

Greater K.C. LINC, Inc.

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

June 30, 2008 and 2007



Greater K.C. LINC, Inc.
June 30, 2008 and 2007

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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, 2008 and 2007, 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, 2008 and 2007, 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 12, 2008, 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 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 read in conjunction with this report in considering 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 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 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.

/s/ **BKD, LLP**

Kansas City, Missouri
November 17, 2008

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Greater K.C. LINC, Inc.
Statements of Financial Position
June 30, 2008 and 2007

Assets

	<u>2008</u>	<u>2007</u>
Current Assets		
Cash and cash equivalents	\$ 497,887	\$ 333,826
Accounts and grants receivable, net of allowance	271,237	179,361
Prepaid expenses	<u>116,160</u>	<u>125,512</u>
Total current assets	<u>885,284</u>	<u>638,699</u>
Assets Limited As To Use		
Externally restricted		
Cash and cash equivalents	2,567,029	2,308,662
Reserves for underfunded community initiatives		
Investments	<u>6,827,919</u>	<u>6,627,339</u>
Total assets limited as to use	<u>9,394,948</u>	<u>8,936,001</u>
Property and Equipment		
Property and equipment	2,179,640	1,521,465
Less accumulated depreciation	<u>1,555,232</u>	<u>1,384,075</u>
Total property and equipment	<u>624,408</u>	<u>137,390</u>
Total assets	<u>\$ 10,904,640</u>	<u>\$ 9,712,090</u>

Liabilities and Net Assets

	<u>2008</u>	<u>2007</u>
Current Liabilities		
Accounts payable	\$ 1,093,862	\$ 901,594
Accrued payroll and benefits	964,057	871,143
Accrued expenses	<u>404,848</u>	<u>122,563</u>
Total current liabilities	<u>2,462,767</u>	<u>1,895,300</u>
Net Assets		
Unrestricted	5,874,844	5,508,128
Temporarily restricted	<u>2,567,029</u>	<u>2,308,662</u>
Total net assets	<u>8,441,873</u>	<u>7,816,790</u>
Total liabilities and net assets	<u>\$ 10,904,640</u>	<u>\$ 9,712,090</u>

Greater K.C. LINC, Inc.
Statements of Activities
Years Ended June 30, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support						
State and federal contracts and grants	\$ 10,862,296	\$ 2,149,009	\$ 13,011,305	\$ 7,427,462	\$ 3,478,571	\$ 10,906,033
Private contributions and grants	435,630	-	435,630	1,056,396	-	1,056,396
State-funded expenditures	574,573	-	574,573	29,246	-	29,246
Investment income	(360,892)	-	(360,892)	1,170,419	-	1,170,419
Other support	1,640,471	-	1,640,471	189,624	-	189,624
	<u>13,152,078</u>	<u>2,149,009</u>	<u>15,301,087</u>	<u>9,873,147</u>	<u>3,478,571</u>	<u>13,351,718</u>
Net assets released from restrictions	1,890,642	(1,890,642)	-	3,719,413	(3,719,413)	-
	<u>15,042,720</u>	<u>258,367</u>	<u>15,301,087</u>	<u>13,592,560</u>	<u>(240,842)</u>	<u>13,351,718</u>
Expenses						
Program services						
Caring Communities	9,429,087		9,429,087	9,000,066		9,000,066
Health and Child Welfare Initiatives	1,253,860		1,253,860	701,519		701,519
Educare	379,412		379,412	353,283		353,283
Early Childhood	323,842		323,842	334,342		334,342
Welfare-to-Work Initiatives	554,308		554,308	13,252		13,252
Data	682,146		682,146	529,454		529,454
21st Century	643,810		643,810	1,411,720		1,411,720
Other initiatives	417,957		417,957	558,932		558,932
	<u>13,684,422</u>		<u>13,684,422</u>	<u>12,902,568</u>		<u>12,902,568</u>
General, administrative and development	991,582		991,582	891,482		891,482
	<u>14,676,004</u>		<u>14,676,004</u>	<u>13,794,050</u>		<u>13,794,050</u>
Change in Net Assets	366,716	258,367	625,083	(201,490)	(240,842)	(442,332)
Net Assets, Beginning of Year	<u>5,508,128</u>	<u>2,308,662</u>	<u>7,816,790</u>	<u>5,709,618</u>	<u>2,549,504</u>	<u>8,259,122</u>
Net Assets, End of Year	<u>\$ 5,874,844</u>	<u>\$ 2,567,029</u>	<u>\$ 8,441,873</u>	<u>\$ 5,508,128</u>	<u>\$ 2,308,662</u>	<u>\$ 7,816,790</u>

