

Greater K.C. LINC, Inc.

Accountants' Report and Financial Statements

(Including Reports Required Under OMB Circular A-133)

June 30, 1999 and 1998



Baird, Kurtz & Dobson

GREATER K.C. LINC, INC.

JUNE 30, 1999 AND 1998

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**Independent Accountants' Report on Financial Statements
and Supplementary Information**

LINC Commissioners
Greater K.C. LINC, Inc.
Kansas City, Missouri

We have audited the accompanying statements of financial position of GREATER K.C. LINC, INC. (LINC) as of June 30, 1999 and 1998, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of LINC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2000, 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 grants.

The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Baird, Kurtz & Dobson

Kansas City, Missouri
February 10, 2000

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GREATER K.C. LINC, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 1999 AND 1998

ASSETS

	<u>1999</u>	<u>1998</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,586,367	\$1,439,547
Grants and accounts receivable	5,494,927	1,666,752
Prepaid expenses	<u>4,111</u>	
Total Current Assets	<u>10,085,405</u>	<u>3,106,299</u>
 PROPERTY AND EQUIPMENT	 628,208	 385,388
Less accumulated depreciation	<u>244,778</u>	<u>138,508</u>
	<u>383,430</u>	<u>246,880</u>
 Total Assets	 <u>\$10,468,835</u>	 <u>\$3,353,179</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 1,733,696	\$ 751,295
Payable to participating agencies	1,208,471	690,935
Accrued expenses	<u>129,695</u>	<u>103,187</u>
Total Current Liabilities	<u>3,071,862</u>	<u>1,545,417</u>
 NET ASSETS		
Unrestricted	1,392,516	570,255
Temporarily restricted	<u>6,004,457</u>	<u>1,237,507</u>
Total Net Assets	<u>7,396,973</u>	<u>1,807,762</u>
 Total Liabilities and Net Assets	 <u>\$10,468,835</u>	 <u>\$3,353,179</u>

See Notes to Financial Statements

GREATER K.C. LINC, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 1999 AND 1998

	1999			1998		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT						
Federal and state grants	\$ 9,379,597	\$4,787,748	\$ 14,167,345	\$5,190,589	\$1,037,459	\$6,228,048
Private contributions and grants	116,717	316,833	433,550	69,827	130,761	200,588
State-funded expenditures	609,008		609,008	504,700		504,700
Investment income	133,830		133,830	71,111		71,111
Other support	<u>27,027</u>		<u>27,027</u>	<u>12,967</u>		<u>12,967</u>
	10,266,179	5,104,581	15,370,760	5,849,194	1,168,220	7,017,414
Net assets released from restriction	<u>337,631</u>	<u>(337,631)</u>		<u>290,172</u>	<u>(290,172)</u>	<u>0</u>
Total revenues, gains and other support	<u>10,603,810</u>	<u>4,766,950</u>	<u>15,370,760</u>	<u>6,139,366</u>	<u>878,048</u>	<u>7,017,414</u>
EXPENSES						
Program services:						
Comprehensive Neighborhood Services	3,626,455		3,626,455	3,372,852		3,372,852
Title IV-E	2,293,561		2,293,561	889,347		889,347
Educare	366,280		366,280	322,447		322,447
Data and evaluation	130,623		130,623	52,536		52,536
Other state funded programs	2,491,675		2,491,675	315,118		315,118
Donor funded programs	201,031		201,031	33,188		33,188
Other	<u>18,360</u>		<u>18,360</u>	<u>155,437</u>		<u>155,437</u>
Total program services	9,127,985		9,127,985	5,140,925		5,140,925
General and administrative services	<u>653,564</u>		<u>653,564</u>	<u>469,110</u>		<u>469,110</u>
Total expenses	<u>9,781,549</u>		<u>9,781,549</u>	<u>5,610,035</u>		<u>5,610,035</u>
CHANGE IN NET ASSETS	822,261	4,766,950	5,589,211	529,331	878,048	1,407,379
NET ASSETS, BEGINNING OF YEAR	<u>570,255</u>	<u>1,237,507</u>	<u>1,807,762</u>	<u>40,924</u>	<u>359,459</u>	<u>400,383</u>
NET ASSETS, END OF YEAR	<u>\$ 1,392,516</u>	<u>\$6,004,457</u>	<u>\$ 7,396,973</u>	<u>\$ 570,255</u>	<u>\$1,237,507</u>	<u>\$1,807,762</u>

