

**UNITED COMMUNITY SERVICES
OF JOHNSON COUNTY, INC.**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2018



INDEPENDENT AUDITORS' REPORT

The Board of Directors
United Community Services of Johnson County, Inc.
Lenexa, Kansas

We have audited the accompanying financial statements of United Community Services of Johnson County, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and changes 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 of 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 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 the Organization as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Overland Park, Kansas
June 7, 2019

UNITED COMMUNITY SERVICES OF JOHNSON COUNTY, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

ASSETS	2018
CURRENT ASSETS:	
Cash and cash equivalents	\$ 659,733
Contributions receivable	4,300
Prepaid expenses	<u>5,175</u>
Total current assets	669,208
 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION:	
Reserve fund	444,083
Endowment fund	<u>323,189</u>
Total beneficial interest in assets held by community foundation	767,272
 FURNITURE AND EQUIPMENT, NET	<u>8,826</u>
Total assets	<u><u>\$ 1,445,306</u></u>
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Payable to agencies	\$ 167,965
Capital lease obligation	1,357
Accrued expenses	31,100
Agency funds held as fiscal agent	<u>75,000</u>
Total current liabilities	275,422
 NET ASSETS:	
Without donor restrictions:	
Undesignated	308,809
Board designated	<u>767,272</u>
Total without donor restrictions	1,076,081
With donor restrictions	<u>93,803</u>
Total net assets	<u>1,169,884</u>
Total liabilities and net assets	<u><u>\$ 1,445,306</u></u>

See notes to financial statements.

UNITED COMMUNITY SERVICES OF JOHNSON COUNTY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contribution revenue:			
United Way	\$ 155,100		\$ 155,100
Individual contributions	24,659		24,659
Foundation and corporate contributions		\$ 136,000	136,000
Program service fees	3,950		3,950
Government grants and contracts	618,539	9,240	627,779
Interest income	1,515		1,515
Change in beneficial interest in assets held by community foundation	(33,715)		(33,715)
Net assets released from restrictions	186,963	(186,963)	
Total revenues, gains and other support	957,011	(41,723)	915,288
EXPENSES:			
Program services:			
Community Planning	421,552		421,552
Human Service Fund	335,940		335,940
Drug and Alcoholism Council of Johnson County	80,185		80,185
Total program services	837,677		837,677
Supporting services:			
Management and general	80,604		80,604
Fund development	5,145		5,145
Total supporting activities	85,749		85,749
Total expenses	923,426		923,426
CHANGE IN NET ASSETS	33,585	(41,723)	(8,138)
NET ASSETS, BEGINNING OF THE YEAR	1,042,496	135,526	1,178,022
NET ASSETS, END OF THE YEAR	<u>\$ 1,076,081</u>	<u>\$ 93,803</u>	<u>\$ 1,169,884</u>

See notes to financial statements.

UNITED COMMUNITY SERVICES OF JOHNSON COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	PROGRAM SERVICES				SUPPORTING ACTIVITIES			
	Drug & Alcoholism				Total			
	Community	Human	Council of	Total	Management	Fund	Supporting	
	Planning	Service Fund	Johnson County	Program	and General	Development	Activities	Total
Allocations to participating agencies		\$ 335,940		\$ 335,940				\$ 335,940
Salaries	\$ 248,338		\$ 51,737	300,075	\$ 44,690	\$ 2,853	\$ 47,543	347,618
Contract services	54,009		6,681	60,690	15,898	1,015	16,913	77,603
Retirement	15,769		3,014	18,783	2,564	164	2,728	21,511
Payroll taxes	19,724		4,109	23,833	3,348	213	3,561	27,394
Worker's compensation & employee benefits	14,536		3,028	17,564	2,411	154	2,565	20,129
Office supplies	1,617		218	1,835	172	11	183	2,018
Telephone	2,140		466	2,606	538	34	572	3,178
Postage	478		44	522	36	3	39	561
Occupancy	23,484		4,892	28,376	3,985	255	4,240	32,616
Printing	4,764		642	5,406	441	28	469	5,875
Travel and training	7,253		524	7,777	375	24	399	8,176
Depreciation	3,317		691	4,008	563	36	599	4,607
Dues & subscriptions	1,821		373	2,194	45	3	48	2,242
Insurance					3,018	192	3,210	3,210
Miscellaneous expenses	1,710		268	1,978	242	14	256	2,234
Meeting expenses	13,248		1,829	15,077	721	46	767	15,844
Technology	9,344		1,669	11,013	1,557	100	1,657	12,670
TOTAL FUNCTIONAL EXPENSES	\$ 421,552	\$ 335,940	\$ 80,185	\$ 837,677	\$ 80,604	\$ 5,145	\$ 85,749	\$ 923,426

See notes to financial statements.

