

**LINK UNLIMITED SCHOLARS**

**FINANCIAL STATEMENTS**

**June 30, 2020**

**And for the Year Then Ended**

**(With summarized comparative  
information for June 30, 2019)**

# LINK UNLIMITED SCHOLARS

## Annual Financial Report

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

### **Independent Auditor's Report**

To the Board of Directors of  
LINK Unlimited Scholars  
Chicago, IL

We have audited the accompanying financial statements of LINK Unlimited Scholars (a non-profit organization), which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 LINK Unlimited Scholars as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited LINK Unlimited Scholars 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Desmond & Ahern, Ltd*

October 7, 2020  
Chicago, IL

**LINK UNLIMITED SCHOLARS**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2020 (with comparative totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
Current Assets		
Cash and equivalents	\$ 581,166	\$ 436,298
Contributions receivable, net	90,600	217,042
Pledges receivable	725,608	509,550
Prepaid expenses	13,233	4,174
Total current assets	<u>1,410,607</u>	<u>1,167,064</u>
Property and Equipment		
Land	100,000	100,000
Building	1,625,903	1,625,903
Furniture and equipment	14,335	14,335
Leasehold improvements	196,734	152,024
Total property and equipment	<u>1,936,972</u>	<u>1,892,262</u>
Less accumulated depreciation and amortization	<u>(1,058,569)</u>	<u>(991,388)</u>
Net property and equipment	<u>878,403</u>	<u>900,874</u>
Other Assets		
Pledges receivable - long term, net	<u>508,220</u>	<u>460,258</u>
<b>Total Assets</b>	<b><u><u>2,797,230</u></u></b>	<b><u><u>2,528,196</u></u></b>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Accounts payable	150,932	93,955
Accrued expenses	70,300	116,372
Refundable advance (Note 12)	57,969	-
Total current liabilities	<u>279,201</u>	<u>210,327</u>
Net Assets		
Without donor restrictions	1,274,466	1,230,264
With donor restrictions	<u>1,243,563</u>	<u>1,087,605</u>
Total net assets	<u>2,518,029</u>	<u>2,317,869</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 2,797,230</u></u></b>	<b><u><u>\$ 2,528,196</u></u></b>

See independent auditor's report and notes to financial statements.

**LINK UNLIMITED SCHOLARS  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2020 (with comparative totals for 2019)**

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b><u>Public Support and Revenue</u></b>				
Contributions	\$ 1,045,581	\$ 816,763	\$ 1,862,344	\$ 1,141,122
Government grant (Note 12)	108,118	-	108,118	-
Program fees	-	-	-	3,288
In-kind	-	-	-	25,000
Interest and dividends	1,515	-	1,515	1,739
Miscellaneous	300	-	300	900
	<u>1,155,514</u>	<u>816,763</u>	<u>1,972,277</u>	<u>1,172,049</u>
Special Events				
Sponsors	247,150	-	247,150	474,500
Contributions	74,550	-	74,550	201,835
Ticket sales	44,705	-	44,705	170,575
Auction/raffle	-	-	-	25,796
Less cost of direct benefits to donors	(64,506)	-	(64,506)	(196,535)
Net revenues from special events	<u>301,899</u>	<u>-</u>	<u>301,899</u>	<u>676,171</u>
Net assets released from restrictions - satisfaction of program restriction	660,805	(660,805)	-	-
Total public support and revenue	<u>2,118,218</u>	<u>155,958</u>	<u>2,274,176</u>	<u>1,848,220</u>
<b><u>Expenses</u></b>				
Program services	1,506,712	-	1,506,712	1,485,841
Management and general	419,849	-	419,849	199,469
Fundraising	147,455	-	147,455	556,096
Total expenses	<u>2,074,016</u>	<u>-</u>	<u>2,074,016</u>	<u>2,241,406</u>
<b>Change in net assets</b>	44,202	155,958	200,160	(393,186)
<b>Net assets, beginning of year</b>	<u>1,230,264</u>	<u>1,087,605</u>	<u>2,317,869</u>	<u>2,711,055</u>
<b>Net assets, end of year</b>	<u><u>\$ 1,274,466</u></u>	<u><u>\$ 1,243,563</u></u>	<u><u>\$ 2,518,029</u></u>	<u><u>\$ 2,317,869</u></u>

See independent auditor's report and notes to financial statements.

