

Greater K.C. LINC, Inc.

Auditor's Report and Financial Statements

June 30, 2013 and 2012



Greater K.C. LINC, Inc.
June 30, 2013 and 2012

Contents

Independent Auditor's Report..... 1

Financial Statements

Statements of Financial Position 3
Statements of Activities..... 4
Statements of Functional Expenses 5
Statements of Cash Flows..... 7
Notes to Financial Statements 8

Independent Auditor's Report

LINC Commissioners
and Finance Committee
Greater K.C. LINC, Inc.
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying statements of Greater K.C. LINC, Inc. (LINC), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

LINC Commissioners
and Finance Committee
Greater K.C. LINC, Inc.
Page 2

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Kansas City, Missouri
November 6, 2013

Greater K.C. LINC, Inc.
Statements of Financial Position
June 30, 2013 and 2012

Assets

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 3,154,512	\$ 3,925,962
Accounts and grants receivable, net of allowance	1,636,077	935,991
Prepaid expenses	<u>53,664</u>	<u>71,897</u>
Total current assets	<u>4,844,253</u>	<u>4,933,850</u>
Assets Limited As To Use		
Reserves for underfunded community initiatives		
Cash and cash equivalents	-	204,524
Investments	<u>4,884,351</u>	<u>3,966,711</u>
Total assets limited as to use	<u>4,884,351</u>	<u>4,171,235</u>
Property and Equipment		
Property and equipment	1,752,106	1,848,898
Less accumulated depreciation	<u>1,623,040</u>	<u>1,674,216</u>
Total property and equipment	<u>129,066</u>	<u>174,682</u>
Total assets	<u>\$ 9,857,670</u>	<u>\$ 9,279,767</u>

Liabilities and Net Assets

	<u>2013</u>	<u>2012</u>
Current Liabilities		
Accounts payable	\$ 883,783	\$ 725,482
Accrued payroll and benefits	1,189,792	1,024,759
Accrued expenses	<u>250,675</u>	<u>36,507</u>
Total current liabilities	<u>2,324,250</u>	<u>1,786,748</u>
Net Assets		
Unrestricted	6,533,420	6,163,956
Temporarily restricted	<u>1,000,000</u>	<u>1,329,063</u>
Total net assets	<u>7,533,420</u>	<u>7,493,019</u>
Total liabilities and net assets	<u>\$ 9,857,670</u>	<u>\$ 9,279,767</u>

Greater K.C. LINC, Inc.
Statements of Activities
Years Ended June 30, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support						
State and federal contracts and grants	\$ 12,631,605	\$ 1,000,000	\$ 13,631,605	\$ 13,169,983	\$ 1,316,696	\$ 14,486,679
Private contributions and grants	1,853,031	-	1,853,031	1,469,925	-	1,469,925
Investment return	714,010	-	714,010	(99,230)	-	(99,230)
Other support	1,229,427	-	1,229,427	1,475,830	-	1,475,830
	<u>16,428,073</u>	<u>1,000,000</u>	<u>17,428,073</u>	<u>16,016,508</u>	<u>1,316,696</u>	<u>17,333,204</u>
Net assets released from restrictions	1,329,063	(1,329,063)	-	464,194	(464,194)	-
	<u>17,757,136</u>	<u>(329,063)</u>	<u>17,428,073</u>	<u>16,480,702</u>	<u>852,502</u>	<u>17,333,204</u>
Total revenues, gains and other support						
Expenses						
Program services						
Caring Communities	7,978,912		7,978,912	8,242,008		8,242,008
Health and Child Welfare Initiatives	1,014,048		1,014,048	1,318,780		1,318,780
Educare	311,030		311,030	316,849		316,849
Early Childhood	-		-	315,938		315,938
Welfare-to-Work Initiatives	3,770,959		3,770,959	2,931,314		2,931,314
Data	806,819		806,819	505,307		505,307
21st Century	1,716,278		1,716,278	1,143,773		1,143,773
Other initiatives	398,616		398,616	436,336		436,336
Total program services	<u>15,996,662</u>		<u>15,996,662</u>	<u>15,210,305</u>		<u>15,210,305</u>
General, administrative and development	1,391,010		1,391,010	1,374,975		1,374,975
	<u>17,387,672</u>		<u>17,387,672</u>	<u>16,585,280</u>		<u>16,585,280</u>
Total expenses						
Change in Net Assets	369,464	(329,063)	40,401	(104,578)	852,502	747,924
Net Assets, Beginning of Year	<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>
Net Assets, End of Year	<u>\$ 6,533,420</u>	<u>\$ 1,000,000</u>	<u>\$ 7,533,420</u>	<u>\$ 6,163,956</u>	<u>\$ 1,329,063</u>	<u>\$ 7,493,019</u>

