

Greater K.C. LINC, Inc.

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017



Greater K.C. LINC, Inc.
June 30, 2018 and 2017

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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, 2018 and 2017, 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 LINC'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 LINC'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.

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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, 2018 and 2017, 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 2, 2018

Greater K.C. LINC, Inc.
Statements of Financial Position
June 30, 2018 and 2017

Assets

	2018	2017
Current Assets		
Cash and cash equivalents	\$ 1,518,355	\$ 2,601,344
Accounts and grants receivable	2,145,893	413,960
Prepaid expenses	67,458	65,614
Total current assets	3,731,706	3,080,918
Assets Limited As To Use		
Reserves for underfunded community initiatives		
Investments	3,893,540	3,082,865
Total assets limited as to use	3,893,540	3,082,865
Property and Equipment		
Property and equipment	351,098	479,021
Less accumulated depreciation	293,348	446,352
Total property and equipment	57,750	32,669
Total assets	\$ 7,682,996	\$ 6,196,452

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 1,401,340	\$ 683,109
Accrued payroll and benefits	1,238,842	1,137,954
Accrued expenses	11,214	30,438
Deferred revenue	1,142,000	1,435,977
Total current liabilities	3,793,396	3,287,478
Net Assets		
Unrestricted	3,889,600	2,908,974
Total net assets	3,889,600	2,908,974
Total liabilities and net assets	\$ 7,682,996	\$ 6,196,452

Greater K.C. LINC, Inc.
Statements of Activities
Years Ended June 30, 2018 and 2017

	2018	2017
Revenues, Gains and Other Support		
State and federal contracts and grants	\$ 21,856,906	\$ 18,203,252
Private contributions and grants	1,539,592	1,182,523
Investment return	310,675	480,005
Other support	1,527,857	1,356,056
Total revenues, gains and other support	25,235,030	21,221,836
Expenses		
Program services		
Caring Communities	8,534,294	9,472,604
Youth Development	6,155,665	2,273,104
Childcare Education and Support	689,125	531,361
Work Skills	3,442,431	3,275,545
Community Assistance	3,487,197	3,725,150
Total program services	22,308,712	19,277,764
General, administrative and development	1,945,692	1,676,329
Total expenses	24,254,404	20,954,093
Changes in Net Assets	980,626	267,743
Unrestricted Net Assets, Beginning of Year	2,908,974	2,641,231
Unrestricted Net Assets, End of Year	\$ 3,889,600	\$ 2,908,974

Greater K.C. LINC, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	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	\$ 95,055	\$ -	\$ -	\$ 253	\$ -	\$ 95,308	\$ 8,288	\$ 103,596
Contracted personnel	277,621	35,761	-	690,440	-	1,003,822	87,289	1,091,111
Purchase services	198,600	5,345,849	66,311	285,008	137,998	6,033,766	524,675	6,558,441
Grants, stipends and scholarships	5,551	29,321	7,249	269,552	2,760	314,433	27,342	341,775
Salaries	5,840,714	464,646	300,110	1,337,038	1,955,440	9,897,948	860,691	10,758,639
Employee benefits	992,923	129,007	83,121	348,682	531,239	2,084,972	181,302	2,266,274
Supplies	374,749	1,954	8,735	15,199	8,343	408,980	35,563	444,543
Training	52,945	16,820	28,372	37,010	414	135,561	11,788	147,349
Meetings	10,918	3,611	6,920	421	4,478	26,348	2,291	28,639
Travel and mileage	42,375	43,384	7,255	27,345	13,741	134,100	11,661	145,761
Events and facilitation services	1,709	-	-	-	-	1,709	149	1,858
Postage	35	320	-	150	15,645	16,150	1,404	17,554
Communications	33,625	6,793	3,592	46,101	90,899	181,010	15,740	196,750
Rents, leases, facility usage and storage	24,347	27,901	39,289	100,468	151,073	343,078	29,833	372,911
Marketing	1,083	-	-	-	5,065	6,148	535	6,683
Equipment, rental and maintenance	65,355	12,615	112,804	8,771	210,366	409,911	35,644	445,555
Administrative fees	31,842	-	-	142,956	-	174,798	15,200	189,998
Professional services	151,185	12,782	9,279	69,909	215,301	458,456	39,866	498,322
Insurance	173,068	11,542	9,064	31,935	113,504	339,113	29,488	368,601
Depreciation	-	-	-	9,869	9,985	19,854	1,726	21,580
Other	160,594	13,359	7,024	21,324	20,946	223,247	25,217	248,464
Total expenses	\$ 8,534,294	\$ 6,155,665	\$ 689,125	\$ 3,442,431	\$ 3,487,197	\$ 22,308,712	\$ 1,945,692	\$ 24,254,404

