

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

Accountants' Report and Financial Statements

June 30, 2002 and 2001



**Greater K.C. LINC, Inc.**  
**June 30, 2002 and 2001**

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## **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, 2002 and 2001, 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. 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, 2002 and 2001, 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.

September 18, 2002

**Greater K.C. LINC, Inc.**  
**Statements of Financial Position**  
**June 30, 2002 and 2001**

**Assets**

	<b>2002</b>	<b>2001</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,749,967	\$ 4,275,289
Accounts and grants receivable	74,269	816,008
Prepaid expenses	<u>154,234</u>	<u>55,119</u>
Total current assets	<u>5,978,470</u>	<u>5,146,416</u>
<b>Assets Limited as to Use</b>		
Externally restricted		
Accounts and grants receivable	133,198	374,545
Cash and cash equivalents	<u>3,188,051</u>	<u>4,046,460</u>
	3,321,249	4,421,005
Internally designated		
Cash and cash equivalents	<u>2,000,000</u>	<u>2,000,000</u>
	<u>5,321,249</u>	<u>6,421,005</u>
<b>Property and Equipment</b>		
Less accumulated depreciation	1,408,621	1,318,915
	<u>916,556</u>	<u>679,825</u>
	<u>492,065</u>	<u>639,090</u>
Total assets	<u>\$ 11,791,784</u>	<u>\$ 12,206,511</u>

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable	\$ 2,245,141	\$ 2,308,224
Accrued expenses	<u>547,913</u>	<u>597,483</u>
Total current liabilities	<u>2,793,054</u>	<u>2,905,707</u>
<b>Net Assets</b>		
Unrestricted	3,677,481	2,879,799
Unrestricted – Commission designated	<u>2,000,000</u>	<u>2,000,000</u>
Total unrestricted	5,677,481	4,879,799
Temporarily restricted	<u>3,321,249</u>	<u>4,421,005</u>
Total net assets	<u>8,998,730</u>	<u>9,300,804</u>
Total liabilities and net assets	<u>\$ 11,791,784</u>	<u>\$ 12,206,511</u>

**Greater K.C. LINC, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2002 and 2001**

	2002			2001		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>						
State and federal contracts and grants	\$ 10,455,526	\$ 2,644,096	\$ 13,099,622	\$ 10,729,495	\$ 3,623,557	\$ 14,353,052
Private contributions and grants	1,683,294		1,683,294	1,198,951	70,302	1,269,253
State-funded expenditures	402,625		402,625	370,479		370,479
Interest income	196,045		196,045	331,956		331,956
Other support	<u>8,819</u>		<u>8,819</u>	<u>24,728</u>		<u>24,728</u>
	12,746,309	2,644,096	15,390,405	12,655,609	3,693,859	16,349,468
Net assets released from restrictions	<u>3,743,852</u>	<u>(3,743,852)</u>	<u>0</u>	<u>4,471,913</u>	<u>(4,471,913)</u>	<u>0</u>
Total revenues, gains and other support	<u>16,490,161</u>	<u>(1,099,756)</u>	<u>15,390,405</u>	<u>17,127,522</u>	<u>(778,054)</u>	<u>16,349,468</u>
<b>Expenses</b>						
Program services:						
Comprehensive Neighborhood Services	3,021,638		3,021,638	3,537,526		3,537,526
Title IV-E	288,926		288,926	309,925		309,925
Extended day	7,154,792		7,154,792	6,731,116		6,731,116
Educare	376,696		376,696	381,078		381,078
Welfare to Work services	934,024		934,024	736,683		736,683
Early Childhood HB1519	455,838		455,838	730,905		730,905
Data and evaluation	1,052,524		1,052,524	911,433		911,433
Other state funded programs	751,338		751,338	1,637,190		1,637,190
Donor funded programs	270,339		270,339	160,905		160,905
Other	<u>302,574</u>		<u>302,574</u>	<u>101,233</u>		<u>101,233</u>
Total program services	14,608,689		14,608,689	15,237,994		15,237,994
General and administrative services	<u>1,083,790</u>		<u>1,083,790</u>	<u>1,103,869</u>		<u>1,103,869</u>
Total expenses	<u>15,692,479</u>		<u>15,692,479</u>	<u>16,341,863</u>		<u>16,341,863</u>
<b>Change in Net Assets</b>	797,682	(1,099,756)	(302,074)	785,659	(778,054)	7,605
<b>Net Assets, Beginning of Year</b>	<u>4,879,799</u>	<u>4,421,005</u>	<u>9,300,804</u>	<u>4,094,140</u>	<u>5,199,059</u>	<u>9,293,199</u>
<b>Net Assets, End of Year</b>	<u>\$ 5,677,481</u>	<u>\$ 3,321,249</u>	<u>\$ 8,998,730</u>	<u>\$ 4,879,799</u>	<u>\$ 4,421,005</u>	<u>\$ 9,300,804</u>

