



SUPPORT KANSAS CITY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2016 and 2015





INDEPENDENT AUDITORS' REPORT

To the Board of Directors

SUPPORT KANSAS CITY, INC.

We have audited the accompanying financial statements of Support Kansas City, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Support Kansas City, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive script.

Kansas City, Missouri
June 8, 2017



SUPPORT KANSAS CITY, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 364,365	\$ 357,947
Accounts receivable, net of allowance	129,831	132,101
Grants receivable	151,667	28,626
Prepaid expenses	5,848	7,856
TOTAL CURRENT ASSETS	651,711	526,530
Property and equipment, at cost, less accumulated depreciation	35,323	10,138
TOTAL ASSETS	\$ 687,034	\$ 536,668
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 9,494	\$ 8,033
Accrued liabilities	63,746	56,491
Deferred revenue	4,024	-
Current portion of deferred rent	1,144	6,048
Current portion of capital lease obligations	-	1,608
TOTAL CURRENT LIABILITIES	78,408	72,180
LONG-TERM LIABILITIES		
Deferred rent	5,527	5,008
Capital lease obligations	-	885
TOTAL LONG-TERM LIABILITIES	5,527	5,893
TOTAL LIABILITIES	83,935	78,073
<u>NET ASSETS</u>		
NET ASSETS		
Unrestricted	361,428	359,713
Temporarily restricted	241,671	98,882
TOTAL NET ASSETS	603,099	458,595
TOTAL LIABILITIES AND NET ASSETS	\$ 687,034	\$ 536,668

See Notes to Financial Statements

SUPPORT KANSAS CITY, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
UNRESTRICTED REVENUES AND SUPPORT		
Client support program fees	\$ 1,012,934	\$ 935,169
Grants and contributions	144,400	158,208
Nonprofit leadership event	8,250	2,500
In-kind donations	22,858	14,643
Other income	1,079	976
Net assets released from restrictions	<u>208,226</u>	<u>123,176</u>
 TOTAL UNRESTRICTED REVENUES AND SUPPORT	 <u>1,397,747</u>	 <u>1,234,672</u>
EXPENSES		
Client support programs	1,140,805	970,351
Supporting services		
Administration	228,881	198,433
Fundraising	26,346	13,040
Total supporting services	<u>255,227</u>	<u>211,473</u>
 TOTAL EXPENSES	 <u>1,396,032</u>	 <u>1,181,824</u>
 CHANGES IN UNRESTRICTED NET ASSETS	 <u>1,715</u>	 <u>52,848</u>
TEMPORARILY RESTRICTED NET ASSETS		
Grants and contributions	351,015	154,288
Net assets released from restrictions	<u>(208,226)</u>	<u>(123,176)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	<u>142,789</u>	<u>31,112</u>
 CHANGES IN NET ASSETS	 144,504	 83,960
 NET ASSETS, BEGINNING OF YEAR	 <u>458,595</u>	 <u>374,635</u>
 NET ASSETS, END OF YEAR	 <u>\$ 603,099</u>	 <u>\$ 458,595</u>

See Notes to Financial Statements

SUPPORT KANSAS CITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2016

	<u>Client Support Programs</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total All Funds</u>
Payroll and benefits				
Salaries	\$ 744,229	\$ 167,451	\$ 18,606	\$ 930,286
Payroll taxes	54,522	12,268	1,363	68,153
Employee health/dental	37,531	8,445	938	46,914
Retirement benefits	17,836	4,013	446	22,295
Contract labor	6,205	-	-	6,205
Worker's compensation	1,801	405	45	2,251
Total payroll and benefits	<u>862,124</u>	<u>192,582</u>	<u>21,398</u>	<u>1,076,104</u>
Accounting and auditing	7,920	1,782	198	9,900
Bad debt expense	14	3	-	17
Bank service charges	-	224	-	224
Community Impact Activities	122,889	-	-	122,889
Excellence in nonprofit leadership	7,524	-	-	7,524
Insurance	6,238	1,404	156	7,798
Interest expense	176	39	4	219
Marketing and public relations	-	1,241	1,241	2,482
Meetings and meals	2,676	602	67	3,345
Mileage and travel	2,539	572	64	3,175
Miscellaneous	349	78	9	436
Moving costs	2,220	500	56	2,776
Office supplies	4,278	962	107	5,347
Organization gifts	-	582	-	582
Payroll and benefits services	9,726	2,188	243	12,157
Postage and delivery	3,567	802	89	4,458
Printing and reproduction	8,162	1,836	204	10,202
Recruitment	-	814	-	814
Rent	54,421	12,244	1,361	68,026
Repairs and maintenance	576	130	14	720
Service enhancements	3,327	748	83	4,158
Small furniture and equipment purchases	2,467	555	61	3,083
Staff development	6,688	1,505	167	8,360
Subscriptions and dues	2,533	570	63	3,166
Taxes, licenses and fees	2,301	599	58	2,958
Technology support	13,054	2,937	327	16,318
Telephone	8,268	1,860	207	10,335
Website and email	378	85	9	472
TOTAL EXPENSES BEFORE DEPRECIATION	<u>1,134,415</u>	<u>227,444</u>	<u>26,186</u>	<u>1,388,045</u>
Depreciation	6,390	1,437	160	7,987
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,140,805</u>	<u>\$ 228,881</u>	<u>\$ 26,346</u>	<u>\$ 1,396,032</u>