Greater K.C. LINC, Inc.
Statement of Functional Expenses
Year Ended June 30, 2008

	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	\$ 1,728,180	\$ 703,377	\$ 114,900	\$ 312,233	\$ 319,020	\$ -	\$ 74,603	\$ 5,567	\$ 3,257,880	\$ -	\$ 3,257,880
Salaries	2,854,016	232,860	98,589	-	41,190	358,637	306,268	289,935	4,181,495	301,068	4,482,563
Purchased professional services	233,139	85,751	1,614	-	-	-	17,115	3,063	340,682	56,418	397,100
Employee benefits	769,641	62,796	26,587	-	11,108	96,714	82,592	78,187	1,127,625	81,190	1,208,815
Grants, stipends and scholarships	1,840	34,277	48	-	70,304	-	-	-	106,469	418	106,887
Administrative fees	29,199	2,400	-	9,736	36,008	-	2,367	-	79,710	-	79,710
Supplies	206,694	22,324	5,202	-	8,044	8,678	48,927	1,147	301,016	21,867	322,883
Training	33,014	17,363	53,172	-	894	14,460	2,152	400	121,455	1,735	123,190
Depreciation	21,555	1,352	11,288	-	-	59,844	29,467	13,503	137,009	40,077	177,086
Rent, facility usage and storage	2,214	526	10,091	-	7,200	2,009	139	1,237	23,416	138,751	162,167
Marketing	22,066	12,375	6,771	-	993	30,275	306	3,476	76,262	4,118	80,380
Equipment	94,577	4,121	4,427	-	2,586	47,111	29,154	758	182,734	60,513	243,247
Postage	1,362	1,628	1,404	-	462	11,175	273	1,678	17,982	9,849	27,831
Communication equipment	28,840	6,666	2,709	-	8,610	8,779	3,216	940	59,760	27,492	87,252
Equipment rental	1,539	77	2,183	-	13,462	23,736	-	-	40,997	40,542	81,539
Meetings	21,495	11,224	3,124	-	2,110	776	4,160	1,882	44,771	4,027	48,798
Travel and mileage	36,907	39,407	6,165	-	18,477	4,513	5,794	1,152	112,415	8,113	120,528
Events and facilitation services	51,131	13,148	27,847	-	10,540	13,566	24,810	12,107	153,149	94,588	247,737
Fundraising and other materials	23,912	-	28	-	1,427	-	-	-	25,367	248	25,615
Insurance	79,862	1,873	3,263	1,873	1,873	1,873	12,174	1,872	104,663	82,670	187,333
Bad debt expense (recoveries)	3,187,904	-	-	-	-	-	-	-	3,187,904	20	3,187,924
Other	-	315	-	-	-	-	293	1,053	1,661	17,878	19,539
Total expense	\$ 9,429,087	\$ 1,253,860	\$ 379,412	\$ 323,842	\$ 554,308	\$ 682,146	\$ 643,810	\$ 417,957	\$ 13,684,422	\$ 991,582	\$ 14,676,004

Greater K.C. LINC, Inc.
Statement of Functional Expenses
Year Ended June 30, 2007

	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	\$ 3,195,660	\$ 420,944	\$ 167,516	\$ 324,604	\$ -	\$ -	\$ 468,868	\$ 118,584	\$ 4,696,176	\$ -	\$ 4,696,176
Salaries	3,037,884	112,983	102,488	-	5,390	264,244	504,633	276,165	4,303,787	310,050	4,613,837
Purchased professional services	81,198	44,220	25	-	-	-	84,656	11,180	221,279	31,750	253,029
Employee benefits	816,368	30,362	27,542	-	1,448	71,010	135,610	74,214	1,156,554	83,320	1,239,874
Grants, stipends and scholarships	4,201	9,550	695	-	-	-	1,886	490	16,822	200	17,022
Administrative fees	52,010	3,996	-	9,738	-	-	16,377	-	82,121	-	82,121
Supplies	91,819	9,187	2,812	-	39	839	16,543	16,424	137,663	13,207	150,870
Training	23,233	6,385	9,274	-	-	5,473	80,132	3,264	127,761	2,404	130,165
Depreciation	13,974	660	7,780	-	-	26,072	16,478	9,659	74,623	27,596	102,219
Rent, facility usage and storage	2,212	526	10,085	-	-	2,008	139	1,236	16,206	145,857	162,063
Marketing	27,814	16,278	524	-	165	44,876	207	15,825	105,689	1,386	107,075
Equipment	11,853	1,898	2,039	-	1,191	21,699	45,137	349	84,166	27,872	112,038
Postage	10,334	114	1,539	-	7	37,539	84	2,473	52,090	1,854	53,944
Communication equipment	21,339	2,029	3,610	-	729	6,293	4,304	3,668	41,972	24,423	66,395
Equipment rental	13,131	-	1,852	-	-	40,455	-	-	55,438	34,857	90,295
Meetings	41,205	732	5,371	-	2,062	2,367	4,223	2,711	58,671	3,833	62,504
Travel and mileage	29,356	13,889	4,612	-	1,471	6,176	5,475	9,349	70,328	25,215	95,543
Events and facilitation services	28,427	27,115	3,461	-	-	-	13,985	13,341	86,329	53,319	139,648
Fundraising and other materials	25,689	-	-	-	-	403	-	-	26,092	248	26,340
Insurance	92,173	-	2,038	-	-	-	12,576	-	106,787	86,732	193,519
Bad debt expense (recoveries)	1,342,711	-	-	-	-	-	-	-	1,342,711	-	1,342,711
Other	37,475	651	20	-	750	-	407	-	39,303	17,359	56,662
Total expense	\$ 9,000,066	\$ 701,519	\$ 353,283	\$ 334,342	\$ 13,252	\$ 529,454	\$ 1,411,720	\$ 558,932	\$ 12,902,568	\$ 891,482	\$ 13,794,050