UNITED COMMUNITY SERVICES OF JOHNSON COUNTY, INC.

STATEMENT OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018

	2018
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (8,138)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,607
Change in beneficial interest in assets held by community foundation	18,715
Changes in operating assets and liabilities:	
Contributions receivable	54,102
Prepaid expenses	(57)
Payable to agencies	12,482
Accrued expenses	<u>1,019</u>
Net cash provided by operating activities	82,730
CASH FLOWS FROM FINANCING ACTIVITIES -	
Repayments on capital lease obligations	<u>(1,232)</u>
Net cash used in financing activities	<u>(1,232)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	81,498
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>578,235</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 659,733</u>
SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION -	
Cash paid for interest	<u>\$ 395</u>
Cash paid for income taxes	<u>\$ -</u>

See notes to financial statements.

UNITED COMMUNITY SERVICES OF JOHNSON COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. DESCRIPTION OF THE ORGANIZATION

United Community Services of Johnson County, Inc. (the "Organization") provides data analysis, leads collaborative planning and mobilizes resources to enhance the availability and delivery of health and human services. The following is a description of the Organization's various programs and supporting services.

Community Planning – Community planning focused on health and human services is the primary program of the Organization. The Organization provides information and trends analysis; leads collaborations in the areas of children and youth, poverty and homelessness, and substance abuse; mobilizes community response to emerging community issues; advocates for policy changes; and leverages resources to increase the community's capacity to respond to human service needs. United Way of Greater Kansas City ("UWGKC") is the primary source of funding via contractual planning support. Payments for contracted services and community contributions are also a source of income for the Organization.

Human Service Fund – Human Service Fund represents grants from the Johnson County government and cities within Johnson County. Allocations to the fund are made by 14 cities and Johnson County. The dollars are disbursed by the Organization to local not-for-profit agencies for human service programs serving Johnson County residents.

Drug and Alcoholism Council of Johnson County – The Organization has contracted with nine cities and the Johnson County government for a project that makes recommendations to local governments concerning the expenditures of the available local alcohol tax funds. The funds are provided by the Kansas State Liquor-by-the-Drink excise tax, a portion of which is earmarked for the specific purposes of prevention, intervention, and treatment.

Management and General and Fund Development – Provides oversight of programs, business management, record keeping, and budgeting, financing and other administrative and fundraising activities for the entire Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation – 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, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Furniture and Equipment – Furniture and equipment are carried at cost, or fair value if donated. Major renewals and improvements are capitalized, and maintenance and repairs that do not improve or extend the life of the respective assets are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Contributions Receivable – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The majority of the Organization's contributions receivable is due from governmental organizations and foundations. The Organization writes off contributions receivable when they become uncollectible.

Promises to Give – Unconditional promises to give are recorded as revenues or gains in the period received and as assets or a decrease in liabilities, depending on the form of the benefits received. Conditional promises to give are recognized when conditions on which they depend are substantially met. At December 31, 2018, the Organization has received conditional promises to give totaling approximately \$376,800. The conditional promises to give represent multi-year grants that are generally dependent on annual approval of grant progress and availability of funding.

Payable to Agencies – Unconditional grants to Human Service Fund recipients are recognized as a liability when approved by the funding jurisdictions. Conditional grants are recognized as a liability when the grantee has substantially met the conditions of the grant. There were no conditional grants at December 31, 2018.

Agency Funds Held as Fiscal Agent – The Organization has agreed to act as the fiscal agent on a grant to a small local not-for-profit organization. The Organization is acting as an intermediary for the funds. Agency funds are held in cash, and recognized as a liability in the Statement of Financial Position, until such time as the funds are transferred to the recipient organization. In 2018, the Organization transferred \$75,000 to the recipient organization.

Grant Revenues – The Organization receives a significant amount of revenue in the form of grants. The Organization recognizes grant funds received or receivable as revenue to the extent that related program expenses have been incurred. Grant funds received in excess of expenses incurred are recognized as refundable advances in the Statement of Financial Position.

