

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

Accountants' Report and Financial Statements

June 30, 2003 and 2002



**Greater K.C. LINC, Inc.**  
**June 30, 2003 and 2002**

**Contents**

**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, 2003 and 2002, 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, 2003 and 2002, 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 30, 2003

**Greater K.C. LINC, Inc.**  
**Statements of Financial Position**  
**June 30, 2003 and 2002**

**Assets**

	<b>2003</b>	<b>2002</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,656,879	\$ 5,749,967
Accounts and grants receivable, net of allowance <i>(Note 2)</i>	722,407	74,269
Prepaid expenses	<u>159,185</u>	<u>154,234</u>
Total current assets	<u>6,538,471</u>	<u>5,978,470</u>
<b>Assets Limited As to Use</b>		
Externally restricted		
Accounts and grants receivable	—	133,198
Pledges receivable	333,333	—
Cash and cash equivalents	<u>2,056,824</u>	<u>3,188,051</u>
	2,390,157	3,321,249
Internally designated		
Cash and cash equivalents	<u>2,000,000</u>	<u>2,000,000</u>
	<u>4,390,157</u>	<u>5,321,249</u>
<b>Property and Equipment</b>		
Less accumulated depreciation	1,446,516	1,408,621
	<u>1,115,113</u>	<u>916,556</u>
	<u>331,403</u>	<u>492,065</u>
Total assets	<u>\$ 11,260,031</u>	<u>\$ 11,791,784</u>

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable	\$ 1,911,443	\$ 2,245,141
Accrued expenses	<u>1,266,530</u>	<u>547,913</u>
Total current liabilities	<u>3,177,973</u>	<u>2,793,054</u>
<b>Contingencies <i>(Note 8)</i></b>		
	<u>—</u>	<u>—</u>
<b>Net Assets</b>		
Unrestricted	3,691,901	3,677,481
Unrestricted – Commission designated	<u>2,000,000</u>	<u>2,000,000</u>
Total unrestricted	5,691,901	5,677,481
Temporarily restricted	<u>2,390,157</u>	<u>3,321,249</u>
Total net assets	<u>8,082,058</u>	<u>8,998,730</u>
Total liabilities and net assets	<u>\$ 11,260,031</u>	<u>\$ 11,791,784</u>

**Greater K.C. LINC, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2003 and 2002**

	<b>2003</b>			<b>2002</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>						
State and federal contracts and grants	\$ 8,393,690	\$ 3,228,995	\$ 11,622,685	\$ 10,455,526	\$ 2,644,096	\$ 13,099,622
Private contributions and grants	2,309,535		2,309,535	1,683,294		1,683,294
State-funded expenditures	272,430		272,430	402,625		402,625
Interest income	118,488		118,488	196,045		196,045
Other support	<u>28,790</u>		<u>28,790</u>	<u>8,819</u>		<u>8,819</u>
	11,122,933	3,228,995	14,351,928	12,746,309	2,644,096	15,390,405
Net assets released from restrictions	<u>4,160,087</u>	<u>(4,160,087)</u>		<u>3,743,852</u>	<u>(3,743,852)</u>	<u>0</u>
Total revenues, gains and other support	<u>15,283,020</u>	<u>(931,092)</u>	<u>14,351,928</u>	<u>16,490,161</u>	<u>(1,099,756)</u>	<u>15,390,405</u>
<b>Expenses</b>						
Program services						
Caring Communities	3,181,263		3,181,263	3,292,222		3,292,222
Child Welfare	830,997		830,997	322,987		322,987
Extended day	6,852,760		6,852,760	7,216,142		7,216,142
Educare	395,247		395,247	376,696		376,696
Welfare to Work Initiatives	1,034,991		1,034,991	1,331,559		1,331,559
Early Childhood HB1519	363,071		363,071	455,838		455,838
Data and Evaluation	918,156		918,156	1,044,664		1,044,664
Other	<u>651,860</u>		<u>651,860</u>	<u>431,245</u>		<u>431,245</u>
Total program services	14,228,345		14,228,345	14,471,353		14,471,353
General, administrative and development	<u>1,040,255</u>		<u>1,040,255</u>	<u>1,221,126</u>		<u>1,221,126</u>
Total expenses	<u>15,268,600</u>		<u>15,268,600</u>	<u>15,692,479</u>		<u>15,692,479</u>
<b>Change in Net Assets</b>	14,420	(931,092)	(916,672)	797,682	(1,099,756)	(302,074)
<b>Net Assets, Beginning 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>
<b>Net Assets, End of Year</b>	<u>\$ 5,691,901</u>	<u>\$ 2,390,157</u>	<u>\$ 8,082,058</u>	<u>\$ 5,677,481</u>	<u>\$ 3,321,249</u>	<u>\$ 8,998,730</u>