See Notes to Financial Statements

GREATER K.C. LINC, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 1999

	Comprehensive Neighborhood Services	Title IV-E	Educare	Data and Evaluation	Other State Funded Programs	Donor Funded Programs	Other	Total Program Expenses	Administrative	Total Expenses
EXPENSES										
Program expense	\$ 2,485,222	\$ 2,293,561	\$ 239,948					\$2,725,170		\$2,725,170
Payments to participating agencies			36,032	\$ 86,433	\$ 759,012	\$ 22,565		2,293,561		2,293,561
Salaries	611,035		18,572	10,985	764,990	102,423		1,515,077	\$ 189,612	1,704,689
Consultants	185,605		13,567	25,766	168,192	7,582	\$ 461	897,431	16,372	913,803
Employee benefits	29,813		13,582		319,690	19		400,712	47,902	448,614
Incentives					254,017			363,104	1,406	364,510
Administrative fees								254,017		254,017
Supplies	108,415		6,751	743	13,532	778	471	130,690	30,015	160,705
Continuing education and conferences	35,747		10,222		35,558	49,044	600	131,171	2,206	133,377
Depreciation								106,270	106,270	106,270
Rent					19,118	300		19,418	74,598	94,016
Printing and copying	7,779		4,858		37,360	40		50,037	25,371	75,408
Equipment	20,756		6,741		7,667			35,164	32,879	68,043
Postage	4,006		3,141		32,122			39,269	14,333	53,602
Telephone	36,455		573	537	334			37,899	14,083	51,982
Equipment rental and maintenance	3,378				25,025		1,590	29,993	17,092	47,085
Meetings and refreshments	21,884			109	2,378	263		25,084	16,006	41,090
Payroll expenses	23,712		1,984	4,489	7,860	1,206	450	39,251	1,198	40,449
Travel	6,714			76	7,984	4,516		19,290	11,958	31,248
Mileage	11,868		5,069	762	1,038			18,737	2,806	21,543
Bus and taxi service	18,284					211		18,495	380	18,875
Accounting fees									13,496	13,496
Subscriptions and publications	3,165			723		99	7,038	11,025	2,101	13,126
Advertising						11,958		11,958		11,958
Parking	196							196	6,780	6,976
Facilities usage	5,471							5,471		5,471
Child care	4,972					27	140	5,139		5,139
Insurance	600							600	904	1,504
Other	1,378		5,240		35,798		7,610	50,026	25,796	75,822
Total Expenses	<u>\$ 3,626,455</u>	<u>\$ 2,293,561</u>	<u>\$ 366,280</u>	<u>\$ 130,623</u>	<u>\$ 2,491,675</u>	<u>\$ 201,031</u>	<u>\$ 18,360</u>	<u>\$9,127,985</u>	<u>\$ 653,564</u>	<u>\$9,781,549</u>

GREATER K.C. LINC, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 1998

	Comprehensive Neighborhood Services	Title IV-E	Educare	Data and Evaluation	Other State Funded Programs	Kauffman Programs	Other	Total Program Expenses	Administrative	Total Expenses
EXPENSES										
Program expense	\$ 2,303,971	\$ 215,179		\$ 22,846	\$ 212,567	\$ 12,350		\$ 2,531,500		\$ 2,531,500
Payments to participating agencies		889,347		20,571	15,893		\$ 96,098	889,347	\$ 170,156	1,118,074
Salaries	579,945	36,462		4,860	32,950	8,500	23,241	947,918	40,992	1,109,197
Consultants							23,932	226,195	32,382	258,577
Employee benefits	152,884							37,028	430	37,458
Incentives	15,500							77,252	22,806	100,058
Supplies	69,601					29		82,868	665	83,533
Continuing education and conferences	71,064			135	889				43,943	43,943
Depreciation					300				74,598	74,598
Rent									10,903	10,903
Printing and copying	12,221				27,435	581		43,895		54,798
Equipment	13,293							14,826	6,050	20,876
Postage	5,040				15,685	22		22,471	11,389	33,860
Telephone	12,067				262			12,920	9,039	21,959
Equipment rental and maintenance	1,668				1,503			3,171	8,422	11,593
Meetings and refreshments	19,824				190	2,436		22,595	12,278	34,873
Payroll expenses	21,060			145	7,208		408	31,658		31,658
Travel	3,460			1,108				4,984	7,125	12,109
Mileage	11,788			1,524				22,554	2,791	25,345
Bus and taxi service	29,528			326	213			29,528	694	30,222
Accounting fees	12,400							12,400		12,400
Subscriptions and publications	6,804							7,028	633	7,661
Advertising	457			117		107		1,181	310	1,491
Parking				724				6,780		6,780
Facilities usage	13,089							13,089		13,089
Child care	5,095							5,095		5,095
Insurance	3,931							3,931	116	4,047
Other	8,162			180	23	9,163	11,758	29,286	6,608	35,894
Total Expenses	\$ 3,372,852	\$ 889,347	\$ 322,447	\$ 52,536	\$ 315,118	\$ 33,188	\$ 155,437	\$ 5,140,925	\$ 469,110	\$ 5,610,035