Contributed Services – Contributed services are recognized when the Organization would typically purchase such services if they require specialized skills and the contributor possesses such skills. No such services were received during the year ended December 31, 2018. Many individuals volunteered their time and performed a variety of tasks that assisted the Organization.

Functional Expenses – The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related benefits, payroll taxes, occupancy, office expenses, information technology, and depreciation. Allocation of these expenses is based on annual time studies to determine an estimate of time and effort.

Income Taxes – No provision for income taxes has been recorded, as the Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization accounts for uncertain tax positions in accordance with the provisions of Financial Accounting Standards Board (“FASB”) Codification Topic *Income Taxes*. *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Organization to recognize in their financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Organization and determined that no positions exist that require adjustment or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2015.

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, liabilities and changes therein, and disclosures 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.

Date of Management’s Review – Subsequent events have been evaluated through June 7, 2019, which is the date the financial statements were available to be issued, and there were no material events requiring recognition or disclosure.

Accounting Standards Update – On August 18, 2016, 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. The Organization has adjusted the presentation of these financial statements accordingly.

3. LIQUIDITY AND AVAILABILITY

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its operations to be available to meet cash needs for general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

Although the Organization does not intend to spend from the board designated net assets (other than amounts appropriated for general expenditure as part of the Board’s annual budget approval), these amounts could be made available, if necessary. The Board has adopted a policy to withdraw up to 4% annually from the board designated net assets for use in general operations.

As part of the Organization’s liquidity management plan, the Organization invests cash in excess of daily requirements in short-term money market accounts. With Board approval, the Organization may designate a portion of any operating surplus to the endowment fund.

The Organization’s goal is to maintain financial assets to meet 60 to 120 days of operating expenses based on the annual budget. The annual operating expense budget for 2019 is \$643,000.

The following represents the Organization's financial assets as of December 31, 2018:

Financial assets at period end:

Cash and cash equivalents	\$ 659,733
Contributions receivable	4,300
Reserve fund	444,083
Endowment fund	<u>323,189</u>
Total financial assets	<u>\$ 1,431,305</u>

Financial assets available to meet general expenditures within one year:

Cash and cash equivalents, less agency funds held	\$ 584,733
Contributions receivable	4,300
Payout from Board designated funds for use in the next year	<u>30,000</u>
	<u>\$ 619,033</u>

4. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

Reserve Fund – In 2014, the Organization transferred from its investment account \$150,000 to the Greater Kansas City Community Foundation (the "Foundation") to establish a reserve fund. Under the terms of the agreement, the Organization can withdraw all or a portion of the original amount transferred and any subsequent deposits, any appreciation in those assets, or both, provided the executive director of the Organization approves of the withdrawal. At the time of transfer, the Organization granted variance power to the Foundation. That power gives the Foundation the right to make the final decision regarding distributions from the reserve fund. In the event the Organization ceases to exist, the Organization has requested that the income and principal from the reserve fund be transferred to the Foundation, or any organization created for a similar purpose. The investment philosophy for the reserve fund is to maximize earnings with limited risk and allow timely access with minimum restrictions or penalties. The reserve fund, which had a balance of \$444,083 as of December 31, 2018, is reported in the statement of financial position as beneficial interest in assets held by other – reserve fund.

Endowment Fund – In 2001, the Organization transferred an unrestricted gift of \$100,000 to the Foundation to establish an endowment fund. Under the terms of the agreement, the Organization can choose to take an annual distribution of net income upon written recommendation of the Executive Director. The Organization can withdraw all or a portion of the original amount transferred provided that 2/3rds of the Board of Directors of the Organization approve of the withdrawal. At the time of transfer, the Organization granted variance power to the Foundation. That power gives the Foundation the right to make the final decision regarding distributions from the endowment. In the event the Organization ceases to exist, the Organization has requested that the income and principal from the endowment be transferred to the Foundation, or any organization created for a similar purpose. The investment philosophy for the endowment fund is to maintain a diversified and balanced portfolio that uses the S&P 500 as a benchmark for equity investments and the ML gov't/corporate bond index for fixed investments. The endowment fund, which had a balance of \$323,189, as of December 31, 2018, is reported in the statements of financial position as beneficial interest in assets held by other – endowment fund.

During 2018, the Organization's interest in these funds had losses as follows, net of investment expenses. These earnings are included on the statement of activities and changes in net assets as change in beneficial interest in assets held by others.