See Notes to Financial Statements

SUPPORT KANSAS CITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	<u>Client Support Programs</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total All Funds</u>
Payroll and benefits				
Salaries	\$ 658,519	\$ 136,522	\$ 8,031	\$ 803,072
Payroll taxes	54,272	11,251	662	66,185
Employee health/dental	32,790	6,798	400	39,988
Retirement benefits	17,429	3,614	213	21,256
Contract labor	15,320	3,176	187	18,683
Worker's compensation	1,185	245	14	1,444
Employee wellness	49	10	1	60
Total payroll and benefits	<u>779,564</u>	<u>161,616</u>	<u>9,508</u>	<u>950,688</u>
Accounting and auditing	8,118	1,683	99	9,900
Bank service charges	-	120	-	120
Community Impact Activities	27,169	-	-	27,169
Consulting fees	8,999	1,866	110	10,975
Excellence in nonprofit leadership	7,436	-	-	7,436
Insurance	6,696	1,388	82	8,166
Interest expense	345	72	4	421
Legal services	1,475	306	18	1,799
Marketing and public relations	-	1,626	1,626	3,252
Meetings and meals	2,100	435	26	2,561
Mileage and travel	2,213	459	27	2,699
Miscellaneous	96	20	1	117
Office supplies	4,960	1,029	61	6,050
Organization gifts	-	2,108	-	2,108
Payroll and benefits services	10,484	2,174	128	12,786
Postage and delivery	5,436	1,127	66	6,629
Printing and reproduction	5,920	1,227	72	7,219
Recruitment	-	580	-	580
Rent	46,686	9,679	569	56,934
Repairs and maintenance	1,127	234	14	1,375
Service enhancements	7,821	1,621	95	9,537
Small furniture and equipment purchases	6,690	1,387	82	8,159
Staff development	9,100	1,887	111	11,098
Subscriptions and dues	1,986	412	24	2,422
Taxes, licenses and fees	1,516	315	19	1,850
Technology support	11,524	2,389	141	14,054
Telephone	6,671	1,383	81	8,135
Website and email	80	17	1	98
TOTAL EXPENSES BEFORE DEPRECIATION	<u>964,212</u>	<u>197,160</u>	<u>12,965</u>	<u>1,174,337</u>
Depreciation	6,139	1,273	75	7,487
TOTAL FUNCTIONAL EXPENSES	<u>\$ 970,351</u>	<u>\$ 198,433</u>	<u>\$ 13,040</u>	<u>\$ 1,181,824</u>

See Notes to Financial Statements

SUPPORT KANSAS CITY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 144,504	\$ 83,960
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	7,987	7,487
Gain on disposal of property and equipment	(876)	-
Decrease (increase) in operating assets:		
Accounts receivable	2,270	(36,634)
Grants receivable	(123,041)	(14,876)
Prepaid expenses	2,008	(3,727)
Increase (decrease) in operating liabilities:		
Accounts payable	1,461	(13)
Accrued liabilities	7,255	20,383
Deferred revenue	4,024	(1,634)
Deferred rent	(4,385)	(6,048)
	<u>41,207</u>	<u>48,898</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		
	<u>41,207</u>	<u>48,898</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(33,172)	(2,419)
Proceeds from sale of fixed assets	876	-
	<u>(32,296)</u>	<u>(2,419)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES		
	<u>(32,296)</u>	<u>(2,419)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease payments	(2,493)	(1,415)
	<u>(2,493)</u>	<u>(1,415)</u>
NET CHANGES IN CASH	6,418	45,064
CASH, BEGINNING OF YEAR	<u>357,947</u>	<u>312,883</u>
CASH, END OF YEAR	<u>\$ 364,365</u>	<u>\$ 357,947</u>

See Notes to Financial Statements

SUPPORT KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations - 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.