Greater K.C. LINC, Inc.
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Activities		
Change in net assets	\$ 625,083	\$ (442,332)
Items not requiring (providing) cash		
Depreciation	177,086	102,219
Gifts in-kind	(568,482)	-
Net unrealized and realized (gain) loss on investments	802,477	(1,016,400)
Net loss on disposal of fixed assets	-	10,221
Changes in		
Accounts and grants receivable	(91,876)	776,236
Prepaid expenses	9,352	(27,035)
Accounts payable and accrued expenses	567,467	(142,342)
	<u>1,521,107</u>	<u>(739,433)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of property and equipment	(95,622)	(25,608)
Proceeds from sale of investments	7,058,778	6,409,972
Purchase of investments	(8,061,835)	(5,718,033)
	<u>(1,098,679)</u>	<u>666,331</u>
Net cash provided by (used in) investing activities		
Increase (Decrease) in Cash and Cash Equivalents	422,428	(73,102)
Cash and Cash Equivalents, Beginning of Year	<u>2,642,488</u>	<u>2,715,590</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,064,916</u>	<u>\$ 2,642,488</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position		
Cash and cash equivalents	\$ 497,887	\$ 333,826
Cash in assets limited as to use		
Externally restricted	<u>2,567,029</u>	<u>2,308,662</u>
Total Cash and Cash Equivalents	<u>\$ 3,064,916</u>	<u>\$ 2,642,488</u>

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2008 and 2007

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 52 schools in 5 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.kclinc.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 5 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, 2008 and 2007, there were 52 and 61 Caring Community sites, respectively.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2008 and 2007

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 underemployed 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, 2008 and 2007

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.

Cash Equivalents

At June 30, 2008 and 2007, cash equivalents consisted primarily of money market funds and commercial paper, which are recorded at market value. LINC considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2008, LINC's cash accounts exceeded federally insured limits by approximately \$2,962,000. Management is constantly 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 market 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.

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, 2008 and 2007

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.

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.

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.

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, 2008 and 2007

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, 2008 and 2007, respectively, LINC's general, administrative and development expenses accounted for 6.8% and 6.5% of LINC's total expenses.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 financial statement presentation. These reclassifications had no effect on the total change in net assets.

Note 2: Investments

Investments at June 30, 2008 and 2007 consisted of the following:

	<u>2008</u>	<u>2007</u>
Mutual funds – equity	\$ 2,652,623	\$ 3,051,707
Exchange traded funds	1,977,032	2,979,253
Money market	1,389,042	-
Certificate of deposits	-	596,379
Corporate bonds	809,222	-
	<u>\$ 6,827,919</u>	<u>\$ 6,627,339</u>

For the years ended June 30, 2008 and 2007, investment return consisted of the following:

	<u>2008</u>	<u>2007</u>
Net realized gains on investments	\$ 7,166	\$ 41
Net unrealized gains on investments	(809,643)	1,016,359
Interest and dividends	441,585	154,019
	<u>\$ (360,892)</u>	<u>\$ 1,170,419</u>

Due to unfavorable economic market conditions subsequent to June 30, 2008, LINC's total investment portfolio decreased approximately 22% through November 11, 2008.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2008 and 2007