**Greater K.C. LINC, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2002**

	Comprehensive Neighborhood Services	Title IV-E	Extended Day	Educare	Welfare to Work Services	Early Childhood HB1519	Data and Evaluation	Other State Funded Programs	Donor Funded Programs	Other	Total Program Expenses	General and Admini- strative	Total Expenses
Program	\$ 837,911	\$	\$ 4,450,382	\$ 253,822	\$ 529,895	\$ 122,545	\$	\$ 392,171	\$ 204,090	\$ 139,138	\$ 6,929,954	\$	\$ 6,929,954
Salaries	1,544,077	135,739	1,454,058	60,736			524,776	89,566			3,808,952	353,587	4,162,539
Consultants	20,975			1,554	56,456	138,293	155,524	8,347	60,375	71,232	512,756	123,583	636,339
Employee benefits	429,099	11,162	477,264	21,140	135,149		204,862	36,652			1,315,328	63,801	1,379,129
Incentives	23,658			14,983	131,710	150,000		60,857		15,859	397,067	4,153	401,220
Administrative fees	18,383	7,273	46,203		33,928	45,000		11,189			161,976	403	162,379
Supplies	15,990		38,672	3,271			13,197	4,524	2,242	8,465	86,361	35,887	122,248
Continuing education and conferences	4,869	5,300		4,960			766	2,824	3,632	15,866	38,217	13,456	51,673
Depreciation	53,369	5,103	126,371		16,497		18,590	13,270			233,200	19,143	252,343
Rent		116,906	166	1,108				12,000			130,180	81,378	211,558
Printing and copying	2,974		9,434	1,224			42,449	4,057		774	60,912	8,934	69,846
Equipment	11,073	6,450	29,377		23,397		4,131	20,835		7,639	102,902	98,152	201,054
Postage	1,248			2,779	30		49,700	4,133			57,890	4,189	62,079
Telephone	17,044		3,543	2,099	480		3,644	8,895		742	36,447	37,793	74,240
Equipment rental and maintenance	1,523		8,698	130			1,744				12,095	48,272	60,367
Meetings and refreshments	11,786	631	25,522	8	372		1,524	14,957		3,735	58,535	7,630	66,165
Travel	1,428	362	2,566		5,951		9,760	3,283		21,980	45,330	4,442	49,772
Mileage	11,363		7,032	6,970	159		686	2,236			28,446	3,454	31,900
Bus and taxi service	4,777		15,069							3,214	23,060	163	23,223
Subscriptions and publications	153						18,238				18,391	5,411	23,802
Advertising			2,717	1,912			883	57,315		1,557	64,384	1,846	66,230
Facilities usage	8,529										8,529		8,529
Child care	156		237,200								237,356		237,356
Insurance			22,705					3,550			26,255	103,641	129,896
Bad debt			189,500								189,500		189,500
Other	1,253		8,313				2,050	677		12,373	24,666	64,472	89,138
<b>Total Expenses</b>	<b>\$ 3,021,638</b>	<b>\$ 288,926</b>	<b>\$ 7,154,792</b>	<b>\$ 376,696</b>	<b>\$ 934,024</b>	<b>\$ 455,838</b>	<b>\$ 1,052,524</b>	<b>\$ 751,338</b>	<b>\$ 270,339</b>	<b>\$ 302,574</b>	<b>\$ 14,608,689</b>	<b>\$ 1,083,790</b>	<b>\$ 15,692,479</b>

