

Greater K.C. LINC, Inc.

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

June 30, 2011 and 2010

Greater K.C. LINC, Inc.

June 30, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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 11, 2011, 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 the 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 considered in assessing 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 supplementary information, including the 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 auditing 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.

BKD, LLP

Kansas City, Missouri
November 11, 2011

Greater K.C. LINC, Inc.
Statements of Financial Position
June 30, 2011 and 2010

Assets

	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and cash equivalents	\$ 1,063,141	\$ 1,814,398
Accounts and grants receivable, net of allowance	1,265,610	117,592
Prepaid expenses	<u>52,249</u>	<u>94,570</u>
Total current assets	<u>2,381,000</u>	<u>2,026,560</u>
Assets Limited As To Use		
Reserves for underfunded community initiatives		
Cash and cash equivalents	689,985	685,515
Investments	<u>6,069,455</u>	<u>6,571,224</u>
Total assets limited as to use	<u>6,759,440</u>	<u>7,256,739</u>
Property and Equipment		
Property and equipment	1,813,088	1,776,475
Less accumulated depreciation	<u>1,615,160</u>	<u>1,507,561</u>
Total property and equipment	<u>197,928</u>	<u>268,914</u>
Total assets	<u>\$ 9,338,368</u>	<u>\$ 9,552,213</u>

Liabilities and Net Assets

	<u>2011</u>	<u>2010</u>
Current Liabilities		
Accounts payable	\$ 447,791	\$ 378,579
Accrued payroll and benefits	1,449,031	1,450,999
Accrued expenses	<u>696,451</u>	<u>244,314</u>
Total current liabilities	<u>2,593,273</u>	<u>2,073,892</u>
Net Assets		
Unrestricted	6,268,534	4,951,672
Temporarily restricted	<u>476,561</u>	<u>2,526,649</u>
Total net assets	<u>6,745,095</u>	<u>7,478,321</u>
Total liabilities and net assets	<u>\$ 9,338,368</u>	<u>\$ 9,552,213</u>

Greater K.C. LINC, Inc.
Statements of Activities
Years Ended June 30, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support						
State and federal contracts and grants	\$ 12,612,884	\$ 1,249,612	\$ 13,862,496	\$ 12,507,355	\$ 2,052,162	\$ 14,559,517
Private contributions and grants	441,116	-	441,116	356,016	-	356,016
Investment return	1,503,324	-	1,503,324	727,963	-	727,963
Other support	1,344,685	-	1,344,685	1,440,258	-	1,440,258
	<u>15,902,009</u>	<u>1,249,612</u>	<u>17,151,621</u>	<u>15,031,592</u>	<u>2,052,162</u>	<u>17,083,754</u>
Net assets released from restrictions	3,299,700	(3,299,700)	-	2,390,651	(2,390,651)	-
	<u>19,201,709</u>	<u>(2,050,088)</u>	<u>17,151,621</u>	<u>17,422,243</u>	<u>(338,489)</u>	<u>17,083,754</u>
Expenses						
Program services						
Caring Communities	9,589,628		9,589,628	11,102,827		11,102,827
Health and Child Welfare Initiatives	1,302,499		1,302,499	607,428		607,428
Educare	288,092		288,092	317,271		317,271
Early Childhood	318,873		318,873	335,276		335,276
Welfare-to-Work Initiatives	2,831,645		2,831,645	876,885		876,885
Data	801,720		801,720	707,284		707,284
21st Century	867,141		867,141	960,268		960,268
Other initiatives	500,555		500,555	496,015		496,015
Total program services	<u>16,500,153</u>		<u>16,500,153</u>	<u>15,403,254</u>		<u>15,403,254</u>
General, administrative and development	1,384,694		1,384,694	1,360,024		1,360,024
	<u>17,884,847</u>		<u>17,884,847</u>	<u>16,763,278</u>		<u>16,763,278</u>
Change in Net Assets	1,316,862	(2,050,088)	(733,226)	658,965	(338,489)	320,476
Net Assets, Beginning of Year	4,951,672	2,526,649	7,478,321	4,292,707	2,865,138	7,157,845
Net Assets, End of Year	<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>

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

	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	\$ 1,344,055	\$ 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
Total expense	\$ 9,589,628	\$ 1,302,499	\$ 288,092	\$ 318,873	\$ 2,831,645	\$ 801,720	\$ 867,141	\$ 500,555	\$ 16,500,153	\$ 1,384,694	\$ 17,884,847

