

# **Greater K.C. LINC, Inc.**

Independent Auditor's Report and Financial Statements  
(Including Reports Required Under Uniform Guidance)

June 30, 2017 and 2016



# Greater K.C. LINC, Inc.

June 30, 2017 and 2016

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Greater K.C. LINC, Inc. (LINC), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

***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, 2017 and 2016, 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.

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2017, on our consideration of LINC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LINC's internal control over financial reporting and compliance.

**BKD, LLP**

Kansas City, Missouri  
November 8, 2017

**Greater K.C. LINC, Inc.**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

**Assets**

	<b>2017</b>	<b>2016</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,601,344	\$ 1,667,915
Accounts and grants receivable	413,960	721,378
Prepaid expenses	65,614	161,641
Total current assets	3,080,918	2,550,934
<b>Assets Limited As To Use</b>		
Reserves for underfunded community initiatives		
Investments	3,082,865	2,952,859
Total assets limited as to use	3,082,865	2,952,859
<b>Property and Equipment</b>		
Property and equipment	479,021	905,613
Less accumulated depreciation	446,352	850,534
Total property and equipment	32,669	55,079
Total assets	\$ 6,196,452	\$ 5,558,872

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Line of credit	\$ -	\$ 480,000
Accounts payable	683,109	583,364
Accrued payroll and benefits	1,137,954	1,415,664
Accrued expenses	30,438	49,662
Deferred revenue	1,435,977	388,951
Total current liabilities	3,287,478	2,917,641
<b>Net Assets</b>		
Unrestricted	2,908,974	2,641,231
Total net assets	2,908,974	2,641,231
Total liabilities and net assets	\$ 6,196,452	\$ 5,558,872

**Greater K.C. LINC, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Revenues, Gains and Other Support</b>		
State and federal contracts and grants	\$ 18,203,252	\$ 16,593,622
Private contributions and grants	1,182,523	2,839,011
Investment return (loss)	480,005	(36,533)
Other support	1,356,056	1,066,602
Total revenues, gains and other support	21,221,836	20,462,702
<b>Expenses</b>		
Program services		
Caring Communities	9,472,604	12,274,889
Youth Development	2,273,104	1,681,058
Childcare Education and Support	531,361	588,262
Work Skills	3,275,545	3,378,986
Community Assistance	3,725,150	4,310,124
Total program services	19,277,764	22,233,319
General, administrative and development	1,676,329	1,933,332
Total expenses	20,954,093	24,166,651
<b>Changes in Net Assets</b>	267,743	(3,703,949)
<b>Unrestricted Net Assets, Beginning of Year</b>	2,641,231	6,345,180
<b>Unrestricted Net Assets, End of Year</b>	\$ 2,908,974	\$ 2,641,231

**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
<b>Total expense</b>	<b>\$ 9,472,604</b>	<b>\$ 2,273,104</b>	<b>\$ 531,361</b>	<b>\$ 3,275,545</b>	<b>\$ 3,725,150</b>	<b>\$ 19,277,764</b>	<b>\$ 1,676,329</b>	<b>\$ 20,954,093</b>

**Greater K.C. LINC, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2016**

	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	\$ 211,427	\$ -	\$ -	\$ -	\$ 567	\$ 211,994	\$ 18,434	\$ 230,428
Contracted personnel	459,551	30,957	-	639,471	42,433	1,172,412	101,949	1,274,361
Purchase services	192,026	966,000	62,263	390,757	282,860	1,893,906	164,687	2,058,593
Grants, stipends and scholarships	13,200	25,446	6,387	335,320	2,300	382,653	33,274	415,927
Salaries	8,979,589	442,734	332,504	1,230,529	1,767,175	12,752,531	1,108,916	13,861,447
Employee benefits	1,373,046	116,082	88,290	295,879	446,033	2,319,330	201,681	2,521,011
Supplies	426,121	2,331	19,238	18,702	19,656	486,048	42,265	528,313
Training	84,253	9,879	23,649	42,454	11,325	171,560	14,918	186,478
Meetings	27,777	2,595	6,036	1,584	9,309	47,301	4,113	51,414
Travel and mileage	55,987	30,634	6,013	25,849	22,956	141,439	12,299	153,738
Events and facilitation services	-	-	1,334	-	5,165	6,499	565	7,064
Postage	1,556	497	780	6,887	15,632	25,352	2,204	27,556
Communications	51,071	9,392	7,322	41,584	74,230	183,599	15,965	199,564
Rents, leases, facility usage and storage	8,328	3,426	7,222	97,622	235,711	352,309	30,636	382,945
Marketing	845	184	-	-	1,566	2,595	226	2,821
Equipment, rental and maintenance	55,161	10,928	8,743	28,951	146,418	250,201	21,757	271,958
Administrative fees	27,565	-	-	123,267	-	150,832	13,116	163,948
Professional services	214,989	27,453	14,490	84,821	681,247	1,023,000	88,957	1,111,957
Insurance	24,384	-	3,386	-	299,749	327,519	28,480	355,999
Depreciation	-	-	559	13,989	14,230	28,778	2,502	31,280
Other	68,013	2,520	46	1,320	231,562	303,461	26,388	329,849
<b>Total expense</b>	<b>\$ 12,274,889</b>	<b>\$ 1,681,058</b>	<b>\$ 588,262</b>	<b>\$ 3,378,986</b>	<b>\$ 4,310,124</b>	<b>\$ 22,233,319</b>	<b>\$ 1,933,332</b>	<b>\$ 24,166,651</b>