**Greater K.C. LINC, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2001**

	Comprehensive Neighborhood Services	Title IV-E	Extended Day	Educare	Welfare to Work Services	Early Childhood HB1519	Data and Evaluation	Other State Funded Programs	Donor Funded Programs	Other	Total Program Expenses	General and Admini- strative	Total Expenses
Program expense	\$ 1,047,817	\$	\$ 4,457,032	\$ 241,060	\$ 323,068	\$ 257,903	\$	\$ 483,859	\$ 83,343	\$ 38,856	\$ 6,932,938	\$	\$ 6,932,938
Salaries	1,773,639	105,374	1,164,527	71,076			544,098	538,277	4,637		4,201,628	454,532	4,656,160
Consultants	2,235		42,336	11,406	39,097	299,095	109,475	181,878	44,543	28,172	758,237	78,110	836,347
Employee benefits	465,351	13,302	401,623	22,606	76,885		115,613	162,714	26,156		1,284,250	6,506	1,290,756
Incentives	31,459			8,899	203,600	128,907		17,001		13,150	403,016	697	403,713
Administrative fees	12,382		68,956		35,953	45,000		10,052			172,343		172,343
Supplies	29,384		41,628	3,459			758	130,896		14,565	220,690	263,483	484,173
Continuing education and conferences	14,871			6,734			249	643			22,497	4,193	26,690
Depreciation	60,211	5,275	114,569		12,539		15,513	27,866			235,973	18,789	254,762
Rent		183,507						8,950			192,457	419	192,876
Printing and copying	4,274		25,576	518			51,949	5,837		291	88,445	2,947	91,392
Equipment	13,546	2,058	56,439	2,350	36,133		13,285	9,721		510	134,042	799	134,841
Postage	2,804			2,958			25,578	7,267			38,607	13,874	52,481
Telephone	21,173		2,777	2,377	180		2,563	5,918		978	35,966	82,540	118,506
Equipment rental and maintenance	1,633		8,906				22	18,616			29,177	62,321	91,498
Meetings and refreshments	13,407		27,806				1,642	6,271		227	49,353	11,639	60,992
Travel	7,111	137			9,228		10,210	2,859		4,484	34,029	4,022	38,051
Mileage	15,914	272	7,975	4,849			566	2,835			32,411	4,366	36,777
Bus and taxi service	9,727		15,754								25,481	145	25,626
Subscriptions and publications	1,028						3,378	865	2,226		7,497	2,514	10,011
Advertising			1,594	2,786			710	13,975			19,065	1,180	20,245
Facilities usage	4,194										4,194		4,194
Child care	5,045		232,983								238,028		238,028
Insurance	296		41,753								42,049	6,062	48,111
Bad debt												22,043	22,043
Other	25		18,882				15,824	890			35,621	62,688	98,309
<b>Total Expenses</b>	<b>\$ 3,537,526</b>	<b>\$ 309,925</b>	<b>\$ 6,731,116</b>	<b>\$ 381,078</b>	<b>\$ 736,683</b>	<b>\$ 730,905</b>	<b>\$ 911,433</b>	<b>\$ 1,637,190</b>	<b>\$ 160,905</b>	<b>\$ 101,233</b>	<b>\$ 15,237,994</b>	<b>\$ 1,103,869</b>	<b>\$ 16,341,863</b>

**Greater K.C. LINC, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2002 and 2001**

	<u>2002</u>	<u>2001</u>
<b>Operating Activities</b>		
Change in net assets	\$ (302,074)	\$ 7,605
Item not requiring cash		
Depreciation	252,343	254,762
Changes in		
Accounts and grants receivable	983,086	1,930,658
Prepaid expenses	(99,115)	(50,206)
Accounts payable and accrued expenses	<u>(112,653)</u>	<u>516,361</u>
Net cash provided by operating activities	<u>721,587</u>	<u>2,659,180</u>
<b>Investing Activities</b>		
Purchase of property and equipment	<u>(105,318)</u>	<u>(267,271)</u>
Net cash used in investing activities	<u>(105,318)</u>	<u>(267,271)</u>
<b>Increase in Cash and Cash Equivalents</b>	616,269	2,391,909
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>10,321,749</u>	<u>7,929,840</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 10,938,018</u>	<u>\$ 10,321,749</u>
<b>Reconciliation of Cash to the Balance Sheets</b>		
Cash and cash equivalents	\$ 5,749,967	\$ 4,275,289
Cash in assets limited as to use		
Externally restricted	3,188,051	4,046,460
Internally designated	<u>2,000,000</u>	<u>2,000,000</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 10,938,018</u>	<u>\$ 10,321,749</u>



**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2002 and 2001**

**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, 2002 and 2001, twenty-one schools in five school districts were participating in the CNS program.

**Title IV-E:** Title IV-E funds are to be used for the purpose of improving outcomes for (or extending services to) at-risk families, particularly those at risk for child abuse and neglect. 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.

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. At June 30, 2001, receivables related to Title IV-E amounting to \$715,000 were fully reserved for (*see Note 2*). Such amounts were written off during the year ended June 30, 2002. Title IV-E funds expended in 2002 and 2001 relate to funding received by or committed to LINC in prior years that was initially restricted, and subsequently released from restriction.

**Extended Day:** Under the Extended Day 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, 2002 and 2001, 53 and 47 schools, respectively, located in the Kansas City, Missouri School District were participating in this program. Other smaller, similar programs are also included in the category.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2002 and 2001**

**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 address core competencies for early care and education professionals.

