

**Greater K.C. LINC, Inc.**

Accountants' Report and Financial Statements  
(Including Reports Required Under OMB-133)

June 30, 2010 and 2009

# Greater K.C. LINC, Inc.

June 30, 2010 and 2009

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## Independent Accountants' Report on Financial Statements and Supplementary Information

LINC Commissioners  
and Finance Committee  
Greater K.C. LINC, Inc.  
Kansas City, Missouri

We have audited the accompanying statements of financial position of Greater K.C. LINC, Inc. (LINC) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of LINC's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater K.C. LINC, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2010, on our consideration of LINC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*BKD, LLP*

Kansas City, Missouri  
November 15, 2010

**Greater K.C. LINC, Inc.**  
**Statements of Financial Position**  
**June 30, 2010 and 2009**

**Assets**

	<u>2010</u>	<u>2009</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,814,398	\$ 1,801,185
Accounts and grants receivable, net of allowance	117,592	779,361
Prepaid expenses	<u>94,570</u>	<u>50,403</u>
Total current assets	<u>2,026,560</u>	<u>2,630,949</u>
<b>Assets Limited As To Use</b>		
Externally restricted		
Cash and cash equivalents	685,515	683,169
Reserves for underfunded community initiatives		
Investments	<u>6,571,224</u>	<u>5,845,414</u>
Total assets limited as to use	<u>7,256,739</u>	<u>6,528,583</u>
<b>Property and Equipment</b>		
Property and equipment	1,776,475	1,693,532
Less accumulated depreciation	<u>1,507,561</u>	<u>1,281,421</u>
Total property and equipment	<u>268,914</u>	<u>412,111</u>
Total assets	<u>\$ 9,552,213</u>	<u>\$ 9,571,643</u>

**Liabilities and Net Assets**

	<u>2010</u>	<u>2009</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 378,579	\$ 775,392
Accrued payroll and benefits	1,450,999	1,347,527
Accrued expenses	<u>244,314</u>	<u>290,879</u>
Total current liabilities	<u>2,073,892</u>	<u>2,413,798</u>
<b>Net Assets</b>		
Unrestricted	4,951,672	4,292,707
Temporarily restricted	<u>2,526,649</u>	<u>2,865,138</u>
Total net assets	<u>7,478,321</u>	<u>7,157,845</u>
Total liabilities and net assets	<u>\$ 9,552,213</u>	<u>\$ 9,571,643</u>

**Greater K.C. LINC, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2010 and 2009**

	2010		2009		
	Unrestricted	Temporarily Restricted	Total	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>					
State and federal contracts and grants	\$ 12,041,263	\$ 2,052,162	\$ 14,093,425	\$ 8,894,521	\$ 11,421,700
Private contributions and grants	527,558	-	527,558	356,354	356,354
State-funded expenditures and other non-cash	-	-	-	4,824	4,824
Investment return	727,963	-	727,963	(964,726)	(964,726)
Other support	1,734,808	-	1,734,808	704,055	704,055
	<u>15,031,592</u>	<u>2,052,162</u>	<u>17,083,754</u>	<u>8,995,028</u>	<u>11,522,207</u>
Net assets released from restrictions	2,390,651	(2,390,651)	-	2,527,179	(2,229,070)
	<u>17,422,243</u>	<u>(338,489)</u>	<u>17,083,754</u>	<u>11,224,098</u>	<u>11,522,207</u>
Total revenues, gains and other support				298,109	
<b>Expenses</b>					
Program services					
Caring Communities	11,102,827		11,102,827	7,031,735	7,031,735
Health and Child Welfare Initiatives	607,428		607,428	1,223,944	1,223,944
Educare	317,271		317,271	371,612	371,612
Early Childhood	335,276		335,276	327,027	327,027
Welfare-to-Work Initiatives	876,885		876,885	695,758	695,758
Data	707,284		707,284	690,084	690,084
21st Century	960,268		960,268	906,431	906,431
Other initiatives	496,015		496,015	454,174	454,174
	<u>15,403,254</u>		<u>15,403,254</u>	<u>11,700,765</u>	<u>11,700,765</u>
General, administrative and development	1,360,024		1,360,024	1,105,470	1,105,470
	<u>16,763,278</u>		<u>16,763,278</u>	<u>12,806,235</u>	<u>12,806,235</u>
Total expenses				(1,582,137)	(1,284,028)
<b>Change in Net Assets</b>	658,965	(338,489)	320,476	298,109	(1,284,028)
<b>Net Assets, Beginning of Year</b>	4,292,707	2,865,138	7,157,845	5,874,844	8,441,873
<b>Net Assets, End of Year</b>	<u>\$ 4,951,672</u>	<u>\$ 2,526,649</u>	<u>\$ 7,478,321</u>	<u>\$ 4,292,707</u>	<u>\$ 7,157,845</u>

