

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

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2019



INDEPENDENT AUDITORS' REPORT

The Board of Directors of
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, 2019, 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

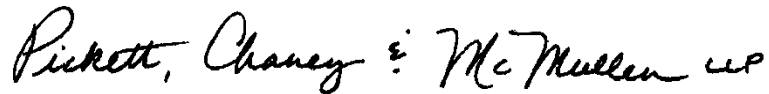
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization, in 2019, has adopted the provisions of the following:

- Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*.
- ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended.

Adoption of these standards has had a material effect on the presentation and disclosures of the financial statements for the year ended December 31, 2019. Our opinion is not modified with respect to these matters.

A handwritten signature in black ink that reads "Rickett, Chaney & McMullen CP". The signature is written in a cursive, flowing style.

Overland Park, Kansas
June 5, 2020

UNITED COMMUNITY SERVICES OF JOHNSON COUNTY, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 489,791
Restricted cash - agency funds held	279,727
Contributions and agency funds receivable	98,800
Prepaid expenses	<u>4,978</u>

Total current assets 873,296

BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION:

Reserve fund	424,869
Board designated fund	<u>429,424</u>

Total beneficial interest in assets held by community foundation 854,293

FURNITURE AND EQUIPMENT, NET 5,537

Total assets \$ 1,733,126

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 3,983
Accrued expenses	35,505
Agency funds held as fiscal agent	<u>292,253</u>

Total current liabilities 331,741

NET ASSETS:

Without donor restrictions:	
Undesignated	310,942
Board designated	<u>854,293</u>

Total without donor restrictions 1,165,235

With donor restrictions 236,150

Total net assets 1,401,385

Total liabilities and net assets \$ 1,733,126

See notes to financial statements.

UNITED COMMUNITY SERVICES OF JOHNSON COUNTY, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:			
Contribution revenue:			
United Way	\$ 155,100		\$ 155,100
Contributions and sponsorships	32,333		32,333
Foundation and corporate grants		\$ 165,000	165,000
Government grants and contracts	264,100	144,208	408,308
Human Service Summit individual registrations	4,491		4,491
Interest income	220		220
Net investment return	117,022		117,022
Net assets released from restrictions	<u>177,422</u>	<u>(177,422)</u>	
Total revenues, gains and other support	750,688	131,786	882,474
EXPENSES:			
Program services:			
Community Planning	454,551		454,551
Drug and Alcoholism Council of Johnson County	<u>80,994</u>		<u>80,994</u>
Total program services	535,545		535,545
Supporting services:			
Management and general	94,793		94,793
Fund development	<u>10,532</u>		<u>10,532</u>
Total supporting activities	<u>105,325</u>		<u>105,325</u>
Total expenses	<u>640,870</u>		<u>640,870</u>
CHANGE IN NET ASSETS	109,818	131,786	241,604
NET ASSETS, BEGINNING OF THE YEAR, AS RESTATED	<u>1,055,417</u>	<u>104,364</u>	<u>1,159,781</u>
NET ASSETS, END OF THE YEAR	<u><u>\$ 1,165,235</u></u>	<u><u>\$ 236,150</u></u>	<u><u>\$ 1,401,385</u></u>

See notes to financial statements.

UNITED COMMUNITY SERVICES OF JOHNSON COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	PROGRAM SERVICES			SUPPORTING ACTIVITIES			
	Drug & Alcoholism			Total			
	Community Planning	Council of Johnson County	Total Program	Management and General	Fund Development	Supporting Activities	Total
Salaries and payroll taxes	\$ 278,698	\$ 55,786	\$ 334,484	\$ 63,956	\$ 7,107	\$ 71,063	\$ 405,547
Employee benefits	32,959	6,424	39,383	6,598	732	7,330	46,713
Contract services	77,055	7,304	84,359	449	49	498	84,857
Professional services	2,858		2,858	13,775	1,530	15,305	18,163
Office supplies	2,999	255	3,254	215	24	239	3,493
Telephone	1,722	389	2,111	400	44	444	2,555
Information technology and website	4,945	1,010	5,955	60	7	67	6,022
Postage	735	147	882	151	17	168	1,050
Occupancy	23,633	5,490	29,123	3,143	349	3,492	32,615
Insurance	1,349		1,349	2,040	226	2,266	3,615
Printing	3,628	806	4,434	1,264	140	1,404	5,838
Travel and training	8,196	651	8,847	332	37	369	9,216
Depreciation	2,302	460	2,762	474	53	527	3,289
Dues & subscriptions	1,723	340	2,063	70	8	78	2,141
Meeting expenses	10,897	1,783	12,680	1,851	206	2,057	14,737
Miscellaneous expenses	852	149	1,001	15	3	18	1,019
TOTAL FUNCTIONAL EXPENSES	\$ 454,551	\$ 80,994	\$ 535,545	\$ 94,793	\$ 10,532	\$ 105,325	\$ 640,870

See notes to financial statements.

UNITED COMMUNITY SERVICES OF JOHNSON COUNTY, INC.

