# Accountants' Reports and Financial Statements June 30, 2004 and 2003



## June 30, 2004 and 2003

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# Greater K.C. LINC, Inc. June 30, 2004 and 2003

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#### **Independent Accountants' Report**

LINC Commissioners and Finance Committee 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, 2004 and 2003, and the related statements of activities, 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 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 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.

Solutions for Success 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, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/S/ BKD, LLP

September 24, 2004



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

LINC Commissioners and Finance Committee 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, 2004 and 2003, and the related statements of activities, 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 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 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, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2004, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Solutions for Success

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 audits 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.

/S/ BKD, LLP

## Statements of Financial Position June 30, 2004 and 2003

#### **Assets**

	2004	2003
Current Assets		
Cash and cash equivalents	\$ 5,384,912	\$ 5,656,879
Accounts and grants receivable, net of allowance (Note 2)	543,852	722,407
Prepaid expenses	123,931	<u>159,185</u>
Total current assets	6,052,695	6,538,471
Assets Limited As to Use		
Externally restricted		
Pledges receivable	166,666	333,333
Cash and cash equivalents	2,709,680	2,056,824
	2,876,346	2,390,157
Reserves for underfunded community initiatives	2 000 000	2 000 000
Cash and cash equivalents	2,000,000	2,000,000
	4,876,346	4,390,157
Property and Equipment	1,492,877	1,446,516
Less accumulated depreciation	1,256,615	1,115,113
	236,262	331,403
Total assets	\$ <u>11,165,303</u>	\$11,260,031
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,128,944	\$ 1,911,443
Accrued expenses	1,436,922	1,266,530
Total current liabilities	2,565,866	3,177,973
Net Assets		
Unrestricted	3,723,091	3,691,901
Unrestricted – Commission designated	2,000,000	2,000,000
Total unrestricted	5,723,091	5,691,901
Temporarily restricted	2,876,346	2,390,157
Total net assets	8,599,437	8,082,058
Total liabilities and net assets	\$ <u>11,165,303</u>	\$ <u>11,260,031</u>

## Statements of Activities Years Ended June 30, 2004 and 2003

	2004			2003			
	·	Temporarily			Temporarily		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	
Revenues, Gains and Other Support							
State and federal contracts and grants	\$ 6,274,519	\$ 3,515,564	\$ 9,790,083	\$ 8,393,690	\$ 3,228,995	\$ 11,622,685	
Private contributions and grants	1,951,208		1,951,208	2,309,535		2,309,535	
State-funded expenditures	175,824		175,824	272,430		272,430	
Interest income	83,203		83,203	118,488		118,488	
Other support	198,028		198,028	28,790		28,790	
	8,682,782	3,515,564	12,198,346	11,122,933	3,228,995	14,351,928	
Net assets released from restrictions	3,029,375	(3,029,375)	0	4,160,087	_(4,160,087)	0	
Total revenues, gains and other sup-							
port	11,712,157	486,189	12,198,346	15,283,020	(931,092)	14,351,928	
Expenses							
Program services							
Caring Communities	8,465,894		8,465,894	10,160,509		10,160,509	
Child Welfare	197,334		197,334	918,895		918,895	
Educare	361,991		361,991	336,792		336,792	
Welfare to Work Initiatives	172,585		172,585	1,052,195		1,052,195	
Early Childhood	346,399		346,399	363,071		363,071	
Data	976,434		976,434	1,020,498		1,020,498	
Other initiatives	288,784		288,784	412,104		412,104	
Total program services	10,809,421		10,809,421	14,264,064		14,264,064	
General, administrative and development	871,546		871,546	1,004,536		1,004,536	
Total expenses	11,680,967		11,680,967	15,268,600		15,268,600	
Change in Net Assets	31,190	486,189	517,379	14,420	(931,092)	(916,672)	
Net Assets, Beginning of Year	5,691,901	2,390,157	8,082,058	5,677,481	3,321,249	8,998,730	
Net Assets, End of Year	\$ <u>5,723,091</u>	\$ <u>2,876,346</u>	\$ <u>8,599,437</u>	\$ <u>5,691,901</u>	\$ <u>2,390,157</u>	\$ <u>8,082,058</u>	