Greater K.C. LINC, Inc.
Statement of Functional Expenses
Year Ended June 30, 2010

	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	\$ 1,870,280	\$ 276,883	\$ 87,289	\$ 316,302	\$ 460,062	\$ -	\$ 224,738	\$ 5,133	\$ 3,240,687	\$ -	\$ 3,240,687
Salaries	6,476,989	230,723	81,273	-	147,185	366,907	448,331	327,040	8,078,448	581,648	8,660,096
Purchased professional services	250,493	47,467	6,931	-	34,655	20,818	52,077	8,242	420,683	121,824	542,507
Employee benefits	1,777,971	63,335	22,310	-	40,403	100,718	123,070	89,773	2,217,580	159,666	2,377,246
Grants, stipends and scholarships	8,666	49,832	1,764	-	74,313	-	-	1,377	135,952	32	135,984
Administrative fees	23,775	-	-	7,000	25,833	-	7,940	-	64,548	-	64,548
Supplies	220,477	10,907	4,638	-	2,921	4,981	20,549	835	265,308	28,465	293,773
Training	28,965	663	46,449	-	19,805	2,209	835	673	99,599	2,223	101,822
Depreciation	43,874	1,927	11,048	-	968	92,262	37,347	12,435	199,861	31,175	231,036
Rent, facility usage and storage	3,049	725	13,898	-	9,915	2,767	191	1,703	32,248	191,088	223,336
Marketing	41,878	2,976	5,117	6,746	274	29,353	550	8,894	95,788	41,861	137,649
Equipment	43,807	1,510	1,622	-	1,996	17,267	10,685	278	77,165	24,800	101,965
Postage	1,820	751	994	-	1,252	18,587	244	25,922	49,570	8,975	58,545
Communication equipment	64,501	6,387	4,386	4,010	20,071	15,299	3,180	3,076	120,910	3,504	124,414
Equipment rental	-	-	3,000	-	2,240	18,114	-	-	23,354	21,681	45,035
Meetings	44,535	6,049	859	-	1,571	2,105	4,098	1,418	60,635	6,072	66,707
Travel and mileage	26,386	34,703	7,141	-	26,324	7,113	4,529	1,244	107,440	10,515	117,955
Events and facilitation services	28,515	5,288	15,531	-	5,879	7,566	13,837	6,752	83,368	52,754	136,122
Fundraising and other materials	21,860	-	899	-	-	-	-	-	22,759	-	22,759
Insurance	48,527	1,218	2,122	1,218	1,218	1,218	7,918	1,218	64,657	53,769	118,426
Bad debt expense (recoveries)	73,204	(133,973)	-	-	-	-	-	-	(60,769)	-	(60,769)
Other	3,255	57	-	-	-	-	149	2	3,463	19,972	23,435
Total expense	\$ 11,102,827	\$ 607,428	\$ 317,271	\$ 335,276	\$ 876,885	\$ 707,284	\$ 960,268	\$ 496,015	\$ 15,403,254	\$ 1,360,024	\$ 16,763,278

Greater K.C. LINC, Inc.
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Activities		
Change in net assets	\$ (733,226)	\$ 320,476
Items not requiring (providing) cash		
Depreciation	107,694	231,036
Net unrealized and realized gains on investments	(1,404,569)	(637,161)
Net loss on disposal of fixed assets	98	882
Changes in		
Accounts and grants receivable	(1,148,018)	661,769
Prepaid expenses	42,321	(44,167)
Accounts payable and accrued expenses	519,381	(339,906)
	<u>(2,616,319)</u>	<u>192,929</u>
Investing Activities		
Purchase of property and equipment	(36,806)	(88,721)
Proceeds from sale of investments	2,000,000	2,778,359
Purchase of investments	(93,662)	(2,867,008)
	<u>1,869,532</u>	<u>(177,370)</u>
Increase (Decrease) in Cash and Cash Equivalents	(746,787)	15,559
Cash and Cash Equivalents, Beginning of Year	<u>2,499,913</u>	<u>2,484,354</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,753,126</u>	<u>\$ 2,499,913</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position		
Cash and cash equivalents	\$ 1,063,141	\$ 1,814,398
Cash in assets limited as to use		
Externally restricted	<u>689,985</u>	<u>685,515</u>
Total Cash and Cash Equivalents	<u>\$ 1,753,126</u>	<u>\$ 2,499,913</u>

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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 46 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. 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 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, 2011 and 2010, there were 46 Caring Community sites.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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 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.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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, 2011 and 2010, 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, 2011, the Organization's cash accounts exceeded federally insured limits by approximately \$1,363,000. 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.

