

Greater K.C. LINC, Inc.

Accountants' Report and Financial Statements
(Including Reports Required Under OMB-133)

June 30, 2009 and 2008

BKD_{LLP}
CPAs & Advisors

Greater K.C. LINC, Inc.

June 30, 2009 and 2008

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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, 2009 and 2008, 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, 2009 and 2008, 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.

As discussed in Note 3, in 2009 LINC changed its method of accounting for fair market value measurements in accordance with statement of Financial Accounting Standards No. 157.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2009, 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 internal control over financial reporting or on compliance. 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.

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.

BKD, LLP

Kansas City, Missouri
November 17, 2009

Greater K.C. LINC, Inc.
Statements of Financial Position
June 30, 2009 and 2008

Assets

	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and cash equivalents	\$ 1,801,185	\$ 2,388,270
Accounts and grants receivable, net of allowance	779,361	271,237
Prepaid expenses	<u>50,403</u>	<u>116,160</u>
Total current assets	<u>2,630,949</u>	<u>2,775,667</u>
Assets Limited As To Use		
Externally restricted		
Cash and cash equivalents	683,169	676,646
Reserves for underfunded community initiatives		
Investments	<u>5,845,414</u>	<u>6,827,919</u>
Total assets limited as to use	<u>6,528,583</u>	<u>7,504,565</u>
Property and Equipment		
Property and equipment	1,693,532	2,179,640
Less accumulated depreciation	<u>1,281,421</u>	<u>1,555,232</u>
Total property and equipment	<u>412,111</u>	<u>624,408</u>
Total assets	<u>\$ 9,571,643</u>	<u>\$ 10,904,640</u>

Liabilities and Net Assets

	<u>2009</u>	<u>2008</u>
Current Liabilities		
Accounts payable	\$ 775,392	\$ 1,093,862
Accrued payroll and benefits	1,347,527	964,057
Accrued expenses	<u>290,879</u>	<u>404,848</u>
Total current liabilities	<u>2,413,798</u>	<u>2,462,767</u>
Net Assets		
Unrestricted	4,292,707	5,874,844
Temporarily restricted	<u>2,865,138</u>	<u>2,567,029</u>
Total net assets	<u>7,157,845</u>	<u>8,441,873</u>
Total liabilities and net assets	<u>\$ 9,571,643</u>	<u>\$ 10,904,640</u>

Greater K.C. LINC, Inc.
Statements of Activities
Years Ended June 30, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support						
State and federal contracts and grants	\$ 8,894,521	\$ 2,527,179	\$ 11,421,700	\$ 10,862,296	\$ 2,149,009	\$ 13,011,305
Private contributions and grants	356,354	-	356,354	435,630	-	435,630
State-funded expenditures and other non-cash	4,824	-	4,824	574,573	-	574,573
Investment loss	(964,726)	-	(964,726)	(360,892)	-	(360,892)
Other support	704,055	-	704,055	1,640,471	-	1,640,471
Net assets released from restrictions	8,995,028	2,527,179	11,522,207	13,152,078	2,149,009	15,301,087
	2,229,070	(2,229,070)	-	1,890,642	(1,890,642)	-
	11,224,098	298,109	11,522,207	15,042,720	258,367	15,301,087
Expenses						
Program services						
Caring Communities	7,031,735		7,031,735	9,429,087		9,429,087
Health and Child Welfare Initiatives	1,223,944		1,223,944	1,253,860		1,253,860
Educare	371,612		371,612	379,412		379,412
Early Childhood	327,027		327,027	323,842		323,842
Welfare-to-Work Initiatives	695,758		695,758	554,308		554,308
Data	690,084		690,084	682,146		682,146
21st Century	906,431		906,431	643,810		643,810
Other initiatives	454,174		454,174	417,957		417,957
Total program services	11,700,765		11,700,765	13,684,422		13,684,422
General, administrative and development	1,105,470		1,105,470	991,582		991,582
Total expenses	12,806,235		12,806,235	14,676,004		14,676,004
Change in Net Assets						
	(1,582,137)	298,109	(1,284,028)	366,716	258,367	625,083
Net Assets, Beginning of Year	5,874,844	2,567,029	8,441,873	5,508,128	2,308,562	7,816,790
Net Assets, End of Year	\$ 4,292,707	\$ 2,865,138	\$ 7,157,845	\$ 5,874,844	\$ 2,567,029	\$ 8,441,873

