

Greater K.C. LINC, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2015 and 2014



Greater K.C. LINC, Inc.
June 30, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 19, 2015

Greater K.C. LINC, Inc.
Statements of Financial Position
June 30, 2015 and 2014

Assets

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 2,734,004	\$ 1,739,633
Accounts and grants receivable, net of allowance	3,271,321	1,203,035
Prepaid expenses	<u>110,141</u>	<u>142,662</u>
Total current assets	<u>6,115,466</u>	<u>3,085,330</u>
Assets Limited As To Use		
Reserves for underfunded community initiatives		
Investments	<u>2,989,392</u>	<u>5,859,354</u>
Total assets limited as to use	<u>2,989,392</u>	<u>5,859,354</u>
Property and Equipment		
Property and equipment	937,320	1,115,246
Less accumulated depreciation	<u>850,961</u>	<u>988,760</u>
Total property and equipment	<u>86,359</u>	<u>126,486</u>
Total assets	<u>\$ 9,191,217</u>	<u>\$ 9,071,170</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 827,217	\$ 882,719
Accrued payroll and benefits	1,949,934	1,506,407
Accrued expenses	<u>68,886</u>	<u>94,714</u>
Total current liabilities	<u>2,846,037</u>	<u>2,483,840</u>
Net Assets		
Unrestricted	<u>6,345,180</u>	<u>6,587,330</u>
Total net assets	<u>6,345,180</u>	<u>6,587,330</u>
Total liabilities and net assets	<u>\$ 9,191,217</u>	<u>\$ 9,071,170</u>

Greater K.C. LINC, Inc.
Statements of Activities
Years Ended June 30, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support						
State and federal contracts and grants	\$ 18,469,462	\$ -	\$ 18,469,462	\$ 15,468,692	\$ -	\$ 15,468,692
Private contributions and grants	3,783,522	-	3,783,522	1,154,876	-	1,154,876
Investment return	330,038	-	330,038	962,226	-	962,226
Other support	962,215	-	962,215	937,501	-	937,501
	23,545,237	-	23,545,237	18,523,295	-	18,523,295
Net assets released from restrictions	-	-	-	1,000,000	(1,000,000)	-
	-	-	-	1,000,000	(1,000,000)	-
Total revenues, gains and other support	23,545,237	-	23,545,237	19,523,295	(1,000,000)	18,523,295
Expenses						
Program services						
Caring Communities	13,192,010	-	13,192,010	10,753,919	-	10,753,919
Youth Development	1,391,443	-	1,391,443	1,431,467	-	1,431,467
Childcare Education and Support	728,620	-	728,620	727,828	-	727,828
Work Skills	3,650,190	-	3,650,190	3,738,406	-	3,738,406
Community Assistance	2,922,132	-	2,922,132	410,595	-	410,595
Total program services	21,884,395	-	21,884,395	17,062,215	-	17,062,215
General, administrative and development	1,902,992	-	1,902,992	2,407,170	-	2,407,170
	-	-	-	-	-	-
Total expenses	23,787,387	-	23,787,387	19,469,385	-	19,469,385
Changes in Net Assets	(242,150)	-	(242,150)	53,910	(1,000,000)	(946,090)
Net Assets, Beginning of Year	6,587,330	-	6,587,330	6,533,420	1,000,000	7,533,420
Net Assets, End of Year	\$ 6,345,180	\$ -	\$ 6,345,180	\$ 6,587,330	\$ -	\$ 6,587,330

Greater K.C. LINC, Inc.
Statement of Functional Expenses
Year Ended June 30, 2015