Greater K.C. LINC, Inc.
Statement of Functional Expenses
Year Ended June 30, 2017

	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	\$ 104,352	\$ -	\$ -	\$ -	\$ 460	\$ 104,812	\$ 9,114	\$ 113,926
Contracted personnel	412,258	41,201	-	717,054	21,738	1,192,251	103,674	1,295,925
Purchase services	175,621	1,518,000	97,563	370,451	117,811	2,279,446	198,213	2,477,659
Grants, stipends and scholarships	9,886	30,659	3,132	252,742	5,203	301,622	26,228	327,850
Salaries	6,877,037	432,421	279,010	1,214,729	1,785,521	10,588,718	920,758	11,509,476
Employee benefits	1,120,777	113,458	73,019	289,717	453,464	2,050,435	178,299	2,228,734
Supplies	264,954	3,035	8,455	22,659	17,936	317,039	27,569	344,608
Training	60,707	35,512	45,825	25,823	1,075	168,942	14,691	183,633
Meetings	35,749	9,350	3,142	339	5,382	53,962	4,692	58,654
Travel and mileage	44,002	48,196	5,445	24,963	11,584	134,190	11,669	145,859
Events and facilitation services	-	-	-	-	1,622	1,622	141	1,763
Postage	884	1,587	516	3,639	8,706	15,332	1,333	16,665
Communications	63,262	10,395	4,805	34,004	43,752	156,218	13,584	169,802
Rents, leases, facility usage and storage	9,359	3,454	6,466	97,047	239,281	355,607	30,922	386,529
Marketing	992	-	-	-	1,227	2,219	193	2,412
Equipment, rental and maintenance	66,744	6,530	3,886	20,804	255,102	353,066	30,701	383,767
Administrative fees	41,710	-	-	182,987	-	224,697	19,539	244,236
Professional services	90,734	14,683	-	7,654	250,801	363,872	31,641	395,513
Insurance	29,285	-	-	-	314,597	343,882	29,903	373,785
Depreciation	-	-	-	10,309	10,309	20,618	1,792	22,410
Other	64,291	4,623	97	624	179,579	249,214	21,673	270,887
Total expenses	\$ 9,472,604	\$ 2,273,104	\$ 531,361	\$ 3,275,545	\$ 3,725,150	\$ 19,277,764	\$ 1,676,329	\$ 20,954,093

Greater K.C. LINC, Inc.
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ 980,626	\$ 267,743
Items not requiring (providing) operating activities cash flows		
Depreciation	21,580	22,410
Net unrealized and realized gains on investments	(228,521)	(431,178)
Changes in		
Accounts and grants receivable	(1,731,933)	307,418
Prepaid expenses	(1,844)	96,027
Accounts payable and accrued expenses	799,895	(197,189)
Deferred revenue	(293,977)	1,047,026
	<u>(454,174)</u>	<u>1,112,257</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of property and equipment	(46,661)	-
Proceeds from sale of investments	110,371	1,410,307
Purchase of investments	(692,525)	(1,109,135)
	<u>(628,815)</u>	<u>301,172</u>
Net cash provided by (used in) investing activities		
Financing Activities		
Net payments under line-of-credit agreement	-	(480,000)
	<u>-</u>	<u>(480,000)</u>
Net cash used in financing activities		
Change in Cash and Cash Equivalents	(1,082,989)	933,429
Cash and Cash Equivalents, Beginning of Year	<u>2,601,344</u>	<u>1,667,915</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,518,355</u>	<u>\$ 2,601,344</u>

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

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 53 sites in six school districts. 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 2018, LINC touched the lives of 147,657 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, 2018 and 2017, there were 53 and 85 Caring Community sites, respectively, spread across six school districts, including two charter schools and two community centers.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

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, 45 school sites offer LINC-facilities Out-of-School-Time activities to an enrolled program population in excess of 7,767 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 (three 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 23 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.
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June 30, 2018 and 2017

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 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, 2018 and 2017

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, 2018 and 2017, cash equivalents consisted primarily of money market funds and commercial paper.

At June 30, 2018, LINC's cash accounts exceeded federally insured limits by approximately \$1,743,000.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in 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.

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. If necessary, LINC will record 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 estimated 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, 2018 and 2017.

Accounts Payable

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

Greater K.C. LINC, Inc.
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June 30, 2018 and 2017

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.

Deferred Revenue

Revenue from fees for the Summer School Program or funding received in advance under contracts or grants are deferred and recognized over the periods to which the fees relate or as contracted services are performed and eligible expenses are incurred.

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.