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

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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.

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 2008.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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, 2011 and 2010, LINC's general, administrative and development expenses accounted for 7.7% and 8.1%, respectively, of LINC's total expenses.

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on the total change in net assets.

Subsequent Events

Subsequent to year end, LINC expended approximately \$2,000,000 of its investment portfolio to fund operations during 2012.

Subsequent events have been evaluated through November 11, 2011, which is the date the financial statements were available to be issued.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

Note 2: Investments

Investments at June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Mutual funds	\$ 1,133,451	\$ 2,348,441
Exchange traded funds	3,160,311	3,464,668
Money market funds	1,447,077	1,123
Municipal securities	328,616	756,992
	<u>\$ 6,069,455</u>	<u>\$ 6,571,224</u>

For the years ended June 30, 2011 and 2010, investment return consisted of the following:

	<u>2011</u>	<u>2010</u>
Net realized gains on investments	\$ 470,635	\$ 7,175
Net unrealized gains on investments	933,934	629,986
Interest and dividends	98,755	90,802
	<u>\$ 1,503,324</u>	<u>\$ 727,963</u>

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.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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 invested in equity securities, 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.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2011 and 2010:

	2011			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments				
Mutual funds	\$ 1,133,451	\$ 1,133,451	\$ -	\$ -
Exchange traded funds	3,160,311	3,160,311	-	-
Money market funds	1,447,077	1,447,077	-	-
Municipal securities	328,616	-	328,616	-
	<u>\$ 6,069,455</u>	<u>\$ 5,740,839</u>	<u>\$ 328,616</u>	<u>\$ -</u>
Cash and cash equivalents				
Money market funds	\$ 689,985	\$ 689,985	\$ -	\$ -

	2010			
	Fair Value Measurements Using			
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments				
Mutual funds	\$ 2,348,441	\$ 2,348,441	\$ -	\$ -
Exchange traded funds	3,464,668	3,464,668	-	-
Money market funds	1,123	1,123	-	-
U.S. government agency securities	756,992	-	756,992	-
	<u>\$ 6,571,224</u>	<u>\$ 5,814,232</u>	<u>\$ 756,992</u>	<u>\$ -</u>
Cash and cash equivalents				
Money market funds	\$ 703,525	\$ 703,525	\$ -	\$ -

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

Note 4: Accounts and Grants Receivable

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

	2011	2010
Missouri Department of Social Services -		
Foster Care Transitioning	\$ 629,945	\$ -
Community Partnership	303,944	-
City of Kansas City, Missouri	123,093	-
Healthcare Foundation of Greater Kansas City	113,898	-
Other programs	308,005	259,191
	<u>1,478,885</u>	<u>259,191</u>
Less allowance for doubtful accounts	213,275	141,599
	<u>\$ 1,265,610</u>	<u>\$ 117,592</u>

Note 5: Temporarily Restricted Net Assets

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

	2011	2010
Externally restricted by funding agency		
Improved or extended services to families and children	\$ 223,699	\$ 661,597
Out of School Time Initiative	12,138	973,942
Welfare-to-Work Initiatives	201,422	321,401
Child Welfare Initiatives Including Foster Support	-	122,218
Family Health Initiatives	-	238,274
Other special projects and programs	39,302	209,217
	<u>\$ 476,561</u>	<u>\$ 2,526,649</u>

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

Note 6: 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>2011</u>	<u>2010</u>
Expenses incurred on behalf of		
Caring Communities	\$ 542,020	\$ 1,196,254
Community Partnership Initiatives	296,235	21,545
Before and After School Program	973,942	726,058
Welfare-to-Work Initiatives	253,439	347,333
Child Welfare Initiatives Including Foster Support	195,718	86,809
Family Health Initiatives	238,274	-
Other special projects and programs	800,072	12,652
	<u>\$ 3,299,700</u>	<u>\$ 2,390,651</u>

Note 7: 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 \$171,000 and \$166,000 for the years ended June 30, 2011 and 2010, respectively.

Future minimum lease payments for operating leases at June 30, 2011 are as follows:

2012	\$ 223,855
2013	223,825
2014	230,220
2015	236,615
	<u>\$ 914,515</u>

Note 8: 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

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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, 2011 and 2010 were \$475,000 and \$342,000, respectively.