	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	\$ 224,107	\$ -	\$ -	\$ -	\$ 3,599	\$ 227,706	\$ 19,800	\$ 247,506
Contracted personnel	452,696	23,292	-	718,287	30,476	1,224,751	106,500	1,331,251
Purchase services	183,173	688,620	67,487	553,774	154,335	1,647,389	143,251	1,790,640
Grants, stipends and scholarships	15,974	37,966	2,668	379,829	920	437,357	38,031	475,388
Salaries	9,251,119	412,673	411,261	1,200,962	1,535,628	12,811,643	1,114,056	13,925,699
Employee benefits	1,732,340	135,949	135,716	357,986	134,413	2,496,404	217,079	2,713,483
Supplies	692,199	4,578	19,253	21,053	152,691	889,774	77,372	967,146
Training	74,578	17,419	31,568	11,809	28,766	164,140	14,273	178,413
Meetings	36,404	5,842	3,114	1,376	8,672	55,408	4,818	60,226
Travel and mileage	60,132	36,918	5,847	25,547	18,434	146,878	12,772	159,650
Events and facilitation services	-	-	7,049	-	7,170	14,219	1,237	15,456
Postage	1,678	673	2,553	11,604	19,473	35,981	3,129	39,110
Communications	79,429	9,908	13,938	36,175	69,129	208,579	18,137	226,716
Rents, leases, facility usage, storage	8,189	3,317	11,656	97,718	235,296	356,176	30,972	387,148
Marketing	414	1,072	-	-	3,089	4,575	398	4,973
Equipment, rental and maintenance	57,096	8,652	12,512	35,843	197,053	311,156	27,057	338,213
Administrative fees	33,515	-	-	97,725	-	131,240	11,412	142,652
Professional services	194,029	460	-	76,261	342,827	613,577	53,355	666,932
Insurance	22,982	-	3,220	-	173,274	199,476	17,346	216,822
Depreciation	-	1,407	627	15,220	19,663	36,917	3,210	40,127
Bad debt expense	-	-	-	-	(392,867)	(392,867)	(34,162)	(427,029)
Other	71,956	2,697	151	9,021	180,091	263,916	22,949	286,865
Total expense	\$ 13,192,010	\$ 1,391,443	\$ 728,620	\$ 3,650,190	\$ 2,922,132	\$ 21,884,395	\$ 1,902,992	\$ 23,787,387

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.
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Change in net assets	\$ (242,150)	\$ (946,090)
Items not requiring (providing) operating activities cash flows		
Depreciation	40,127	88,884
Net unrealized and realized gains on investments	(194,558)	(894,790)
Net loss on disposal of fixed assets	-	9,816
Changes in		
Accounts and grants receivable	(2,068,286)	433,042
Prepaid expenses	32,521	(88,998)
Accounts payable and accrued expenses	<u>362,197</u>	<u>159,590</u>
Net cash used in operating activities	<u>(2,070,149)</u>	<u>(1,238,546)</u>
Investing Activities		
Purchase of property and equipment	-	(96,120)
Proceeds from sale of investments	4,200,000	-
Purchase of investments	<u>(1,135,480)</u>	<u>(80,213)</u>
Net cash provided by (used in) investing activities	<u>3,064,520</u>	<u>(176,333)</u>
Change in Cash and Cash Equivalents	994,371	(1,414,879)
Cash and Cash Equivalents, Beginning of Year	<u>1,739,633</u>	<u>3,154,512</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,734,004</u>	<u>\$ 1,739,633</u>

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

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 87 sites 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 2015, LINC touched the lives of 211,751 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, as of June 30, 2015 and 2014, there were 87 and 84 Caring Community sites spread across seven school districts, two charter schools and two community centers, respectively.

Greater K.C. LINC, Inc.
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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, 44 school sites offer LINC-facilities Out-of-School-Time activities to an enrolled program population in excess of 5,900 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 cohorts (six 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, 2015 and 2014

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 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, 2015 and 2014

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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

LINC considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2015 and 2014, cash equivalents consisted primarily of money market funds and commercial paper.

At June 30, 2015, LINC's cash accounts exceeded federally insured limits by approximately \$2,893,000.

Investments and Investment Return

Investments in mutual funds and other equity securities and all debt securities are carried at fair value. Investment return includes dividend, interest and realized and unrealized gains and losses on investments carried at fair value.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets.

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. Assets under leasehold improvements are depreciated over the shorter of the lease term or their respective useful lives.

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

Computers and software	3 years
Furniture and equipment	5-7 years
Motor vehicles	5 years

Long-lived Asset Impairment

LINC evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2015 and 2014.

Accounts Payable

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

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.

Greater K.C. LINC, Inc.
Notes to Financial Statements
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Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated 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. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Government Grants

Support funded by grants is recognized as LINC performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

Greater K.C. LINC, Inc. is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, LINC is subject to federal income tax on any unrelated business taxable income. LINC files tax returns in the U.S. federal jurisdiction.

With few exceptions, LINC is no longer subject to U.S. federal examinations by tax authorities for years before 2012.

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 activities based on time expended, usage and other methods.