Greater K.C. LINC, Inc.
Statement of Functional Expenses
Year Ended June 30, 2013

	Caring Communities	Health and Child Welfare Initiatives	Educare	Welfare- to-Work Initiatives	Data	21st Century	Other Initiatives	Total Program Services	General, Administrative and Development	Total Expenses
Program services	\$ 1,224,311	\$ 150,381	\$ 93,002	\$ 1,772,607	\$ -	\$ 408,027	\$ 8,069	\$ 3,656,397	\$ -	\$ 3,656,397
Salaries	4,746,308	355,993	94,894	1,184,545	409,188	932,885	220,386	7,944,199	682,476	8,626,675
Purchased and professional services	122,411	222,758	316	5,378	45,935	-	39,062	435,860	146,879	582,739
Employee benefits	1,518,818	113,918	30,366	379,054	130,940	298,523	70,523	2,542,142	218,392	2,760,534
Grants, stipends and scholarships	-	42,144	4,429	214,023	-	64	-	260,660	-	260,660
Administrative fees	17,155	202	-	82,606	-	13,605	-	113,568	-	113,568
Supplies	5,238	8,901	1,325	8,442	7,403	-	24,265	55,574	8,062	63,636
Training	41,061	29,296	17,427	15	1,198	289	433	89,719	4,453	94,172
Depreciation	9,875	581	2,324	1,743	23,236	8,132	2,904	48,795	6,590	55,385
Rent, facility usage and storage	5,005	1,668	20,018	16,682	6,673	-	3,336	53,382	198,727	252,109
Marketing	21,565	1,020	7,760	10,149	51,691	-	2,217	94,402	2,796	97,198
Equipment, rental and maintenance	38,813	2,283	9,605	7,128	91,513	31,964	11,416	192,722	27,797	220,519
Postage	1,888	19	348	10,733	8,172	-	2,035	23,195	5,812	29,007
Communications	50,363	4,657	6,263	41,643	22,161	6,483	3,039	134,609	4,619	139,228
Meetings	3,699	14,697	1,153	794	1,923	9	2,135	24,410	8,120	32,530
Travel and mileage	24,495	61,609	4,381	17,562	3,980	822	5,312	118,161	1,766	119,927
Events and facilitation services	14,155	-	11,850	-	864	-	1,679	28,548	2,199	30,747
Fundraising and other materials	32,925	-	-	-	-	2,977	-	35,902	-	35,902
Insurance	57,138	3,571	5,357	17,855	1,786	12,498	1,786	99,991	55,709	155,700
Bad debt expense	40,957	-	-	-	-	-	-	40,957	-	40,957
Other	2,732	350	212	-	156	-	19	3,469	16,613	20,082
Total expense	\$ 7,978,912	\$ 1,014,048	\$ 311,030	\$ 3,770,959	\$ 806,819	\$ 1,716,278	\$ 398,616	\$ 15,996,662	\$ 1,391,010	\$ 17,387,672