See Notes to Financial Statements

Greater K.C. LINC, Inc.
Statement of Functional Expenses
Year Ended June 30, 2009

	Caring Communities	Health & Child Welfare Initiatives		Early Childhood	Welfare-to-Work Initiatives	Data	21st Century	Other Initiatives	Total Program Services	General, Administrative and Development		Total Expenses
		Child Welfare Initiatives	Health & Child Welfare Initiatives							Administrative	Development	
Contract program services	\$ 1,700,550	\$ 98,411	\$ 314,604	\$ 414,260	\$ -	\$ 181,608	\$ 3,199	\$ 3,376,502	\$ -	\$ 3,376,502		\$ 3,376,502
Salaries	3,592,594	175,048	98,422	-	91,604	384,249	313,534	5,080,151	379,837	5,459,988		5,459,988
Purchased professional services	228,014	31,735	199	-	14,480	-	43,583	319,744	92,947	412,691		412,691
Employee benefits	970,508	54,812	26,588	-	24,746	103,802	84,698	1,379,883	102,610	1,482,493		1,482,493
Grants, stipends and scholarships	7,114	61,716	1,555	-	45,275	-	-	115,640	5,025	120,665		120,665
Administrative fees	29,435	2,400	-	9,738	20,208	-	7,323	69,104	-	69,104		69,104
Supplies	200,080	24,434	6,542	-	3,496	6,055	840	273,779	14,883	288,662		288,662
Training	40,857	8,991	67,714	-	12,502	12,078	3,305	145,447	2,005	147,452		147,452
Depreciation	24,368	2,037	11,677	-	-	97,514	39,473	188,211	30,392	218,603		218,603
Rent, facility usage and storage	2,962	704	13,502	-	9,633	2,688	186	31,330	185,647	216,977		216,977
Marketing	8,077	2,672	6,129	500	1,017	9,392	-	44,172	37,689	81,861		81,861
Equipment	41,504	2,948	3,167	-	1,850	33,705	20,858	104,574	43,294	147,868		147,868
Postage	1,136	1,663	1,400	-	881	12,611	167	21,627	4,747	26,374		26,374
Communication equipment	35,948	8,256	4,483	1,200	15,516	3,818	3,600	75,555	25,792	101,347		101,347
Equipment rental	1,083	-	650	-	2,000	7,114	-	10,847	24,856	35,703		35,703
Meetings	35,613	5,537	3,182	-	2,276	1,418	6,132	55,469	5,616	61,085		61,085
Travel and mileage	29,247	35,368	6,897	-	27,785	5,312	4,597	110,532	8,470	119,002		119,002
Events and facilitation services	35,140	6,516	19,138	-	7,244	9,323	17,051	102,733	65,007	167,740		167,740
Fundraising and other materials	20,586	-	260	-	-	-	-	20,846	-	20,846		20,846
Insurance	39,239	985	1,716	985	985	985	6,403	52,283	43,479	95,762		95,762
Bad debt expense (recoveries)	(15,000)	133,973	-	-	-	-	-	118,973	(15,000)	103,973		103,973
Other	2,680	279	-	-	-	20	384	3,363	48,174	51,537		51,537
Total expense	\$ 7,031,735	\$ 1,223,944	\$ 371,612	\$ 327,027	\$ 695,758	\$ 690,084	\$ 906,431	\$ 454,174	\$ 11,700,765	\$ 1,105,470	\$ 12,806,235	

See Notes to Financial Statements

Greater K.C. LINC, Inc.
Statement of Functional Expenses
Year Ended June 30, 2008