See Notes to Financial Statements

**Greater K.C. LINC, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2010**

	Caring Communities	Health & Child Welfare Initiatives	Educare	Early Childhood	Welfare-to-Work Initiatives	Data	21st Century	Other Initiatives	Total Program Services	General, Administrative and Development Expenses	Total
Contract program services	\$ 1,870,280	\$ 276,883	\$ 87,289	\$ 316,302	\$ 460,062	\$ -	\$ 224,738	\$ 5,133	\$ 3,240,687	\$ -	\$ 3,240,687
Salaries	6,476,989	230,723	81,273	-	147,185	366,907	448,331	327,040	8,078,448	581,648	8,660,096
Purchased professional services	250,493	47,467	6,931	-	34,655	20,818	52,077	8,242	420,683	121,824	542,507
Employee benefits	1,777,971	63,335	22,310	-	40,403	100,718	123,070	89,773	2,217,580	159,666	2,377,246
Grants, stipends and scholarships	8,666	49,832	1,764	-	74,313	-	-	1,377	135,952	32	135,984
Administrative fees	23,775	-	-	7,000	25,833	-	7,940	-	64,548	-	64,548
Supplies	220,477	10,907	4,638	-	2,921	4,981	20,549	835	265,308	28,465	293,773
Training	28,965	663	46,449	-	19,805	2,209	835	673	99,599	2,223	101,822
Depreciation	43,874	1,927	11,048	-	968	92,262	37,347	12,435	199,861	31,175	231,036
Rent, facility usage and storage	3,049	725	13,898	-	9,915	2,767	191	1,703	32,248	191,088	223,336
Marketing	41,878	2,976	5,117	6,746	274	29,353	550	8,894	95,788	41,861	137,649
Equipment	43,807	1,510	1,622	-	1,996	17,267	10,685	278	77,165	24,800	101,965
Postage	1,820	751	994	-	1,252	18,587	244	25,922	49,570	8,975	58,545
Communication equipment	64,501	6,387	4,386	4,010	20,071	15,299	3,180	3,076	120,910	3,504	124,414
Equipment rental	-	-	3,000	-	2,240	18,114	-	-	23,354	21,681	45,035
Meetings	44,535	6,049	859	-	1,571	2,105	4,098	1,418	60,635	6,072	66,707
Travel and mileage	26,386	34,703	7,141	-	26,324	7,113	4,529	1,244	107,440	10,515	117,955
Events and facilitation services	28,515	5,288	15,531	-	5,879	7,566	13,837	6,752	83,368	52,754	136,122
Fundraising and other materials	21,860	-	899	-	-	-	-	-	22,759	-	22,759
Insurance	48,527	1,218	2,122	1,218	1,218	1,218	7,918	1,218	64,657	53,769	118,426
Bad debt expense (recoveries)	73,204	(133,973)	-	-	-	-	-	-	(60,769)	-	(60,769)
Other	3,255	57	-	-	-	-	149	2	3,463	19,972	23,435
Total expense	\$ 11,102,827	\$ 607,428	\$ 317,271	\$ 335,276	\$ 876,885	\$ 707,284	\$ 960,268	\$ 496,015	\$ 15,403,254	\$ 1,360,024	\$ 16,763,278