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, 2015 and 2014

Note 2: Investments

Investments at June 30 consisted of the following:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 6,774	\$ 1,106,305
Equity mutual funds	1,622,772	1,508,084
Exchange-traded funds	<u>1,359,846</u>	<u>3,244,965</u>
	<u>\$ 2,989,392</u>	<u>\$ 5,859,354</u>

Total investment return is comprised of the following:

	<u>2015</u>	<u>2014</u>
Net realized gains on investments	\$ 1,218,260	\$ 93,169
Net unrealized gains (losses) on investments	(1,023,702)	801,621
Interest and dividends	<u>135,480</u>	<u>67,436</u>
Total investment return	<u>\$ 330,038</u>	<u>\$ 962,226</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

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2015 and 2014

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, 2015 and 2014:

	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)
June 30, 2015				
Investments				
Money market funds	\$ 6,774	\$ 6,774	\$ -	\$ -
Equity mutual funds	1,622,772	1,622,772	-	-
Exchange-traded funds	1,359,846	1,359,846	-	-
	<u>\$ 2,989,392</u>	<u>\$ 2,989,392</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2014				
Investments				
Money market funds	\$ 1,106,305	\$ 1,106,305	\$ -	\$ -
Equity mutual funds	1,508,084	1,508,084	-	-
Exchange-traded funds	3,244,965	3,244,965	-	-
	<u>\$ 5,859,354</u>	<u>\$ 5,859,354</u>	<u>\$ -</u>	<u>\$ -</u>

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. There have been no significant changes in the valuation techniques during the year ended June 30, 2015.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

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Note 4: Accounts and Grants Receivable

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

	<u>2015</u>	<u>2014</u>
Missouri Department of Elementary and Secondary Education	\$ 471,466	\$ 94,910
Missouri Department of Social Services	447,220	691,387
School Districts Summer School	2,281,086	714,394
City of Kansas City, Missouri	-	68,507
Family and Community Trust	11,250	63,490
Mid-America Regional Council	-	5,253
Other	60,299	-
	<u>3,271,321</u>	<u>1,637,941</u>
Less allowance for doubtful accounts	-	434,906
	<u>\$ 3,271,321</u>	<u>\$ 1,203,035</u>

For the year end June 30, 2015, LINC recognized a recovery in bad debt expense of \$427,029, which is included in the accompanying statement of functional expenses, due to removal of previously estimated allowances that are no longer necessary. All receivables are based on signed agreements with state or local entities and funding occurs on a reimbursement basis, thus the risk of non-payment is minimal and the allowance for doubtful accounts was reduced to \$0 in the current year.

Note 5: Property and Equipment

Property and equipment at June 30 consists of:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 61,048	\$ 123,398
Furniture and equipment	191,605	301,644
Computers and software	638,034	643,034
Vehicles	46,633	47,170
	<u>937,320</u>	<u>1,115,246</u>
Less accumulated depreciation	850,961	988,760
	<u>\$ 86,359</u>	<u>\$ 126,486</u>

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Note 6: Line of Credit

LINC has a \$1,000,000 revolving bank line of credit, which expires in December 2015. During the years ended June 30, 2015 and 2014, there were no borrowings against this line. This line is collateralized by substantially all of LINC's investments. Interest varies with the bank's prime rate, which was 3.25% and 3.25% on June 30, 2015 and 2014, respectively, and is payable monthly.

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:

	2015	2014
Expenses incurred on behalf of funds for the support of needy families	\$ -	1,000,000

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 \$341,000 and \$297,000 for the years ended June 30, 2015 and 2014, respectively.

Future minimum lease payments for operating leases are:

2016	\$ 304,045
2017	312,732
2018	312,732
2019	312,732
Total minimum lease payments	\$ 1,242,241

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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.

LINC's contributions for the years ended June 30, 2015 and 2014 were approximately \$561,000 and \$548,000, 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:

Grant Revenues

For the years ended June 30, 2015 and 2014, funding under Missouri Department of Social Services Contracts accounted for 71% and 52% of LINC's total revenues, gains and other support, respectively. For the years ended June 30, 2015 and 2014, funding under federal grants accounted for 33% and 35% of LINC's total revenues, gains and other support, respectively.

Accounts and Grant Receivables

For the years ended June 30, 2015 and 2014, 69% and 59%, respectively, of account and grants receivables were outstanding from one payer.

Investments

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 change could materially affect the amounts reported in the accompanying statements of financial position.

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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 11: 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.