

Greater K.C. LINC, Inc.

Auditor's Report and Financial Statements

June 30, 2014 and 2013



Greater K.C. LINC, Inc.
June 30, 2014 and 2013

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Greater K.C. LINC, Inc. (LINC), which comprise the statements of financial position as of June 30, 2014 and 2013, 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
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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, 2014 and 2013, 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 12, 2014

Greater K.C. LINC, Inc.
Statements of Financial Position
June 30, 2014 and 2013

Assets

	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 1,739,633	\$ 3,154,512
Accounts and grants receivable, net of allowance	1,203,035	1,636,077
Prepaid expenses	<u>142,662</u>	<u>53,664</u>
Total current assets	<u>3,085,330</u>	<u>4,844,253</u>
Assets Limited As To Use		
Reserves for underfunded community initiatives		
Investments	<u>5,859,354</u>	<u>4,884,351</u>
Total assets limited as to use	<u>5,859,354</u>	<u>4,884,351</u>
Property and Equipment		
Property and equipment	1,115,246	1,752,106
Less accumulated depreciation	<u>988,760</u>	<u>1,623,040</u>
Total property and equipment	<u>126,486</u>	<u>129,066</u>
Total assets	<u>\$ 9,071,170</u>	<u>\$ 9,857,670</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 882,719	\$ 883,783
Accrued payroll and benefits	1,506,407	1,189,792
Accrued expenses	<u>94,714</u>	<u>250,675</u>
Total current liabilities	<u>2,483,840</u>	<u>2,324,250</u>
Net Assets		
Unrestricted	6,587,330	6,533,420
Temporarily restricted	<u>-</u>	<u>1,000,000</u>
Total net assets	<u>6,587,330</u>	<u>7,533,420</u>
Total liabilities and net assets	<u>\$ 9,071,170</u>	<u>\$ 9,857,670</u>

Greater K.C. LINC, Inc.
Statements of Activities
Years Ended June 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support						
State and federal contracts and grants	\$ 15,468,692	\$ -	\$ 15,468,692	\$ 12,631,605	\$ 1,000,000	\$ 13,631,605
Private contributions and grants	1,154,876	-	1,154,876	1,853,031	-	1,853,031
Investment return	962,226	-	962,226	714,010	-	714,010
Other support	937,501	-	937,501	1,229,427	-	1,229,427
	18,523,295	-	18,523,295	16,428,073	1,000,000	17,428,073
Net assets released from restrictions	1,000,000	(1,000,000)	-	1,329,063	(1,329,063)	-
	19,523,295	(1,000,000)	18,523,295	17,757,136	(329,063)	17,428,073
Total revenues, gains and other support						
Expenses						
Program services						
Caring Communities	10,753,919		10,753,919	8,930,677		8,930,677
Youth Development	1,431,467		1,431,467	1,464,712		1,464,712
Childcare Education and Support	727,828		727,828	684,418		684,418
Work Skills	3,738,406		3,738,406	3,740,967		3,740,967
Community Assistance	410,595		410,595	147,757		147,757
Total program services	17,062,215		17,062,215	14,968,531		14,968,531
General, administrative and development	2,407,170		2,407,170	2,419,141		2,419,141
	19,469,385		19,469,385	17,387,672		17,387,672
Total expenses						
Changes in Net Assets	53,910	(1,000,000)	(946,090)	369,464	(329,063)	40,401
Net Assets, Beginning of Year	6,533,420	1,000,000	7,533,420	6,163,956	1,329,063	7,493,019
Net Assets, End of Year	\$ 6,587,330	\$ -	\$ 6,587,330	\$ 6,533,420	\$ 1,000,000	\$ 7,533,420

Greater K.C. LINC, Inc.
Statement of Functional Expenses
Year Ended June 30, 2014