	Caring Communities	Health & Child Welfare Initiatives	Educare	Early Childhood	Welfare-to-Work Initiatives	Data	21st Century	Other Initiatives	Total Program Services	General, Administrative and Development	Total Expenses
Contract program services	\$ 1,728,180	\$ 703,377	\$ 114,900	\$ 312,233	\$ 319,020	\$ -	\$ 74,603	\$ 5,567	\$ 3,257,880	\$ -	\$ 3,257,880
Salaries	2,854,016	232,860	98,589	-	41,190	358,637	306,268	289,935	4,181,495	301,068	4,482,563
Purchased professional services	233,139	85,751	1,614	-	-	-	17,115	3,063	340,682	56,418	397,100
Employee benefits	769,641	62,796	26,587	-	11,108	96,714	82,592	78,187	1,127,625	81,190	1,208,815
Grants, stipends and scholarships	1,840	34,277	48	-	70,304	-	-	-	106,469	418	106,887
Administrative fees	29,199	2,400	-	9,736	36,008	-	2,367	-	79,710	-	79,710
Supplies	206,694	22,324	5,202	-	8,044	8,678	48,927	1,147	301,016	21,867	322,883
Training	33,014	17,363	53,172	-	894	14,460	2,152	400	121,455	1,735	123,190
Depreciation	21,555	1,352	11,288	-	-	59,844	29,467	13,503	137,009	40,077	177,086
Rent, facility usage and storage	2,214	526	10,091	-	7,200	2,009	139	1,237	23,416	138,751	162,167
Marketing	22,066	12,375	6,771	-	993	30,275	306	3,476	76,262	4,118	80,380
Equipment	94,577	4,121	4,427	-	2,586	47,111	29,154	758	182,734	60,513	243,247
Postage	1,562	1,628	1,404	-	462	11,175	273	1,678	17,982	9,849	27,831
Communication equipment	28,840	6,666	2,709	-	8,610	8,779	3,216	940	59,760	27,492	87,252
Equipment rental	1,539	77	2,183	-	13,462	23,736	-	-	40,997	40,542	81,539
Meetings	21,495	11,224	3,124	-	2,110	776	4,160	1,882	44,771	4,027	48,798
Travel and mileage	36,907	39,407	6,165	-	18,477	4,513	5,794	1,152	112,415	8,113	120,528
Events and facilitation services	51,131	13,148	27,847	-	10,540	13,566	24,810	12,107	153,149	94,588	247,737
Fundraising and other materials	23,912	-	28	-	1,427	-	-	-	25,367	248	25,615
Insurance	79,862	1,873	3,263	1,873	1,873	1,873	12,174	1,872	104,663	82,670	187,333
Bad debt expense (recoveries)	3,187,904	-	-	-	-	-	-	-	3,187,904	20	3,187,924
Other	-	315	-	-	-	-	293	1,053	1,661	17,878	19,539
Total expense	\$ 9,429,087	\$ 1,253,860	\$ 379,412	\$ 323,842	\$ 554,308	\$ 682,146	\$ 643,810	\$ 417,957	\$ 13,684,422	\$ 991,582	\$ 14,676,004

Greater K.C. LINC, Inc.
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Activities		
Change in net assets	\$ (1,284,028)	\$ 625,083
Items not requiring (providing) cash		
Depreciation	218,603	177,086
Gifts in-kind	-	(568,482)
Net unrealized and realized (gain) loss on investments	1,054,222	802,477
Net loss on disposal of fixed assets	1,819	-
Changes in		
Accounts and grants receivable	(508,124)	(91,876)
Prepaid expenses	65,757	9,352
Accounts payable and accrued expenses	(48,969)	567,467
	<u>(500,720)</u>	<u>1,521,107</u>
Investing Activities		
Purchase of property and equipment	(8,125)	(95,622)
Proceeds from sale of investments	8,318,832	7,058,778
Purchase of investments	(8,390,549)	(8,061,835)
	<u>(79,842)</u>	<u>(1,098,679)</u>
Increase (Decrease) in Cash and Cash Equivalents	(580,562)	422,428
Cash and Cash Equivalents, Beginning of Year	<u>3,064,916</u>	<u>2,642,488</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,484,354</u>	<u>\$ 3,064,916</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Financial Position		
Cash and cash equivalents	\$ 1,801,185	\$ 2,388,270
Cash in assets limited as to use		
Externally restricted	<u>683,169</u>	<u>676,646</u>
Total Cash and Cash Equivalents	<u>\$ 2,484,354</u>	<u>\$ 3,064,916</u>

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

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 principal. The effort involves 46 schools in 7 school districts, plus several Kansas City, Missouri area charter schools. The school-linked services are part of a larger effort to develop comprehensive integrated neighborhood services through neighborhood involvement, professional development and change management. See www.kelinc.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 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.