Note 9: Fundraising Expense

Fundraising and related expenses for the years ended June 30, 2011 and 2010 was \$23,310 and \$20,495, 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, 2011 and 2010, funding under Missouri Department of Social Services Contracts accounted for 42% and 52% of LINC's total revenues, gains and other support, respectively. For the year ended June 30, 2011, funding under federal grants accounted for 30% of LINC's total revenues, gains and other support.

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.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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.

Supplementary Information

Greater K.C. LINC, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Cluster/Program	Federal Agency/Pass-Through Entity	Other Identifying Number	CFDA #	Amount Expended
Promoting Safe and Stable Families / Community Partnership	Department of Health and Human Services / Missouri Department of Social Services	PG0069335	93.556	\$ 1,911,420
Twenty-First Century Community Learning Centers	Department of Education/Missouri Department of Elementary and Secondary Education	0708-YR4	84.287	382,922
Model State-Supported Area Health Education Centers	Department of Health and Human Services/ University of Missouri – Health Resource and Service Administration	C00031035-2	93.107	52,389
Summer Food Service Program For Children	Food and Drug Administration	0584-0512	10.559	<u>45,819</u>
				<u><u>\$ 2,392,550</u></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. ("LINC") as of and for the year ended June 30, 2011, and have issued our report thereon dated November 11, 2011. 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 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of LINC's financial statements will not be prevented or detected and corrected on a timely basis.

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 deficiencies, 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 is 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 11, 2011.

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 pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

BKD, LLP

Kansas City, Missouri
November 11, 2011

**Independent Accountants' Report on Compliance with
Requirements That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

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. ("LINC") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. LINC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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.

As described in item 11-1 in the accompanying schedule of findings and questioned costs, Greater K.C. LINC, Inc. did not comply with requirements regarding adequate support of salaries and wages that are applicable to its Community Partnership program. Compliance with such requirements is necessary, in our opinion, for Greater K.C. LINC, Inc. to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Greater K.C. LINC, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11-1 to be a material weakness.

Greater K.C. LINC, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit LINC's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Commissioners, Finance Committee, management, others within Greater K.C. LINC, Inc. federal awarding agencies and pass-through entities, and is not intended to be, and should not be used by anyone other than these specified parties.

BKD, LLP

Kansas City, Missouri
November 11, 2011

Greater K.C. LINC, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

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)? Yes No
 Material weakness(es)? 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)? Yes No
 Material weakness(es)? 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
 – Promoting safe and stable families/community partnership

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	Grant Identifying Number
Promoting Safe and Stable Families: Community Partnership	93.556	PG0069335

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, 2011

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Greater K.C. LINC, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
11-1	<p>Promoting Safe and Stable Families/Community Partnership</p> <p>Department of Health and Human Services/Missouri Department of Social Services</p> <p>CFDA No. 93.556</p> <p>Criteria or Specific Requirement – Allowable Costs.</p> <p>Condition – LINC has certain personnel that focus on several different initiatives during the year. Currently, LINC does not track actual time incurred by these individuals on each initiative separately. Management does meet at least three times a year to determine the estimated percentage of time spent on each initiative by these individuals.</p> <p>Context – Approximately 96% of total expenditures for the Promoting Safe and Stable Families Grant made by LINC were payroll related costs.</p> <p>Effect – Improper payroll costs could be allocated to this program.</p> <p>Cause – Lack of detailed records supporting the actual time charged by certain personnel.</p> <p>Recommendation – LINC should establish detailed time reports that support the actual time charged to its initiatives.</p> <p>Views of Responsible Officials and Planned Corrective Actions – At the time the original contract was signed, the State did not advise LINC that this contract was a Federal contract. LINC’s procedures for prior contracts have consistently been in compliance with applicable laws and regulations. Throughout the year, LINC was frequently in contact with the State of Missouri for the express purpose of clarifying its expectations of LINC; specifically as to whether LINC’s approach to this relationship needed to be changed from that of previous years. Throughout the year, the State did not advise as to its choice of funding for the grant. Ultimately, the “sub-recipient amendment” to PG0069335 was signed for the first time by all parties in May 2011, indicating that the dollars would be subject to Federal guidelines retroactive to July 2010. Because of the</p>	Unknown

Greater K.C. LINC, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

Reference Number	Finding	Questioned Costs
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nature of the retroactive clause of this agreement and delay of the State in so advising LINC, it was not possible to provide detailed time reports after the fact. Going forward, management will endeavor to implement procedures to measure staff members activity charged to the initiative. Each pay period staff and supervisors will identify in the payroll system hours worked on the initiative.

Greater K.C. LINC, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2011

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