See Notes to Financial Statements

**Greater K.C. LINC, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2009**

	Caring Communities	Health & Child Welfare Initiatives	Educare	Early Childhood	Welfare-to-Work Initiatives	Data	21st Century	Other Initiatives	Total Program Services	General, Administrative and Development	Total Expenses
Contract program services	\$ 1,700,550	\$ 663,870	\$ 98,411	\$ 314,604	\$ 414,260	\$ -	\$ 181,608	\$ 3,199	\$ 3,376,502	\$ -	\$ 3,376,502
Salaries	3,592,594	175,048	98,422	-	91,604	384,249	424,700	313,534	5,080,151	379,837	5,459,988
Purchased professional services	228,014	31,735	199	-	14,480	-	43,583	1,733	319,744	92,947	412,691
Employee benefits	970,508	54,812	26,588	-	24,746	103,802	114,729	84,698	1,379,883	102,610	1,482,493
Grants, stipends and scholarships	7,114	61,716	1,535	-	45,275	-	-	-	115,640	5,025	120,665
Administrative fees	29,435	2,400	-	9,738	20,208	-	7,323	-	69,104	-	69,104
Supplies	200,080	24,434	6,542	-	3,496	6,055	32,332	840	273,779	14,883	288,662
Training	40,857	8,991	67,714	-	12,502	12,078	3,305	-	145,447	2,005	147,452
Depreciation	24,368	2,037	11,677	-	-	97,514	39,473	13,142	188,211	30,392	218,603
Rent, facility usage and storage	2,962	704	13,502	-	9,633	2,688	186	1,655	31,330	185,647	216,977
Marketing	8,077	2,672	6,129	500	1,017	9,392	-	16,385	44,172	37,689	81,861
Equipment	41,504	2,948	3,167	-	1,850	33,705	20,858	542	104,574	43,294	147,868
Postage	1,136	1,663	1,400	-	881	12,611	167	3,769	21,627	4,747	26,374
Communication equipment	35,948	8,256	4,483	1,200	15,516	3,818	3,600	2,734	75,555	25,792	101,347
Equipment rental	1,083	-	650	-	2,000	7,114	-	-	10,847	24,856	35,703
Meetings	35,613	5,537	3,182	-	2,276	1,418	6,132	1,311	55,469	5,616	61,085
Travel and mileage	29,247	35,368	6,897	-	27,785	5,312	4,597	1,326	110,532	8,470	119,002
Events and facilitation services	35,140	6,516	19,138	-	7,244	9,323	17,051	8,321	102,733	65,007	167,740
Fundraising and other materials	20,586	-	260	-	-	-	-	-	20,846	-	20,846
Insurance	39,239	985	1,716	985	985	985	6,403	985	52,283	43,479	95,762
Bad debt expense (recoveries)	(15,000)	133,973	-	-	-	-	-	-	118,973	(15,000)	103,973
Other	2,680	279	-	-	-	20	384	-	3,363	48,174	51,537
<b>Total expense</b>	<b>\$ 7,031,735</b>	<b>\$ 1,223,944</b>	<b>\$ 371,612</b>	<b>\$ 327,027</b>	<b>\$ 695,758</b>	<b>\$ 690,084</b>	<b>\$ 906,431</b>	<b>\$ 454,174</b>	<b>\$ 11,700,765</b>	<b>\$ 1,105,470</b>	<b>\$ 12,806,235</b>

See Notes to Financial Statements

**Greater K.C. LINC, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating Activities</b>		
Change in net assets	\$ 320,476	\$ (1,284,028)
Items not requiring (providing) cash		
Depreciation	231,036	218,603
Net unrealized and realized (gain) loss on investments	(637,161)	1,054,222
Net loss on disposal of fixed assets	882	1,819
Changes in		
Accounts and grants receivable	661,769	(508,124)
Prepaid expenses	(44,167)	65,757
Accounts payable and accrued expenses	<u>(339,906)</u>	<u>(48,969)</u>
Net cash provided by (used in) operating activities	<u>192,929</u>	<u>(500,720)</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(88,721)	(8,125)
Proceeds from sale of investments	(2,867,008)	8,318,832
Purchase of investments	<u>2,778,359</u>	<u>(8,390,549)</u>
Net cash used in investing activities	<u>(177,370)</u>	<u>(79,842)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	15,559	(580,562)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>2,484,354</u>	<u>3,064,916</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,499,913</u>	<u>\$ 2,484,354</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position</b>		
Cash and cash equivalents	\$ 1,814,398	\$ 1,801,185
Cash in assets limited as to use		
Externally restricted	<u>685,515</u>	<u>683,169</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 2,499,913</u>	<u>\$ 2,484,354</u>