	Caring Communities	Youth Development	Childcare Education and Support	Work Skills	Community Assistance	Total Program Services	General, Administrative and Development	Total Expenses
Program extended learning activities	\$ 139,817	\$ -	\$ -	\$ 18	\$ 1,329	\$ 141,164	\$ -	\$ 141,164
Contracted personnel	409,863	27,683	14,767	696,214	-	1,148,527	45,395	1,193,922
Purchase services	495,781	559,410	79,712	477,431	425	1,612,759	-	1,612,759
Grants, stipends and scholarships	11,570	36,479	5,121	466,414	145	519,729	1,050	520,779
Salaries	6,371,061	494,238	388,118	1,259,128	-	8,512,545	1,063,948	9,576,493
Employee benefits	2,038,739	158,156	124,198	402,921	-	2,724,014	340,463	3,064,477
Supplies	430,059	14,727	1,898	19,983	1,050	467,717	22,032	489,749
Training	41,059	22,804	31,609	6,182	-	101,654	4,512	106,166
Meetings	38,451	11,786	1,669	995	2,116	55,017	7,795	62,812
Travel and mileage	43,730	55,634	8,154	19,404	1,250	128,172	16,281	144,453
Events and facilitation services	12,099	1,153	10,299	-	-	23,551	1,490	25,041
Postage	2,034	320	2,078	13,221	-	17,653	9,883	27,536
Communications	89,820	10,458	17,091	48,934	-	166,303	75,438	241,741
Rents, leases, facility usage, storage	7,200	3,622	11,574	98,251	-	120,647	241,373	362,020
Marketing	838	-	125	-	-	963	6,753	7,716
Equipment, rental and maintenance	44,187	19,297	3,633	25,891	65,249	158,257	146,910	305,167
Administrative fees	30,881	9,402	17,488	70,576	-	128,347	-	128,347
Professional services	70,634	1,000	-	100,626	288,345	460,605	67,154	527,759
Insurance	79,973	4,101	6,152	20,506	4,102	114,834	63,979	178,813
Depreciation	32,090	1,035	4,142	3,106	46,584	86,957	1,927	88,884
Bad debt expense	357,197	-	-	-	-	357,197	77,709	434,906
Other	6,836	162	-	8,605	-	15,603	213,078	228,681
Total expense	\$ 10,753,919	\$ 1,431,467	\$ 727,828	\$ 3,738,406	\$ 410,595	\$ 17,062,215	\$ 2,407,170	\$ 19,469,385

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

	Caring Communities	Youth Development	Childcare Education and Support	Work Skills	Community Assistance	Total Program Services	General, Administrative and Development	Total Expenses
Program extended learning activities	\$ 58,628	\$ -	\$ -	\$ -	\$ 730	\$ 59,358	\$ -	\$ 59,358
Contracted personnel	358,188	13,260	312	545,849	-	917,609	-	917,609
Purchase services	533,754	386,961	76,360	1,004,168	1,387	2,002,630	12,731	2,015,361
Grants, stipends and scholarships	7,514	42,670	5,124	283,521	-	338,829	-	338,829
Salaries	5,290,875	590,175	383,131	1,127,883	1,379	7,393,443	1,240,756	8,634,199
Employee benefits	1,693,080	188,856	122,602	360,922	441	2,365,901	397,042	2,762,943
Supplies	454,022	37,915	2,382	70,141	613	565,073	36,496	601,569
Training	66,171	67,369	27,912	13,078	-	174,530	7,263	181,793
Meetings	22,323	15,131	1,244	659	956	40,313	10,887	51,200
Travel and mileage	46,461	86,949	8,005	12,523	-	153,938	12,360	166,298
Events and facilitation services	-	1,473	11,707	-	-	13,180	340	13,520
Postage	1,145	153	2,294	10,604	-	14,196	15,457	29,653
Communications	75,471	9,570	18,061	53,139	-	156,241	56,737	212,978
Rents, leases, facility usage, storage	4,200	3,400	11,277	75,356	-	94,233	195,425	289,658
Marketing	419	-	-	-	-	419	6,132	6,551
Equipment, rental and maintenance	14,279	15,264	5,162	42,237	65,920	142,862	103,458	246,320
Administrative fees	33,020	-	-	81,611	-	114,631	-	114,631
Professional services	106,242	-	-	37,228	45,000	188,470	58,210	246,680
Insurance	78,896	4,046	6,069	20,229	4,047	113,287	63,117	176,404
Depreciation	18,787	606	2,425	1,819	27,273	50,910	4,475	55,385
Bad debt expense	40,464	-	-	-	-	40,464	-	40,464
Other	26,738	914	351	-	11	28,014	198,255	226,269
Total expense	\$ 8,930,677	\$ 1,464,712	\$ 684,418	\$ 3,740,967	\$ 147,757	\$ 14,968,531	\$ 2,419,141	\$ 17,387,672

Greater K.C. LINC, Inc.
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Activities		
Change in net assets	\$ (946,090)	\$ 40,401
Items not requiring (providing) operating activities cash flows		
Depreciation	88,884	55,385
Net unrealized and realized gains on investments	(894,790)	(665,458)
Net loss on disposal of fixed assets	9,816	2,400
Changes in		
Accounts and grants receivable	433,042	(700,086)
Prepaid expenses	(88,998)	18,233
Accounts payable and accrued expenses	159,590	537,502
	<u>(1,238,546)</u>	<u>(711,623)</u>
Investing Activities		
Purchase of property and equipment	(96,120)	(12,169)
Purchase of investments	(80,213)	(252,182)
	<u>(176,333)</u>	<u>(264,351)</u>
Decrease in Cash and Cash Equivalents	(1,414,879)	(975,974)
Cash and Cash Equivalents, Beginning of Year	<u>3,154,512</u>	<u>4,130,486</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,739,633</u>	<u>\$ 3,154,512</u>

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

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 84 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 2014, LINC touched the lives of 180,422 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 building community schools, 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.