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

## Statement of Functional Expenses Year Ended June 30, 2004

	Caring Communities	Child Welfare	Educare	Welfare to Work Initiatives	Early Childhood	Data	Other Initiatives	Total Program Services	General, Administrative and Development	Total Expenses
Contract program services	\$ 4,972,224	\$ 98,394	\$ 217,153	\$ 67,630	\$ 330,759		\$ 80,027	\$ 5,766,187		\$ 5,766,187
Salaries	2,348,022	25,639	59,091	61,818	\$	409,071	100,626	3,004,267	\$ 264,702	3,268,969
Purchased professional ser-										
vices	134,520	9,264	27,198	3,501		88,169	17,744	280,396	22,303	302,699
Employee benefits	501,475	3,642	11,790	18,058		221,153	20,573	776,691	68,823	845,514
Grants, stipends & scholar-										
ships		12,575	2,943	11,320				26,838	75	26,913
Administrative fees	114,449	3,670		3,808	15,640	473		138,040		138,040
Supplies	5,131	702	888	135		4,163	5,560	16,579	52,702	69,281
Training	36,410	9,687	10,701	1,630		8,742	1,203	68,373	11,645	80,018
Depreciation	50,622	1,097				43,340	16,057	111,116	35,529	146,64
Rent, facility usage and storage	2	2,727	8,284	500		1,477		12,990	123,573	136,563
Marketing	7,916	12,387	7,398	207		18,129	4,328	50,365	(220)	50,145
Equipment	148,629	2,112	410	334		86,180	415	238,080	86,180	324,260
Postage	1,465	1,669	1,493	17		38,972	1,950	45,566	1,366	46,932
Communication equipment	8,778	323	1,974	1,924		8,974	2,170	24,143	7,231	31,374
Equipment rental	4,595		838	265		40,409	343	46,450	161	46,611
Meetings	2,154	962	4,113	1,209		1,830	13,880	24,148	5,113	29,261
Travel and mileage	1,709	3,977	2,363	229		4,443	11,296	24,017	23,594	47,61
Events and facilitation services	65,762	8,507	3,852			, -	12,261	90,382	71,928	162,310
Reference materials			, -			909	351	1,260	1,105	2,365
Insurance	62,011		1,372					63,383	66,815	130,198
Bad debt expense (recoveries)	(123)							(123)	)	(12)
Other	143		130					273	28,921	29,19
Total Expenses	\$ 8.465.894	\$ 197,334	\$ 361,991	\$ 172,585	\$ 346,399 \$	976,434	\$ 288,784	\$ 10,809,421	\$ 871,546	\$ 11,680,9

# **Greater K.C. LINC, Inc.**Statement of Functional Expenses

## Year Ended June 30, 2003

	Caring Communities	Child Welfare	Educare	Welfare to Work Initiatives	Early Childhood	Data	Other Initiatives	Total Program Services	General, Administrative and Development	Total Expenses
Contract program services	\$ 6,714,054	\$ 663,954	\$ 229,174	\$ 637,823	\$ 348,351	\$ 21,390	\$ 148,352	\$ 8,763,098		\$ 8,763,098
Salaries	2,171,973	5,996	53,999	179,890		564,722	79,187	3,055,767	\$ 291,616	3,347,383
Purchased professional services	135,676	7,213	18,683	1,734		74,959	67,016	305,281	61,678	366,959
Employee benefits	556,448		9,997	48,225		150,317	12,823	777,810	75,820	853,630
Grants, stipends and scholarships	450	83,059	634	94,050			39,000	217,193	16,725	233,918
Administrative fees	124,144	4,011		39,671	14,720	68,614	2,500	253,660		253,660
Supplies	6,906	67,210	336	357		13,028	12,593	100,430	42,708	143,138
Training	5,546	25,563	7,035	941		4,432	540	44,057	9,187	53,244
Depreciation	141,429			12,981		7,314	14,457	176,181	22,376	198,557
Rents, facility usage and storage	108		5,940	11,560				17,608	213,622	231,230
Marketing	13,170	14,557	520	82		34,771	6,607	69,707	1,352	71,059
Equipment	17,949	8,700	1,826	4,786		9,621	2,973	45,855	30,842	76,697
Postage	16	414	1,280	721		39,315	6	41,752	17,868	59,620
Communication equipment	7,924	774	1,890	4,828		22,254	1,313	38,983	14,152	53,13
Equipment rental	3,692		334	144		153		4,323	41,595	45,918
Meetings	1,594	12,231	162	4,412		735	12,879	32,013	7,089	39,102
Travel and mileage	6,799	2,517	2,067	3,799		7,905	4,272	27,359	9,906	37,265
Events and facilitation services	25,117	13,318	1,494				4,658	44,587	18,697	63,284
Reference materials	57	59	96			939	2,928	4,079	303	4,382
Insurance	42,871		1,325	6,191				50,387	106,056	156,443
Bad debt expense (recoveries)	183,598		ŕ	ŕ				183,598	•	183,598
Other	988	9,319				29		10,336	22,944	33,280
Total Expenses	\$_10,160,509	\$ <u>918,895</u>	\$ 336,792	\$ <u>1,052,195</u>	\$ 363,071	\$ <u>1,020,498</u>	\$ <u>412,104</u>	\$ <u>14,264,064</u>	\$ <u>1,004,536</u>	\$_15,268,600

