

LINK UNLIMITED SCHOLARS

FINANCIAL STATEMENTS

June 30, 2019

And for the Year Then Ended

**(With summarized comparative
information for June 30, 2018)**

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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, LINK Unlimited Scholars adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Desmond & Ahern, Ltd

October 15, 2019
Chicago, IL

LINK UNLIMITED SCHOLARS
STATEMENT OF FINANCIAL POSITION
June 30, 2019 (with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Current Assets		
Cash and equivalents	\$ 436,298	\$ 582,870
Contributions receivable, net	217,042	68,078
Pledges receivable	509,550	387,200
Prepaid expenses	4,174	1,654
Total current assets	<u>1,167,064</u>	<u>1,039,802</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	152,024	152,024
Total property and equipment	<u>1,892,262</u>	<u>1,892,262</u>
Less accumulated depreciation and amortization	<u>(991,388)</u>	<u>(929,235)</u>
Net property and equipment	<u>900,874</u>	<u>963,027</u>
Other Assets		
Pledges receivable - long term, net	<u>460,258</u>	<u>794,119</u>
Total Assets	<u><u>\$ 2,528,196</u></u>	<u><u>\$ 2,796,948</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 93,955	\$ 67,596
Accrued expenses	116,372	18,297
Total current liabilities	<u>210,327</u>	<u>85,893</u>
Net Assets		
Without donor restrictions	1,230,264	1,416,114
With donor restrictions	1,087,605	1,294,941
Total net assets	<u>2,317,869</u>	<u>2,711,055</u>
Total Liabilities and Net Assets	<u><u>\$ 2,528,196</u></u>	<u><u>\$ 2,796,948</u></u>

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

**LINK UNLIMITED SCHOLARS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019 (with comparative totals for 2018)**

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
<u>Public Support and Revenue</u>				
Contributions	\$ 954,758	\$ 186,364	\$ 1,141,122	\$ 1,371,285
Program fees	3,288	-	3,288	16,206
In-kind	25,000	-	25,000	-
Interest and dividends	1,739	-	1,739	32,311
Miscellaneous	900	-	900	-
Unrealized gains (losses) on investments	-	-	-	114,681
	<u>985,685</u>	<u>186,364</u>	<u>1,172,049</u>	<u>1,534,483</u>
Special Events				
Sponsors	474,500	-	474,500	315,500
Contributions	201,835	-	201,835	189,504
Ticket sales	170,575	-	170,575	216,170
Auction/raffle	25,796	-	25,796	97,161
In-kind	-	-	-	26,011
Less cost of direct benefits to donors	(196,535)	-	(196,535)	(163,725)
Net revenues from special events	<u>676,171</u>	<u>-</u>	<u>676,171</u>	<u>680,621</u>
Net assets released from restrictions - satisfaction of program restriction				
	<u>393,700</u>	<u>(393,700)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>2,055,556</u>	<u>(207,336)</u>	<u>1,848,220</u>	<u>2,215,104</u>
<u>Expenses</u>				
Program services	1,485,841	-	1,485,841	1,777,105
Management and general	199,469	-	199,469	888,940
Fundraising	556,096	-	556,096	291,253
Total expenses	<u>2,241,406</u>	<u>-</u>	<u>2,241,406</u>	<u>2,957,298</u>
Change in net assets	(185,850)	(207,336)	(393,186)	(742,194)
Net assets, beginning of year	1,416,114	1,294,941	2,711,055	3,453,249
Net assets, end of year	<u>\$ 1,230,264</u>	<u>\$ 1,087,605</u>	<u>\$ 2,317,869</u>	<u>\$ 2,711,055</u>

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

LINK UNLIMITED SCHOLARS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019 (with comparative totals for 2018)

