

**LINKING FAMILIES
AND COMMUNITIES**

FINANCIAL REPORT

June 30, 2015

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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 statements of financial position as of June 30, 2015 and 2014, 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 audits. 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, 2015 and 2014, 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.

Schnum & Company, LLP

Fort Dodge, Iowa
December 1, 2015

LINKING FAMILIES AND COMMUNITIES

STATEMENTS OF FINANCIAL POSITION June 30, 2015 and 2014

	2015	2014
ASSETS		
Current Assets:		
Cash	\$ 427,972	\$ 416,802
Accounts receivable	19,121	19,813
Accrued interest	975	1,678
Prepaid insurance	3,030	3,131
	<u>451,098</u>	<u>441,424</u>
Fixed Assets:		
Furniture, fixtures and equipment	18,093	18,093
Less: accumulated depreciation	(18,093)	(17,397)
	<u>-</u>	<u>696</u>
Other Assets:		
Certificate of deposit	173,459	170,302
Total assets	<u>\$ 624,557</u>	<u>\$ 612,422</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 51,074	\$ 27,552
Payroll taxes payable	1,805	2,309
IPERS payable	1,029	1,344
Wages payable	4,148	-
Vacation payable	10,013	-
Deferred revenue	43,225	77,926
Cafeteria plan withholding payable	983	2,730
Total liabilities	<u>112,277</u>	<u>111,861</u>
Net Assets:		
Unrestricted net assets	<u>512,280</u>	<u>500,561</u>
Total liabilities and net assets	<u>\$ 624,557</u>	<u>\$ 612,422</u>

See accompanying Notes to Financial Statements.

LINKING FAMILIES AND COMMUNITIES

STATEMENTS OF ACTIVITIES Years Ended June 30, 2015 and 2014

	2015	2014
Income:		
Grants	\$ 646,969	\$ 587,855
Government contracts	89,720	86,969
Miscellaneous revenue	815	1,171
Kidzmania event	8,325	29,025
Interest income	2,920	4,447
Total income	748,749	709,467
Operating Expenses:		
Accounting and legal	13,165	10,039
Advertising	17,607	23,582
Bank charges	12	17
Board meeting expense	71	286
CCNC Webster	39,509	32,229
Child care consultant	53,882	66,382
Contract, program-related expense	13,444	2,850
Dental screening	3,000	2,590
Depreciation allowances	696	1,266
Dues and subscriptions	1,176	1,104
Family foundations	229,201	220,000
Insurance, other	5,994	6,062
Insurance, health	33,885	43,571
Iowa Public Employees' Retirement System	8,632	10,482
Juvenile Court Services professional development	1,751	7,141
Kidzmania event	8,323	6,672
Meals and entertainment	136	86
Office expense	8,751	8,775
Positive Solutions for Families	25,757	3,927
Professional development	43,735	2,758
Quality Incentive Program	10,573	-
Rent	4,550	8,400
Salaries	119,290	117,380
Shipping and postage	612	148
Supplies, operating	818	945
Taxes, payroll	6,514	8,547
Telephone	2,191	2,571
Travel and lodging	3,114	2,560
Tuition	79,813	86,455
Utilities	828	945
Total operating expenses	737,030	677,770

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LINKING FAMILIES AND COMMUNITIES

STATEMENTS OF ACTIVITIES (CONTINUED)

Years Ended June 30, 2015 and 2014

	2015	2014
Increase in net assets	\$ 11,719	\$ 31,697
Net assets, beginning of the year	<u>500,561</u>	<u>468,864</u>
Net assets, end of the year	<u>\$ 512,280</u>	<u>\$ 500,561</u>

See accompanying Notes to Financial Statements.

