

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

Accountants' Report and Financial Statements

June 30, 2012 and 2011



**Greater K.C. LINC, Inc.**  
**June 30, 2012 and 2011**

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## Independent Accountants' Report

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, 2012 and 2011, 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, 2012 and 2011, 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.

*BKD, LLP*

Kansas City, Missouri  
November 21, 2012

**Greater K.C. LINC, Inc.**  
**Statements of Financial Position**  
**June 30, 2012 and 2011**

**Assets**

	<u>2012</u>	<u>2011</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,925,962	\$ 1,063,141
Accounts and grants receivable, net of allowance	935,991	1,265,610
Prepaid expenses	<u>71,897</u>	<u>52,249</u>
Total current assets	<u>4,933,850</u>	<u>2,381,000</u>
<b>Assets Limited As To Use</b>		
Reserves for underfunded community initiatives		
Cash and cash equivalents	204,524	689,985
Investments	<u>3,966,711</u>	<u>6,069,455</u>
Total assets limited as to use	<u>4,171,235</u>	<u>6,759,440</u>
<b>Property and Equipment</b>		
Property and equipment	1,848,898	1,813,088
Less accumulated depreciation	<u>1,674,216</u>	<u>1,615,160</u>
Total property and equipment	<u>174,682</u>	<u>197,928</u>
Total assets	<u>\$ 9,279,767</u>	<u>\$ 9,338,368</u>

**Liabilities and Net Assets**

	<u>2012</u>	<u>2011</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 725,482	\$ 447,791
Accrued payroll and benefits	1,024,759	1,449,031
Accrued expenses	<u>36,507</u>	<u>696,451</u>
Total current liabilities	<u>1,786,748</u>	<u>2,593,273</u>
<b>Net Assets</b>		
Unrestricted	6,163,956	6,268,534
Temporarily restricted	<u>1,329,063</u>	<u>476,561</u>
Total net assets	<u>7,493,019</u>	<u>6,745,095</u>
Total liabilities and net assets	<u>\$ 9,279,767</u>	<u>\$ 9,338,368</u>

**Greater K.C. LINC, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2012 and 2011**

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenues, Gains and Other Support</b>						
State and federal contracts and grants	\$ 13,169,983	\$ 1,316,696	\$ 14,486,679	\$ 12,612,884	\$ 1,249,612	\$ 13,862,496
Private contributions and grants	1,469,925	-	1,469,925	441,116	-	441,116
Investment return	(99,230)	-	(99,230)	1,503,324	-	1,503,324
Other support	1,475,830	-	1,475,830	1,344,685	-	1,344,685
	<u>16,016,508</u>	<u>1,316,696</u>	<u>17,333,204</u>	<u>15,902,009</u>	<u>1,249,612</u>	<u>17,151,621</u>
Net assets released from restrictions	464,194	(464,194)	-	3,299,700	(3,299,700)	-
	<u>16,480,702</u>	<u>852,502</u>	<u>17,333,204</u>	<u>19,201,709</u>	<u>(2,050,088)</u>	<u>17,151,621</u>
Total revenues, gains and other support						
<b>Expenses</b>						
Program services						
Caring Communities	8,242,008		8,242,008	9,589,628		9,589,628
Health and Child Welfare Initiatives	1,318,780		1,318,780	1,302,499		1,302,499
Educare	316,849		316,849	288,092		288,092
Early Childhood	315,938		315,938	318,873		318,873
Welfare-to-Work Initiatives	2,931,314		2,931,314	2,831,645		2,831,645
Data	505,307		505,307	801,720		801,720
21st Century	1,143,773		1,143,773	867,141		867,141
Other initiatives	436,336		436,336	500,555		500,555
Total program services	<u>15,210,305</u>		<u>15,210,305</u>	<u>16,500,153</u>		<u>16,500,153</u>
General, administrative and development	1,374,975		1,374,975	1,384,694		1,384,694
	<u>16,585,280</u>		<u>16,585,280</u>	<u>17,884,847</u>		<u>17,884,847</u>
Total expenses						
<b>Change in Net Assets</b>	(104,578)	852,502	747,924	1,316,862	(2,050,088)	(733,226)
<b>Net Assets, Beginning of Year</b>	<u>6,268,534</u>	<u>476,561</u>	<u>6,745,095</u>	<u>4,951,672</u>	<u>2,526,649</u>	<u>7,478,321</u>
<b>Net Assets, End of Year</b>	<u>\$ 6,163,956</u>	<u>\$ 1,329,063</u>	<u>\$ 7,493,019</u>	<u>\$ 6,268,534</u>	<u>\$ 476,561</u>	<u>\$ 6,745,095</u>

