

Greater K.C. LINC, Inc.

Accountants' Report and Financial Statements

June 30, 2000 and 1999



GREATER K.C. LINC, INC.

JUNE 30, 2000 AND 1999

CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7

Independent Accountants' Report

LINC Commissioners
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, 2000 and 1999, 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 generally accepted auditing standards. 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, 2000 and 1999, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

October 2, 2000

GREATER K.C. LINC, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2000 AND 1999

ASSETS

	<u>2000</u>	<u>1999</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,929,840	\$ 4,586,367
Accounts and grants receivable	3,121,211	5,494,927
Prepaid expenses	<u>4,913</u>	<u>4,111</u>
Total Current Assets	<u>11,055,964</u>	<u>10,085,405</u>
 PROPERTY AND EQUIPMENT	 1,051,644	 628,208
Less accumulated depreciation	<u>425,063</u>	<u>244,778</u>
	<u>626,581</u>	<u>383,430</u>
 Total Assets	 <u>\$11,682,545</u>	 <u>\$10,468,835</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 1,307,417	\$ 1,733,696
Payable to participating agencies	715,551	1,208,471
Accrued expenses	<u>366,378</u>	<u>129,695</u>
Total Current Liabilities	<u>2,389,346</u>	<u>3,071,862</u>
 NET ASSETS		
Unrestricted	4,094,140	1,392,516
Temporarily restricted	<u>5,199,059</u>	<u>6,004,457</u>
Total Net Assets	<u>9,293,199</u>	<u>7,396,973</u>
 Total Liabilities and Net Assets	 <u>\$11,682,545</u>	 <u>\$10,468,835</u>

See Notes to Financial Statements

GREATER K.C. LINC, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2000 AND 1999

	2000			1999		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT						
Federal and state grants	\$14,379,167	\$ 1,522,330	\$15,901,497	\$ 9,379,597	\$4,787,748	\$14,167,345
Private contributions and grants	732,100	166,634	898,734	116,717	316,833	433,550
State-funded expenditures	376,801		376,801	609,008		609,008
Investment income	436,434		436,434	133,830		133,830
Other support	<u>36,031</u>		<u>36,031</u>	<u>27,027</u>		<u>27,027</u>
	15,960,533	1,688,964	17,649,497	10,266,179	5,104,581	15,370,760
Net assets released from restrictions	<u>2,494,362</u>	<u>(2,494,362)</u>	<u>0</u>	<u>337,631</u>	<u>(337,631)</u>	
Total revenues, gains and other support	<u>18,454,895</u>	<u>(805,398)</u>	<u>17,649,497</u>	<u>10,603,810</u>	<u>4,766,950</u>	<u>15,370,760</u>
EXPENSES						
Program services:						
Comprehensive Neighborhood Services	3,778,001		3,778,001	3,626,455		3,626,455
Title IV-E	2,256,324		2,256,324	2,293,561		2,293,561
Educare	359,376		359,376	366,280		366,280
Data and evaluation	217,271		217,271	130,623		130,623
Other state funded programs	7,768,567		7,768,567	2,491,675		2,491,675
Donor funded programs	358,559		358,559	201,031		201,031
Other	<u>32,646</u>		<u>32,646</u>	<u>18,360</u>		<u>18,360</u>
Total program services	14,770,744		14,770,744	9,127,985		9,127,985
General and administrative services	<u>982,527</u>		<u>982,527</u>	<u>653,564</u>		<u>653,564</u>
Total expenses	<u>15,753,271</u>		<u>15,753,271</u>	<u>9,781,549</u>		<u>9,781,549</u>
CHANGE IN NET ASSETS	2,701,624	(805,398)	1,896,226	822,261	4,766,950	5,589,211
NET ASSETS, BEGINNING OF YEAR	<u>1,392,516</u>	<u>6,004,457</u>	<u>7,396,973</u>	<u>570,255</u>	<u>1,237,507</u>	<u>1,807,762</u>
NET ASSETS, END OF YEAR	<u>\$ 4,094,140</u>	<u>\$ 5,199,059</u>	<u>\$ 9,293,199</u>	<u>\$ 1,392,516</u>	<u>\$ 6,004,457</u>	<u>\$ 7,396,973</u>