21st Century Community Learning Centers (21CCLC)

Funds from a grant from the Missouri Department of Elementary and Secondary Education are being used over a five-year period to provide after-school academic enrichment, youth involvement and expanded parent and community involvement at five local schools. Significant effort is placed on youth development activities and project learning to prepare middle and high school students for graduation.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

In total, at June 30, 2009 and 2008, there were 46 and 52 Caring Community sites, respectively.

Health and Child Welfare Initiatives

Child Welfare: Protecting Children & Youth

LINC is actively involved in addressing community child welfare issues. These programs improve outcomes for (and extends services to) at-risk families, particularly those at risk for child abuse and neglect. 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 foster children who are leaving the system
- Other child welfare services

Health Initiatives

These programs improve outcomes for (and extends services to) at-risk, under served youths and their families, particularly those without ready access to health services and/or insurance. Close relationships with entities such as Kansas City Quality Improvement Consortium (KCQIC) and the Area Health Education Center (AHEC) leverage resources to create broader opportunities for service.

Other Initiatives

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 addresses core competencies for early care and education professionals.

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 to families. One element of this initiative rewards early education teachers for professional development through wage increases and other incentives to attract and retain qualified staff as well.

Welfare-to-Work Initiatives

Under the Welfare-to-Work program, LINC is responsible for serving the unemployed and underemployed adults in Kansas City and Jackson County, Missouri by developing, planning, contracting and monitoring community-based welfare-to-work systems. The system 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, 2009 and 2008

Data

LINC data and research initiatives support 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. Other funding in this category supports part of LINC's accounting and technology infrastructure.

Other

This category is composed of multiple smaller initiatives that represent LINC taking advantage of unique regional opportunities for the underserved population. These initiatives support health, education and family stability, and initiatives that benefit the community.

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.

Cash Equivalents

LINC considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2009 and 2008, cash equivalents consisted primarily of money market funds and commercial paper.

The financial institution holding LINC's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Under that program, through June 30, 2010, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account, unless the participating institution opts out of the program by November 1, 2009.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2013. At June 30, 2009, LINC's cash accounts exceeded federally insured limits by approximately \$684,000. Management is consistently evaluating the financial stability of those institutions and believes the risk of loss is minimal.

Investments

Investments in mutual funds and other equity securities and all debt securities are carried at fair value. Investment income, gains and losses are reflected in the statements of activities as unrestricted or temporarily restricted based upon the existence and nature of any donor or legally imposed restrictions.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

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 changes could materially affect the investment portfolio and the amounts reported in the statements of activities.

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

Net Assets

Temporarily restricted net assets are those whose use by LINC has been limited by grantor or donor to a specific time period or purpose. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Income Taxes

Greater K.C. LINC, Inc. is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and a similar provision of the state law. However, LINC would be subject to federal income tax if it incurred any unrelated business income.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

Uncertain Tax Positions

In accordance with Financial Accounting Standards Board (FASB) Staff Position No. FIN 48-3, LINC has elected to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, until its fiscal year ended June 30, 2010. LINC has continued to account for any uncertain tax positions in accordance with literature that was authoritative immediately prior to the effective date of FIN 48, such as FASB Statement No. 109, *Accounting for Income Taxes*, and FASB Statement No. 5, *Accounting for Contingencies*.

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. Contributions having donor stipulations which are satisfied in the period the gift is received are reported as temporarily restricted revenue and then released from restriction.

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, management and general and fundraising categories.

General, Administrative and Development Expenses

For the years ended June 30, 2009 and 2008, respectively, LINC's general, administrative and development expenses accounted for 8.7% and 6.8% of LINC's total expenses.

Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on the total change in net assets.

