

SUPPORT KANSAS CITY, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2012 AND 2011

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Gottlieb, Flekier & Co., P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Jerrold L. Gottlieb • Steven M. Flekier • Danielle L. Bordman

Independent Auditor's Report

To the Board of Directors
Support Kansas City, Inc.

We have audited the accompanying financial statements of Support Kansas City, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as, evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Support Kansas City, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gottlieb Flekier & Co., P.A.

GOTTLIEB, FLEKIER & CO., P.A.
Overland Park, Kansas
May 10, 2013

Support Kansas City, Inc.
 Statements of Financial Position
 December 31, 2012 and 2011

	2012	2011
Current Assets:		
Cash	\$ 173,152	\$ 177,031
Accounts receivable, net of allowance of \$5,843 at December 31, 2012 and 2011	77,461	61,992
Pledges receivable - current portion	1,200	-
Prepaid expenses	2,386	2,401
Total Current Assets	254,199	241,424
Pledges receivable, net of current portion	1,000	-
Fixed Assets:		
Furniture, fixtures and equipment	64,315	68,333
Less accumulated depreciation	(43,465)	(43,523)
Total Fixed Assets	20,850	24,810
Total Assets	\$ 276,049	\$ 266,234

Support Kansas City, Inc.
 Statements of Financial Position
 December 31, 2012 and 2011

Liabilities and Net Assets

	2012	2011
Current Liabilities:		
Accounts payable	\$ 3,935	\$ 3,104
Accrued liabilities	31,822	32,871
Deferred revenue	8,109	36,636
Current portion of deferred rent	2,016	2,016
Current portion of capital lease obligations	979	1,934
Total Current Liabilities	46,861	76,561
 Long-term Liabilities:		
Long-term portion of capital lease obligations	5,354	-
Deferred rent	19,792	21,808
Total Long-term Liabilities	25,146	21,808
 Total Liabilities	72,007	98,369
 Net Assets:		
Unrestricted	177,422	151,913
Temporarily restricted	26,620	15,952
Total Net Assets	204,042	167,865
 Total Liabilities and Net Assets	\$ 276,049	\$ 266,234

The accompanying notes are an integral part of these financial statements.

Support Kansas City, Inc.
 Statements of Activities
 For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue:		
Client support program fees	\$ 611,879	\$ 548,758
Interest income	131	109
Nonprofit leadership event	2,500	3,000
Other income	864	762
Total Revenues	<u>615,374</u>	<u>552,629</u>
Support:		
Grants	77,553	64,257
Contributions	2,300	2,600
Net assets released from restriction	16,832	32,617
Total Support	<u>96,685</u>	<u>99,474</u>
Total Revenues and Support	<u>712,059</u>	<u>652,103</u>
Expenses:		
Client support programs	582,310	514,062
Administration	75,433	96,790
Fundraising	28,807	19,726
Total Expenses	<u>686,550</u>	<u>630,578</u>
Change in unrestricted net assets	<u>25,509</u>	<u>21,525</u>
Changes in Temporarily Restricted Net Assets:		
Grants	27,500	29,200
Net assets released from restriction	<u>(16,832)</u>	<u>(32,617)</u>
Change in Temporarily Restricted Net Assets	<u>10,668</u>	<u>(3,417)</u>
Net assets, beginning of year	<u>167,865</u>	<u>149,757</u>
Net assets, end of year	<u>\$ 204,042</u>	<u>\$ 167,865</u>

The accompanying notes are an integral part of these financial statements.

Support Kansas City, Inc.
 Statements of Changes in Net Assets
 For the Years Ended December 31, 2012 and 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Balance at December 31, 2010	\$ 130,388	\$ 19,369	\$ 149,757
Change in net assets during 2011	<u>21,525</u>	<u>(3,417)</u>	<u>18,108</u>
Balance at December 31, 2011	151,913	15,952	167,865
Change in net assets during 2012	<u>25,509</u>	<u>10,668</u>	<u>36,177</u>
Balance at December 31, 2012	<u>\$ 177,422</u>	<u>\$ 26,620</u>	<u>\$ 204,042</u>