LINKING FAMILIES AND COMMUNITIES

STATEMENTS OF CASH FLOWS Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Increase in net assets	\$ 11,719	\$ 31,697
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	696	1,266
(Increase) decrease in operating assets:		
Accounts receivable	692	(19,693)
Accrued interest receivable	703	(40)
Prepaid expenses	101	6,478
Increase (decrease) in operating liabilities:		
Accounts payable	23,522	(2,594)
Deferred revenue	(34,701)	18,374
Accrued wages and vacation	14,161	-
Accrued payroll taxes	(504)	91
Accrued employee benefits	(2,062)	1,182
	<u>14,327</u>	<u>36,761</u>
Cash Flows from Investing Activities:		
Additional investment in certificate of deposit	(3,157)	(3,933)
	<u>(3,157)</u>	<u>(3,933)</u>
Net increase in cash	11,170	32,828
Cash:		
Beginning	<u>416,802</u>	<u>383,974</u>
Ending	<u>\$ 427,972</u>	<u>\$ 416,802</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, 2015 and 2014, 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 2015 and 2014, 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.

Advertising: The Organization expenses advertising costs as incurred. Advertising expense amounted to \$17,607 and \$23,582 in fiscal years 2015 and 2014, respectively.

Subsequent events: Subsequent events have been evaluated through December 1, 2015, 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:

	2015	2014
Program	\$ 542,330	\$ 469,183
Management and general	194,280	227,845
Fundraising	420	818
	<u>\$ 737,030</u>	<u>\$ 697,846</u>

Note 3. Economic Dependency

For the years ended June 30, 2015 and 2014, the Organization received 98% and 95%, respectively, of its revenue from government agencies that included the Iowa Department of Human Services, 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 Access Systems and Pitney Bowes that require a monthly payment of \$187 and a quarterly payment of \$102 with the leases expiring July 1, 2020, and January 1, 2018, respectively.

The following is a schedule of minimum future lease payments under these operating leases as of June 30, 2015:

<u>Year Ended</u>	
2016	\$ 2,652
2017	2,652
2018	2,448
2019	2,244
2020	2,244
Thereafter	-
	<u>\$ 12,240</u>

Notes to Financial Statements

Total rent expense for the years ended June 30, 2015 and 2014, totaled \$9,416 and \$15,726, respectively, which includes the above leases along with 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, 2015 and 2014 totaled \$8,632 and \$10,482, respectively.

Note 7. Concentration of Credit Risk

The Organization maintains its cash accounts with banks located in Iowa. The FDIC insures up to \$250,000 of the total cash balance per bank. The Organization had a cash balance on deposit with one Iowa bank at June 30, 2015 that exceeded the balance insured by the FDIC in the amount of \$352,957. The Organization has not experienced any loss from such accounts.

Notes to Financial Statements

Note 8. 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 Organization's financial statements as an Agency Fund because of the Organization's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2015:

	Early Childhood Iowa Local Area			
	Early Childhood Fund (Federal)	Early Childhood Fund (State)	School Ready Fund	Total
Additions:				
State of Iowa grants:				
Early childhood	\$ -	\$ 131,868	\$ -	\$ 131,868
Family support and parent education	-	-	249,786	249,786
Preschool support for low-income families	-	-	109,674	109,674
Quality improvement	-	-	56,045	56,045
Allocation for administration	-	7,515	15,588	23,103
Other grant programs	-	-	26,784	26,784
Total State of Iowa grants	-	139,383	457,877	597,260
Interest	-	66	179	245
Total additions	-	139,449	458,056	597,505
Deductions:				
Program services:				
Early childhood	-	143,555	-	143,555
Family support and parent education	-	-	254,958	254,958
Preschool support for low-income families	-	-	114,433	114,433
Quality improvement	-	-	56,045	56,045
Other program services	-	-	40,112	40,112
Total program services	-	143,555	465,548	609,103
Administration	-	7,515	15,588	23,103
Total deductions	-	151,070	481,136	632,206
Net change	-	(11,621)	(23,080)	(34,701)
Balances, beginning of year	-	17,002	60,924	77,926
Balances, end of year	\$ -	\$ 5,381	\$ 37,844	\$ 43,225