**LINK UNLIMITED SCHOLARS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2020 (with comparative totals for 2019)**

	Program Services	Management and General	Fundraising	2020 Total Expense	2019 Total Expense
<b><u>Functional Expenses</u></b>					
Salaries	\$ 618,656	\$ 86,142	\$ 78,311	\$ 783,109	\$ 805,579
Payroll taxes and fringe benefits	83,845	11,675	10,613	106,133	166,471
Total salaries, taxes and fringe benefits	<u>702,501</u>	<u>97,817</u>	<u>88,924</u>	<u>889,242</u>	<u>972,050</u>
Tuition	337,140	-	-	337,140	437,632
Program	5,698	-	-	5,698	177,445
Fundraising	-	-	6,456	6,456	37,017
Utilities	25,204	3,510	3,190	31,904	39,876
Professional fees	219,592	96,597	21,471	337,660	327,719
Insurance	6,607	920	836	8,363	9,453
Office expense	30,592	4,260	3,872	38,724	17,383
Bank and credit card fees	8,948	1,245	1,133	11,326	14,489
In-kind	-	-	-	-	25,000
Travel and meetings	29,865	4,159	3,780	37,804	6,483
Equipment and maintenance	40,337	5,617	5,106	51,060	69,060
Staff development	799	112	101	1,012	-
Dues and subscriptions	13,743	1,913	1,740	17,396	9,422
Postage and shipping	402	56	51	509	1,949
Printing and copying	11,458	1,596	1,450	14,504	9,867
Telephone	13,383	1,864	1,694	16,941	14,197
Miscellaneous	7,330	1,021	928	9,279	24
Interest	40	5	5	50	188
Depreciation and amortization	53,073	7,390	6,718	67,181	62,152
Bad debt	-	191,767	-	191,767	10,000
Total other expenses	<u>804,211</u>	<u>322,032</u>	<u>58,531</u>	<u>1,184,774</u>	<u>1,269,356</u>
<b>Total Expenses</b>	<b><u>\$ 1,506,712</u></b>	<b><u>\$ 419,849</u></b>	<b><u>\$ 147,455</u></b>	<b><u>\$ 2,074,016</u></b>	<b><u>\$ 2,241,406</u></b>

See independent auditor's report and notes to financial statements.

**LINK UNLIMITED SCHOLARS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2020 (with comparative totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in net assets	\$ 200,160	\$ (393,186)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	67,181	62,152
Change in assets - (increase) decrease		
Accounts receivable, net	126,442	(148,964)
Pledges receivable, net	(616,019)	(64,788)
Prepaid expenses	(9,059)	(2,520)
Change in liabilities - increase (decrease)		
Accounts payable	56,977	26,359
Accrued expenses	(46,072)	98,075
Payroll liabilities	-	-
Net cash used by operating activities	<u>(220,390)</u>	<u>(422,872)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Receipts from capital campaign	352,000	276,300
Purchase of fixed assets	(44,711)	-
Net cash provided by investing activities	<u>307,289</u>	<u>276,300</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Proceeds from PPP loan (Note 12)	166,087	-
Receipts from PPP contributions (Note 12)	(108,118)	-
Net cash used by financing activities	<u>57,969</u>	<u>-</u>
<b>Net increase (decrease) in cash and equivalents</b>	144,868	(146,572)
<b>Cash and equivalents, beginning of year</b>	<u>436,298</u>	<u>582,870</u>
<b>Cash and equivalents, end of year</b>	<u>\$ 581,166</u>	<u>\$ 436,298</u>

See independent auditor's report and notes to financial statements.