Support Kansas City, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities:		
Changes in net assets	\$ 36,177	\$ 18,108
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	14,434	10,986
Changes in:		
Allowance for doubtful accounts	-	1,051
Accounts receivable	(15,469)	14,060
Pledges receivable	(2,200)	-
Prepaid expenses	15	(128)
Accounts payable	831	(6,315)
Accrued liabilities	(1,049)	15,839
Deferred revenue	(28,527)	34,538
Deferred rent	(2,016)	1,834
Net Cash Provided by Operating Activities	2,196	89,973
Cash Flows from Investing Activities:		
Purchase of fixed assets	(3,725)	(12,250)
Net Cash Used in Investing Activities	(3,725)	(12,250)
Cash Flows from Financing Activities:		
Capital lease payments	(2,350)	(2,802)
Net Cash Provided Used in Financing Activities	(2,350)	(2,802)
Net increase (decrease) in cash and cash equivalents	(3,879)	74,921
Cash and cash equivalents, beginning of year	177,031	102,110
Cash and cash equivalents, end of year	\$ 173,152	\$ 177,031
Noncash investing and financing activity:		
Acquisition of fixed assets by assuming capital lease	\$ 6,749	

The accompanying notes are an integral part of these financial statements.

Support Kansas City, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2012

	Client Support			Total
	Programs	Administration	Fundraising	
Salaries and contract labor	\$ 379,158	\$ 48,789	\$ 18,579	\$ 446,526
Payroll taxes	32,178	4,141	1,577	37,896
Employee health/dental	14,607	1,880	716	17,203
Retirement benefits	5,179	666	254	6,099
Worker's compensation	875	113	43	1,031
Employee wellness	305	38	14	357
Total Personnel Costs	<u>432,302</u>	<u>55,627</u>	<u>21,183</u>	<u>509,112</u>
Rent	35,705	4,594	1,750	42,049
Telephone	5,767	742	283	6,792
Office supplies	5,582	718	274	6,574
Postage and delivery	4,193	540	205	4,938
Printing and reproduction	4,773	614	234	5,621
Equipment rental	787	101	39	927
Small furniture and equipment purchases	2,591	333	127	3,051
Repairs and maintenance	304	39	15	358
Depreciation	12,256	1,577	601	14,434
Insurance	5,412	697	265	6,374
Website and email	42	5	2	49
Technology support	20,991	2,701	1,029	24,721
Organization gifts	-	1,397	-	1,397
Subscriptions and dues	1,725	222	85	2,032
Staff development	2,652	341	130	3,123
Meetings and meals	1,663	214	82	1,959
Mileage and travel	1,710	220	84	2,014
Marketing and public relations	-	1,537	1,537	3,074
Recruitment	-	460	-	460
Payroll and benefits services	10,295	1,325	504	12,124
Accounting and auditing	5,336	686	261	6,283
Legal services	-	72	-	72
Consulting fees	20,553	-	-	20,553
Bank service charges	49	168	3	220
Taxes, licenses, fees	1,671	215	82	1,968
Interest expense	349	45	17	411
Bad debt	-	192	-	192
Cost of goods sold	2,676	-	-	2,676
Scholarship grant expense	2,560	-	-	2,560
Miscellaneous	361	49	15	425
Total Expenses	<u>\$ 582,305</u>	<u>\$ 75,431</u>	<u>\$ 28,807</u>	<u>\$ 686,543</u>

The accompanying notes are an integral part of these financial statements.