Note 3: Accounts and Grants Receivable

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

	<u>2008</u>	<u>2007</u>
Kansas City, Missouri School District (KCMSD)	\$ 4,300,001	\$ 1,235,166
Area Health Education Center	40,946	133,052
Missouri Department of Social Services – Foster Care Transitioning	74,091	-
Other programs	254,595	212,714
	<u>4,669,633</u>	<u>1,580,932</u>
Less allowance for doubtful accounts	<u>4,398,396</u>	<u>1,401,571</u>
	<u>\$ 271,237</u>	<u>\$ 179,361</u>

From 1999 to June 2007, the Kansas City, Missouri School District (KCMSD) and LINC had an agreement under which LINC was compensated in excess of \$1,400,000 annually for providing Before and After School services at certain KCMSD school sites. The agreement contained a provision under which it was automatically renewable, absent a specified notice of termination. Services were provided by LINC through June 2007. KCMSD and LINC were in negotiations concerning a revised contract prior to May 2007. Due to KCMSD's failure to pay contracted amounts for the period June 2006 through June 2007, LINC terminated the contract effective June 15, 2007. KCMSD has, to date, not paid the sums due under the contract. As a result, LINC has recorded an allowance for the time being. During 2008, LINC billed KCMSD for the costs incurred for transferring out of the district. An allowance for this receivable has been made as well.

Note 4: Assets Limited As to Use and Restricted Net Assets

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

	<u>2008</u>	<u>2007</u>
Externally restricted by funding agency		
Improved or extended services to families and children	\$ 889,007	\$ 1,284,688
Out of School Time Initiative	164,855	141,238
Welfare-to-Work Initiatives	609,267	225,111
Annie Casey Foundation-Child Welfare	166,666	166,666
Child Welfare Initiatives Including Foster Support	86,809	86,809
Family Health Initiatives	600,179	323,463
Various special projects and programs	50,246	80,687
	<u>\$ 2,567,029</u>	<u>\$ 2,308,662</u>

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2008 and 2007

Note 5: 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>2008</u>	<u>2007</u>
Expenses incurred on behalf of		
Caring Communities	\$ 1,064,140	\$ 2,664,795
Welfare-to-Work Initiatives	43,172	43,739
Child Welfare Initiatives Including Foster Support	147,000	196,934
Community Partnership Initiatives	214,082	453,796
Before and After School Program	141,238	-
Other special projects and programs	281,010	360,149
	<u>\$ 1,890,642</u>	<u>\$ 3,719,413</u>

Note 6: Operating Lease

LINC has entered into a noncancellable operating lease for office space, which expires in 2008. Rental expense under all leases amounted to \$180,547 and \$152,622 for the years ended June 30, 2008 and 2007, respectively.

Future minimum lease payments for operating leases at June 30, 2008 are as follows:

2009	\$ 160,793
2010	160,793
2011	165,665
2012	170,538
2013	170,358
	<u>\$ 828,147</u>

Note 7: 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).

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2008 and 2007

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.

LINC's contributions for the years ended June 30, 2008 and 2007 were \$283,000 and \$273,300, respectively.

Note 8: 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 \$5,090 and \$200,200 for the years ended June 30, 2008 and 2007, respectively.

Note 9: Fundraising Expense

Fundraising and related expenses for the years ended June 30, 2008 and 2007 was \$25,615 and \$26,340, respectively.

Note 10: 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, 2008 and 2007, funding under one Missouri Department of Social Services Contract accounted for 81% and 54% 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.

Supplementary Information

Greater K.C. LINC, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

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	\$ 488,243
Model State-Supported Area Health Education Centers	Department of Health and Human Services – Health Resource and Service Administration	93.107	<u>62,762</u>
			<u>\$ 551,005</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.



**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, 2008, and have issued our report thereon dated November 12, 2008. 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 the 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects LINC's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the LINC's financial statements that is more than inconsequential will not be prevented or detected by the LINC's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the LINC's internal control.

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 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*.

We noted certain matters that we reported to LINC's management in a separate letter dated November 12, 2008.

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 is not intended to be and should not be used by anyone other than these specified parties.

/s/ **BKD, LLP**

Kansas City, Missouri
November 17, 2008



**Independent Accountants' Report
on Compliance and Internal Control Over Compliance
with Requirements Applicable to Major Federal Awards Programs**

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 its major federal program for the year ended June 30, 2008. LINC's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 its major federal program for the year ended June 30, 2008.

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, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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 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 and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

/s/ **BKD, LLP**

Kansas City, Missouri
November 17, 2008

Greater K.C. LINC, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

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, 2008

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Greater K.C. LINC, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

Reference Number	Summary of Finding	Status
	No findings in prior year.	