In total, at June 30, 2014 and 2013, there were 84 and 81 Caring Community sites spread across seven school districts, two charter schools and two community centers, respectively.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

Out-of-School-Time

Out-of-School-Time programming (also referred to as Before and After School Care) is a major programming component for many Caring Communities locations. Currently, 41 school sites offer LINC-facilities Out-of-School Time activities to an enrolled program population in excess of 5,400 children. These programs operate each day school is in session during the regular school year, with summer programming historically offered at a reduced number of sites. In all cases, LINC strives to work closely with the Site Councils, Districts, and individual youth and families to ensure each site's programming is supportive of that neighborhood's unique needs and goals.

21st Century Community Learning Centers (21CCLC)

Three 21st Century grants awarded by the Missouri Department of Elementary and Secondary Education are helping fund after-school academic enrichment, youth involvement, and expanded parent and community involvement at 17 of LINC's local school sites. The academic component of these grants focus heavily on Science, Technology, Engineering, and Math (STEM) activities, with an equally important emphasis on youth development and project learning activities. This combination will build student skillsets necessary for success in middle and high school grade levels and beyond.

Youth Development

Protecting Children & Youth

LINC is actively involved in addressing community child and adolescent issues. These programs improve outcomes for (and extends services to) at-risk families, particularly those at risk for child abuse and neglect and those who have been involved with the juvenile court system. 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 children leaving the foster care system so they are successful in moving towards an independent and productive adulthood.
- Personal Responsibility Education Program (PREP) provides training for youth on making safe choices.
- Financial infrastructure support for three regional Adoption Resource Centers located in Missouri.
- Mentoring services to assist youth who for a variety of reasons may benefit from additional role models in their lives.
- Staffing and operational support for the Missouri Department of Youth Service's Star School – an online "virtual school" which delivers a unique educational approach with supports designed for at-risk youth.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

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. Often these programs are driven by concerned citizens striving to improve health conditions in their neighborhoods, with LINC providing the infrastructure to enable them to move forward on their vision. LINC's receipt of a recent grant from the Health Care Foundation of Greater Kansas City (effective July 1, 2014) on behalf of the Marlborough and Historic East Neighborhood's Healthy Eating and Nutrition initiative is one such example.

Childcare Education and Support

Educare

LINC has a long history of working closely with local childcare providers and other organizations who share a common vision of quality childcare. As an integrated community-wide asset the childcare service network holds high value not only to family's dependent upon it, but to the metropolitan area as a whole.

A critical component in quality care is training. Educare services offered by LINC represent one of the first steps in a range of training opportunities available for childcare providers in the Kansas City area. Critical skillsets and on-site technical support are made available to providers with the goal of them being able to operate safe, viable, businesses and to increase their desire for more advanced training, accreditation, and perhaps pursue a degree in early childhood. Educare 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.

Childcare Provider Registration and Support

LINC's Childcare Provider Support team handles registration and subsidy payment processing for childcare providers in the Kansas City metropolitan area on behalf of the State of Missouri. This service effectively complements other provider supports offered by LINC by creating an additional communications channel between LINC staff and provider needs.

Work Skills

Under a contract with the State of Missouri to support its Missouri Work Assistance Initiative (MWA), LINCWorks is responsible for serving unemployed and underemployed adults in the counties of Jackson, Clay, and Platte. These counties cover the Kansas City Missouri metropolitan area and surrounding region. Through development, planning, contracting, and monitoring community-based welfare-to-work systems, LINCWorks 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, 2014 and 2013

Community Assistance

The Caring Communities concept is built around a holistic approach to resolving individual, family, and neighborhood issues. Eliminating the obvious issue often requires addressing several that are much less obvious. To accomplish this, LINC facilitated Caring Community sites which offer services such as Utility Assistance, Grandparents as Parents support, food pantries, clothes closets and other supports applicable to the needs of each site's residents.