	Program Services	Management and General	Fundraising	2019 Total Expense	2018 Total Expense
<u>Functional Expenses</u>					
Salaries	\$ 435,013	\$ 96,669	\$ 273,897	\$ 805,579	\$ 747,185
Payroll taxes and fringe benefits	89,894	19,977	56,600	166,471	178,441
Total salaries, taxes and fringe benefits	<u>524,907</u>	<u>116,646</u>	<u>330,497</u>	<u>972,050</u>	<u>925,626</u>
Tuition	437,632	-	-	437,632	755,400
Program	174,835	2,610	-	177,445	227,225
Fundraising	9,254	-	27,763	37,017	105,198
Utilities	21,533	4,785	13,558	39,876	47,313
Professional fees	176,760	39,666	111,293	327,719	533,975
Insurance	5,105	1,134	3,214	9,453	12,358
Office expense	9,387	2,086	5,910	17,383	20,969
Bank and credit card fees	7,825	1,739	4,925	14,489	14,629
In-kind	25,000	-	-	25,000	26,011
Travel and meetings	3,499	781	2,203	6,483	18,217
Equipment and maintenance	37,292	8,288	23,480	69,060	39,411
Staff development	-	-	-	-	8,531
Dues and subscriptions	5,088	1,130	3,204	9,422	18,669
Postage and shipping	1,052	234	663	1,949	3,803
Printing and copying	5,328	1,184	3,355	9,867	22,974
Telephone	7,667	1,703	4,827	14,197	18,120
Miscellaneous	13	3	8	24	26,661
Interest	102	22	64	188	11,864
Depreciation and amortization	33,562	7,458	21,132	62,152	69,344
Bad debt	-	10,000	-	10,000	51,000
Total other expenses	<u>960,934</u>	<u>82,823</u>	<u>225,599</u>	<u>1,269,356</u>	<u>2,031,672</u>
Total Expenses	<u><u>\$ 1,485,841</u></u>	<u><u>\$ 199,469</u></u>	<u><u>\$ 556,096</u></u>	<u><u>\$ 2,241,406</u></u>	<u><u>\$ 2,957,298</u></u>

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

LINK UNLIMITED SCHOLARS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019 (with comparative totals for 2018)

	<u>2019</u>	<u>2018</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ (393,186)	\$ (742,194)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized (gains) losses on investments	-	(114,681)
Depreciation and amortization	62,152	69,344
Change in assets - (increase) decrease		
Accounts receivable, net	(148,964)	10,652
Pledges receivable, net	(64,788)	(170,616)
Prepaid expenses	(2,520)	-
Change in liabilities - increase (decrease)		
Accounts payable	26,359	33,597
Accrued expenses	98,075	(22,771)
Net cash used by operating activities	<u>(422,872)</u>	<u>(936,669)</u>
<u>Cash Flows from Investing Activities</u>		
Receipts from capital campaign	276,300	307,902
Proceeds from sale of investments	-	1,821,705
Purchase of fixed assets	-	(14,863)
Net cash provided by investing activities	<u>276,300</u>	<u>2,114,744</u>
<u>Cash Flows from Financing Activities</u>		
Repayment of line of credit	-	(688,798)
Net cash used by financing activities	<u>-</u>	<u>(688,798)</u>
Net (decrease) increase in cash and equivalents	(146,572)	489,277
Cash and equivalents, beginning of year	<u>582,870</u>	<u>93,593</u>
Cash and equivalents, end of year	<u><u>\$ 436,298</u></u>	<u><u>\$ 582,870</u></u>

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

LINK UNLIMITED SCHOLARS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019

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, 2019.

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, 2019 interest paid was \$188. No cash was paid for taxes for the year ending June 30, 2019.

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, 2019, 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, 2019

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, 2019 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, 2019 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, 2019 LINK recorded such contributions of \$25,000.

LINK UNLIMITED SCHOLARS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 \$20,000 was deemed necessary, therefore, contributions receivable, net approximate fair value was \$217,042 for the year ending June 30, 2019.

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>
2020	\$ 169,614
2021	179,663
2022	<u>339,482</u>
Total	<u>\$ 688,759</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 over time. 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, 2019, bad debt expense was recorded in the amount of \$10,000.

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, 2019

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

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 15, 2019, 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.

Not-for-Profit Financial Statement Presentation

During fiscal 2018, the Organization adopted Accounting Standards Update (“ASU”) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The other main provisions of this guidance that impact the Organization are: presentation of two classes of net assets versus the previously required three; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

No reclassification of 2018 net assets were necessary by the adoption of ASU No. 2016-14 by the Organization as of June 30, 2019.