**Greater K.C. LINC, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2012**

	Caring Communities	Health and 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	\$ 877,891	\$ 379,722	\$ 103,801	\$ 305,677	\$ 1,528,851	\$ -	\$ 297,369	\$ 10,001	\$ 3,503,312	\$ -	\$ 3,503,312
Salaries	4,989,777	531,543	90,538	-	897,857	221,993	571,430	274,551	7,577,689	544,659	8,122,348
Purchased professional services	77,531	43,093	3,054	-	53,581	6,156	14,827	38,249	236,491	166,514	403,005
Employee benefits	1,588,845	169,253	28,829	-	193,199	70,687	181,954	87,422	2,320,189	173,433	2,493,622
Grants, stipends and scholarships	19,508	56,838	7,401	-	72,341	-	-	(55)	156,033	-	156,033
Administrative fees	14,296	-	-	7,454	9,284	-	5,504	-	36,538	-	36,538
Supplies	179,417	10,031	1,367	-	13,761	4,393	21,451	990	231,410	15,794	247,204
Training	39,646	8,343	24,983	-	19,778	1,954	11,432	-	106,136	830	106,966
Depreciation	10,768	467	2,676	-	1,629	26,155	9,048	3,013	53,756	10,798	64,554
Rent, facility usage and storage	3,990	949	18,183	-	12,973	3,620	250	2,228	42,193	250,014	292,207
Marketing	28,072	5,815	7,293	676	13,294	50,861	132	2,457	108,600	4,677	113,277
Equipment	27,545	891	957	-	18,167	56,513	6,305	163	110,541	54,175	164,716
Postage	7,642	350	1,855	-	9,710	10,602	223	2,408	32,790	9,219	42,009
Communication equipment	46,825	5,808	4,867	-	35,936	21,690	4,760	3,843	123,729	6,922	130,651
Equipment rental	2,956	22,000	1,274	-	220	20,847	144	-	47,441	2,677	50,118
Meetings	41,219	13,258	1,280	-	2,608	1,390	780	817	61,352	5,598	66,950
Travel and mileage	33,090	67,704	8,059	430	30,286	6,554	5,355	3,712	155,190	28,536	183,726
Events and facilitation services	56,824	994	7,446	-	828	191	1,754	4,837	72,874	3,895	76,769
Fundraising and other materials	41,141	-	-	-	-	-	-	-	41,141	-	41,141
Insurance	52,448	1,701	2,962	1,701	17,006	1,701	11,055	1,700	90,274	75,073	165,347
Bad debt expense (recoveries)	99,138	-	-	-	-	-	-	-	99,138	-	99,138
Other	3,439	20	24	-	5	-	-	-	3,488	22,161	25,649
<b>Total expense</b>	<b>\$ 8,242,008</b>	<b>\$ 1,318,780</b>	<b>\$ 316,849</b>	<b>\$ 315,938</b>	<b>\$ 2,931,314</b>	<b>\$ 505,307</b>	<b>\$ 1,143,773</b>	<b>\$ 436,336</b>	<b>\$ 15,210,305</b>	<b>\$ 1,374,975</b>	<b>\$ 16,585,280</b>