General Administrative and Development

LINC's internal framework was built with the idea of "structured flexibility" in mind, and over the years it has proved highly adaptable to the rapidly changing landscapes of the families, neighborhoods and districts in which it operates. LINC's centralized capabilities such as data tracking, training options, community organizing expertise, accounting services, contract management and grant writing all exist to support the needs of a decentralized community-driven organization. As an example, data and research efforts support sites' 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. These technical capabilities allow LINC to offer assistance to the sites, while staying true to the Community Governance concept by not interfering with the ability of sites to select their own solutions.

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, 2014 and 2013, cash equivalents consisted primarily of money market funds and commercial paper.

At June 30, 2014, LINC's cash accounts exceeded federally insured limits by approximately \$1,734,000.

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.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

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 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, 2014 and 2013

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 2011.

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 expenses categories based on time expended, usage and other methods.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 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.

Note 2: Investments

Investments at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Mutual funds	\$ 1,508,084	\$ 1,264,795
Exchange traded funds	3,244,965	2,703,246
Money market funds	1,106,305	916,038
U.S. government agency securities	-	272
	<u>\$ 5,859,354</u>	<u>\$ 4,884,351</u>

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2014 and 2013

For the years ended June 30, 2014 and 2013, investment return consisted of the following:

	2014	2013
Net realized gains on investments	\$ 93,169	\$ 32,607
Net unrealized gains on investments	801,621	632,851
Interest and dividends	67,436	48,552
Total investment return	\$ 962,226	\$ 714,010

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, 2014 and 2013

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, 2014 and 2013:

	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, 2014				
Investments				
Mutual funds	\$ 1,508,084	\$ 1,508,084	\$ -	\$ -
Exchange traded funds	3,244,965	3,244,965	-	-
Money market funds	1,106,305	1,106,305	-	-
	<u>\$ 5,859,354</u>	<u>\$ 5,859,354</u>	<u>\$ -</u>	<u>\$ -</u>
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>

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.

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Note 4: Accounts and Grants Receivable

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

	2014	2013
Missouri Department of Elementary and Secondary Education	\$ 94,910	\$ 230,655
Missouri Department of Social Services	691,387	1,126,738
School Districts Summer School	714,394	28,899
City of Kansas City, Missouri	68,507	469,979
Family and Community Trust	63,490	33,750
Mid-America Regional Council	5,253	-
	<u>1,637,941</u>	<u>1,890,021</u>
Less allowance for doubtful accounts	<u>434,906</u>	<u>253,944</u>
	<u><u>\$ 1,203,035</u></u>	<u><u>\$ 1,636,077</u></u>

Note 5: Line of Credit

LINC has a \$1,000,000 revolving bank line of credit, which expires in September 2014. During the years ended June 30, 2014 and 2013, there were no borrowings against this line. Effective, September 19, 2014, LINC renewed the \$1,000,000 revolving bank line of credit, which expires in December 2015.

Note 6: Temporarily Restricted Net Assets

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

	2014	2013
Externally restricted by funding agency		
Funds for the support of needy families	\$ -	\$ 1,000,000

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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>2014</u>	<u>2013</u>
Expenses incurred on behalf of		
Community Partnership Initiatives	\$ -	\$ 7,986
Before and After School Program	-	5,684
Welfare-to-Work Initiatives	-	315,393
Funds for the support of needy families	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 1,000,000</u>	<u>\$ 1,329,063</u>

Note 8: Operating Lease

LINC has entered into a noncancellable operating lease for office space, which expires during 2019. Rental expense under all leases amounted to approximately \$297,000 and \$226,000 for the years ended June 30, 2014 and 2013, respectively.

Future minimum lease payments for operating leases at June 30, 2014 are as follows:

2015	\$ 304,045
2016	312,732
2017	312,732
2018	312,732
2019	<u>312,732</u>
Total minimum lease payments	<u>\$ 1,554,973</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 for employee salary deferral contributions, QNEC and LINC matching contributions.

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LINC's contributions for the years ended June 30, 2014 and 2013 were approximately \$548,000 and \$485,000, respectively.

Note 10: Fundraising Expense

Fundraising and related expenses for the years ended June 30, 2014 and 2013 were \$30,090 and \$35,470, 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, 2014 and 2013, funding under Missouri Department of Social Services Contracts accounted for 52% and 47% of LINC's total revenues, gains and other support, respectively. For the years ended June 30, 2014 and 2013, funding under federal grants accounted for 35% and 40% 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.

Functional Allocation of Expenses

Significant estimates relating to the allocation of expenses on a functional basis are described in Note 1.

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.