**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

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

***Nature of Operations***

Greater K.C. LINC, Inc. (Local Investment Commission or LINC) is a Missouri not-for-profit organization. It is a citizen-driven community collaborative involving efforts by the State of Missouri to work with neighborhood leaders, as well as other citizens, business, civic and labor leaders to improve the lives of its children and families in Jackson, Clay and Platte counties in Missouri, including Kansas City, Missouri.

LINC works to create better communities by building stronger families, stronger schools and stronger neighborhoods. LINC maximizes resources by collaborative planning, leveraging in-kind services in low-income neighborhoods, and through the use of information technologies to support decision-making, planning and service delivery.

LINC is involved in a variety of community efforts and partnerships. Its areas of concentration include: children and families, aging, health care, housing, school-linked services, welfare reform and business development. LINC is also involved in initiatives to provide employment to those on welfare, create new business in the central city, improve the delivery of human services and help improve the lives of families and children.

LINC also is the community partnership selected by the State of Missouri to administer the area's "Caring Communities" fund, an initiative created by eight State departments – Social Services, Mental Health, Health, Labor, Public Safety, Education, Corrections and Economic Development – to support and develop school-linked, neighborhood-based, services. The fund is used to support services at selected schools where interest is shown by parents, neighbors and the school principal. The effort involves 46 schools in seven school districts, plus several Kansas City, Missouri area charter schools. The school-linked services are part of a larger effort to develop comprehensive integrated neighborhood services through neighborhood involvement, professional development and change management. See [www.kcline.org](http://www.kcline.org) for more information.

***Caring Communities***

Helping Students, Parents and Neighbors

LINC provides support for school and neighborhood services in multiple school districts. Major efforts include operating out-of-school programs in area districts and charter schools, implementing federal 21st Century Community Learning Center grants, and operating the area's Community Partnership initiative. Other smaller, similar programs are also included in the category.

21st Century Community Learning Centers (21CCLC)

Funds from a grant from the Missouri Department of Elementary and Secondary Education are being used over a five-year period to provide after-school academic enrichment, youth involvement and expanded parent and community involvement at five local schools. Significant effort is placed on youth development activities and project learning to prepare middle and high school students for graduation.

In total, at June 30, 2010 and 2009, there were 46 Caring Community sites.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

***Health and Child Welfare Initiatives***

Child Welfare: Protecting Children & Youth

LINC is actively involved in addressing community child welfare issues. These programs improve outcomes for (and extends services to) at-risk families, particularly those at risk for child abuse and neglect. Emphasis is put on enhancing community awareness and training, and developing data systems to support better service delivery by the state child welfare agency. These efforts also include:

- Coordinating a regional effort to work with teenage foster children who are leaving the system
- Other child welfare services

Health Initiatives

These programs improve outcomes for (and extends services to) at-risk, under served youths and their families, particularly those without ready access to health services and/or insurance. Close relationships with entities such as Kansas City Quality Improvement Consortium (KCQIC) and the Area Health Education Center (AHEC) leverage resources to create broader opportunities for service.

***Other Initiatives***

Educare

This program is designed to enhance the early childhood development of children between the ages of zero to three years old. The program offers training, educational resources and home visits to family care providers located in Jackson, Clay and Platte County, Missouri, and addresses core competencies for early care and education professionals.

Early Childhood

Collaborating with many community partners, this initiative is designed to increase the quality and availability of child care within the urban core by providing (a) technical assistance to area early education professionals, (b) extensive resources and support to area child care programs that are working to achieve national accreditation, and (c) other benefits to child care centers working to improve quality child care as they stay affordable to families. One element of this initiative rewards early education teachers for professional development through wage increases and other incentives to attract and retain qualified staff as well.

