



**SUPPORT KANSAS CITY, INC.**

**FINANCIAL STATEMENTS**

Year Ended December 31, 2019





**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 statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 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 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.

**Adoption of New Accounting Standards**

As discussed in Note 1 to the financial statements, on January 1, 2019, Support Kansas City, Inc. adopted the amendments to the Accounting Standards Update ("ASU") No. 2018-08, Topic 958, *Not-for-Profit Entities*, ASU 2016-18, Topic 230, *Statement of Cash Flows*, and Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to these matters.

**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, 2019, and the change in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Mayer Hoffman McCann P.C.*

Kansas City, Missouri  
November 18, 2020



**SUPPORT KANSAS CITY, INC.**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2019

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 335,137
Accounts receivable, net of allowance	133,003
Grants receivable	95,000
COBRA receivable	551
Prepaid expenses	4,771
<b>TOTAL CURRENT ASSETS</b>	<b><u>568,462</u></b>

Property and equipment, at cost, less accumulated depreciation	<u>37,561</u>
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<b>TOTAL ASSETS</b>	<b><u>\$ 606,023</u></b>
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**LIABILITIES**

**CURRENT LIABILITIES**

Accounts payable	\$ 27,861
Accrued liabilities	13,463
Deferred revenue	2,000
Current portion of deferred rent	1,144
Current portion of capital lease obligations	2,754
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>47,222</u></b>

**LONG-TERM LIABILITIES**

Deferred rent	2,100
Capital lease obligations	2,881
<b>TOTAL LONG-TERM LIABILITIES</b>	<b><u>4,981</u></b>

<b>TOTAL LIABILITIES</b>	<b><u>52,203</u></b>
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**NET ASSETS**

**NET ASSETS**

Net assets without donor restrictions	232,169
Net assets with donor restrictions	321,651
<b>TOTAL NET ASSETS</b>	<b><u>553,820</u></b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 606,023</u></b>
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See Notes to Financial Statements

**SUPPORT KANSAS CITY, INC.**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**

Year Ended December 31, 2019

NET ASSETS WITHOUT DONOR RESTRICTIONS	
REVENUES AND SUPPORT	
Client support program fees	\$ 1,180,458
Grants and contributions	74,126
In-kind donations	38,166
Other income	19,500
Net assets released from restrictions	<u>472,422</u>
TOTAL REVENUES AND SUPPORT	<u>1,784,672</u>
EXPENSES	
Client support programs	1,263,948
Supporting services	
Administration	442,756
Fundraising	<u>35,887</u>
Total supporting services	<u>478,643</u>
TOTAL EXPENSES	<u>1,742,591</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>42,081</u>
NET ASSETS WITH DONOR RESTRICTIONS	
Grants and contributions	302,000
Net assets released from restrictions	<u>(472,422)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(170,422)</u>
CHANGE IN NET ASSETS	(128,341)
NET ASSETS, BEGINNING OF YEAR	<u>682,161</u>
NET ASSETS, END OF YEAR	<u>\$ 553,820</u>

See Notes to Financial Statements

**SUPPORT KANSAS CITY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2019

	<u>Client Support Programs</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total All Funds</u>
Payroll and benefits				
Salaries	\$ 842,099	\$ 299,961	\$ 26,519	\$ 1,168,579
Payroll taxes	65,902	23,088	2,042	91,032
Employee health/dental	48,202	17,810	1,565	67,577
Contract labor	144,246	-	-	144,246
Worker's compensation	1,254	456	40	1,750
Total payroll and benefits	<u>1,101,703</u>	<u>341,315</u>	<u>30,166</u>	<u>1,473,184</u>
Accounting and auditing	-	11,149	-	11,149
Bad debt expense	4,159	-	-	4,159
Insurance	6,219	2,513	206	8,938
Interest expense	-	575	-	575
Legal services	-	5,470	-	5,470
Marketing and public relations	-	6,167	2,286	8,453
Meetings and meals	25,705	3,936	70	29,711
Mileage and travel	177	1,535	-	1,712
Miscellaneous	-	991	-	991
Office supplies	2,733	1,856	73	4,662
Organization gifts	-	379	329	708
Out of pocket expenses	20,636	5	-	20,641
Other program costs	1,914	-	-	1,914
Payroll and benefits services	-	2,623	-	2,623
Postage and delivery	-	1,057	117	1,174
Printing and reproduction	-	232	26	258
Recruitment	-	658	-	658
Rent	40,208	32,478	1,271	73,957
Repairs and maintenance	667	399	23	1,089
Service enhancements	14,915	8,326	182	23,423
Small furniture and equipment purchases	454	661	14	1,129
Staff development	3,220	3,078	30	6,328
Subscriptions and dues	4,547	552	32	5,131
Taxes, licenses and fees	-	795	-	795
Technology support	16,520	7,904	506	24,930
Telephone	8,520	3,880	189	12,589
<b>TOTAL EXPENSES BEFORE DEPRECIATION</b>	<u>1,252,297</u>	<u>438,534</u>	<u>35,520</u>	<u>1,726,351</u>
Depreciation	11,651	4,222	367	16,240
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 1,263,948</u>	<u>\$ 442,756</u>	<u>\$ 35,887</u>	<u>\$ 1,742,591</u>