**Greater K.C. LINC, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2011**

	Caring Communities	Health and 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	\$ 1,344,055	\$ 574,247	\$ 111,560	\$ 302,937	\$ 1,780,455	\$ -	\$ 176,609	\$ 76,421	\$ 4,366,284	\$ -	\$ 4,366,284
Salaries	5,848,346	415,985	49,231	-	393,961	422,464	429,962	306,848	7,866,797	570,736	8,437,533
Purchased professional services	188,845	970	3,148	-	95,893	13,022	59,950	4,770	366,598	85,941	452,539
Employee benefits	1,605,371	114,188	13,514	-	108,142	115,966	118,025	84,230	2,159,436	156,667	2,316,103
Grants, stipends and scholarships	9,314	49,095	7,099	-	237,531	-	-	400	303,439	2,000	305,439
Administrative fees	17,372	600	-	12,192	26,491	-	6,445	-	63,100	-	63,100
Supplies	117,626	26,701	831	-	11,469	3,417	21,230	321	181,595	28,391	209,986
Training	31,480	7,059	40,511	-	41,391	450	2,128	-	123,019	1,860	124,879
Depreciation	17,964	779	4,465	-	2,718	43,633	15,094	5,026	89,679	18,015	107,694
Rent, facility usage and storage	3,895	926	17,752	-	12,665	3,534	244	2,175	41,191	244,083	285,274
Marketing	23,898	13,126	5,891	-	9,590	39,176	-	1,674	93,355	10,265	103,620
Equipment	43,675	1,413	1,518	-	28,805	89,607	9,998	259	175,275	85,900	261,175
Postage	1,805	9,019	472	-	4,908	6,464	224	2,861	25,753	11,307	37,060
Communication equipment	51,532	7,103	3,956	1,150	31,214	16,241	2,700	3,699	117,595	6,566	124,161
Equipment rental	378	3,710	1,352	-	4,525	36,920	-	-	46,885	16,410	63,295
Meetings	23,436	14,235	1,613	-	3,321	1,048	4,396	1,574	49,623	5,677	55,300
Travel and mileage	19,703	60,749	8,238	-	11,251	6,175	2,918	539	109,573	8,533	118,106
Events and facilitation services	32,387	-	12,423	-	1,379	1,009	-	4,956	52,154	510	52,664
Fundraising and other materials	23,458	-	-	-	-	-	-	-	23,458	-	23,458
Insurance	79,989	2,594	4,518	2,594	25,936	2,594	16,860	2,593	137,678	114,493	252,171
Bad debt expense (recoveries)	102,193	-	-	-	-	-	-	-	102,193	-	102,193
Other	2,906	-	-	-	-	-	358	2,209	5,473	17,340	22,813
<b>Total expense</b>	<b>\$ 9,589,628</b>	<b>\$ 1,302,499</b>	<b>\$ 288,092</b>	<b>\$ 318,873</b>	<b>\$ 2,831,645</b>	<b>\$ 801,720</b>	<b>\$ 867,141</b>	<b>\$ 500,555</b>	<b>\$ 16,500,153</b>	<b>\$ 1,384,694</b>	<b>\$ 17,884,847</b>

**Greater K.C. LINC, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating Activities</b>		
Change in net assets	\$ 747,924	\$ (733,226)
Items not requiring (providing) cash		
Depreciation	64,554	107,694
Net unrealized and realized (gains) losses on investments	167,856	(1,404,569)
Net loss on disposal of fixed assets	25	98
Changes in		
Accounts and grants receivable	329,619	(1,148,018)
Prepaid expenses	(19,648)	42,321
Accounts payable and accrued expenses	(806,525)	519,381
	<u>483,805</u>	<u>(2,616,319)</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(41,333)	(36,806)
Proceeds from sale of investments	2,000,000	2,000,000
Purchase of investments	(65,112)	(93,662)
	<u>1,893,555</u>	<u>1,869,532</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	2,377,360	(746,787)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,753,126</u>	<u>2,499,913</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,130,486</u>	<u>\$ 1,753,126</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position</b>		
Cash and cash equivalents	\$ 3,925,962	\$ 1,063,141
Cash in assets limited as to use		
Externally restricted	<u>204,524</u>	<u>689,985</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 4,130,486</u>	<u>\$ 1,753,126</u>



**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**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 principals. The effort involves 65 schools in seven school districts, plus several Kansas City, Missouri area charter schools. The school-linked services are part of a larger effort to develop comprehensive integrated neighborhood services through neighborhood involvement, professional development and change management. During 2012, LINC touched the lives of 167,077 individuals through direct service delivery, recruitment in volunteer activities and engagement in site and community activities. See [www.kclinc.org](http://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.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

21st Century Community Learning Centers (21CCLC)

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

In total, at June 30, 2012 and 2011, there were 65 and 66 Caring Community sites, respectively.

***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, underserved 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.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

Welfare-to-Work Initiatives

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

Data

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

Other

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

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash Equivalents***

LINC considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2012 and 2011, cash equivalents consisted primarily of money market funds and commercial paper.

Effective July 21, 2010, the FDIC's insurance limits were permanently increased to \$250,000. At June 30, 2012 and 2011, the Organization's cash accounts exceeded federally insured limits by approximately \$2,923,000 and \$1,363,000, respectively. Management is consistently evaluating the financial stability of those institutions and believes the risk of loss is minimal.

Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

***Investments***

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

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

***Accounts and Grants Receivable***

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

***Property and Equipment***

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

***Accounts Payable***

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

***Government Grants***

Grants are initially recorded by LINC as temporarily restricted revenue when funds are received, as the grants are primarily related to providing public benefits rather than providing direct benefits back to the resource provider. 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. Certain funds are received by LINC to be passed on to eligible agencies in order to complete the purpose of the contract or grant.

***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.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

***Income Taxes***

Greater K.C. LINC, Inc. is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and a similar provision of the state law. However, LINC would be subject to federal income tax if it incurred any unrelated business income. LINC is no longer subject to U.S. federal examinations by tax authorities for years before 2009.