## Statements of Cash Flows Years Ended June 30, 2004 and 2003

		2004		2003
Operating Activities	·			
Change in net assets	\$	517,379	\$	(916,672)
Item not requiring cash				
Depreciation		146,645		198,557
Changes in				
Accounts, grants and pledges receivable		345,222		(848,273)
Prepaid expenses		35,254		(4,951)
Accounts payable and accrued expenses		(612,107)	_	384,919
Net cash provided by (used in) operating activities		432,393	_	(1,186,420)
Investing Activities				
Purchase of property and equipment		(51,504)		(37,895)
Net cash used in investing activities		(51,504)		(37,895)
Increase (Decrease) in Cash and Cash Equivalents		380,889		(1,224,315)
Cash and Cash Equivalents, Beginning of Year		9,713,703	_	10,938,018
Cash and Cash Equivalents, End of Year	\$	10,094,592	\$	9,713,703
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position				
Cash and cash equivalents	\$	5,384,912	\$	5,656,879
Cash in assets limited as to use		2 700 600		2.056.024
Externally restricted		2,709,680		2,056,824
Internally designated		2,000,000		2,000,000
Total Cash and Cash Equivalents	\$	10,094,592	\$	9,713,703

## Notes to Financial Statements June 30, 2004 and 2003

#### 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 Missouri Department of Social Services. The following is a more detailed description of its major initiatives.

Caring Communities Helping Students, Parents and Neighbors: LINC provides support for school and neighborhood services in multiple school districts. Major efforts include (a) operating an out-of-school program in the Kansas City, Missouri School District, (b) implementing the federal 21<sup>st</sup> Century Community Learning Center grant, and (c) operating the area's Community Partnership initiative. Other smaller, similar programs are also included in the category.

In total, at June 30, 2004 and 2003, there were 65 and 62 Caring Community sites, respectively.

**Addressing Community Child Welfare Issues:** LINC is actively involved in addressing community child welfare issues. These efforts include:

- Coordinating a regional effort to work with teenage foster children who are leaving the system
- Developing data systems to support better service delivery by the state child welfare agency

**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 Jackson, Clay and Platte County, Missouri, and address core competencies for early care and education professionals.

**Welfare-to-Work Initiatives:** Under the Welfare-to-Work program, 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.

**Early Childhood:** Collaborating with many community partners, this initiative is designed to increase the quality and availability of child care within the urban core by providing (a) technical assistance to area early education professionals, (b) extensive resources and support to area child care programs that are working to achieve national accreditation, and (c) other benefits to child care centers working to improve quality child care as they stay affordable. One element of this initiative

## Notes to Financial Statements June 30, 2004 and 2003

rewards early education teachers for professional development through wage increases and other incentives to attract and retain qualified staff as well.