Support Kansas City, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2011

	Client Support			Total
	Programs	Administration	Fundraising	
Salaries and contract labor	\$ 350,076	\$ 64,288	\$ 12,464	\$ 426,828
Payroll taxes	27,334	5,020	973	33,327
Employee health/dental	13,669	2,510	487	16,666
Retirement benefits	7,484	1,374	266	9,124
Worker's compensation	928	170	33	1,131
Employee wellness	262	48	9	319
Total Personnel Costs	<u>399,753</u>	<u>73,410</u>	<u>14,232</u>	<u>487,395</u>
Rent	34,310	6,301	1,222	41,833
Telephone	4,926	905	175	6,006
Office supplies	4,576	840	163	5,579
Postage and delivery	3,665	673	130	4,468
Printing and reproduction	3,123	574	111	3,808
Equipment rental	1,095	201	39	1,335
Small furniture and equipment purchases	1,781	327	63	2,171
Repairs and maintenance	170	31	6	207
Depreciation	9,010	1,655	321	10,986
Insurance	4,866	894	173	5,933
Website and email	39	7	1	47
Technology support	12,328	2,264	439	15,031
Organization gifts	-	703	-	703
Subscriptions and dues	1,952	358	69	2,379
Staff development	2,992	549	107	3,648
Meetings and meals	1,550	285	55	1,890
Mileage and travel	1,519	279	54	1,852
Marketing and public relations	-	772	772	1,544
Recruitment	-	88	-	88
Payroll and benefits services	8,536	1,568	304	10,408
Accounting and auditing	4,915	903	175	5,993
Legal services	1,000	-	-	1,000
Consulting fees	-	750	-	750
Taxes, licenses, fees	1,810	277	64	2,151
Cost of goods sold	1,034	1,034	1,034	3,102
Interest expense	317	58	11	386
Bad debt	-	1,051	-	1,051
Scholarship grant expense	8,613	-	-	8,613
Miscellaneous	182	33	6	221
Total Expenses	<u>\$ 514,062</u>	<u>\$ 96,790</u>	<u>\$ 19,726</u>	<u>\$ 630,578</u>

The accompanying notes are an integral part of these financial statements.

Support Kansas City, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

Note A – Summary of Significant Accounting Policies

Organization

Support Kansas City, Inc. (the Organization) is a not-for-profit corporation that provides administrative support services to small and medium-sized not-for-profit organizations in the Greater Kansas City area. Administrative support services include: accounting, database management, payroll processing, fund development, project management, special event services and board and strategy development.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Client Support Program Revenue and Related Accounts Receivable

Client support program revenue is reported when earned and accounts receivable from clients is recorded for billed and unbilled services performed. Deferred revenue is reported when amounts are received from clients for future services to be provided by the Organization.

Accounts receivable are reported net of an allowance for doubtful accounts. The allowance is based upon management's estimate of the amount of receivables that will actually be collected. The estimate is based upon examination of specific client payments. Accounts receivable are considered delinquent thirty days after billing. The Organization's policy for charging off receivables is based upon management's analysis of specific client accounts, however, most charge offs are a result of the customer terminating its operations.

Net Assets and Contributions

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, net assets are delineated into two groups according to their nature and purpose and/or time restriction:

Unrestricted – The portion of expendable resources immediately available to support general operations.

Temporarily restricted – Resources received by or unconditionally pledged to the Organization that have donor-imposed stipulations that expire with the passage of time or by the Organization expending funds for specific purposes as directed by the donor.

Contributions received and unconditional promises to give are measured at fair value and are reported as increases in net assets at the time the pledge is received. Contributions are recorded as unrestricted or temporarily restricted support depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Contributions whose donor restrictions are met in the same reporting period are reported as unrestricted support.

Support Kansas City, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

Note A – Summary of Significant Accounting Policies (Continued)

Net Assets and Contributions (Continued)

Support from one trustee comprised approximately 11% and 9% of total support and revenues in 2012 and 2011, respectively.

Cash Equivalents

Cash equivalents for purposes of the statement of cash flows consists of cash on hand and cash in operating bank accounts.

Fixed Assets

Fixed assets consist primarily of office equipment and are recorded at cost or, if donated, at fair market value at the date of donation. Individual items with a cost or value of \$500 or greater and a useful life of greater than a year are capitalized. Depreciation is provided using straight-line methods over the estimated useful lives of the respective assets, which is generally two to five years. Maintenance and repairs are charged to expenses as incurred and major renewals and betterments are capitalized. Depreciation expense for the years ended December 2012 and 2011 is \$14,434 and \$10,986 respectively.

Contributed Services and Goods

The Organization recognizes contribution revenue and program expense for contributed goods and services at the fair value of those goods and services on the date received. In 2012 and 2011, contributed services and goods consisted of the services of an intern from the University of Missouri at Kansas City (UMKC) valued at \$5,000. Additionally, in 2011, it included donated food of \$150.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

No provision for income taxes is included in the Statement of Activities since the organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue code. Additionally, the Organization has been classified as a Section 509(a)(3) organization, which is a supporting organization, rather than a private foundation.