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
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 and 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	22,949	19,457	-	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, rental and maintenance	30,501	891	957	-	18,387	77,360	6,449	163	157,982	56,852	214,834
Postage	7,642	350	1,855	-	9,710	10,602	223	2,408	32,790	9,219	42,009
Communications	46,825	5,808	4,867	-	35,936	21,690	4,760	3,843	123,729	6,922	130,651
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	99,138	-	-	-	-	-	-	-	99,138	-	99,138
Other	3,439	20	24	-	5	-	-	-	3,488	22,161	25,649
Total expense	\$ 8,242,008	\$ 1,318,780	\$ 316,849	\$ 315,938	\$ 2,931,314	\$ 505,307	\$ 1,143,773	\$ 436,336	\$ 15,210,305	\$ 1,374,975	\$ 16,585,280

Greater K.C. LINC, Inc.
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Activities		
Change in net assets	\$ 40,401	\$ 747,924
Items not requiring (providing) cash		
Depreciation	55,385	64,554
Net unrealized and realized (gains) losses on investments	(665,458)	167,856
Net loss on disposal of fixed assets	2,400	25
Changes in		
Accounts and grants receivable	(700,086)	329,619
Prepaid expenses	18,233	(19,648)
Accounts payable and accrued expenses	537,502	(806,525)
	<u>(711,623)</u>	<u>483,805</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of property and equipment	(12,169)	(41,333)
Proceeds from sale of investments	-	2,000,000
Purchase of investments	(252,182)	(65,112)
	<u>(264,351)</u>	<u>1,893,555</u>
Net cash provided by (used in) investing activities		
Increase (Decrease) in Cash and Cash Equivalents	(975,974)	2,377,360
Cash and Cash Equivalents, Beginning of Year	<u>4,130,486</u>	<u>1,753,126</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,154,512</u>	<u>\$ 4,130,486</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position		
Cash and cash equivalents	\$ 3,154,512	\$ 3,925,962
Cash in assets limited as to use		
Externally restricted	<u>-</u>	<u>204,524</u>
Total Cash and Cash Equivalents	<u>\$ 3,154,512</u>	<u>\$ 4,130,486</u>

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

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 81 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 2013, LINC touched the lives of 169,441 individuals through direct service delivery, recruitment in volunteer activities and engagement in site and community activities. 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.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

In total, at June 30, 2013 and 2012, there were 65 Caring Community sites.

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.

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, 2013 and 2012

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, 2013 and 2012, cash equivalents consisted primarily of money market funds and commercial paper.

At June 30, 2013, LINC's cash accounts exceeded federally insured limits by approximately \$2,883,400.

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.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

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 stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Computers and software	3 years
Machinery and equipment	7 years
Furniture and fixtures	7 years
Motor vehicles	5 years

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, 2013 and 2012

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 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, 2013 and 2012, LINC's general, administrative and development expenses accounted for 8.0% and 8.3%, respectively, of LINC's total expenses.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on the change in net assets.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

Note 2: Investments

Investments at June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Mutual funds	\$ 1,264,795	\$ 1,075,210
Exchange traded funds	2,703,246	2,283,583
Money market funds	916,038	607,646
U.S. government agency securities	<u>272</u>	<u>272</u>
	<u>\$ 4,884,351</u>	<u>\$ 3,966,711</u>

For the years ended June 30, 2013 and 2012, investment return consisted of the following:

	<u>2013</u>	<u>2012</u>
Net realized gains on investments	\$ 32,607	\$ 281,316
Net unrealized gains (losses) on investments	632,851	(449,172)
Interest and dividends	<u>48,552</u>	<u>68,626</u>
Total investment return (loss)	<u>\$ 714,010</u>	<u>\$ (99,230)</u>

Note 3: Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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 supported by little or no market activity and 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, 2013 and 2012

