



SUPPORT KANSAS CITY, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017





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, 2018 and 2017, 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, 2018 and 2017, 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
April 24, 2019

SUPPORT KANSAS CITY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 381,835	\$ 463,561
Accounts receivable, net of allowance	98,399	134,893
Grants receivable	265,177	162,473
Prepaid expenses	5,296	3,333
TOTAL CURRENT ASSETS	<u>750,707</u>	<u>764,260</u>
Property and equipment, at cost, less accumulated depreciation	<u>52,089</u>	<u>44,128</u>
TOTAL ASSETS	<u>\$ 802,796</u>	<u>\$ 808,388</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 32,173	\$ 32,013
Accrued liabilities	68,191	63,618
Deferred revenue	5,333	959
Current portion of deferred rent	1,144	1,144
Current portion of capital lease obligations	2,404	2,404
TOTAL CURRENT LIABILITIES	<u>109,245</u>	<u>100,138</u>
LONG-TERM LIABILITIES		
Deferred rent	5,527	5,527
Capital lease obligations	5,863	8,378
TOTAL LONG-TERM LIABILITIES	<u>11,390</u>	<u>13,905</u>
TOTAL LIABILITIES	<u>120,635</u>	<u>114,043</u>
<u>NET ASSETS</u>		
NET ASSETS		
Net assets without donor restrictions	190,088	279,962
Net assets with donor restrictions	492,073	414,383
TOTAL NET ASSETS	<u>682,161</u>	<u>694,345</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 802,796</u>	<u>\$ 808,388</u>

See Notes to Financial Statements

SUPPORT KANSAS CITY, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2018 and 2017

	2018	2017
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND SUPPORT		
Client support program fees	\$ 1,024,636	\$ 1,051,465
Grants and contributions	134,361	21,947
Nonprofit leadership event	16,000	11,000
In-kind donations	34,868	34,868
Other income	893	2,075
Net assets released from restrictions	452,863	334,394
TOTAL REVENUES AND SUPPORT	1,663,621	1,455,749
EXPENSES		
Client support programs	1,372,349	1,263,925
Supporting services		
Administration	347,957	244,188
Fundraising	33,189	29,102
Total supporting services	381,146	273,290
TOTAL EXPENSES	1,753,495	1,537,215
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(89,874)	(81,466)
NET ASSETS WITH DONOR RESTRICTIONS		
Grants and contributions	530,553	507,106
Net assets released from restrictions	(452,863)	(334,394)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	77,690	172,712
CHANGES IN NET ASSETS	(12,184)	91,246
NET ASSETS, BEGINNING OF YEAR	694,345	603,099
NET ASSETS, END OF YEAR	\$ 682,161	\$ 694,345

See Notes to Financial Statements

SUPPORT KANSAS CITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	<u>Client Support Programs</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total All Funds</u>
Payroll and benefits				
Salaries	\$ 766,330	\$ 235,008	\$ 20,435	\$ 1,021,773
Payroll taxes	59,688	18,304	1,591	79,583
Employee health/dental	45,714	14,019	1,219	60,952
Retirement benefits	17,537	5,378	468	23,383
Contract labor	266,400	-	-	266,400
Worker's compensation	1,478	453	40	1,971
Total payroll and benefits	<u>1,157,147</u>	<u>273,162</u>	<u>23,753</u>	<u>1,454,062</u>
Accounting and auditing	-	13,482	-	13,482
Excellence in nonprofit leadership	10,392	3,187	278	13,857
Insurance	6,601	2,024	176	8,801
Interest expense	-	437	-	437
Legal services	-	836	-	836
Marketing and public relations	40	1,789	1,829	3,658
Meetings and meals	29,283	4,857	698	34,838
Mileage and travel	13,187	3,731	-	16,918
Miscellaneous	-	2,442	-	2,442
Office supplies	6,930	2,125	188	9,243
Organization gifts	-	798	799	1,597
Out of pocket expenses	26,151	-	-	26,151
Other program costs	3,557	-	-	3,557
Payroll and benefits services	1,656	508	44	2,208
Postage and delivery	-	254	2,288	2,542
Printing and reproduction	1,428	642	42	2,112
Recruitment	-	1,515	-	1,515
Rent	58,038	17,798	1,548	77,384
Repairs and maintenance	500	756	14	1,270
Service enhancements	3,242	994	86	4,322
Small furniture and equipment purchases	3,769	1,156	100	5,025
Staff development	9,161	2,809	244	12,214
Subscriptions and dues	2,196	673	59	2,928
Technology support	20,728	6,357	553	27,638
Telephone	9,073	2,782	243	12,098
TOTAL EXPENSES BEFORE DEPRECIATION	<u>1,363,079</u>	<u>345,114</u>	<u>32,942</u>	<u>1,741,135</u>
Depreciation	9,270	2,843	247	12,360
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,372,349</u>	<u>\$ 347,957</u>	<u>\$ 33,189</u>	<u>\$ 1,753,495</u>