The Organization accounts for income taxes in accordance with FASB ASC 740, *Accounting for Income Taxes*, which provides guidance on how to measure and account for various tax positions. The Organization has determined that no material unrecognized tax benefits or liabilities exist at December 31, 2012.

Support Kansas City, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

Note A – Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Organization is not at the present time under examination by any taxing authority. Effectively, all years for federal and state income examination are closed for any year ended prior to December 31, 2009.

Compensated Absences

Paid time off earned by employees but not used at December 31, 2012 and 2011 is \$14,971 and \$17,771, respectively. The paid time off policy states that staff may accrue up to the equivalent of two weeks of extended sick leave, but that any accrued hours remaining at the end of the year in excess of the equivalent of two weeks will be lost. The Executive Director may accrue up to four weeks of paid time off. Employees can earn up to twenty days of paid time off during the year depending upon the number of years of service. Additionally, employees are granted up to three paid working days in the event of an immediate family member's death.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B – Lease Commitments

The Organization leases a copier under a capital lease expiring in August of 2017. The asset is depreciated over its useful life. Depreciation under this capital lease is included in depreciation expense and is \$450 for the year ended December 31, 2012.

The current copier lease replaced a previous capital lease of a copier expiring June 2012. Depreciation under this capital lease is included in depreciation expense and is \$1,303 and \$2,569 for the years ended December 31, 2012 and 2011, respectively.

Following is a summary of the property held under capital lease at December 31, 2012 and 2011:

	2012	2011
Copier	\$ 6,749	\$ 12,884
Less: accumulated depreciation	(450)	(11,581)
	\$ 6,299	\$ 1,303

Support Kansas City, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

Note B – Lease Commitments (Continued)

Minimum future lease payments under this lease as of December 31, 2012 are:

2013		\$	979
2014			1,220
2015			1,386
2016			1,574
2017			1,174
			\$ 6,333

On May 14, 2007, the Organization entered into an operating lease for office space which expires October 30, 2017. The lease calls for payment of a “base rent” amount and “additional rent” which consists of the tenant’s percentage of the increase in operating and maintenance expenses. The “base rent” is payable in monthly installments according to the following schedule:

July 1, 2007 through October 30, 2007	No monthly payments
November 1, 2007 through October 30, 2011	\$3,219 per month
November 1, 2011 through October 30, 2014	\$3,604 per month
November 1, 2014 through October 30, 2017	\$3,904 per month

Rent expense is recorded on a straight-line basis over the life of the lease. The difference between the amount of “base rent” paid and rent expense is recorded as deferred rent in the financial statements. During the term of the lease, the Organization is also required to pay “additional rent” defined as the tenant’s percentage of any increase in the landlord’s operating and maintenance costs of the building over and above the amount of such costs incurred during the last full calendar year immediately preceding the date on which the Organization occupied the premises.

Rent expense for office space totaled \$42,049 and \$41,833 for 2012 and 2011, respectively. The Organization includes “additional rent” and any discounts of rent in rent expense.

Support Kansas City, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

Note B – Lease Commitments (Continued)

Future minimum lease payments required under the operating lease are as follows:

Year Ended December 31,		
2013	\$	43,248
2014		43,248
2015		43,848
2016		46,848
2017		39,040
	<u>\$</u>	<u>216,232</u>

Note C – Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at December 31, 2012 and 2011:

	2012	2011
Restricted as to Use:		
Coaching and planning services for clients	\$ -	\$ 1,387
Technology and capacity building	26,620	14,565
	<u>\$ 26,620</u>	<u>\$ 15,952</u>

Note D – Pension Plan

The Organization has established a defined contribution 401(k) retirement plan for the benefit of employees with one year of service or more who are at least 21 years old. Annually, the Organization determines the level of discretionary matching contributions and discretionary profit-sharing contributions. Matching contributions will not be made in excess of 4% of employee compensation. During 2012 and 2011, the Organization's matching contributions were equal to 50% of the amount of employee contributions disregarding any elective deferral contributions in excess of 4% of the participant's compensation. The amount of retirement plan contributions expense was \$6,099 and \$9,124 for the years ended December 31, 2012 and 2011, respectively.

Note E – Subsequent Events

Management has evaluated subsequent events through May 10, 2013, the date which the financial statements were available for issue.