Revenue recognition - Client support program fees are reported as revenue when earned. Deferred revenue is reported when amounts are received from clients for future services to be provided by the Organization.

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 2016, contributed services and goods consisted of \$22,858 in rent discounts on the office space. These were included in in-kind donations revenue on the statements of activities and changes in net assets and rent on the statement of functional expenses. In 2015, contributed services and goods consisted of \$12,143 in rent discounts on the office space the Organization currently leases and \$2,500 in advertising services performed in exchange for future sponsorships at the Excellence in Non-profit Leadership Awards event. These were included in in-kind donations revenue on the statements of activities and changes in net assets and rent and advertising on the statement of functional expenses.

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.

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 - For purposes of the statement of cash flows, cash is considered to be cash on hand and cash in operating bank accounts.

SUPPORT KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Accounts receivable - Accounts receivable from clients is recorded for billed and unbilled services performed. Accounts receivable are reported net of an allowance for doubtful accounts. Unbilled work in progress is reported at net realizable value. 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 creating an allowance for receivables is based upon management's analysis of specific client accounts, however, most allowances and write-offs are a result of the customer terminating its operations.

Property and equipment - Fixed assets consist primarily of office equipment and are recorded at cost or, if donated, at fair value at the date of donation. Individual items with a cost of \$500 or greater and a useful life of greater than a year are generally capitalized. Depreciation is provided using straight-line methods over the estimated useful lives of the respective assets. Furniture and fixtures are generally depreciated over three to seven years while leasehold improvements are depreciated over fifteen years. Maintenance and repairs are charged to expenses as incurred.

Taxes - The Organization has been granted an exemption from income taxes by the Internal Revenue Service under the provisions of 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. As such, no provision is made for income taxes in these statements. The Organization has adopted the standards requiring disclosure of uncertain tax positions under the ASC topic "Income Taxes." There has been no interest or penalties recognized in the financial statements related to uncertain tax positions. The Organization files its federal Exempt Organization Business Income Tax Return (Form 990) annually. The Organization is no longer subject to income tax examinations by taxing authorities for years before 2013.

Functional expenses - The Organization allocates its expenses on a functional basis to programs and supporting services. Expenses relating to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. 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.

During the years ended December 31, 2016 and 2015, the Organization had expenses related to community impact activities and its excellence in nonprofit leadership event. These expenses are recorded on the statement of functional expenses as client support programs. The following schedules are representative of the expenses incurred related to these activities:

For the Year Ended December 31, 2016:

	Community Impact Activities	Excellence in Nonprofit Leadership	Total
Outside services	\$ 109,072	\$ 2,601	\$ 111,673
Scholarships and honorariums	1,800	-	1,800
Catering and meals	7,252	4,569	11,821
Office supplies and printing	1,335	354	1,689
Travel	1,637	-	1,637
Miscellaneous	1,793	-	1,793
Total event expenses	<u>\$ 122,889</u>	<u>\$ 7,524</u>	<u>\$ 130,413</u>

SUPPORT KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

For the Year Ended December 31, 2015:

	Community Impact Activities	Excellence in Nonprofit Leadership	Total
Outside services	\$ 16,426	\$ 2,367	\$ 18,793
Donations	4,200	-	4,200
Catering and meals	3,660	5,029	8,689
Office supplies and printing	1,231	40	1,271
Travel	1,091	-	1,091
Miscellaneous	561	-	561
Total event expenses	<u>\$ 27,169</u>	<u>\$ 7,436</u>	<u>\$ 34,605</u>

(2) Accounts receivable

	December 31,	
	2016	2015
Accounts receivable	\$ 62,807	\$ 66,228
Unbilled work in progress	72,867	71,716
Gross accounts receivable	<u>135,674</u>	<u>137,944</u>
Allowance for doubtful accounts	<u>(5,843)</u>	<u>(5,843)</u>
Accounts receivable, net	<u>\$ 129,831</u>	<u>\$ 132,101</u>

(3) Property and equipment

	December 31,	
	2016	2015
Furniture, fixtures and equipment, at cost	\$ 82,935	\$ 79,476
Leasehold improvements	7,746	-
Total cost	<u>90,681</u>	<u>79,476</u>
Accumulated depreciation	<u>(55,358)</u>	<u>(69,338)</u>
Property and equipment, net	<u>\$ 35,323</u>	<u>\$ 10,138</u>

The aggregate depreciation charged to operations for the years ended December 31, 2016 and 2015 was \$7,987 and \$7,487, respectively.