**LINK UNLIMITED SCHOLARS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

Organization

LINK Unlimited Scholars (“LINK” or the “Organization”) is an Illinois nonprofit charitable corporation established in 1966. LINK is Chicago’s only college and career success organization focused solely on African American youth. LINK has supported more than two-thousand scholars and serves nearly six-hundred high school and collegiate scholars annually, vastly improving their access to success. LINK Unlimited Scholars mission is to connect high potential African American high school students with mentors, resources, and foundational skills required for success as they advance into, through, and beyond college.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities in accordance with the accounting principles generally accepted in the United States of America (“GAAP”).

Basis of Presentation

As required by the generally accepted accounting principles for Not-for-Profit accounting, the Organization is required to report information regarding its financial position and activities according to two classes:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Such gifts include gifts without restrictions, including restricted gifts whose donor-imposed restrictions were met during the year.

With donor restrictions – Net assets subject to donor-imposed restrictions which will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

Income Tax Status

LINK Unlimited Scholars was granted an exemption from federal income tax by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). LINK qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax-exempt purpose of LINK and the nature in which it operates is described above. Management believes LINK operates in compliance with its tax-exempt purpose. Thus, no provision for income tax has been provided for in the financial statements.

**LINK UNLIMITED SCHOLARS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Income Tax Status (cont.)

LINK has adopted the requirements for accounting for uncertain tax positions and management has determined that LINK was not required to record a liability related to uncertain tax positions as of June 30, 2020.

LINK's annual information and income tax returns filed with the federal and state governments are subject to examination generally for three years after they are filed. All filings are current.

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 the revenues, expenses, gains, losses and other changes in net assets during the year. Actual results could differ from those estimates.

Cash and Equivalents

Cash and cash equivalents consist of deposits in federally and privately insured (Securities Investment Protection Corporation (SIPC) accounts. At times, balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

For purposes of the statement of cash flows, LINK considers all highly liquid debt instruments, if any, purchased or donated with an original maturity or anticipated liquidation of three months or less to be cash equivalents. For the year ended June 30, 2020 interest paid was \$50. No cash was paid for taxes for the year ending June 30, 2020.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the statement of activities. Investment income is reflected in the statement of activities as with or with restrictions based on the existence and nature of any donor restrictions. Investments are presented in Statement of Activities net of investment fees. For the year ended June 30, 2020, no investment fees were paid.

Property and Equipment

Expenditures for land, building, property and equipment, and items which substantially increase the useful lives of existing assets, are capitalized at cost. LINK capitalizes all expenditures and contributions of computers and equipment over \$500. All other assets are capitalized if the value exceeds \$1,000. Any donated property and equipment are recorded at their estimated fair value when received. Depreciation is computed on the straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives ranging from 3 to 25 years.

**LINK UNLIMITED SCHOLARS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Property and Equipment (cont.)

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset to undiscounted expected cash flows. Future events could cause LINK to conclude that impairment indicators exist and that long-lived assets may be impaired.

Support and Revenue

LINK reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

LINK reports gifts of land, buildings, and equipment as net assets without donor restricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, LINK reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ending June 30, 2020 no such gifts of land, buildings, or equipment were received.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ending June 30, 2020 LINK did not receive any donated services meeting the above criteria.

However, a number of volunteers, including the Board of Directors, have made significant contributions of time to LINK's programs and support functions, but the value of this contributed time does not meet the above criteria for recognition of contributed services contained per Generally Accepted Accounting Principles.

In-Kind Contributions

In addition to receiving cash contributions, LINK may receive in-kind contributions from various donors. It is the policy of LINK to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donation revenue by a like amount. During the year ended June 30, 2020 LINK did not record such contributions.

**LINK UNLIMITED SCHOLARS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Contributions Receivable

Contributions receivable represent amounts promised by sponsor benefactors reflecting unconditional promises to give for student tuition, net of allowance for doubtful accounts. The allowance is evaluated by management based on existing economic conditions and the historical relationships with the sponsors. Management closely reviews its outstanding receivables and follows up on a timely basis for all delinquent amounts. Accounts are written off when management deems contributions uncollectible. An allowance for doubtful accounts of \$10,000 was deemed necessary, therefore, contributions receivable, net approximate fair value was \$76,184 for the year ending June 30, 2020.