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, 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

LINK UNLIMITED SCHOLARS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 2 – Financial Assets and Liquidity Resources (cont.)

Financial assets at year-end	
Cash and equivalents	\$ 436,298
Contributions receivable	237,042
Pledges receivable	509,550
Total financial asset, at year-end	<u>1,182,890</u>
Less amounts not available to be used within one year:	
Restricted by donor with time restrictions	(850,563)
Restricted by donor with purpose restrictions	(237,042)
Allowance for doubtful accounts	<u>(20,000)</u>
Financial assets available to meet cash need for general expenditures within one year	<u><u>\$ 75,285</u></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.

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:

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.

LINK UNLIMITED SCHOLARS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

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.

Note 4 – Pledges Receivable

Pledge receivables at June 30, 2019 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, 2019 total short-term pledges receivables were \$509,550 while total long-term pledge receivables were \$440,419, 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.

**LINK UNLIMITED SCHOLARS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 4 – Pledges Receivable (cont.)

At June 30, 2019, the capital campaign had committed funds of:

Total pledges receivable	\$ 800,563
Less discount to present value	<u>(15,705)</u>
Net pledges receivable	<u>\$ 784,858</u>
Amounts due in:	
Less than one year	\$ 509,550
One to five years	<u>291,013</u>
Total pledges receivable	<u>\$ 800,563</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, 2019. Uncollectable promises are expected to be insignificant.

Foundation Pledge Receivable

During fiscal year 2016, a private foundation awarded a multi-year pledge of \$50,000 per year over a five-year period. The proceeds awarded are to be used for programmatic purposes over the grant period. At June 30, 2019, the foundation had committed funds of \$50,000 remaining.

Other Pledges Receivables

At June 30, 2019, various donors made short-term pledges without donor restrictions amounting to \$134,950 relating to special events held during the fiscal year.

Note 5 – 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 \$502,325 of expense in the current period ending June 30, 2019. Over the next three years, \$834,950 is payable to the remaining students who have received this award and deemed eligible.

Note 6 – 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 \$165,745 at June 30, 2019. 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, 2019, there was no outstanding balance or maturity date on the margin loan.

LINK UNLIMITED SCHOLARS
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 7 – Net Assets With Donor Restrictions

Net assets with donor restrictions for the year ended June 30, 2019 available in future periods are as follows:

Capital campaign (long term)	\$ 475,963
Capital campaign (short term)	324,600
Sponsor/benefactor (purpose)	237,042
Foundation (time)	50,000
Total net assets with donor restrictions	<u>\$ 1,087,605</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, 2019:

	Gala	Golf Outing	Luceon	Banquet	Cultivation	Total
Sponsorships	\$ 190,000	\$ 117,000	\$ 117,500	\$ 50,000	\$ -	\$ 474,500
Contributions	116,770	36,004	35,750	11,400	1,911	201,835
Tickets	89,350	59,500	21,725	-	-	170,575
Auction/raffle	18,095	7,701	-	-	-	25,796
Total special event revenue	414,215	220,205	174,975	61,400	1,911	872,706
Less direct benefit to donors	(60,217)	(77,299)	-	(59,019)	-	(196,535)
Net income special events	<u>\$ 353,998</u>	<u>\$ 142,906</u>	<u>\$ 174,975</u>	<u>\$ 2,381</u>	<u>\$ 1,911</u>	<u>\$ 676,171</u>

Note 9 – Concentration of Revenue

LINK's fundraising events are a major source of income with gross fundraising revenue making up 43% of total revenue. Three events during the year ended June 30, 2019 totaled 21%, 11%, and 9%, individually, of total revenue.

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 \$13,633 for the year ended June 30, 2019.

LINK UNLIMITED SCHOLARS
NOTES TO FINANCIAL STATEMENTS
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Note 10 – Operating Leases (cont.)

Future minimum lease payments are as follows:

<u>June 30,</u>	<u>Amount</u>
2020	\$ 9,756
2021	9,756
2022	4,065
Total	<u>\$ 23,577</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, 2019.