**Greater K.C. LINC, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2003**

	<b>Caring Communities</b>	<b>Child Welfare</b>	<b>Extended Day</b>	<b>Educare</b>	<b>Welfare to Work Initiatives</b>	<b>Early Childhood HB1519</b>	<b>Data and Evaluation</b>	<b>Other</b>	<b>Total Program Expenses</b>	<b>General, Administrative and Development</b>	<b>Total Expenses</b>
Contract program services	\$ 2,141,007	\$ 709,373	\$ 4,310,235	\$ 235,001	\$ 591,075	\$ 60,000	\$ 17,388	\$ 9,831	\$ 8,073,910	\$	\$ 8,073,910
Salaries	575,572		1,297,636	78,881	179,890		566,355	340,254	3,038,588	291,616	3,330,204
Consultants	615	60,504	39,631	10,606	61,122	158,490	5,547	106,007	442,522	97,533	540,055
Employee benefits	145,674	4,573	448,095	11,091	52,461		164,970	79,258	906,122		906,122
Incentives	20,924			2,295	78,450	129,861			231,530	10,100	241,630
Administrative fees	50,496		97,469		31,691	14,720	39,678	1,335	235,389	4,077	239,466
Supplies	31,115		40,927	1,826			1,704	12,353	87,925	51,173	139,098
Continuing education and conferences	32,102			7,462			115	3,125	42,804	11,183	53,987
Depreciation	41,994		99,435		12,981		14,628	14,457	183,495	15,062	198,557
Rent				5,940	11,560				17,500	201,905	219,405
Printing and copying	4,688	262	11,970	1,041			29,071	5,607	52,639	526	53,165
Equipment	17,547	6,747	13,148	1,826	4,786		3,612	30,464	78,130	39,884	118,014
Postage	838	414		1,541	20		35,952	689	39,454	17,905	57,359
Telephone	18,691	711	5,792	1,954			797	4,532	32,477	25,531	58,008
Equipment rental and maintenance	4,840	2,173	11,260	334			3,371	35	22,013	45,506	67,519
Meetings and refreshments	21,972	29,670	30,447	2,642	2,423		709	119	87,982	22,192	110,174
Travel	1,027	2,315	2,854	5,377	2,341		4,279	3,796	21,989	1,650	23,639
Mileage	13,156	62	13,207	15,740			237	781	43,183	8,552	51,735
Bus and taxi service	12,022	7,570	3,210					129	22,931		22,931
Subscriptions and publica- tions	1,807						660	45	2,512	1,161	3,673
Advertising		6,623	1,359	8,192			57		16,231	1,121	17,352
Facilities usage	39,313							39,000	78,313		78,313
Child care	4,916		190,307	128					195,351		195,351
Insurance			42,871	1,325	6,191				50,387	106,056	156,443
Bad debt			183,598						183,598		183,598
Other	947		9,309	2,045			29,026	43	41,370	87,522	128,892
<b>Total Expenses</b>	<b>\$ 3,181,263</b>	<b>\$ 830,997</b>	<b>\$ 6,852,760</b>	<b>\$ 395,247</b>	<b>\$ 1,034,991</b>	<b>\$ 363,071</b>	<b>\$ 918,156</b>	<b>\$ 651,860</b>	<b>\$ 14,228,345</b>	<b>\$ 1,040,255</b>	<b>\$ 15,268,600</b>