See Notes to Financial Statements

**SUPPORT KANSAS CITY, INC.**

**STATEMENT OF CASH FLOWS**

Year Ended December 31, 2019

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ (128,341)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:	
Depreciation	16,240
Loss on disposal of property and equipment	848
Decrease (increase) in operating assets:	
Accounts receivable, net	(34,604)
Grants receivable	170,177
Pledges receivable	(551)
Prepaid expenses	525
Increase (decrease) in operating liabilities:	
Accounts payable	(4,312)
Accrued liabilities	(54,728)
Deferred revenue	(3,333)
Deferred rent	(3,427)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>(41,506)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	(3,785)
Proceeds from sale of fixed assets	1,225
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<u>(2,560)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Capital lease payments	<u>(2,632)</u>
<b>NET CHANGE IN CASH</b>	(46,698)
<b>CASH, BEGINNING OF YEAR</b>	<u>381,835</u>
<b>CASH, END OF YEAR</b>	<u>\$ 335,137</u>
UNRESTRICTED	\$ 99,910
RESTRICTED	<u>235,227</u>
<b>CASH AND RESTRICTED CASH, END OF YEAR</b>	<u>\$ 335,137</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** - All contribution and grant revenue is recognized in accordance with Topic 958, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which was adopted on January 1, 2019. Under this guidance all contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as restricted contributions and increase net assets with donor restrictions.

Client support program fees are recognized in accordance with Topic 606, *Revenue from Contracts with Customers*, which was adopted on January 1, 2019 using the modified retrospective transition method. Revenue recognition is based on the five-step model: (i) identify the contract with the customer; (ii) identify the performance obligation in the contract; (iii) determine the contract price; (iv) allocate the transaction price; and (v) recognize revenue (or as) each performance obligation is satisfied. If it is determined that a contract with enforceable right and obligation does not exist, revenues are deferred until all criteria for an enforceable contract are met.

Client supporting program fee contracts are typically project-based services rendered on a stated per-unit rate per service performed. These contracts are cancelable by the clients at any time, with notice being required. The Organization applies the right to invoice practical expedient to client service revenue contracts, and recognizes revenue as invoiced, since the Organization's right to payment is for an amount that corresponds directly with the value provided to customers based on the Organization's performance to-date.

**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. Contributed services and goods consisted of \$38,166 in rent discounts on the office space and contributed materials and supplies were received during the year ended December 31, 2019. These were included in in-kind donations revenue on the statements of activities and change in net assets and rent on the statement of functional expenses.

**Net assets** - 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.

## SUPPORT KANSAS CITY, INC.

### NOTES TO FINANCIAL STATEMENTS

#### (1) Summary of significant accounting policies (continued)

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 are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are restricted for future periods or restricted by the donor are reported as restricted contributions and increase net assets with donor restrictions. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor 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.

**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 the examination of specific client payments, payment history and client status. 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. Subsequent to year end, the Organization applied for and received approval for reclassification to a public charity under Section 509(a)(2), effective June 24, 2020. 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 2016.

**SUPPORT KANSAS CITY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(1) Summary of significant accounting policies (continued)**

**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 salaries and wages 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.

**Recent accounting pronouncements** - On January 1, 2019 the Organization adopted the amendment to ASC Topic 958 in ASU 2018-08, *Not-for-Profit Entities*, ASC Topic 230 in ASU 2016-18, *Statement of Cash Flows*, and ASC Topic 606 *Revenue from Contracts with Customers*, and related amendments. The adoption of the amendments and the ASC did not have a material impact on the Organization's financial position, statement of activities or cash flows. As such the Organization did not make any adjustments to its financial position upon adoption there are no differences in 2019 as reported under ASC Topics 606 and 958 and prior guidance.