Subsequent Events

Subsequent events have been evaluated through November 17, 2009, which is the date the financial statements were available to be issued.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

Note 2: Investments

Investments at June 30, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Mutual funds	\$ 1,965,835	\$ 2,652,623
Exchange traded funds	2,862,499	1,977,032
Money market funds	2,281,581	3,842,867
U.S. government agency securities	516,328	-
Corporate bonds	-	809,222
	<u>\$ 7,626,243</u>	<u>\$ 9,281,744</u>

The above investments are presented on the statements of financial position as follows:

Reconciliation of Investments to the Statements of Financial Position	<u>2009</u>	<u>2008</u>
Investments in cash and cash equivalents	\$ 1,780,829	\$ 2,453,825
Investments in assets limited as to use		
Reserves for underfunded community initiatives	5,845,414	6,827,919
	<u>\$ 7,626,243</u>	<u>\$ 9,281,744</u>

For the years ended June 30, 2009 and 2008, investment return consisted of the following:

	<u>2009</u>	<u>2008</u>
Net realized gains on investments	\$ 413	\$ 7,166
Net unrealized gains on investments	(1,054,635)	(809,643)
Interest and dividends	89,496	441,585
	<u>\$ (964,726)</u>	<u>\$ (360,892)</u>
Total investment return		

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

Note 3: Disclosures About Fair Value of Assets and Liabilities

Effective July 1, 2008, LINC adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year/period.

FAS 157 defines fair value as 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. FAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes 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 active 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 that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities |

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include mutual funds invested in equity securities, exchange traded funds and money market funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include U.S. government agency securities.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the FAS 157 fair value hierarchy in which the fair value measurements fall at June 30, 2009:

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual funds	\$ 1,965,835	\$ 1,965,835	\$ -	\$ -
Exchange traded funds	2,862,499	2,862,499	-	-
Money market fund	500,752	500,752	-	-
U.S. government agency securities	516,328	-	516,328	-
	<u>\$ 5,845,414</u>	<u>\$ 5,329,086</u>	<u>\$ 516,328</u>	<u>\$ -</u>
Cash and cash equivalents:				
Money market fund	\$ 1,780,829	\$ 1,780,829		

Note 4: Accounts and Grants Receivable

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

	2009	2008
Kansas City, Missouri School District (KCMSD)	\$ 474,000	\$ 4,300,001
Area Health Education Center	37,814	40,946
Missouri Department of Social Services – Foster Care Transitioning	150,000	74,091
Other programs	319,915	254,595
	<u>981,729</u>	<u>4,669,633</u>
Less allowance for doubtful accounts	<u>202,368</u>	<u>4,398,396</u>
	<u>\$ 779,361</u>	<u>\$ 271,237</u>

From 1999 to June 2007, the Kansas City, Missouri School District (KCMSD) and LINC had an agreement under which LINC was compensated in excess of \$1,400,000 annually for providing Before and After School services at certain KCMSD school sites. The agreement contained a provision under which it was automatically renewable, absent a specified notice of termination. Services were provided by LINC through June 2007. KCMSD and LINC were in negotiations concerning a revised contract prior to May 2007. Due to KCMSD's failure to pay contracted amounts for the period June 2006 through June 2007, LINC terminated the original contract effective June 15, 2007. KCMSD and LINC settled the dispute during the year ended June 30, 2009 for \$1,400,000, and negotiated a new contract which became effective for the 2009 – 2010 school year.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

Note 5: Temporarily Restricted Net Assets

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

	<u>2009</u>	<u>2008</u>
Externally restricted by funding agency		
Improved or extended services to families and children	\$ 1,150,416	\$ 889,007
Out of School Time Initiative	726,058	164,855
Welfare-to-Work Initiatives	459,957	609,267
Annie Casey Foundation-Child Welfare	166,666	166,666
Child Welfare Initiatives Including Foster Support	86,809	86,809
Family Health Initiatives	220,029	600,179
Various special projects and programs	55,203	50,246
	<u>\$ 2,865,138</u>	<u>\$ 2,567,029</u>

Note 6: 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:

	<u>2009</u>	<u>2008</u>
Expenses incurred on behalf of		
Caring Communities	\$ 978,116	\$ 1,064,140
Welfare-to-Work Initiatives	149,321	43,172
Child Welfare Initiatives Including Foster Support	497,718	147,000
Community Partnership Initiatives	55,432	214,082
Before and After School Program	164,855	141,238
Other special projects and programs	383,628	281,010
	<u>\$ 2,229,070</u>	<u>\$ 1,890,642</u>

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

Note 7: Operating Lease

LINC has entered into a noncancellable operating lease for office space, which expires during calendar year 2012. Rental expense under all leases amounted to \$190,059 and \$180,547 for the years ended June 30, 2009 and 2008, respectively.