See Notes to Financial Statements

GREATER K.C. LINC, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2000

	Comprehensive Neighborhood Services	Title IV-E	Educate	Data and Evaluation	Other State Funded Programs	Donor Funded Programs	Other	Total Program Expenses	Administrative	Total Expenses
EXPENSES										
Program expense	\$ 2,488,739	\$ 1,541,324	\$ 247,666	\$ 71,069	\$ 3,882,020	\$ 2,234	\$ 23,417	\$ 6,715,145	\$ 399,870	\$ 6,715,145
Payments to participating agencies								1,541,324		1,541,324
Salaries	667,963		43,537	14,987	1,104,944	53,408		1,884,839		2,284,709
Consultants	5,274		7,580	10,643	404,085	198,037	5,080	630,699	40,295	670,994
Employee benefits	192,884		15,191	9,268	324,066			541,409	18,771	560,180
Incentives	38,912		11,929		246,881			297,722	321	298,043
Administrative fees					190,386			190,386		190,386
Supplies	85,111		14,114	307,516	307,516	27,158	902	434,801	49,603	484,404
Continuing education and conferences	34,649		151	187,092		925		222,817	3,337	226,154
Depreciation									180,285	180,285
Rent									140,185	140,185
Printing and copying	7,152		6,194		85,150	18,377		116,873	4,629	121,502
Equipment	33,675		505	107,787	182,008	7,184	1,741	332,900	2,481	335,381
Postage	4,409		3,378		71,203	10,771		89,761	294	90,055
Telephone	25,412		907		5,785	757		32,861	27,647	60,508
Equipment rental and maintenance	3,648				25,532		256	29,436	25,129	54,565
Meetings and refreshments	21,646				14,466	3,773	625	40,510	37,475	77,985
Payroll expenses	26,009		2,190	1,764	65,670			95,633	115	95,748
Travel	5,284				12,345	1,208	625	19,462	14,837	34,299
Mileage	11,367		5,951	464	9,813	498		28,093	2,556	30,649
Bus and taxi service	6,280				21,279			27,559		27,559
Accounting fees				1,289	4,600	880		8,864	8,893	8,893
Subscriptions and publications	2,095				65,148	32,371		97,519	2,719	11,583
Advertising					53			60	391	451
Parking	7									
Facilities usage	6,677				35,003			41,680		41,680
Child care	2,954				178,387			181,341		181,341
Insurance	1,500				23,447			24,947	734	25,681
Bad debt	106,000	715,000			300,000			1,121,000		1,121,000
Other	354		83		21,688	978		23,103	20,469	43,572
Total Expenses	\$ 3,778,001	\$ 2,256,324	\$ 359,376	\$ 217,271	\$ 7,768,567	\$358,559	\$ 32,646	\$14,770,744	\$ 982,527	\$15,753,271

GREATER K.C. LINC, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 1999

	Comprehensive Neighborhood Services	Title IV-E	Educate	Data and Evaluation	Other State Funded Programs	Donor Funded Programs	Other	Total Program Expenses	Administrative	Total Expenses
EXPENSES										
Program expense	\$ 2,485,222	\$ 239,948						\$2,725,170		\$2,725,170
Payments to participating agencies		\$ 2,293,561						2,293,561		2,293,561
Salaries	611,035	36,032	\$ 86,433	\$ 10,985	\$ 759,012	\$ 22,565	\$ 461	1,515,077	\$ 189,612	1,704,689
Consultants		18,572	10,985	764,990	897,431	16,372		1,637,270	913,803	2,551,073
Employee benefits	185,605	13,567	25,766	168,192	7,582			400,712	47,902	448,614
Incentives	29,813	13,582		319,690	19			363,104	1,406	364,510
Administrative fees				254,017				254,017		254,017
Supplies	108,415	6,751	743	13,532	778		471	130,690	30,015	160,705
Continuing education and conferences	35,747	10,222		35,558	49,044		600	131,171	2,206	133,377
Depreciation									106,270	106,270
Rent					19,118	300		19,418	74,598	94,016
Printing and copying	7,779	4,858		37,360	40			50,037	25,371	75,408
Equipment	20,756	6,741		7,667				35,164	32,879	68,043
Postage	4,006	3,141		32,122				39,269	14,333	53,602
Telephone	36,455	573	537	334				37,899	14,083	51,982
Equipment rental and maintenance	3,378			25,025			1,590	29,993	17,092	47,085
Meetings and refreshments	21,884	1,984	109	2,378	263		450	25,084	16,006	41,090
Payroll expenses	23,712		4,489	7,860	1,206			39,251	1,198	40,449
Travel	6,714		76	7,984	4,516			19,290	11,958	31,248
Mileage	11,868	5,069	762	1,038				18,737	2,806	21,543
Bus and taxi service	18,284				211			18,495	380	18,875
Accounting fees									13,496	13,496
Subscriptions and publications	3,165		723		99		7,038	11,025	2,101	13,126
Advertising					11,958			11,958		11,958
Parking	196							196	6,780	6,976
Facilities usage	5,471							5,471		5,471
Child care	4,972				27		140	5,139		5,139
Insurance	600							600	904	1,504
Other	1,378	5,240		35,798			7,610	50,026	25,796	75,822
Total Expenses	\$ 3,626,455	\$ 2,293,561	\$ 366,280	\$ 130,623	\$ 2,491,675	\$ 201,031	\$ 18,360	\$9,127,985	\$ 653,564	\$9,781,549