**Greater K.C. LINC, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Activities</b>		
Change in net assets	\$ 267,743	\$ (3,703,949)
Items not requiring (providing) operating activities cash flows		
Depreciation	22,410	31,280
Net unrealized and realized (gains) losses on investments	(431,178)	135,823
Changes in		
Accounts and grants receivable	307,418	2,549,943
Prepaid expenses	96,027	(51,500)
Accounts payable and accrued expenses	(197,189)	(797,347)
Deferred revenue	1,047,026	388,951
	<u>1,112,257</u>	<u>(1,446,799)</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Proceeds from sale of investments	1,410,307	40,379
Purchase of investments	<u>(1,109,135)</u>	<u>(139,669)</u>
	<u>301,172</u>	<u>(99,290)</u>
Net cash provided by (used in) investing activities		
<b>Financing Activities</b>		
Net borrowings (payments) under line-of-credit agreement	<u>(480,000)</u>	<u>480,000</u>
	<u>(480,000)</u>	<u>480,000</u>
Net cash provided by (used in) financing activities		
<b>Change in Cash and Cash Equivalents</b>	933,429	(1,066,089)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,667,915</u>	<u>2,734,004</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,601,344</u>	<u>\$ 1,667,915</u>

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**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 85 sites in seven 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 2017, LINC touched the lives of 224,625 individuals through direct service delivery, recruitment in volunteer activities and engagement in site and community activities. See [www.kclinc.org](http://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 both June 30, 2017 and 2016, there were 85 Caring Community sites spread across seven school districts, including two charter schools and two community centers.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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, 42 school sites offer LINC-facilities Out-of-School-Time activities to an enrolled program population in excess of 8,769 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 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, 2017 and 2016**

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, 2017 and 2016**

***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, 2017 and 2016, cash equivalents consisted primarily of money market funds and commercial paper.

At June 30, 2017, LINC's cash accounts exceeded federally insured limits by approximately \$2,548,000.

***Investments and Investment Return***

Investments in mutual funds 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, 2017 and 2016**

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, 2017 and 2016.

***Accounts Payable***

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

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

***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 grants is 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, 2017 and 2016**

**Note 2: Investments**

Investments at June 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 569,125	\$ 43,141
Equity mutual funds	855,010	1,514,902
Exchange-traded funds	<u>1,658,730</u>	<u>1,394,816</u>
	<u>\$ 3,082,865</u>	<u>\$ 2,952,859</u>

Total investment return is comprised of the following:

	<u>2017</u>	<u>2016</u>
Net realized gains on investments	\$ 329,844	\$ 7,923
Net unrealized gains (losses) on investments	101,334	(143,746)
Interest and dividends	<u>48,827</u>	<u>99,290</u>
Total investment return (loss)	<u>\$ 480,005</u>	<u>\$ (36,533)</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, 2017 and 2016**

***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, 2017 and 2016:

	<b>Fair Value</b>	<b>Fair Value Measurements Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>June 30, 2017</b>				
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>
<b>June 30, 2016</b>				
Investments				
Money market funds	\$ 43,141	\$ 43,141	\$ -	\$ -
Equity mutual funds	1,514,902	1,514,902	-	-
Exchange-traded funds	1,394,816	1,394,816	-	-
	<u>\$ 2,952,859</u>	<u>\$ 2,952,859</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, 2017.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

***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:

	<u>2017</u>	<u>2016</u>
Missouri Department of Elementary and Secondary Education	\$ 81,041	\$ 100,513
Missouri Department of Social Services	301,033	469,036
Other	<u>31,886</u>	<u>151,829</u>
	<u>\$ 413,960</u>	<u>\$ 721,378</u>

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, 2017 and 2016.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**Note 5: Property and Equipment**

Property and equipment at June 30 consisted of:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 61,048	\$ 61,048
Furniture and equipment	155,481	166,610
Computers and software	215,859	631,322
Vehicles	46,633	46,633
	<u>479,021</u>	<u>905,613</u>
Less accumulated depreciation	446,352	850,534
	<u>\$ 32,669</u>	<u>\$ 55,079</u>