See Notes to Financial Statements

GREATER K.C. LINC, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$5,589,211	\$ 1,407,379
Item not requiring cash:		
Depreciation	106,270	43,943
Changes in:		
Accounts receivable	(3,828,175)	(1,554,179)
Prepaid expenses	(4,111)	
Payables and accrued expenses	1,526,445	744,362
Contributions restricted for long-term purposes	<u>(5,104,581)</u>	<u>(1,168,220)</u>
Net cash used in operating activities	<u>(1,714,941)</u>	<u>(526,715)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(242,820)</u>	<u>(220,578)</u>
Net cash used in investing activities	<u>(242,820)</u>	<u>(220,578)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	<u>5,104,581</u>	<u>1,168,220</u>
Net cash provided by financing activities	<u>5,104,581</u>	<u>1,168,220</u>
INCREASE IN CASH AND CASH EQUIVALENTS	3,146,820	420,927
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,439,547</u>	<u>1,018,620</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$4,586,367</u>	<u>\$ 1,439,547</u>

See Notes to Financial Statements

GREATER K.C. LINC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30 1999 AND 1998

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Greater K.C. LINC, Inc. (LINC) is a Missouri not-for-profit organization that works to improve the lives of children and families in Kansas City, Missouri and Jackson County, Missouri. LINC assists neighborhoods to develop comprehensive human services, supports and opportunities. Its initiatives include an integrated community welfare-to-work system; neighborhood-based services; performance-based contracting; collaborative planning; leveraging in-kind services in low-income neighborhoods; and use of information technologies to support decision-making, planning and service delivery. LINC receives significant funding from the U.S. Department of Health and Human Services and the Missouri Department of Social Services. The following is a more detailed description of its major initiatives.

Comprehensive Neighborhood Services (CNS): LINC administers Caring Communities Funds in Jackson County, Missouri as part of a system reform effort directed at developing more effective services for children and families. LINC facilitates the planning and development process, in cooperation with local school districts and the community, to deliver multi-disciplinary services through neighborhood linkages with local schools. At June 30, 1999, eighteen schools in four school districts were participating in the CNS program.

Educare: This program is designed to enhance the early childhood development of children between the ages of zero to three years old. The program offers training, educational resources and home visits to family care providers located in the Jackson, Clay and Platte County, Missouri.

Title IV-E Claiming: The federal government provides partial reimbursement to organizations under Title IV-E of the Social Security Act. The State of Missouri has an agreement with LINC to locally administer the State's Title IV-E claiming process. Each quarter, participating organizations conduct a five-day time study to help determine how much time was spent on qualified activities. At June 30, 1999, 35 organizations had contracted with LINC to receive Title IV-E reimbursement.

Welfare-to-Work: LINC is responsible for serving the unemployed and underemployed adults in Kansas City, Missouri and Jackson County, Missouri by developing, planning, contracting and monitoring the community-based welfare-to-work system. The system focuses on job retention issues affecting employment including: child care, job readiness, personal skills, employer training and public transportation.

Cash Equivalents

At June 30, 1999 and 1998, cash equivalents consisted primarily of commercial paper.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

GREATER K.C. LINC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30 1999 AND 1998

**NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Payables

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

Payable to participating agencies represents claims reimbursable to subrecipients under the Title IV-E program.

Contributions and Grants

LINC reports gifts and funding of cash and other assets as restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor or grantor time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor or grantor contributions whose restrictions are satisfied in the same period as received are reported as unrestricted revenue and net assets.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by LINC has been limited by grantors to a specific time period or purpose.