**Data:** The largest programs in this category are for LINC MIS, communications and finance costs and for data and research projects. The data and research initiatives support LINC efforts to develop and maintain a current database of assisted families and individuals and other data support for LINC and other initiatives. The resulting system is increasingly accurate and useful with applications and capabilities that can be used internally as well as outside of LINC. Other funding in this category supports part of LINC's accounting and technology infrastructure.

**Other:** Mentoring programs make up the largest part of this category. Under the mentoring programs, outreach to low income areas identifies individuals and families in need of assistance and services. Other smaller programs are also included in this category.

#### General, Administrative and Development Expenses

For the years ended June 30, 2004 and 2003, respectively, LINC's general, administrative and development expenses accounted for 7.5% and 6.6% of LINC's total expenses.

#### Cash Equivalents

At June 30, 2004 and 2003, cash equivalents consisted primarily of commercial paper, which are recorded at market value.

#### Accounts and Grants Receivable

Accounts and grants receivable are stated at the amounts billed under the terms of the contract or grant. LINC provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances.

#### **Property and Equipment**

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

#### Accounts Payable

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

#### **Government Grants**

Support funded by contracts and/or grants is recognized as LINC performs the contracted services or incurs outlays eligible for reimbursement under the agreements. Certain funds are received by LINC to be passed on to eligible agencies in order to complete the purpose of the contract or grant.

## Notes to Financial Statements June 30, 2004 and 2003

Such funds are initially recorded by LINC as temporarily restricted revenue. Such funds are recorded as net assets released from restrictions, upon payment of LINC to participating agencies or upon other notification that restricted purpose has been accomplished. Government grants are subject to state and federal audits.

#### **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.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by LINC has been limited by grantors or donors 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Reclassifications

Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 financial statement presentation. These reclassifications had no effect on change in net assets.

### Notes to Financial Statements June 30, 2004 and 2003

#### Note 2: Accounts and Grants Receivable

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

	 2004	2003
Out of School Time Initiative	\$ 148,273	\$ 571,037
Jim Casey Youth Opportunity Initiative	309,935	
Title I Funds	467,625	491,175
Other programs	 150,879	 215,942
	1,076,712	1,278,154
Less allowance for doubtful accounts	 532,860	 555,747
	\$ 543,852	\$ 722,407

#### Note 3: Assets Limited As to Use and Restricted Net Assets

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

	2004	2003
Externally restricted by funding agency		
Improved or extended services to families		
and children	\$ 1,260,622	\$ 
Out of School Time Initiative	664,037	1,297,342
Welfare-to-Work Initiatives	361,010	535,925
Annie Casey Foundation-Child Welfare	166,666	333,333
Jim Casey Foundation Grant	202,992	
Various special projects and programs	 221,019	 223,557
	2,876,346	2,390,157
Internally designated by Commission		
Designated community program funding	 2,000,000	 2,000,000
	\$ 4,876,346	\$ 4,390,157

## Notes to Financial Statements June 30, 2004 and 2003

#### Note 4: Temporarily Restricted Assets Released from Restriction

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

	 2004		2003
Expenses incurred on behalf of			
Improvement of services to families and children	\$ _	\$	169,165
Out of School Time Initiative	1,297,342		1,856,797
Welfare-to-Work Initiatives	_		898,227
Data and Evaluation Project			165,514
21 <sup>st</sup> Century Community Learning Centers	722,126		
Educare	351,565		
EvenStart Program	_		176,938
Child Care Expansion	_		582,407
Parents as Teachers Outreach			98,015
Jim Casey Foundation Grant	268,808		
Other special projects and programs	 389,534	_	213,024
	\$ 3,029,375	\$	4,160,087

#### Note 5: Operating Lease

LINC has entered into a noncancellable operating lease for office space, which expires in 2008. Rental expense under all leases amounted to \$137,982 and \$219,405 for the years ended June 30, 2004 and 2003, respectively.