See Notes to Financial Statements

GREATER K.C. LINC, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2000 AND 1999

	<u>2000</u>	<u>1999</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,896,226	\$ 5,589,211
Item not requiring cash:		
Depreciation	180,285	106,270
Changes in:		
Accounts receivable	2,373,716	(3,828,175)
Prepaid expenses	(802)	(4,111)
Payables and accrued expenses	<u>(682,516)</u>	<u>1,526,445</u>
Net cash provided by operating activities	<u>3,766,909</u>	<u>3,389,640</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(423,436)</u>	<u>(242,820)</u>
Net cash used in investing activities	<u>(423,436)</u>	<u>(242,820)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	3,343,473	3,146,820
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,586,367</u>	<u>1,439,547</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,929,840</u>	<u>\$ 4,586,367</u>

See Notes to Financial Statements

GREATER K.C. LINC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000 AND 1999

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Greater K.C. LINC, Inc. (LINC) is a Missouri not-for-profit organization that works to improve the lives of children and families in Kansas City, Missouri and Jackson County, Missouri. LINC assists neighborhoods to develop comprehensive human services, supports and opportunities. Its initiatives include an integrated community welfare-to-work system; neighborhood-based services; performance-based contracting; collaborative planning; leveraging in-kind services in low-income neighborhoods; and use of information technologies to support decision-making, planning and service delivery. LINC receives significant funding from the U.S. Department of Health and Human Services and the Missouri Department of Social Services. The following is a more detailed description of its major initiatives.

Comprehensive Neighborhood Services (CNS): LINC administers Caring Communities Funds in Jackson County, Missouri as part of a system reform effort directed at developing more effective services for children and families. LINC facilitates the planning and development process, in cooperation with local school districts and the community, to deliver multi-disciplinary services through neighborhood linkages with local schools. At June 30, 2000, nineteen schools in five school districts were participating in the CNS program.

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 the Jackson, Clay and Platte County, Missouri.

Other State Funded Programs: The two largest programs in this category are *Welfare-to-Work* and *Before and After School Care*. Under the Welfare-to-Work program, LINC is responsible for serving the unemployed and underemployed adults in Kansas City, Missouri and Jackson County, Missouri by developing, planning, contracting and monitoring the community-based welfare-to-work system. The system focuses on job retention issues affecting employment including: child care, job readiness, personal skills, employer training and public transportation. Under the Before and After School Care program, LINC is responsible for providing before and after school daycare services for working needy families. This program is designed to improve educational outcomes and other societal benefits. At June 30, 2000, 46 schools located in the Kansas City, Missouri School District were participating in this program. Other smaller programs are also included in the category.

Title IV-E Claiming: The federal government provides partial reimbursement to organizations under Title IV-E of the Social Security Act. The State of Missouri has an agreement with LINC to locally administer the State's Title IV-E claiming process. Each quarter, participating organizations conduct a five-day time study to help determine how much time was spent on qualified activities.

GREATER K.C. LINC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000 AND 1999

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Title IV-E Claiming (Continued):

At June 30, 1999, 35 organizations had contracted with LINC to receive Title IV-E reimbursement. Effective for the year ended June 30, 2000, funding for this program was suspended (due to a dispute between the State and federal government regarding administration of the program) and the program was discontinued. However, LINC utilized other resources to provide participating agencies with their respective shares of funding through December 31, 1999. Receivables related to Title IV-E amounting to \$715,000 have been fully reserved for (*see Note 2*).

Cash Equivalents

At June 30, 2000 and 1999, cash equivalents consisted primarily of commercial paper.

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.

