of Iowa grants:			
Early childhood	\$ 129,262	\$ -	\$ 129,262
Family support and parent education	-	254,701	254,701
Preschool support for low-income families	-	111,832	111,832
Quality improvement	-	48,115	48,115
Allocation for administration	6,803	13,661	20,464
Other grant programs	-	27,370	27,370
Total State of Iowa grants	136,065	455,679	591,744
Interest	72	202	274
Total additions	136,137	455,881	592,018
Deductions:			
Program services:			
Early childhood	124,181	-	124,181
Family support and parent education	-	271,538	271,538
Preschool support for low-income families	-	95,838	95,838
Quality improvement	-	48,115	48,115
Other program services	-	40,428	40,428
Total program services	124,181	455,919	580,100
Administration	6,803	13,661	20,464
Total deductions	130,984	469,580	600,564
Net change	5,153	(13,699)	(8,546)
Balances, beginning of year	7,325	60,773	68,098
Balances, end of year	\$ 12,478	\$ 47,074	\$ 59,552