Welfare-to-Work Initiatives

Under the Welfare-to-Work program, LINC is responsible for serving the unemployed and under-employed adults in Kansas City and Jackson County, Missouri by developing, planning, contracting and monitoring community-based welfare-to-work systems. The system focuses on job retention issues including: child care, job readiness, personal skills, employer training and public transportation.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

Data

LINC data and research initiatives support planning and service delivery, promote accountability, and assist volunteers in monitoring outcomes. LINC maintains a current database of assisted families and individuals, and provides other data support. The result is a system which provides increasingly accurate and useful applications used internally as well as outside of LINC. Other funding in this category supports part of LINC's accounting and technology infrastructure.

Other

This category is composed of multiple smaller initiatives that represent LINC taking advantage of unique regional opportunities for the underserved population. These initiatives support health, education and family stability, and initiatives that benefit the community.

***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.

***Cash Equivalents***

LINC considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2010 and 2009, cash equivalents consisted primarily of money market funds and commercial paper.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At June 30, 2010, LINC's cash accounts exceeded federally insured limits by approximately \$436,000. Management is consistently evaluating the financial stability of those institutions and believes the risk of loss is minimal.

***Investments***

Investments in mutual funds and other equity securities and all debt securities are carried at fair value. Investment income, gains and losses are reflected in the statements of activities as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

LINC invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment portfolio and the amounts reported in the statements of activities.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

***Accounts and Grants Receivable***

Accounts and grants receivable are stated at the amounts billed under the terms of the contract or grant. LINC provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances.

***Property and Equipment***

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

***Accounts Payable***

Accounts payable consist of trade and program-related payables incurred by LINC.

***Government Grants***

Support funded by contracts and/or grants is recognized as LINC performs the contracted services or incurs outlays eligible for reimbursement under the agreements. Certain funds are received by LINC to be passed on to eligible agencies in order to complete the purpose of the contract or grant. Such funds are initially recorded by LINC as temporarily restricted revenue. Such funds are recorded as net assets released from restrictions, upon payment by LINC to participating agencies or upon other notification that the restricted purpose has been accomplished. Government grants are subject to state and federal audits.

***Net Assets***

Temporarily restricted net assets are those whose use by LINC has been limited by grantor or donor to a specific time period or purpose. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

***Income Taxes***

Greater K.C. LINC, Inc. is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and a similar provision of the state law. However, LINC would be subject to federal income tax if it incurred any unrelated business income. LINC is no longer subject to U.S. federal examinations by tax authorities for years before 2007.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

***Contributions and Grants***

LINC reports gifts and funding of cash and other assets as restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor or grantor time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions having donor stipulations which are satisfied in the period the gift is received are reported as temporarily restricted revenue and then released from restriction.

***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories.

***General, Administrative and Development Expenses***

For the years ended June 30, 2010 and 2009, LINC's general, administrative and development expenses accounted for 8.1% and 8.6%, respectively, of LINC's total expenses.

***Reclassifications***

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 financial statement presentation. These reclassifications had no effect on the total change in net assets.

***Subsequent Events***

Subsequent events have been evaluated through November 15, 2010, which is the date the financial statements were available to be issued.

**Note 2: Investments**

Investments at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Mutual funds	\$ 2,348,441	\$ 1,965,835
Exchange traded funds	3,464,668	2,862,499
Money market funds	1,772,622	2,281,581
U.S. government agency securities	756,992	516,328
	<u>\$ 8,342,723</u>	<u>\$ 7,626,243</u>

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

The above investments are presented on the statements of financial position as follows:

<b>Reconciliation of Investments to the Statements of Financial Position</b>	<b>2010</b>	<b>2009</b>
Investments in cash and cash equivalents	\$ 1,771,499	\$ 1,780,829
Reserves for underfunded community initiatives	6,571,224	5,845,414
	<u>\$ 8,342,723</u>	<u>\$ 7,626,243</u>

For the years ended June 30, 2010 and 2009, investment return consisted of the following:

	<b>2010</b>	<b>2009</b>
Net realized gains on investments	\$ 7,175	\$ 413
Net unrealized gains on investments	629,986	(1,054,635)
Interest and dividends	90,802	89,496
	<u>\$ 727,963</u>	<u>\$ (964,726)</u>

**Note 3: Disclosures About Fair Value of Assets and Liabilities**

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies 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 in active markets for identical assets or liabilities
- Level 2** 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 for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.