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

	<b>Caring Communities</b>	<b>Child Welfare</b>	<b>Extended Day</b>	<b>Educare</b>	<b>Welfare to Work Initiatives</b>	<b>Early Childhood HB1519</b>	<b>Data and Evaluation</b>	<b>Other</b>	<b>Total Program Expenses</b>	<b>General, Administrative and Development</b>	<b>Total Expenses</b>
Contract program services	\$ 1,990,707	\$ 185,552	\$ 4,484,261	\$ 262,822	\$ 477,393	\$ 122,545	\$ 4,998	\$ 105,812	\$ 7,634,090	\$	\$ 7,634,090
Salaries	834,171		1,399,951	60,736	452,415		644,269	136,256	3,527,798	417,388	3,945,186
Consultants	55,731	56,057	75,862	1,554	56,456	138,293	40,196	64,001	488,150	139,418	627,568
Employee benefits	195,229		469,627	21,140	85,882		171,542	20,888	964,308		964,308
Incentives	23,658			5,983	136,510	150,000		15,859	332,010	4,153	336,163
Administrative fees	18,383		46,203		45,117	45,000	28,322	7,273	190,298	403	190,701
Supplies	21,366		38,672	3,271			13,187	8,465	84,961	35,898	120,859
Continuing education and conferences	15,369		8,948	4,960			766	5,300	35,343	13,456	48,799
Depreciation	53,369		126,371		16,497		18,590	18,373	233,200	19,143	252,343
Rent				1,108	12,000				13,108	198,935	212,043
Printing and copying	3,407	1,226	9,484	1,224			42,449	3,554	61,344	8,934	70,278
Equipment	11,073		29,377		38,747		1,533	19,574	100,304	100,750	201,054
Postage	1,248	693		2,779	30		49,700	3,440	57,890	4,189	62,079
Telephone	17,044	664	3,543	2,099	480		3,143	8,973	35,946	38,294	74,240
Equipment rental and maintenance	1,523		8,698	130			1,744		12,095	48,272	60,367
Meetings and refreshments	11,834	13,834	25,522	8	372		1,524	2,064	55,158	11,007	66,165
Travel	10,264	8,094	6,921		5,951		899	3,958	36,087	13,911	49,998
Mileage	11,363	27	7,032	6,970	159		686	2,209	28,446	3,454	31,900
Bus and taxi service	4,777		15,069					3,214	23,060	163	23,223
Subscriptions and publica- tions	153						18,183		18,336	5,466	23,802
Advertising		56,840	2,717	1,912			883	2,032	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	2,868		8,479				2,050		13,397	52,405	65,802
<b>Total Expenses</b>	<b>\$ 3,292,222</b>	<b>\$ 322,987</b>	<b>\$ 7,216,142</b>	<b>\$ 376,696</b>	<b>\$ 1,331,559</b>	<b>\$ 455,838</b>	<b>\$ 1,044,664</b>	<b>\$ 431,245</b>	<b>\$ 14,471,353</b>	<b>\$ 1,221,126</b>	<b>\$ 15,692,479</b>

**Greater K.C. LINC, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Operating Activities</b>		
Change in net assets	\$ (916,672)	\$ (302,074)
Item not requiring cash		
Depreciation	198,557	252,343
Changes in		
Accounts, grants and pledges receivable	(848,273)	983,086
Prepaid expenses	(4,951)	(99,115)
Accounts payable and accrued expenses	<u>384,919</u>	<u>(112,653)</u>
Net cash provided by (used in) operating activities	<u>(1,186,420)</u>	<u>721,587</u>
<b>Investing Activities</b>		
Purchase of property and equipment	<u>(37,895)</u>	<u>(105,318)</u>
Net cash used in investing activities	<u>(37,895)</u>	<u>(105,318)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(1,224,315)	616,269
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>10,938,018</u>	<u>10,321,749</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 9,713,703</u>	<u>\$ 10,938,018</u>
<b>Reconciliation of Cash to the Balance Sheets</b>		
Cash and cash equivalents	\$ 5,656,879	\$ 5,749,967
Cash in assets limited as to use		
Externally restricted	2,056,824	3,188,051
Internally designated	<u>2,000,000</u>	<u>2,000,000</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 9,713,703</u>	<u>\$ 10,938,018</u>



**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

**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 Missouri Department of Social Services. The following is a more detailed description of its major initiatives.

**Caring Communities:** 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, 2003 and 2002, 21 schools in five school districts were participating in the Caring Communities program.