Contributions are recorded at fair value and recognized as revenue and receivables in the period in which the pledge is made. LINK will not recognize a conditional promise to receive until the conditions which the promise depends are substantially met.

A promise that calls for specific eligibility requirements to be achieved will be treated as a conditional promise to receive for sponsor benefactors for the years ended:

<u>June 30,</u>	<u>Amount</u>
2021	\$ 34,880
2022	55,515
2023	15,912
Total	<u>\$ 106,307</u>

LINK receives contributions from various sources. Contributions made consist of sponsors, benefactors, individuals, foundations, and corporations that make pledges which are to be paid overtime. Every year, management reviews its outstanding receivables to ensure collectability. When it has been determined that the receivable will not be collected, management recognizes a loss associated with the receivable. For the year ended June 30, 2020, bad debt expense was recorded in the amount of \$191,767.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to the specific program or supporting service. Expenses related to more than one function are allocated to program expenses and supporting services as the basis of periodic time and expense reviews made by management.

**LINK UNLIMITED SCHOLARS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Contingency

The Organization's operations could be significantly impacted by the novel coronavirus pandemic after the Organization fiscal year end of June 30, 2020. Management is maintaining operations to the extent possible however some operations will be affected. The value of several of the Organization's assets could be affected by this crisis. It is not possible to reasonably estimate the effect of this Crisis on the Organization or whether would be material to the Organization's financial statements as of June 30, 2020. See Note 12 for additional disclosures.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. LINK has evaluated subsequent events through October 7, 2020, which is the date the financial statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organizations financial statements reflect the application of ASC 606 guidance beginning in fiscal year 2020.

No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

Accounting Standards Update

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard. Revenue recognition related to contribution revenue remained unchanged.

**LINK UNLIMITED SCHOLARS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 2 – Financial Assets and Liquidity Resources**

The Organization monitors the availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2020, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at year-end	
Cash and equivalents	\$ 581,166
Contributions receivable	100,600
Pledges receivable	725,608
Total financial asset, at year-end	<u>1,407,374</u>
Less amounts not available to be used within one year:	
Restricted by donor with time restrictions (long term)	(527,200)
Restricted by donor with purpose restrictions	(80,000)
Allowance for doubtful accounts	<u>(10,000)</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 790,174</u>

The Organization moderately relies on donor restricted resources but with a significant portion of those net assets with donor restriction available in future periods. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources. The Organization also has margin account in which it can borrow funds against its account balance if needed.

**Note 3 – Fair Value Measurements and Investments**

Generally Accepted Accounting Principles defines fair value as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on a determined measurement date.

Generally accepted accounting principles establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**LINK UNLIMITED SCHOLARS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 3 – Fair Value Measurements and Investments (cont.)**

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing. This is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities' relationship to other benchmark quoted securities (Level 2 inputs). Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions (Level 3 inputs). Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Equities:* Valued at the closing price reported on the active market on which the individual securities are traded. All are classified as Level 1 of the fair value hierarchy because they were valued using quoted market prices in active markets.

*Bonds:* Valued at closing price reported on the active market on which the individual bonds are traded. All are classified as Level 1 of the fair value hierarchy because they were valued using quoted market prices in active markets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**LINK UNLIMITED SCHOLARS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 4 – Pledges Receivable**

Pledge receivables at June 30, 2020 are short and long-term commitments from various donors without restriction as to purpose but with donor restriction until received in future periods. At June 30, 2020 total short-term pledges receivables were \$725,608 while total long-term pledge receivables were \$508,220, net. Various campaign and discounts are as follows:

Capital Campaign

In April 2017, the board of directors approved a plan to implement the capital campaign where proceeds are to be used to build the Advanced Infrastructure that is necessary to strengthen the financial viability of LINK. Various campaign and discounts are as follows:

At June 30, 2020, the organization had committed funds of:

Total pledges receivable	\$ 1,252,808
Less discount to present value	<u>(18,980)</u>
Net pledges receivable	<u><u>\$ 1,233,828</u></u>
Amounts due in:	
Less than one year	\$ 725,608
One to five years	<u>527,200</u>
Total pledges receivable	<u><u>\$ 1,252,808</u></u>

Discount on Pledge Receivables

Pledges receivable with due dates extending beyond one year are discounted using Treasury bill rates at 2.7% annual rate of interest at June 30, 2020. Uncollectable promises are expected to be insignificant.