**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**Note 4: Accounts and Grants Receivable**

Accounts and grants receivable at June 30 consists of the following:

	<u>2010</u>	<u>2009</u>
Hickman Mills School District	\$ 43,958	\$ -
Family & Community Trust Fund	45,000	-
Kansas City, Missouri School District (KCMSD)	3,625	474,000
Area Health Education Center	8,679	37,814
Missouri Department of Social Services – Foster Care Transitioning	-	150,000
Other programs	157,929	319,915
	<u>259,191</u>	<u>981,729</u>
Less allowance for doubtful accounts	141,599	202,368
	<u>\$ 117,592</u>	<u>\$ 779,361</u>

**Note 5: Temporarily Restricted Net Assets**

Restricted net assets are available for the following purposes at June 30:

	<u>2010</u>	<u>2009</u>
Externally restricted by funding agency		
Improved or extended services to families and children	\$ 661,597	\$ 1,150,416
Out of School Time Initiative	973,942	726,058
Welfare-to-Work Initiatives	321,401	459,957
Annie Casey Foundation-Child Welfare	-	166,666
Child Welfare Initiatives Including Foster Support	122,218	86,809
Family Health Initiatives	238,274	220,029
Other special projects and programs	209,217	55,203
	<u>\$ 2,526,649</u>	<u>\$ 2,865,138</u>



**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**Note 6: Net Assets Released from Restriction**

Net assets were released from donor or grantor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors or grantors. These amounts released are as follows:

	<u>2010</u>	<u>2009</u>
Expenses incurred on behalf of		
Caring Communities	\$ 1,196,254	\$ 978,116
Community Partnership Initiatives	21,545	55,432
Before and After School Program	726,058	164,855
Welfare-to-Work Initiatives	347,333	149,321
Child Welfare Initiatives Including Foster Support	86,809	497,718
Other special projects and programs	12,652	383,628
	<u>\$ 2,390,651</u>	<u>\$ 2,229,070</u>

**Note 7: Operating Lease**

LINC has entered into a noncancellable operating lease for office space, which expires during calendar year 2013. Rental expense under all leases amounted to \$166,173 and \$190,059 for the years ended June 30, 2010 and 2009, respectively.

Future minimum lease payments for operating leases at June 30, 2010 are as follows:

2011	\$ 165,665
2012	170,538
2013	<u>170,538</u>
	<u>\$ 506,741</u>

**Note 8: 401(k) Retirement and Savings Plan**

LINC has a defined contribution plan that covers substantially all full-time employees of LINC who have attained the age of 18 and are eligible to participate after 12 months of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Participants may contribute up to 100% of their annual compensation, as defined in the Plan, subject to certain Internal Revenue Code limitations. LINC matches 50% of the employees' voluntary contributions up to a maximum employer contribution of 2.0% of eligible gross wages. LINC also makes additional contributions of 7.5% of eligible gross wages, of which 3% is considered "qualified non-elective contributions" (QNEC). Participants' interests vest over a period of two to five years of service for the additional contributions from LINC and immediately in employee salary deferral contributions, QNEC and LINC matching contributions.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

LINC's contributions for the years ended June 30, 2010 and 2009 were \$342,000 and \$283,000, respectively.

**Note 9: State-Funded Expenditures**

The Missouri Department of Social Services (MDSS) has agreed to provide LINC with funding for administrative expenses including, but not limited to, certain administrative salaries and benefits, rent, parking space, office supplies, printing and capital assets. LINC remits purchase orders or payment requests to the MDSS, who pays the invoices directly. Funding is recognized in the statements of activities as support and expenditures. Such funding and related expenditures amounted to \$0 and \$4,824 for the years ended June 30, 2010 and 2009, respectively.

**Note 10: Fundraising Expense**

Fundraising and related expenses for the years ended June 30, 2010 and 2009 was \$20,495 and \$20,846, respectively.