Income Taxes

Greater K.C. LINC, Inc. is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GREATER K.C. LINC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30 1999 AND 1998

NOTE 2: ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable consists of amounts due from the Missouri Department of Social Services and private grantors as of June 30, 1999 and 1998 for the following:

	1999	1998
Title IV-E Program	\$2,454,969	\$1,423,527
Extended Day Program	1,998,567	
Comprehensive Neighborhood Services Program	548,409	243,225
Welfare-to-Work Program	318,000	
Other programs	174,982	
	<u>\$5,494,927</u>	<u>\$1,666,752</u>

NOTE 3: TEMPORARILY RESTRICTED NET ASSETS

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

	1999	1998
Improved or extended services to families and children	\$2,544,580	\$ 744,154
Extended Day Program	2,123,567	
Welfare-to-Work Program	300,000	
Data and evaluation project	231,911	323,141
Division of Aging	215,241	
Professional development	925	50,244
Various special projects and programs	588,233	119,968
	<u>\$6,004,457</u>	<u>\$1,237,507</u>

NOTE 4: TEMPORARILY RESTRICTED ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. These amounts released are as follows:

	1999	1998
Expenses incurred on behalf of:		
Comprehensive Neighborhood Services program	\$ 53,531	\$ 253,308
Data and evaluation project	216,230	
Other special projects and programs	67,870	36,864
	<u>\$ 337,631</u>	<u>\$ 290,172</u>

GREATER K.C. LINC, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30 1999 AND 1998

NOTE 5: MID-AMERICA REGIONAL COUNCIL (MARC)

LINC has entered into an agreement with MARC in which MARC will provide human resource, payroll services, and fringe benefits for employees who work under the direction of the LINC Executive Director or are designated to implement LINC initiatives. LINC reimburses MARC for the costs of providing salary and benefits to the designated LINC employees plus a 4% administrative fee. LINC employees under the MARC system are eligible to participate in a defined contribution plan sponsored by MARC. LINC contributes 7.5% of total eligible compensation paid to employees during the plan year. Participant's interests are vested over a period from two to six years of service. Contributions to the plan were \$49,587 and \$19,875 for the years ended June 30, 1999 and 1998, respectively.

NOTE 6: STATE-FUNDED EXPENDITURES

The Missouri Department of Social Services (MDSS) has agreed to provide LINC with funding for administrative expenses including, but not limited to, certain administrative salaries and benefits, rent, parking space, office supplies, printing and capital assets. LINC remits purchase orders or payment requests to the MDSS, who pays the invoices directly. Funding is recognized in the statement of activities as support and expenditures. Such funding and related expenditures amounted to \$609,008 and \$504,700 for the years ended June 30, 1999 and 1998, respectively.

NOTE 7: UMKC CONTRACT

The MDSS has contracted with LINC to serve as an administrator of a contract between MDSS and the University of Missouri – Kansas City (UMKC). LINC reviews UMKC invoices and billings, submits them to MDSS for funding, and tracks funding for the contract period. LINC does not receive any funding related to this contract and, thus, no revenues or expenses related thereto are reported in the statement of activities.

NOTE 8: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Generally accepted accounting principles require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Revenues

For the year ended June 30, 1999 funding for three federal programs (passed through the Missouri Department of Social Services) accounted for 24% of LINC's total revenues, gains and other support.

For the year ended June 30, 1998, funding for three federal programs (passed through the Missouri Department of Social Services) accounted for 55% of LINC's total revenues, gains and other support.

SUPPLEMENTARY INFORMATION

GREATER K.C. LINC, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 1999

<u>Cluster/Program</u>	<u>Federal Agency/ Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Amount Expended</u>
Family Preservation and Support Services	U. S. Department of Health and Human Services/ Missouri Department of Social Services	93.556	\$2,876,625
Temporary Assistance for Needy Families	U. S. Department of Health and Human Services/ Missouri Department of Social Services	93.558	2,229,956
Foster Care Assistance and Training Title IV-E	U. S. Department of Health and Human Services/ Missouri Department of Social Services	93.658	1,405,673
Child Care and Development Block Grant	U. S. Department of Health and Human Services/ Missouri Department of Social Services	93.575	236,630
Title III – Special Services for the Aging	U. S. Department of Health and Human Services/ Missouri Department of Social Services	93.045	43,478
Social Services Block Grant	U. S. Department of Health and Human Services/ Missouri Department of Social Services	93.667	<u>27,542</u>
Total			<u>\$6,819,904</u>

NOTES TO SCHEDULE:

1. This schedule includes the federal awards activity of GREATER K.C. LINC, INC. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

GREATER K.C. LINC, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

YEAR ENDED JUNE 30, 1999

2. LINC provided the following federal awards to subrecipients:

<u>Cluster/Program</u>	<u>Federal Agency/ Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Amount Expended</u>
Foster Care Assistance and Training Title IV-E	U. S. Department of Health and Human Services/ Missouri Department of Social Services	93.658	\$1,044,317