**Note 5 – Line of Credit**

In July 2016, LINK established a margin account (line of credit) managed by TD Ameritrade and secured the organization's investment portfolio which has a cash balance of \$67,028 at June 30, 2020. The margin account bears interest at an established base rate plus or minus any corresponding movement in the federal funds rate. As of June 30, 2020, there was no outstanding balance or maturity date on the margin loan.

**Note 6 – Contingencies and Commitments**

LINK administers scholarships, which stipulates that selected students will be awarded four-year scholarships, with subsequent annual awards conditional upon maintaining adequate academic status and eligible college prep institution. Recipients meeting the conditions resulted in \$360,352 of tuition expense for the current period ended June 30, 2020. Over the next four years, \$305,850 is payable to the remaining students who have received this award and deemed eligible.



**LINK UNLIMITED SCHOLARS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 7 – Net Assets With Donor Restrictions**

Net assets with donor restrictions for the year ended June 30, 2020 available in future periods are as follows:

Foundations (short term)	\$ 290,000
Foundations (long term)	425,000
Capital campaign (short term)	346,363
Capital campaign (long term)	102,200
Sponsor/benefactor (purpose)	80,000
Total net assets with donor restrictions	<u>\$ 1,243,563</u>

**Note 8 – Special Events**

LINK hosted various fundraising events throughout the fiscal year. A summary of these events if as follows for the year ended June 30, 2020:

	<u>Golf</u> <u>Outing</u>	<u>Business</u> <u>Council</u>	<u>Total</u>
Sponsorships	\$ 106,000	\$ 141,150	\$ 247,150
Tickets	53,200	21,350	74,550
Contributions	39,155	5,550	44,705
Total special event revenue	<u>198,355</u>	<u>168,050</u>	<u>366,405</u>
Less direct benefit to donors	<u>(64,506)</u>	<u>-</u>	<u>(64,506)</u>
Net income special events	<u>\$ 133,849</u>	<u>\$ 168,050</u>	<u>\$ 301,899</u>

**Note 9 – Concentration of Revenue**

One donor accounted for more than 27% of total revenues for the year ended June 30, 2020. One donor accounted for more 45% of total receivables as of June 30, 2020. The current level of the Organization’s operations and program services may be impacted if the funding is not renewed or replaced.

**Note 10 – Operating Leases**

LINK entered into a 60-month operating lease for a copier, effective December 7, 2016. The monthly lease amount of the copier is \$813. Rental expense, including maintenance fees, for this lease was \$16,278 for the year ended June 30, 2020.

**LINK UNLIMITED SCHOLARS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 10 – Operating Leases (cont.)**

Future minimum lease payments are as follows:

<u>June 30,</u>	<u>Amount</u>
2021	\$ 9,756
2022	4,065
Total	<u>\$ 13,821</u>

**Note 11 – Employee Benefit Plan**

LINK has a defined contribution benefit plan. The plan conforms to the provisions of section 403(b) of the Internal Revenue Code and covers employees who have completed one year of service. LINK is required to contribute up to 6% of the employee’s base salary as long as the employee contributes at least 3% of their base salary. LINK did have retirement expense for the year ended June 30, 2020.

**Note 12 – Paycheck Protection Loan**

On April 21, 2020, the Organization received loan proceeds in the amount of \$166,087 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization has used the proceeds in the amount of \$108,118 for purposes consistent with the PPP and elected to follow ASC 958-605 and record the loan as a refundable advance where once forgiveness conditions are substantially met or explicitly waived, the entity would reduce the refundable advance and record a contribution for the amount forgiven. The Organization has funds of \$57,969 remaining as a refundable advance to be used over the twenty-four week period.