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, 2018 and 2017

Note 2: Investments

Investments at June 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
Money market funds	\$ 944,864	\$ 569,125
Equity mutual funds	942,654	855,010
Certificates of deposit	239,783	-
Exchange-traded funds	<u>1,766,239</u>	<u>1,658,730</u>
	<u>\$ 3,893,540</u>	<u>\$ 3,082,865</u>

Total investment return is comprised of the following:

	<u>2018</u>	<u>2017</u>
Net realized gains on investments	\$ 59,568	\$ 329,844
Net unrealized gains on investments	168,953	101,334
Interest and dividends	<u>82,154</u>	<u>48,827</u>
Total investment return	<u>\$ 310,675</u>	<u>\$ 480,005</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, 2018 and 2017

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, 2018 and 2017:

	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, 2018				
Investments				
Money market funds	\$ 944,864	\$ 944,864	\$ -	\$ -
Equity mutual funds	942,654	942,654	-	-
Certificates of deposit	239,783	-	239,783	-
Exchange-traded funds	1,766,239	1,766,239	-	-
	<u>\$ 3,893,540</u>	<u>\$ 3,653,757</u>	<u>\$ 239,783</u>	<u>\$ -</u>
June 30, 2017				
Investments				
Money market funds	\$ 569,125	\$ 569,125	\$ -	\$ -
Equity mutual funds	855,010	855,010	-	-
Exchange-traded funds	1,658,730	1,658,730	-	-
	<u>\$ 3,082,865</u>	<u>\$ 3,082,865</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, 2018.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

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.

Note 4: Accounts and Grants Receivable

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

	2018	2017
Missouri Department of Elementary and Secondary Education	\$ 605,906	\$ 81,041
Missouri Department of Social Services	1,325,615	301,033
Other	214,372	31,886
	\$ 2,145,893	\$ 413,960

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 \$0 for both June 30, 2018 and 2017.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Property and Equipment

Property and equipment at June 30 consisted of:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 61,048	\$ 61,048
Furniture and equipment	141,099	155,481
Computers and software	61,853	215,859
Vehicles	46,633	46,633
Construction in process	40,465	-
	<u>351,098</u>	<u>479,021</u>
Less accumulated depreciation	<u>293,348</u>	<u>446,352</u>
	<u>\$ 57,750</u>	<u>\$ 32,669</u>

Note 6: Deferred Revenue

Deferred revenue at June 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
Missouri work assistance program	\$ 1,000,000	\$ 1,000,000
Welfare-to-work program	-	186,849
Technical certification program	142,000	142,000
Other	-	107,128
	<u>\$ 1,142,000</u>	<u>\$ 1,435,977</u>

All deferred revenue relates to funding received in advance and will be recognized over the periods to which the fees relate or as contracted services are performed and eligible expenses are incurred.

Note 7: Line of Credit

LINC has a \$1,000,000 revolving bank line of credit, which expires in March 2019. At both June 30, 2018 and 2017, there were no borrowings outstanding against this line. This line is collateralized by substantially all of LINC's investments. Interest varies with the bank's prime rate, which was 5.00 percent and 4.25 percent on June 30, 2018 and 2017, respectively, and is payable monthly.

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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 \$332,000 and \$337,000 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments for operating leases are:

2019	\$ 286,671
Total minimum lease payments	<u>\$ 286,671</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 percent of their annual compensation, as defined in the Plan, subject to certain Internal Revenue Code limitations. LINC matches 50 percent of the employees' voluntary contributions up to a maximum employer contribution of 2.0 percent of eligible gross wages. LINC also makes additional contributions of 7.5 percent of eligible gross wages, of which 3 percent 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, 2018 and 2017 were approximately \$578,000 and \$625,000, respectively.

Note 10: Related Party Transactions

A firm which provides legal services to LINC also employs a board member. The board member is not involved in services provided to LINC or serving as part of their legal counsel. Amounts paid to the member's business during the years ended June 30, 2018 and 2017 was \$260,293 and \$184,328, respectively, of which \$45,256 and \$28,439 was outstanding at June 30, 2018 and 2017, respectively.

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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:

Grant Revenues

For the years ended June 30, 2018 and 2017, funding under Missouri Department of Social Services Contracts accounted for 82 percent and 83 percent of LINC's total revenues, gains and other support, respectively.

For the years ended June 30, 2018 and 2017, funding under federal grants (which includes a portion of funding passed through from the Missouri Department of Social Services) accounted for 21 percent and 22 percent of LINC's total revenues, gains and other support, respectively.

Accounts and Grant Receivables

As of June 30, 2018 and 2017, 62 percent and 73 percent, 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.

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, changes 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*.

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Note 12: Subsequent Events

Subsequent events have been evaluated through the date of November 2, 2018, which is the date the financial statements were available to be issued.

Note 13: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities. LINC is in the process of evaluating the impact the amendment will have on the financial statements.

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019 (2018 for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2020 (2018 for not-for-profits that are conduit debt obligors). LINC is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have a material impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.