**Note 11: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

***Revenues***

For the years ended June 30, 2010 and 2009, funding under one Missouri Department of Social Services Contract accounted for 52% and 84% of LINC's total revenues, gains and other support, respectively.

***General Litigation***

LINC is subject to various claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of LINC.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

***Current Economic Conditions***

The current protracted economic decline continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, declines in governmental support, grant revenue, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to LINC.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in governmental support could have an adverse impact on LINC's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values, and allowances for contributions receivable that could negatively impact LINC's ability to meet debt covenants or maintain sufficient liquidity.

## **Supplementary Information**

**Greater K.C. LINC, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2010**

Cluster/Program	Federal Agency/Pass-Through Entity	CFDA #	Amount Expended
Twenty-First Century Community Learning Centers	Department of Education/Missouri Department of Elementary and Secondary Education	84.287	\$ 525,040
Model State-Supported Area Health Education Centers	Department of Health and Human Services – Health Resource and Service Administration	93.107	<u>69,702</u>
			<u>\$ 594,742</u>

**Notes to Schedule**

1. This schedule includes the federal awards activity of Greater K.C. LINC, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. No federal awards were provided to subrecipients.

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**Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed  
in Accordance with *Government Auditing Standards***

LINC Commissioners  
and Finance Committee  
Greater K.C. LINC, Inc.  
Kansas City, Missouri

We have audited the financial statements of Greater K.C. LINC, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered LINC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LINC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LINC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of LINC's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether LINC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

LINC Commissioners  
and Finance Committee  
Greater K.C. LINC, Inc.  
Page 2

We noted certain matters that we reported to LINC's management in a separate letter dated November 15, 2010.

\* \* \* \* \*

This report is intended solely for the information and use of the Board of Commissioners, Finance Committee, management and others within LINC and federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

BKO, LLP

Kansas City, Missouri  
November 15, 2010



**Independent Accountants' Report on Compliance  
with Requirements Applicable to Each Major Program and on  
Internal Control Over Compliance in Accordance with OMB Circular A-133**

LINC Commissioners  
and Finance Committee  
Greater K.C. LINC, Inc.  
Kansas City, Missouri

**Compliance**

We have audited the compliance of Greater K.C. LINC, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. LINC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of LINC's management. Our responsibility is to express an opinion on the compliance of Greater K.C. LINC, Inc., based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LINC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on LINC's compliance with those requirements.

In our opinion, Greater K.C. LINC, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

The management of Greater K.C. LINC, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered LINC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LINC's internal control over compliance.



A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

\* \* \* \* \*

This report is intended solely for the information and use of the Board of Commissioners, Finance Committee, management, others within LINC, federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

BKD, LLP

Kansas City, Missouri  
November 15, 2010

**Greater K.C. LINC, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

**Summary of Auditors' Results**

1. The opinion expressed in the independent accountants' report was:  
 Unqualified     Qualified     Adverse     Disclaimed
  
2. The independent accountants' report on internal control over financial reporting described:  
 Significant deficiency(ies) noted considered material weakness(es)?     Yes     No  
 Significant deficiency(ies) noted that are not considered to be a material weakness?     Yes     No
  
3. Noncompliance considered material to the financial statements was disclosed by the audit?     Yes     No
  
4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:  
 Significant deficiency(ies) noted considered material weakness(es)?     Yes     No  
 Significant deficiency(ies) noted that are not considered to be a material weakness?     Yes     No
  
5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:  
 Unqualified     Qualified     Adverse     Disclaimed
  
6. The audit disclosed findings required to be reported by OMB Circular A-133?     Yes     No
  
7. LINC's major program was:

Cluster/Program	CFDA Number
Twenty-First Century Community Learning Centers	84.287

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
  
9. LINC qualified as a low-risk auditee as that term is defined in OMB Circular A-133?     Yes     No

**Greater K.C. LINC, Inc.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2010**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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No matters are reportable.

**Findings Required to be Reported by OMB Circular A-133**

<b>Reference Number</b>	<b>Finding</b>	<b>Questioned Costs</b>
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No matters are reportable.

**Greater K.C. LINC, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2010**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
	No findings in prior year.	