Recurring Measurements

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, 2013 and 2012:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2013				
Investments				
Mutual funds	\$ 1,264,795	\$ 1,264,795	\$ -	\$ -
Exchange traded funds	2,703,246	2,703,246	-	-
Money market funds	916,038	916,038	-	-
U.S. government agency securities	272	-	272	-
	<u>\$ 4,884,351</u>	<u>\$ 4,884,079</u>	<u>\$ 272</u>	<u>\$ -</u>
June 30, 2012				
Investments				
Mutual funds	\$ 1,075,210	\$ 1,075,210	\$ -	\$ -
Exchange traded funds	2,283,583	2,283,583	-	-
Money market funds	607,646	607,646	-	-
U.S. government agency securities	272	-	272	-
	<u>\$ 3,966,711</u>	<u>\$ 3,966,439</u>	<u>\$ 272</u>	<u>\$ -</u>
Cash and cash equivalents				
Money market funds	<u>\$ 204,524</u>	<u>\$ 204,524</u>	<u>\$ -</u>	<u>\$ -</u>

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
June 30, 2013 and 2012

Note 4: Accounts and Grants Receivable

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

	2013	2012
Missouri Department of Elementary and Secondary Education	\$ 147,834	\$ 300,116
Missouri Department of Social Services - Foster Care Transitioning	50,819	49,394
Community Partnership	-	193,441
Work Assistance	996,760	-
Other	73,117	67,055
City of Kansas City, Missouri	28,899	19,293
Healthcare Foundation of Greater Kansas City	-	750
Other programs	592,592	581,440
	1,890,021	1,211,489
Less allowance for doubtful accounts	253,944	275,498
	\$ 1,636,077	\$ 935,991

Note 5: Line of Credit

LINC established a \$1,000,000 revolving bank line of credit in 2012, which expired on December 31, 2012. During the years ended June 30, 2013 and 2012, there were no borrowings against this line. Effective September 19, 2013, LINC renewed the \$1,000,000 revolving bank line of credit, which expires in September 2014.

Note 6: Temporarily Restricted Net Assets

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

	2013	2012
Externally restricted by funding agency		
Funds for the support of needy families	\$ 1,000,000	\$ 1,000,000
Improved or extended services to families and children	-	7,986
Out of School Time Initiative	-	5,684
Welfare-to-Work Initiatives	-	315,393
	\$ 1,000,000	\$ 1,329,063
	\$ 1,000,000	\$ 1,329,063

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

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>2013</u>	<u>2012</u>
Expenses incurred on behalf of		
Caring Communities	\$ -	\$ 217,016
Community Partnership Initiatives	7,986	-
Before and After School Program	5,684	6,454
Welfare-to-Work Initiatives	315,393	201,422
Funds for the support of needy families	1,000,000	-
Other special projects and programs	-	39,302
	<u>\$ 1,329,063</u>	<u>\$ 464,194</u>

Note 8: Operating Lease

LINC has entered into a noncancellable operating lease for office space, which expires during 2018. Rental expense under all leases amounted to approximately \$226,000 and \$232,000 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments for operating leases at June 30, 2013 are as follows:

2014	\$ 295,358
2015	304,045
2016	312,732
2017	312,732
2018	<u>312,732</u>
Total minimum lease payments	<u>\$ 1,537,599</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

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

of service for the additional contributions from LINC and immediately for employee salary deferral contributions, QNEC and LINC matching contributions.

LINC's contributions for the years ended June 30, 2013 and 2012 were approximately \$485,000 and \$476,000, respectively.

Note 10: Fundraising Expense

Fundraising and related expenses for the years ended June 30, 2013 and 2012 were \$35,470 and \$41,141, 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, 2013 and 2012, funding under Missouri Department of Social Services Contracts accounted for 64% and 66% of LINC's total revenues, gains and other support, respectively. For the years ended June 30, 2013 and 2012, funding under federal grants accounted for 9% and 17% of LINC's total revenues, gains and other support, respectively.

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, change in net assets and cash flows of LINC. Events could occur that would change this estimate materially in the near term.

Note 12: Subsequent Events

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