**Welfare-To-Work Services:** 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.

**Early Childhood HB 1519:** This program is designed to (a) provide technical assistance to area early education professionals, (b) provide extensive resources and support to area child care programs that are working to achieve national accreditation, and (c) to provide other benefits to child care centers that are working to improve quality child care as they keep their fees affordable. One initiative rewards early education teachers for professional development through wage increases and provides other incentives to attract and retain qualified staff as well.

**Data and Evaluation:** The largest programs in this category are for LINC MIS, communications and finance costs and for data and research projects. The data and research initiatives support LINC efforts to develop and maintain a current database of assisted families and individuals and other data support for LINC and other initiatives. The resulting system is increasingly accurate and useful with applications and capabilities that can be used internally as well as outside of LINC. Other funding in this category supports part of LINC's accounting and technology infrastructure.

**Other State Funded Programs:** Mentoring programs make up the largest part of this category. Under the mentoring programs, outreach to low income areas identifies individuals and families in need of assistance and services. Other smaller programs are also included in this category.

***Cash Equivalents***

At June 30, 2002 and 2001, cash equivalents consisted primarily of commercial paper, which are recorded at market value.

***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.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2002 and 2001**

***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 the Organization 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 of LINC to participating agencies or upon other notification that restricted purpose has been accomplished. (See Contributions and Grants below)

***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.

***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 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.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2002 and 2001**

**Reclassifications**

Certain reclassifications have been made to the 2001 financial statements to conform to the 2002 financial statement presentation. These reclassifications had no effect on change in net assets.

**Note 2: Accounts and Grants Receivable**

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

	<b>2002</b>	<b>2001</b>
Title IV-E Program	\$ —	\$ 715,000
Extended Day Program	324,365	205,014
TANF Barriers	194,801	—
Faith Friends	2,500	220,500
Title I Funds	—	1,010,625
Other programs	<u>38,548</u>	<u>182,457</u>
	560,214	2,333,596
Less allowance for doubtful accounts		
Title IV-E	—	(715,000)
Other	<u>(352,747)</u>	<u>(428,043)</u>
	<u>\$ 207,467</u>	<u>\$ 1,190,553</u>

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2002 and 2001**

**Note 3: Assets as to Limited Use and Restricted Net Assets**

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

	<b>2002</b>	<b>2001</b>
Externally restricted by funding agency		
Improved or extended services to families and children	\$ 169,165	\$ 573,036
Extended Day Program	1,856,797	2,969,621
Welfare-to-Work Program	193,403	297,223
Data and Evaluation Project	154,046	70,302
Senior Services	11,371	48,808
Parents as Teachers Outreach	98,015	—
Child Care Expansion	582,407	—
Faith Friends	29,127	169,531
Various special projects and programs	<u>226,918</u>	<u>292,484</u>
	3,321,249	4,421,005
Internally designated by Commission		
Designated community program funding	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 5,321,249</u>	<u>\$ 6,421,005</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:

	<b>2002</b>	<b>2001</b>
Expenses incurred on behalf of		
Improvement of services to families and children	\$ 403,871	\$ 432,874
Extended Day Program	2,125,221	1,884,560
Welfare-to-Work Program	297,223	566,586
Data and Evaluation Project	70,302	557,476
Faith Friends	169,531	351,754
Early Childhood House Bill 1519	—	257,374
Senior Services	37,437	286,416
EvenStart Program	158,443	—
Parents as Teachers Outreach	133,985	—
Other special projects and programs	<u>347,839</u>	<u>134,873</u>
	<u>\$ 3,743,852</u>	<u>\$ 4,471,913</u>

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2002 and 2001**

**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 and a 401(k) Salary Deferral Plan sponsored by MARC. LINC contributes 7.5% of total eligible compensation paid to employees during the plan year and an employer match of 50% of the employees' voluntary contribution up to a maximum of 2% of gross pay. Participant's interests are vested over a period from two to six years of service in Company contributions and immediately in employee salary deferral contributions. Total payments to MARC were approximately \$3,575,000 and \$3,450,000, respectively, including contributions to the defined contribution plan of \$152,895 and \$163,629, respectively, and contributions to the 401(k) Plan of \$35,674 and \$38,501, respectively, for the years ended June 30, 2002 and 2001.

**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 statements of activities as support and expenditures. Such funding and related expenditures amounted to \$402,625 and \$370,479 for the years ended June 30, 2002 and 2001, respectively.

**Note 7: 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, 2002 and 2001, respectively, funding for one state program accounted for 58% and 55% of LINC's total revenues, gains and other support. Additionally, at June 30, 2002 and 2001, respectively, amounts due from the state accounted for 41% and 81% of LINC total receivables.

**Expenses**

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

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2002 and 2001**

***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.