***Contributions and Grants***

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

***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 and management and general categories.

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

For the years ended June 30, 2012 and 2011, LINC's general, administrative and development expenses accounted for 8.3% and 7.7%, respectively, of LINC's total expenses.

***Subsequent Events***

Subsequent events have been evaluated through the date of the Independent Accountants' Report, which is the date the financial statements were available to be issued.

**Note 2: Investments**

Investments at June 30, 2012 and 2011 consisted of the following:

	<b>2012</b>	<b>2011</b>
Mutual funds	\$ 1,075,210	\$ 1,133,451
Exchange traded funds	2,283,583	3,160,311
Money market funds	607,646	1,447,077
Municipal securities	272	328,616
	<u>\$ 3,966,711</u>	<u>\$ 6,069,455</u>

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

For the years ended June 30, 2012 and 2011, investment return consisted of the following:

	<b>2012</b>	<b>2011</b>
Net realized gains on investments	\$ 281,316	\$ 470,635
Net unrealized gains (losses) on investments	(449,172)	933,934
Interest and dividends	68,626	98,755
Total investment return (loss)	\$ (99,230)	\$ 1,503,324

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

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include mutual funds, exchange traded funds and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. government agency securities.



**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
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**Note 4: Accounts and Grants Receivable**

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

	<u>2012</u>	<u>2011</u>
Missouri Department of Elementary and Secondary Education	\$ 300,116	\$ -
Missouri Department of Social Services - Foster Care Transitioning	49,394	629,945
Community Partnership	193,441	303,944
Other	67,055	-
City of Kansas City, Missouri	19,293	123,093
Healthcare Foundation of Greater Kansas City	750	113,898
Other programs	581,440	308,005
	<u>1,211,489</u>	<u>1,478,885</u>
Less allowance for doubtful accounts	275,498	213,275
	<u>\$ 935,991</u>	<u>\$ 1,265,610</u>

**Note 5: Line of Credit**

LINC established a \$1,000,000 revolving bank line of credit in 2012, which expires in March 2013. At June 30, 2012, there were no borrowings against this line. The line is collateralized by LINC's investment account with the bank. Interest varies with the bank's prime rate less 0.5% (2.75% on June 30, 2012).

**Note 6: Temporarily Restricted Net Assets**

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

	<u>2012</u>	<u>2011</u>
Externally restricted by funding agency		
Funds for the support of needy families	\$ 1,000,000	\$ -
Improved or extended services to families and children	7,986	223,699
Out of School Time Initiative	5,684	12,138
Welfare-to-Work Initiatives	315,393	201,422
Other special projects and programs	-	39,302
	<u>\$ 1,329,063</u>	<u>\$ 476,561</u>



**Greater K.C. LINC, Inc.**  
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**Note 7: Net Assets Released from Restriction**

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

	<u>2012</u>	<u>2011</u>
Expenses incurred on behalf of		
Caring Communities	\$ 217,016	\$ 542,020
Community Partnership Initiatives	-	296,235
Before and After School Program	6,454	973,942
Welfare-to-Work Initiatives	201,422	253,439
Child Welfare Initiatives Including Foster Support	-	195,718
Family Health Initiatives	-	238,274
Other special projects and programs	39,302	800,072
	<u>\$ 464,194</u>	<u>\$ 3,299,700</u>

**Note 8: Operating Lease**

LINC has entered into a noncancellable operating lease for office space, which expires during calendar year 2015. Rental expense under all leases amounted to \$232,000 and \$171,000 for the years ended June 30, 2012 and 2011, respectively.

Future minimum lease payments for operating leases at June 30, 2012 are as follows:

2013	\$ 223,825
2014	230,220
2015	<u>236,615</u>
	<u>\$ 690,660</u>

**Note 9: 401(k) Retirement and Savings Plan**

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

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

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LINC's contributions for the years ended June 30, 2012 and 2011 were \$476,000 and \$475,000, respectively.

**Note 10: Fundraising Expense**

Fundraising and related expenses for the years ended June 30, 2012 and 2011 was \$41,141 and \$23,310, respectively.

**Note 11: Significant Estimates and Concentrations**

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

***Revenues***

For the years ended June 30, 2012 and 2011, funding under Missouri Department of Social Services Contracts accounted for 66% and 57% of LINC's total revenues, gains and other support, respectively. For the years ended June 30, 2012 and 2011, funding under federal grants accounted for 19% and 14% 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.

***Current Economic Conditions***

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

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

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