Payables

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

Payable to participating agencies represents claims reimbursable to subrecipients under the Title IV-E program. These claims were paid by LINC subsequent to year end. LINC agreed to pay claims submitted by direct partners even though the State may not reimburse LINC as discussed on page seven.

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. Donor or grantor contributions whose restrictions are satisfied in the same period as received are reported as unrestricted revenue and net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by LINC has been limited by donors or grantors to a specific time period or purpose.

GREATER K.C. LINC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000 AND 1999

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Income Taxes

Greater K.C. LINC, Inc. is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 2: ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable consists of amounts due from the Missouri Department of Social Services and private grantors as of June 30, 2000 and 1999 for the following:

	<u>2000</u>	<u>1999</u>
Title IV-E Program	\$ 715,000	\$2,454,969
Extended Day Program	933,150	1,998,567
Comprehensive Neighborhood Services Program	1,088,873	548,409
Tanf Leavers	317,973	
Welfare-to-Work Program		318,000
Educare	300,530	
Faith Friends	618,000	
Other programs	<u>268,685</u>	<u>174,982</u>
	4,242,211	5,494,927
Less allowance for doubtful accounts		
Title IV-E	(715,000)	
Other	<u>(406,000)</u>	<u> </u>
	<u>\$3,121,211</u>	<u>\$5,494,927</u>

GREATER K.C. LINC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000 AND 1999

NOTE 3: TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2000</u>	<u>1999</u>
Improved or extended services to families and children	\$1,005,910	\$2,544,580
Extended Day Program	1,881,792	2,123,567
Welfare-to-Work Program	412,625	300,000
Data and evaluation project	288,584	231,911
Division of Aging	291,524	215,241
House Bill 1519	257,374	
Tanf Leavers	294,821	
Faith Friends	351,754	
Various special projects and programs	<u>414,675</u>	<u>589,158</u>
	<u>\$5,199,059</u>	<u>\$6,004,457</u>

NOTE 4: TEMPORARILY RESTRICTED 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>2000</u>	<u>1999</u>
Expenses incurred on behalf of:		
Improvement of services to families and children	\$1,541,325	
Comprehensive Neighborhood Service Program		\$ 53,531
Welfare-to-Work Program	349,134	
Data and Evaluation Project	80,806	216,230
Faith-Based Mentoring Program	248,246	
Extended Day	125,000	
Other special projects and programs	<u>149,851</u>	<u>67,870</u>
	<u>\$2,494,362</u>	<u>\$ 337,631</u>

GREATER K.C. LINC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000 AND 1999

NOTE 5: MID-AMERICA REGIONAL COUNCIL (MARC)

LINC has entered into an agreement with MARC in which MARC will provide human resource, payroll services, and fringe benefits for employees who work under the direction of the LINC Executive Director or are designated to implement LINC initiatives. LINC reimburses MARC for the costs of providing salary and benefits to the designated LINC employees plus a 4% administrative fee. LINC employees under the MARC system are eligible to participate in a defined contribution plan sponsored by MARC. LINC contributes 7.5% of total eligible compensation paid to employees during the plan year. Participant's interests are vested over a period from two to six years of service. Total payments to MARC were approximately \$2,500,000 and \$1,100,000, respectively, including contributions to the defined contribution plan of \$81,136 and \$49,587, respectively, for the years ended June 30, 2000 and 1999.

NOTE 6: 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 statement of activities as support and expenditures. Such funding and related expenditures amounted to \$376,801 and \$609,008 for the years ended June 30, 2000 and 1999, respectively.

NOTE 7: UMKC CONTRACT

The MDSS has contracted with LINC to serve as an administrator of a contract between MDSS and the University of Missouri – Kansas City (UMKC). LINC reviews UMKC invoices and billings, submits them to MDSS for funding, and tracks funding for the contract period. LINC does not receive any funding related to this contract and, thus, no revenues or expenses related thereto are reported in the statement of activities.

GREATER K.C. LINC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000 AND 1999

NOTE 8: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Generally accepted accounting principles require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Revenues

For the year ended June 30, 2000 funding for two federal programs (passed through the Missouri Department of Social Services) accounted for 53% of LINC's total revenues, gains and other support. Additionally, during the year ended June 30, 2000, LINC's Title IV-E funding was suspended (*see Note 1*).

For the year ended June 30, 1999, funding for three federal programs (passed through the Missouri Department of Social Services) accounted for 24% of LINC's total revenues, gains and other support.

Expenses

LINC has entered into an agreement with MARC to provide payroll and other related services for certain employees (*see Note 5*).