Future minimum lease payments under the operating lease for office space at June 30, 2004 are as follows:

2005	\$ 131,225
2006	131,225
2007	139,178
2008	 139,178
	\$ 540,806

#### Notes to Financial Statements June 30, 2004 and 2003

#### Note 6: 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 and a 401(k) Salary Deferral Plan sponsored by MARC. For the defined contribution plan, LINC contributes 7.5% of total eligible compensation paid to employees during the plan year. For the 401(k) plan, LINC matches 50% of the employees' voluntary contribution up to a maximum of 2% of eligible gross pay. Participant's interests are vested over a period from two to six years of service in Company contributions and immediately in employee salary deferral contributions. Total payments to MARC were approximately \$3,589,000 and \$3,733,000, including contributions to the defined contribution plan of \$173,726 and \$166,240, and contributions to the 401(k) Plan of \$43,652 and \$42,643, for the years ended June 30, 2004 and 2003, respectively.

#### Note 7: 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 statements of activities as support and expenditures. Such funding and related expenditures amounted to \$175,824 and \$272,430, for the years ended June 30, 2004 and 2003, respectively.

#### Note 8: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### Revenues

For the years ended June 30, 2004 and 2003, respectively, funding under one Missouri Department of Social Services Contract accounted for 81% and 75% of LINC's total revenues, gains and other support.

#### **Expenses**

LINC has entered into an agreement with MARC to provide payroll and other related services for certain employees (see Note 6).

### Notes to Financial Statements June 30, 2004 and 2003

#### **General 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 of LINC.



### Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

	Federal Agency/ Pass-Through		ļ	Amount
Cluster/Program	Entity	CFDA #	E	xpended
Twenty First Century				
Community Learning Centers	Department of Education/ Department of Elementary and Secondary Education	84.287	\$	819,478

#### **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.
- 2. No federal awards were provided to subrecipients.





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

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

We have audited the financial statements of Greater K.C. LINC, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated September 24, 2004. We conducted our audit 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.

#### Compliance

As part of obtaining reasonable assurance about whether the Organization'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 the Organization'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting and its operation that we have reported to the Organization's management in a separate letter dated September 24, 2004.

Solutions for Success

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.

/S/ BKD, LLP

Kansas City, Missouri September 24, 2004





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

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

#### Compliance

We have audited the compliance of Greater K.C. LINC, Inc. 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 its major federal program for the year ended June 30, 2004. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Organization'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 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 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 the Organization'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 the Organization's compliance with those requirements.

Solutions for Success In our opinion, Greater K.C. LINC, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

#### 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 the Organization'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.

Board of Commissioners Greater K.C. LINC, Inc. Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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.

/S/ BKD, LLP

Kansas City, Missouri September 24, 2004

## Schedule of Findings and Questioned Costs Year Ended June 30, 2004

#### Summary of Auditor's Results

	Twenty First Century Community Learning Centers		84.287	
	Cluster/Program		CFDA Number	
7.	The Organization's major program was:			
6.	The audit disclosed findings required to be reported by OMB (cular A-133?	Cir-	⊠ No	
	☐ Unqualified ☐ Qualified ☐ Adverse	Disclaimed		
5.	The opinion expressed in the independent accountants' report plicable to major federal awards was:	on compliance with	n requirements ap-	
	Reportable condition(s) noted that are not considered to be a material weakness?	Yes	⊠ No	
	Reportable condition(s) noted considered material weakness(es)?	Yes	No No	
4.	The independent accountants' report on internal control over c ble to major federal awards programs described:	ompliance with rec	quirements applica-	
3.	Noncompliance considered material to the financial statements was disclosed by the audit?	S Yes	⊠ No	
	Reportable condition(s) noted that are not considered to be a material weakness?	Yes	No No	
	Reportable condition(s) noted considered material weakness(es)?	Yes	No No	
2.	The independent accountants' report on internal control over financial reporting described:			
	☐ Unqualified ☐ Qualified ☐ Adverse	Disclaimed		
1.	The opinion expressed in the independent accountants' report was:			

# Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

8.	The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.			
9.	The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133?	Yes	No No	

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004

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

Reference Number	Finding	Questioned Costs
No	matters are reportable.	
Findings Required to be	e Reported by OMB Circular A-133	
Reference		Questioned

<u>Finding</u>

No matters are reportable.

Number

Costs

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2004

Reference		
Number	Summary of Finding	Status

A-133 audit not required in prior year.