See Notes to Financial Statements

SUPPORT KANSAS CITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2017

	Client Support Programs	Administration	Fundraising	Total All Funds
Payroll and benefits				
Salaries	\$ 791,801	\$ 178,155	\$ 19,795	\$ 989,751
Payroll taxes	58,414	13,143	1,460	73,017
Employee health/dental	51,426	11,571	1,286	64,283
Retirement benefits	18,314	4,121	458	22,893
Contract labor	4,250	-	-	4,250
Worker's compensation	1,403	316	35	1,754
Total payroll and benefits	925,608	207,306	23,034	1,155,948
Accounting and auditing	7,963	1,792	199	9,954
Bank service charges	-	-	205	205
Community Impact Activities	157,971	-	-	157,971
Excellence in nonprofit leadership	5,556	1,250	139	6,945
Insurance	6,674	1,502	166	8,342
Interest expense	439	99	11	549
Marketing and public relations	-	1,500	1,500	3,000
Meetings and meals	3,348	753	84	4,185
Mileage and travel	1,194	269	30	1,493
Miscellaneous	173	40	4	217
Office supplies	5,259	1,183	131	6,573
Organization gifts	-	2,356	-	2,356
Out of pocket expenses	33,574	-	-	33,574
Payroll and benefits services	403	91	10	504
Postage and delivery	1,231	277	30	1,538
Printing and reproduction	(1,783)	(401)	(45)	(2,229)
Recruitment	-	-	699	699
Rent	65,754	14,795	1,643	82,192
Repairs and maintenance	950	214	23	1,187
Service enhancements	6,301	1,418	157	7,876
Small furniture and equipment purchases	2,530	569	63	3,162
Staff development	9,297	2,092	232	11,621
Subscriptions and dues	1,615	363	40	2,018
Taxes, licenses and fees	40	9	1	50
Technology support	12,983	2,921	325	16,229
Telephone	8,123	1,827	203	10,153
Website and email	243	55	7	305
TOTAL EXPENSES BEFORE DEPRECIATION	1,255,446	242,280	28,891	1,526,617
Depreciation	8,479	1,908	211	10,598
TOTAL FUNCTIONAL EXPENSES	\$ 1,263,925	\$ 244,188	\$ 29,102	\$ 1,537,215

See Notes to Financial Statements

SUPPORT KANSAS CITY, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (12,184)	\$ 91,246
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	12,360	10,598
Decrease (increase) in operating assets:		
Accounts receivable	36,494	(5,062)
Grants receivable	(102,704)	(10,806)
Prepaid expenses	(1,963)	2,514
Increase (decrease) in operating liabilities:		
Accounts payable	160	22,519
Accrued liabilities	4,573	(128)
Deferred revenue	4,374	(3,065)
	<u>(58,890)</u>	<u>107,816</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES		
	<u>(58,890)</u>	<u>107,816</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(20,321)</u>	<u>(6,216)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital lease payments	<u>(2,515)</u>	<u>(2,404)</u>
NET CHANGES IN CASH	(81,726)	99,196
CASH, BEGINNING OF YEAR	<u>463,561</u>	<u>364,365</u>
CASH, END OF YEAR	<u><u>\$ 381,835</u></u>	<u><u>\$ 463,561</u></u>
NON CASH FLOW INVESTING AND FINANCING ACTIVITIES		
Financing of property and equipment purchases through capital lease	<u><u>\$ -</u></u>	<u><u>\$ 13,186</u></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 2018 and 2017 contributed services and goods consisted of \$34,868 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.

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:

Net assets without donor restrictions - The portion of expendable resources immediately available to support general operations.

Net assets with donor restrictions - 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 depending on the existence or nature of any donor restrictions. When a restriction expires, restricted net assets are reported in the statement of activities as net assets released from restrictions.

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 doubtful accounts 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 expense 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 2015.

Recent accounting pronouncements - The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. This ASU is effective for the year ended December 31, 2018 and should be applied on a retrospective basis. However, if comparative financial statements are presented, the Organization has the option to omit, which they have done, the disclosures about liquidity and availability of resources for the year ended December 31, 2017.

Functional expenses - The Organization's costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program, general and administrative functions, or fundraising efforts are allocated directly to those functional categories. Salaries and wages and related personnel costs are allocated based upon estimated time and effort. Other expenses that are common to several functions are allocated based upon the allocation of salaries and wages to those functions. Property and depreciation expenses are partially allocated using square footage and are also directly allocated. Bad debt expense is classified as a program expense on the statement of functional expenses as the expense is associated with revenue-generating activities that are program related.