**Note 6: Deferred Revenue**

Deferred revenue at June 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
Summer school program	\$ -	\$ 318,686
Missouri work assistance program	1,000,000	-
Welfare-to-work program	186,849	-
Technical certification program	142,000	-
Other	107,128	70,265
	<u>\$ 1,435,977</u>	<u>\$ 388,951</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 2018. At June 30, 2017 and 2016, there was \$0 and \$480,000, respectively, borrowed against this line. This line is collateralized by substantially all of LINC's investments. Interest varies with the bank's prime rate, which was 4.25 percent and 3.50 percent on June 30, 2017 and 2016, respectively, and is payable monthly.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**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 \$337,000 and \$329,000 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments for operating leases are:

2018	\$ 312,732
2019	<u>312,732</u>
Total minimum lease payments	<u><u>\$ 625,464</u></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, 2017 and 2016 were approximately \$625,000 and \$585,000, respectively.

**Note 10: Related Party Transactions**

LINC entered into a service agreement with a company owned by a member of the Personnel Committee. Under the agreement, the member is to oversee the implementation of a data system. Amounts paid to the member's business under the agreement during the years ended June 30, 2017 and 2016 was \$60,912 and \$533,941, respectively, of which \$0 and \$19,035 was outstanding at June 30, 2017 and 2016, respectively.

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, 2017 and 2016 was \$184,328 and \$418,607, respectively, of which \$28,439 and \$62,170 was outstanding at June 30, 2017 and 2016, respectively.

**Greater K.C. LINC, Inc.**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**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, 2017 and 2016, funding under Missouri Department of Social Services Contracts accounted for 83 percent and 72 percent of LINC's total revenues, gains and other support, respectively. For the years ended June 30, 2017 and 2016, funding under federal grants accounted for 22 percent and 14 percent of LINC's total revenues, gains and other support, respectively.

***Accounts and Grant Receivables***

As of June 30, 2017 and 2016, 73 percent and 65 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*.

**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.

## **Supplementary Information**

**Greater K.C. LINC, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Amount Expended
<b>Department of Health and Human Services</b>				
Passed through				
Missouri Department of Social Services TANF Cluster - Temporary Assistance for Needy Families	93.558	C311006007	\$ -	\$ 385,092
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	DH1702AB0001	-	34,768
Social Services Block Grant	93.667	PG691700008	-	1,979,233
<b>Department of Education</b>				
Passed through				
Missouri Department of Elementary and Secondary Education				
Twenty-First Century Community Learning Centers	84.287	Cohort 7 Grants: 21stCCLC - YR 5	69,100	232,476
	84.287	Cohort 8 Grant: 21stCCLC - YR 3	277,052	1,129,516
	84.287	Cohort 9 Grants: 21stCCLC - YR 1	430,850	802,027
			<u>777,002</u>	<u>2,164,019</u>
			<u>\$ 777,002</u>	<u>\$ 4,563,112</u>

**Notes to Schedule**

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of LINC under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LINC, it is not intended to and does not present the financial position, changes in net assets or cash flows of LINC.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. LINC has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed  
in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Greater K.C. LINC, Inc. (LINC), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2017.

***Internal Control Over Financial Reporting***

Management of LINC is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered LINC's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LINC's internal control. Accordingly, we do not express an opinion on the effectiveness of LINC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of LINC's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether LINC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LINC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LINC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Kansas City, Missouri  
November 8, 2017

## Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

### Independent Auditor's Report

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

#### Report on Compliance for the Major Federal Program

We have audited Greater K.C. LINC, Inc.'s (LINC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on LINC's major federal program for the year ended June 30, 2017. LINC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for LINC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about LINC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of LINC's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, Greater K.C. LINC, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

### **Report on Internal Control Over Compliance**

Management of Greater K.C. LINC, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LINC's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LINC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**BKD, LLP**

Kansas City, Missouri  
November 8, 2017

**Greater K.C. LINC, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

**Summary of Auditor's Results**

*Financial Statements*

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

Unmodified       Qualified       Adverse       Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?       Yes       None reported

Material weakness(es)?       Yes       No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

Yes       No

*Federal Awards*

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

Significant deficiency(ies)?       Yes       None reported

Material weakness(es)?       Yes       No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:

Unmodified       Qualified       Adverse       Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

Yes       No

7. LINC's major program was:

Cluster/Program	CFDA Number
Social Services Block Grant	93.667

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. LINC qualified as a low-risk auditee?       Yes       No

**Greater K.C. LINC, Inc.**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2017**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

**Findings Required to be Reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

**Greater K.C. LINC, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2017**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
	No matters are reportable.	