SUPPORT KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

(4) Lease commitments

On May 14, 2007, the Organization entered into an operating lease for office space which was set to expire on October 30, 2017. The “base rent” negotiated was 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	\$3,940 per month

During the year ended December 31, 2016, the Organization entered into a new operating lease for office space through October 30, 2022. The “base rent” negotiated is payable in monthly installments according to the following schedule:

November 1, 2014 through August 31, 2016	\$3,940 per month
September 1, 2016 through October 30, 2022	\$3,543 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 \$68,026 and \$56,934 for the years ended December 31, 2016 and 2015, respectively. The Organization includes “additional rent” and any discounts of rent in rent expense.

Minimum future lease payments required under the operating lease are as follows:

Years Ending December 31,

2017	\$ 49,061
2018	42,516
2019	42,516
2020	42,516
2021	42,516
Thereafter	<u>35,430</u>
Total minimum future lease payments	<u><u>\$ 254,555</u></u>

The Organization leased a copier under a capital lease expiring in August of 2017, which was disposed of effective December 31, 2016. The asset was depreciated over its useful life. Depreciation under this capital lease is included in depreciation expense and is \$2,250 and \$1,349 for the years ended December 31, 2016 and 2015, respectively.

SUPPORT KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

(4) Lease commitments (continued)

The following is a summary of the property held under capital lease:

	December 31,	
	2016	2015
Copier	\$ -	\$ 6,749
Less: accumulated depreciation	-	(4,499)
	-	2,250
Property held under capital lease	\$ -	\$ 2,250

The related cost and accumulated depreciation noted above is included in property and equipment as described in Note 3.

(5) Temporarily restricted net assets

Temporarily restricted net assets were available for the following purpose at December 31, 2016 and 2015:

	December 31,	
	2016	2015
Restricted as to use:		
Kansas City cultural competency initiative	\$ 17,003	\$ 44,570
Kansas organizing and advocacy coalition	11,918	40,000
Advocacy capacity project	50,000	13,562
Fiscal agent activities	750	750
Future operations	162,000	-
Total temporarily restricted net assets	\$ 241,671	\$ 98,882

Temporarily restricted net assets released from restriction by incurring expenses consisted of the following:

	December 31,	
	2016	2015
Kansas City cultural competency initiative	\$ 122,582	\$ 44,642
Kansas organizing and advocacy coalition	69,582	-
Capacity building campaign	-	7,770
Advocacy capacity project	13,562	6,514
Fiscal agent activities	2,500	4,250
Future operations	-	60,000
Total releases	\$ 208,226	\$ 123,176

SUPPORT KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

(6) Pension plan

The Organization has established a defined contribution 401(k) retirement plan for the benefit of employees with three months of service or more who are at least 21 years old. Employees can enroll at the beginning of the quarter after they become eligible. Employer contributions to the plan are made at the discretion of the Organization. For the years ended December 31, 2016 and 2015, the Organization's matching contributions consisted of 100% of employee contribution up to 3% of the employee's salary. The amount of retirement plan contributions expense was \$22,295 and \$21,256 for the years ended December 31, 2016 and 2015, respectively.

(7) Compensated absences

Paid time off earned by employees but not used at December 31, 2016 and 2015 was \$24,878 and \$20,776, respectively, and was recorded as an accrued liability in the statements of financial position. 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 services. Additionally, employees are granted up to three paid working days in the event of an immediate family member's death.

(8) Cash flow disclosures

The following is a summary of supplemental cash flow information:

	<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Cash paid for interest	<u>\$ 219</u>	<u>\$ 421</u>

The Organization maintains cash accounts in several commercial financial institutions which, at times, are in excess of federally insured limits. Management monitors the soundness of these financial institutions and feels the Company's risk is negligible. The Organization has not experienced losses on any such accounts.

(9) Subsequent events

Management has evaluated subsequent events through June 8, 2017, which is the date the financial statements were available to be issued. No events were identified during this evaluation that would require disclosure in the financial statements or footnotes.