SUPPORT KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

During the year ended December 31, 2017, 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 and for the year ended December 31, 2018, have been included in the expenses by natural classification. The following schedule is representative of the expenses incurred related to these activities:

	Community Impact Activities	Excellence in Nonprofit Leadership	Total
Outside services	\$ 134,172	\$ 2,065	\$ 136,237
Scholarships and honorariums	1,700	-	1,700
Catering and meals	10,126	4,818	14,944
Office supplies and printing	1,904	62	1,966
Travel	734	-	734
Returned grant funds	9,063	-	9,063
Miscellaneous	272	-	272
Total event expenses	<u>\$ 157,971</u>	<u>\$ 6,945</u>	<u>\$ 164,916</u>

(2) Accounts receivable

	December 31,	
	2018	2017
Accounts receivable	\$ 39,532	\$ 72,259
Unbilled work in progress	64,710	68,477
Gross accounts receivable	<u>104,242</u>	<u>140,736</u>
Allowance for doubtful accounts	<u>(5,843)</u>	<u>(5,843)</u>
Accounts receivable, net	<u>\$ 98,399</u>	<u>\$ 134,893</u>

(3) Property and equipment

	December 31,	
	2018	2017
Furniture, fixtures and equipment, at cost	\$ 122,659	\$ 102,338
Leasehold improvements	7,746	7,746
Total cost	<u>130,405</u>	<u>110,084</u>
Accumulated depreciation	<u>(78,316)</u>	<u>(65,956)</u>
Property and equipment, net	<u>\$ 52,089</u>	<u>\$ 44,128</u>

The aggregate depreciation charged to operations was \$12,360 and \$10,598 for the years ended December 31, 2018 and 2017, respectively.

SUPPORT KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

(4) Lease commitments

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:

January 1, 2017 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 \$77,384 and \$82,192 for the years ended December 31, 2018 and 2017, respectively. The Organization includes in-kind rent in rent expense.

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

2019	\$ 42,516
2020	42,516
2021	42,516
2022	<u>35,430</u>
Total minimum future lease payments	<u><u>\$ 162,978</u></u>

The Organization leased a copier under a capital lease expiring in December 2022 during August 2017. The asset will be depreciated over its useful life. Depreciation under this capital lease is included in depreciation expense and is \$2,637 for the years ended December 31, 2018 and 2017.

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

Years Ending December 31,

2019	\$ 2,953
2020	2,953
2021	<u>2,953</u>
Total minimum future lease payments	8,859
Less amount representing interest	<u>(592)</u>
Capital lease obligation	<u><u>\$ 8,267</u></u>

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

SUPPORT KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

(5) Net assets with donor restrictions

Net assets with donor restrictions were available for the following purpose:

	December 31,	
	2018	2017
Restricted as to use:		
Kansas City cultural competency initiative	\$ 150,566	\$ 83,682
Kansas organizing and advocacy coalition	-	9,041
Public health	-	246,660
Future operations	341,507	75,000
Total net assets with donor restrictions	\$ 492,073	\$ 414,383

Net assets with donor restrictions released by incurring program expenses consisted of the following:

	December 31,	
	2018	2017
Kansas City cultural competency initiative	\$ 77,632	\$ 83,205
Kansas organizing and advocacy coalition	-	2,877
Advocacy capacity project	46,641	75,000
Fiscal agent activities	-	750
Public health	246,660	20,562
Future operations	81,930	152,000
Total releases	\$ 452,863	\$ 334,394

(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, 2018 and 2017, 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 \$23,383 and \$22,893 for the years ended December 31, 2018 and 2017, respectively.

(7) Compensated absences

Paid time off earned by employees but not used was \$29,048 and \$25,741 at December 31, 2018 and 2017, 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.

SUPPORT KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

(8) Liquidity disclosure

The Organization has various sources of liquidity at its disposal. For purposes of analyzing resources available over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Additionally, the Organization monitors its budget and anticipates sufficient revenue to cover general expenditures over the next 12 months. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash. As of December 31, 2018, the following financial assets could be made available within one year of the balance sheet date to meet general obligations:

Unrestricted cash	\$ 245,090
Grants receivable for general expenditures due in one year or less	136,789
Restricted cash for which time restrictions will expire in one year or less	60,881
Accounts receivable for general expenditures due in one year or less	<u>98,399</u>
Financial assets available for general expenditures over the next 12 months	541,159
Fiscal agent cash	75,864
Restricted portion of grants receivable	<u>128,388</u>
Total financial assets available	<u>\$ 745,411</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient client support program fees to cover general expenditures not covered by donor-restricted resources. The Organization considers all expenditures related to its ongoing activities to be general expenditures.

The Organization has \$541,159 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. The Organization has a policy to maintain liquid financial assets, which consist of cash and short-term other assets, sufficient to cover 60-90 days of normal operating expenses, which average approximately \$140,000 per month. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(9) Cash flow disclosures

Cash paid for interest expense amounted to \$437 and \$549 for the years ended December 31, 2018 and 2017.

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.

(10) Subsequent events

Management has evaluated subsequent events through April 24, 2019, 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.