**(2) Accounts receivable**

Accounts receivable consisted of the following at December 31, 2019:

Accounts receivable	\$ 50,383
Unbilled work in progress	83,620
Gross accounts receivable	<u>134,003</u>
Allowance for doubtful accounts	<u>(1,000)</u>
Accounts receivable, net	<u><u>\$ 133,003</u></u>

**(3) Property and equipment**

Property and equipment consisted of the following at December 31, 2019:

Furniture, fixtures and equipment, at cost	\$ 83,907
Leasehold improvements	7,746
Total cost	<u>91,653</u>
Accumulated depreciation	<u>(54,092)</u>
Property and equipment, net	<u><u>\$ 37,561</u></u>

The aggregate depreciation charged to operations was \$16,240 for the year ended December 31, 2019.

## 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 of approximately \$3,543 per month. Subsequent to the year-end, the Organization entered into a new operating lease for office space, beginning on October 1, 2020, with escalating rent payments of approximately \$4,150 per month through September 2025.

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 \$73,957 for the year ended December 31, 2019. The Organization includes in-kind rent in rent expense.

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

#### Years Ending December 31,

2020	\$	38,277
2021		44,118
2022		51,405
2023		52,545
2024		53,685
Thereafter		<u>40,905</u>
Total minimum future lease payments	\$	<u>280,935</u>

The Organization leased a copier under a capital lease expiring in December 2021 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 year ended December 31, 2019.

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

#### Years Ending December 31,

2020	\$	2,754
2021		<u>2,881</u>
Total minimum future lease payments		5,635
Less amount representing interest		<u>(593)</u>
Capital lease obligation	\$	<u>5,042</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 at December 31, 2019:

Kansas City Cultural Competency Initiative	\$	154,886
Jumpstart Database Program		6,000
Early Childhood Capacity and Client Capacity Building		64,702
Support Kansas City Capacity Building		26,092
Board Diversity and Inclusion initiative		69,971
		<hr/>
Total net assets with donor restrictions	\$	<u>321,651</u>

Net assets with donor restrictions released by incurring program expenses consisted of the following at December 31, 2019:

Kansas City Cultural Competency Initiative	\$	190,680
Jumpstart Database Program		6,000
Early Childhood Capacity and Client Capacity Building		8,649
Support Kansas City Capacity Building		138,714
Board Diversity and Inclusion initiative		25,028
Fiscal Agent Services		13,200
Future operations		90,151
		<hr/>
Total releases	\$	<u>472,422</u>

During the year ended December 31, 2019, the Organization began assessing certain ongoing grants differently and determined that a specific time restriction did not exist for a certain grant. Due to this change in interpretation of when the funds were spent, approximately \$60,000 was released from restriction during the year ended December 31, 2019. As this change in interpretation was determined to be a change in estimate, the impact is reported in the current period.

#### (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 become eligible at the beginning of the month following three months of employment. Employer contributions to the plan are made at the discretion of the Organization. The Organization did not make discretionary matching on the plan during 2019.

#### (7) Cash flow disclosures

Cash paid for interest expense amounted to \$321 for the year ended December 31, 2019.

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 Organization's risk is negligible. The Organization has not experienced losses on any such accounts.

## 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, 2019, the following financial assets could be made available within one year of the balance sheet date to meet general obligations:

Unrestricted cash	\$	99,910
Accounts receivable		133,003
COBRA receivable		551
Financial assets available for general expenditures over the next 12 months		<u>233,464</u>
Restricted cash to be used in operations		235,227
Restricted portion of grants receivable		<u>95,000</u>
Total financial assets available	\$	<u><u>563,691</u></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 had \$233,464 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure at December 31, 2019. 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) Subsequent events

Management has evaluated subsequent events through November 18, 2020, which is the date the financial statements were available to be issued. The following events were identified during this evaluation that would require disclosure in the financial statements or footnotes.

On March 11, 2020 the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The operations of the Organization may be significantly impacted by the pandemic and could result in material changes in the Organization's operations, revenues, and expenses.

Additionally, the Small Business Administration (SBA) approved the Organization for a \$263,700 Paycheck Protection Program (PPP) Loan. If these PPP funds are used for certain items stated within the agreement, the PPP loan will be forgiven by the SBA. If the funds are used for other items not specified within the agreement, the loan accrues interest at 1% and is due two years from receipt of the funds.

As described in Note 4, the Organization entered into a new operating lease for office space during October 2020.