	2018
Reserve fund	\$ (15,459)
Endowment fund	<u>(18,256)</u>
	<u>\$ (33,715)</u>

5. FURNITURE AND EQUIPMENT

Furniture and equipment consisted of the following as of December 31:

	2018
Furniture and fixtures	\$ 35,684
Computer/office equipment	20,357
	<u>56,041</u>
Less accumulated depreciation	(47,215)
	<u><u>\$ 8,826</u></u>

Depreciation expense totaled \$4,607 for the year ended December 31, 2018.

6. OPERATING LEASE AND CAPITAL LEASE

The Organization subleases office space from another area not-for-profit organization under an operating lease that expires in February 2020. The lease payments recorded as occupancy expense for the year ended December 31, 2018, was \$32,616. Future minimum lease payments under the operating leases for the next five years are as follows:

2019	\$ 32,616
2020	5,436

The copier is held under a capital lease. The copier was recorded at cost and is being amortized over 36 months, the lease term. Monthly payments are \$136, which includes interest of 19.37%. Interest expense was \$395 for the year ended December 31, 2018. Remaining lease payments under the capital lease are as follows:

2019	\$ 1,357
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7. NET ASSETS

Net assets without donor restrictions are available for the following purposes as of December 31, 2018:

Undesignated	\$ 308,809
Board designations:	
Reserve fund	444,083
Endowment Fund	323,189
	<u>767,272</u>
	<u><u>\$ 1,076,081</u></u>

Board designated reserve fund – The reserve fund may be used to provide immediate operating cash, or for any other purpose approved by the Board. The reserve fund balance should equal a minimum of 6 months and a maximum of 24 months of annual operating expenses, with excess balances transferred to endowment fund. The Board has approved a spending plan of up to 4% annually to be used for operating purposes, and in 2018 transferred \$15,000 to the operating cash accounts.

Board designated endowment fund – The endowment fund is intended to be used for large or unusual expenditures, such as funding for program expansion, equipment purchases, replace major funding, or any other purpose approved by the Board. In 2018, \$30,000 was transferred to the endowment fund from excess operating cash accounts. The Board has approved a spending plan of up to 4% annually to be used for operating purposes.

Net assets with donor restrictions are available for the following purposes as of December 31:

	2018
Strategic Planning / program evaluation	\$ 16,005
Personnel and benefits	71,471
Direct program costs	5,445
Indirect costs and other	882
	<u>\$ 93,803</u>

Net assets of \$186,963 were released from net assets with donor restrictions by incurring expenses satisfying the restricted purposes, or by the passage of time. Net assets released from restrictions for the year ended December 31 were:

	2018
Strategic planning / program evaluation	\$ 26,495
Website design	8,306
Personnel and benefits	118,397
Travel and training	1,835
Direct program costs	14,559
Indirect costs and other	8,441
Consultants	8,930
	<u>\$ 186,963</u>

8. RETIREMENT PLAN

Defined Contribution Plan – The Organization has a 403(b) thrift plan for substantially all employees. Employees are eligible to participate for purposes of making salary reduction contributions immediately. Employees are eligible to receive the employer base contribution and the employer match contribution when they are twenty-one and have completed one year of service. Employees who are considered highly compensated employees are not eligible to receive any employer contributions. The employer base contribution and the employer match contribution are based on years of service, as follows:

Years of Service	Employer Base	Employer Match
1 but less than 2	1%	1%
2	2%	2%
3	3%	3%
4	4%	4%
5 or more	5%	5%

The Organization also may make a discretionary base contribution for employees that are actively employed on the last day of the year. There was no such contribution declared in 2018.

The Organization made a contribution in the amount of \$21,511 for the year ended December 31, 2018.

9. RESTRICTIONS ON CASH

The Human Service Fund requires cash to be held in a separate bank account. At December 31, 2018, \$171,943 was held in a separate bank account restricted to pay grant awards to local not-for-profit organizations.

As of December 31, 2018, the Organization held agency funds as a fiscal agent of \$75,000.

10. MAJOR CONCENTRATIONS

The Organization received \$155,100 of grants and support from UWGKC, for the year ended December 31, 2018. This funding represented approximately 17% of the Organization's total support and revenues for the year ended December 31, 2018.

During the year ended December 31, 2018, the Organization received \$359,715 of funds from local cities and Johnson County for program services and supporting activities, of which \$335,940 was distributed to various local not-for-profit agencies. This funding represented approximately 39% of the Organization's total support and revenues for the year ended December 31, 2018.

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