**Independent Accountants' Report on Compliance and Internal Control
Over Financial Reporting Based on the Audit of the Financial Statements
in Accordance with *Government Auditing Standards***

LINC Commissioners
Greater K.C. LINC, Inc.
Kansas City, Missouri

We have audited the financial statements of GREATER K.C. LINC, INC. (LINC) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 10, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LINC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect LINC's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 99-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Baird, Kurtz + Dobson

Kansas City, Missouri
February 10, 2000



**Independent Accountants' Report on Compliance
and Internal Control Over Compliance with Requirements
Applicable to Major Federal Awards Programs**

LINC Commissioners
Greater K.C. LINC, Inc.
Kansas City, Missouri

Compliance

We have audited the compliance of GREATER K.C. LINC, INC. (LINC) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. LINC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of LINC's management. Our responsibility is to express an opinion on the compliance of GREATER K.C. LINC, INC. based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on LINC's compliance with those requirements.

In our opinion, GREATER K.C. LINC, INC. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 99-2.

Internal Control Over Compliance

The management of GREATER K.C. LINC, INC. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered LINC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Moore's
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We noted a certain matter involving the internal control over compliance and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgement, could adversely affect LINC's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 99-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above is not a material weakness.

This report is intended solely for the information and use of the governing body, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Baird, Kurtz + Dobson

Kansas City, Missouri
February 10, 2000

GREATER K.C. LINC, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 1999

SUMMARY OF AUDITORS' RESULTS

1. The independent accountants' report on the financial statements expressed an unqualified opinion.
2. A reportable condition in internal control over financial reporting was identified; however, it was not considered to be a material weakness.
3. No instance of noncompliance considered material to the financial statements was disclosed by the audit.
4. A reportable condition in internal control over compliance applicable to major federal awards programs was identified; however, it was not considered be a material weakness.
5. The independent accountants' report on compliance with requirements applicable to major federal awards programs expressed an unqualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. LINC's major programs were:

<u>Program</u>	<u>CFDA Number</u>
Foster Care Assistance and Training Title IV-E	93.658
Temporary Assistance for Needy Families	93.558

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. LINC did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

GREATER K.C. LINC, INC.

SCHEDULE OF PRIOR YEAR AUDIT RESOLUTION MATTERS

JUNE 30, 1999

FINDINGS REQUIRED TO BE REPORTED BY GOVERNMENT AUDITING STANDARDS

<u>Reference Number</u>	<u>Finding</u>	<u>Status</u>
98-1	As is typical with smaller organizations, we noted certain situations where personnel had duties that were not properly segregated from a proper internal control perspective. While there are some mitigating procedures, an inadequate segregation of duties exists in the purchases and cash disbursements, revenues and cash receipts, and the payroll cycles as several employees have both responsibility and access conflicts.	Unresolved
98-2	Foster Care Assistance and Training Title IV-E U.S. Department of Health and Human Services/ Missouri Department of Social Services (MDSS) Subrecipient Monitoring The Title IV-E contract, administered by the Missouri Department of Social Services, does not specifically address LINC's responsibility in regard to OMB Circular A-133 guidelines. Therefore, LINC does not actively monitor Title IV-E subrecipients in its use of federal funds. During the grant period, two Title IV-E subrecipients received over \$300,000 from LINC, requiring additional review and follow-up. LINC should discuss contractual obligations and requirements of OMB Circular A-133 with the MDSS and obtain written documentation of LINC's responsibility to monitor subrecipient expenditures. Subrecipient contracts should be re-evaluated to comply with A-133 guidelines by outlining the subrecipient's responsibility to obtain required A-133 audits, adhere to federal guidelines and correct any audit findings. Also, the subrecipient should remit a copy of its audit report and corrective action plan to LINC for review.	Unresolved

GREATER K.C. LINC, INC.

SCHEDULE OF PRIOR YEAR AUDIT RESOLUTION MATTERS (Continued)

JUNE 30, 1999

FINDINGS REQUIRED TO BE REPORTED BY OMB CIRCULAR A-133

<u>Reference Number</u>	<u>Finding</u>	<u>Status</u>
98-3	Foster Care Assistance and Training Title IV-E U.S. Department of Health and Human Services/ Missouri Department of Social Services Timely Disbursement of Federal Funds Title IV-E funds were not disbursed within three business days of receipt from the Missouri Department of Social Services. Disbursements to participating agencies should be made in a timely manner in compliance with federal guidelines.	CFDA# 93.658 Resolved