**Child Welfare:** Child Welfare 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. LINC facilitates community training and education for prevention of child abuse and neglect. LINC administers the Jim Casey Foundation Fund for Youth Boards in the Kansas City metropolitan area with emphasis on creating Individual Development Accounts (IDA) for foster youth in care and for those who have “aged out.” In addition, LINC has developed a child welfare data system, and continues ad hoc reporting on child welfare statistics as requested.

**Extended Day:** Under Caring Communities, LINC is responsible for providing before and after school daycare services (Extended Day) for working needy families. This program is designed to improve educational outcomes and other societal benefits. At June 30, 2003 and 2002, 47 and 53 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.

**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.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

**Welfare-to-Work Initiatives:** 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:** 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, 2003 and 2002, cash equivalents consisted primarily of commercial paper, which are recorded at market value.

***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.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

***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 re-recorded as net assets released from restrictions, upon payment of LINC to participating agencies or upon other notification that restricted purpose has been accomplished. Government grants are subject to state and federal audits (*see Note 8*). (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 re-classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those whose use by LINC has been limited by grantors or donors 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, 2003 and 2002**

**Reclassifications**

Certain reclassifications have been made to the 2002 financial statements to conform to the 2003 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:

	<u>2003</u>	<u>2002</u>
Extended Day Program	\$ 571,037	\$ 324,365
TANF Barriers	—	194,801
Faith Friends	—	2,500
Title I Funds	491,175	—
Other programs	<u>215,942</u>	<u>38,548</u>
	1,278,154	560,214
Less allowance for doubtful accounts	<u>(555,747)</u>	<u>(352,747)</u>
	<u>\$ 722,407</u>	<u>\$ 207,467</u>

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

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

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

	<b>2003</b>	<b>2002</b>
Externally restricted by funding agency		
Improved or extended services to families and children	\$ —	\$ 169,165
Extended Day Program	1,297,342	1,856,797
Welfare-to-Work Initiatives	535,925	193,403
Annie Casey Foundation-Child Welfare	333,333	—
Data and Evaluation Project	—	154,046
Senior Services	—	11,371
Parents as Teachers Outreach	—	98,015
Child Care Expansion	—	582,407
Faith Friends	—	29,127
Various special projects and programs	<u>223,557</u>	<u>226,918</u>
	2,390,157	3,321,249
Internally designated by Commission		
Designated community program funding	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 4,390,157</u>	<u>\$ 5,321,249</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>2003</b>	<b>2002</b>
Expenses incurred on behalf of		
Improvement of services to families and children	\$ 169,165	\$ 403,871
Extended Day Program	1,856,797	2,125,221
Welfare-to-Work Initiatives	898,227	297,223
Data and Evaluation Project	165,514	70,302
Faith Friends	—	169,531
Senior Services	—	37,437
EvenStart Program	176,938	158,443
Child Care Expansion	582,407	—
Parents as Teachers Outreach	98,015	133,985
Other special projects and programs	<u>213,024</u>	<u>347,839</u>
	<u>\$ 4,160,087</u>	<u>\$ 3,743,852</u>

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

**Note 5: Operating Lease**

LINC has entered into a noncancellable operating lease for office space, which expires in 2008. Rental expense under all leases amounted to \$219,405 and \$212,043 for the years ended June 30, 2003 and 2002, respectively.

Future minimum lease payments under the operating lease for office space at June 30, 2003 are as follows:

2004	\$ 131,225
2005	131,225
2006	131,225
2007	139,178
2008	<u>139,178</u>
	<u>\$ 672,031</u>

**Note 6: 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. For the defined contribution plan, LINC contributes 7.5% of total eligible compensation paid to employees during the plan year. For the 401(k) plan, LINC matches 50% of the employees' voluntary contribution up to a maximum of 2% of eligible 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 \$3,733,000 and \$3,575,000, including contributions to the defined contribution plan of \$166,240 and \$152,895, and contributions to the 401(k) Plan of \$42,643 and \$35,674, for the years ended June 30, 2003 and 2002, respectively.

**Note 7: 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 \$272,430 and \$402,625 for the years ended June 30, 2003 and 2002, respectively.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2003 and 2002**

**Note 8: 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, 2003 and 2002, respectively, funding under one Missouri Department of Social Services Contract accounted for 75% and 84% 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 6*).

***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.