Future minimum lease payments for operating leases at June 30, 2009 are as follows:

2010	\$ 160,793
2011	165,665
2012	170,538
2013	<u>170,538</u>
	<u>\$ 667,534</u>

Note 8: 401(k) Retirement and Savings Plan

LINC has a defined contribution plan that covers substantially all full-time employees of LINC who have attained the age of 18 and are eligible to participate after 12 months of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Participants may contribute up to 100% of their annual compensation, as defined in the Plan, subject to certain Internal Revenue Code limitations. LINC matches 50% of the employees' voluntary contributions up to a maximum employer contribution of 2.0% of eligible gross wages. LINC also makes additional contributions of 7.5% of eligible gross wages, of which 3% is considered "qualified non-elective contributions" (QNEC). Participants' interests vest over a period of two to five years of service for the additional contributions from LINC and immediately in employee salary deferral contributions, QNEC and LINC matching contributions.

LINC's contributions for both years ended June 30, 2009 and 2008 were \$283,000.

Note 9: 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 \$4,820 and \$5,090 for the years ended June 30, 2009 and 2008, respectively.

Greater K.C. LINC, Inc.
Notes to Financial Statements
June 30, 2009 and 2008

Note 10: Fundraising Expense

Fundraising and related expenses for the years ended June 30, 2009 and 2008 was \$20,846 and \$25,615, respectively.

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:

Revenues

For the years ended June 30, 2009 and 2008, funding under one Missouri Department of Social Services Contract accounted for 84% and 81% of LINC's total revenues, gains and other support, respectively.

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.

Current Economic Conditions

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in governmental support, grant revenue, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to LINC.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in governmental support or grant revenue could have an adverse impact on LINC's future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values, and allowances for contributions receivable that could negatively impact LINC's ability to maintain sufficient liquidity.

Supplementary Information

Greater K.C. LINC, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Cluster/Program	Federal Agency/Pass-Through Entity	CFDA #	Amount Expended
Twenty-First Century Community Learning Centers	Department of Education/Missouri Department of Elementary and Secondary Education	84.287	\$ 583,378
Model State-Supported Area Health Education Centers	Department of Health and Human Services – Health Resource and Service Administration	93.107	61,583
			<u>\$ 644,961</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.
2. No federal awards were provided to subrecipients.

**Independent Accountants' 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 the financial statements of Greater K.C. LINC, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated November 17, 2009, which contained an explanatory paragraph regarding a change in accounting principles. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the LINC's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LINC's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects LINC's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the LINC's financial statements that is more than inconsequential will not be prevented or detected by the LINC's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the LINC's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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*.

We noted certain matters that we reported to LINC's management in a separate letter dated November 17, 2009.

This report is intended solely for the information and use of the Board of Commissioners, Finance Committee, management and others within LINC and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Kansas City, Missouri
November 17, 2009

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

LINC Commissioners
and Finance Committee
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, 2009. LINC's major federal program is 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 its major federal program 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 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 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 its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Greater K.C. LINC, Inc. is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, 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.

LINC Commissioners
and Finance Committee
Greater K.C. LINC, Inc.
Page 2

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, Finance Committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Kansas City, Missouri
November 17, 2009

Greater K.C. LINC, Inc.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Summary of Auditors' Results

1. The opinion expressed in the independent accountants' report was:
 Unqualified Qualified Adverse Disclaimed

2. The independent accountants' report on internal control over financial reporting described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
 Significant deficiency(ies) noted considered material weakness(es)? Yes No
 Significant deficiency(ies) noted that are not considered to be a material weakness? Yes No

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:
 Unqualified Qualified Adverse Disclaimed

6. The audit disclosed findings required to be reported by OMB Circular A-133? Yes No

7. LINC's major program was:

Cluster/Program	CFDA Number
Twenty-First Century Community Learning Centers	84.287

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. LINC qualified as a low-risk auditee as that term is defined in OMB Circular A-133? Yes No

Greater K.C. LINC, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Greater K.C. LINC, Inc.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Reference Number	Summary of Finding	Status
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No findings in prior year.