STATEMENT OF CASH FLOWS YEARS ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 241,604
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,289
Net realized and unrealized (gains) losses on assets held by community foundation	(103,220)
Changes in operating assets and liabilities:	
Contributions receivable	(94,500)
Prepaid expenses	197
Accounts payable	3,983
Accrued expenses	4,405
Agency funds held as fiscal agent	<u>39,185</u>
Net cash provided by operating activities	94,943

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from beneficial interest in assets held by community foundation	36,996
Purchase of beneficial interest in assets held by community foundation	<u>(20,797)</u>
Net cash provided by investing activities	16,199

CASH FLOWS FROM FINANCING ACTIVITIES -

Repayments on capital lease obligations	<u>(1,357)</u>
Net cash used in financing activities	<u>(1,357)</u>

NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH 109,785

CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR 659,733

CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR \$ 769,518

SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION:

Cash paid for interest	\$ <u>135</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, 2019

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.

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, Cash Equivalents and Restricted Cash – 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. Restricted cash represents cash held for agency funds. As of December 31, 2019, the Organization held cash equivalents totaling \$444,367, which consisted of money market accounts.

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 and Agency Funds Receivable – Contributions receivable are stated at uncollected balances, less an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts, historical experience, and a review of subsequent collections.

Agency Funds Held as Fiscal Agent – The Organization acts as an intermediary for several resource providers. Agency funds are held in cash or agency funds receivable, and recognized as a liability in the Statement of Financial Position, until such time as the funds are transferred to the recipient organization.

Net Investment Return – Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; less external and direct internal investment expenses. The Organization is invested in various pooled investment funds managed by Greater Kansas City Community Foundation (“GKCCF”). The pooled investment funds are valued at net asset value, which estimates fair value. Investment return is reflected in the Statement of Activities as without donor restrictions or with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Risks and Uncertainties – The Foundation invests in pooled accounts held and managed by GKCCF. These pooled accounts hold various securities, such as U.S. Government Securities, corporate debt instruments, corporate stocks and mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Revenue and Revenue Recognition – Annual meeting registrations are recognized at the time of the event.

The Organization recognizes contributions when cash, securities or other assets, or an unconditional promise to give is received. 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.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or cancellation of future payments, are not recognized until the conditions on which they depend have been substantially met. The government grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Other contributions are conditioned upon meeting performance requirements. Consequently, conditional contributions, for which no amounts have been received in advance, have been received but are not recognized in the financial statements, are as follows:

Government grants	\$ 15,538
Contributions from foundations	<u>62,500</u>
Total financial assets	<u>\$ 78,038</u>

Donated Services and In-Kind Contributions – Donated marketable securities, property and other noncash donations are recorded as contributions at their estimated fair values at the date of donation. Contributed services are recognized as contributions if the services create or enhance non-financial assets or require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization if not contributed. There were no such donated services received for the year ended December 31, 2019. In-kind contributions are recognized as contribution revenue, and as an expense in the statement of activities as follows:

Catering for annual meeting	\$ 1,125
Facilities rental for annual meeting	<u>750</u>
Total financial assets	<u>\$ 1,875</u>

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 supplies/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 2016.

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 5, 2020, which is the date the financial statements were available to be issued.

Accounting Standards Updates – FASB ASC Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand the disclosures about revenue. We have implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendments have been applied using a full retrospective method of adoption.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. We have implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a full retrospective method of adoption.

As a result of the adoption of these updates, we have determined the grants received under the Human Service Fund represent agency transactions. Prior to the adoption of these updates, such grants were recognized as contribution revenue. This results in a reduction of net assets of \$10,103.

Additionally, we have determined certain net assets with donor restrictions were incorrectly released and a reclass of \$10,561 increasing net assets with donor restrictions and decreasing net assets without donor restrictions is required. Net assets as of the beginning of the year have been restated as follows:

	Amounts previously reported	Effects of applying new guidance	Reclass	As restated
Net assets without donor restrictions	\$ 1,076,081	\$ (10,103)	\$ (10,561)	\$ 1,055,417
Net assets with donor restrictions	93,803		10,561	104,364
Total net assets, beginning of year	<u>\$ 1,169,884</u>	<u>\$ (10,103)</u>	<u>\$ -</u>	<u>\$ 1,159,781</u>

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 beneficial interest in assets held at the community foundation (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 Board designated 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 2020 is \$785,000.

The following represents the Organization's financial assets as of December 31, 2019:

Financial assets at period end:

Cash and cash equivalents	\$ 489,791
Restricted cash - agency funds held	279,727
Contributions and agency funds receivable	98,800
Beneficial interest in assets held at community foundation	<u>854,293</u>
Total financial assets	<u>\$ 1,722,611</u>

Financial assets available to meet general expenditures within one year:

Cash and cash equivalents	\$ 489,791
Contributions receivable	86,275
Expected payout from Board designated funds for use in the next year	<u>30,000</u>
	<u>\$ 606,066</u>

4. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Organization has transferred assets to the GKCCF, and has retained a beneficial interest in those assets. At the time of the transfer, the Foundation granted variance power to GKCCF. That power gives GKCCF the right to make the final decision regarding distributions from the funds. Currently, the Foundation has two separate funds at GKCCF, as described below.

Reserve Fund – In 2014, the Organization transferred from its investment account \$150,000 to GKCCF to establish a reserve fund. Under the terms of the agreement, which was updated in 2019, the Organization can withdraw annual net income, defined as 5% of the prior three years average balance of the fund, provided the executive director of the Organization approves of the withdrawal. Distributions in excess of the annual net income, requires approval of the executive director and a simple majority of the Board of Directors. 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 \$424,869 as of December 31, 2019, is reported in the statement of financial position as beneficial interest in assets held by other – reserve fund.

Board Designated Fund – In 2001, the Organization transferred an unrestricted gift of \$100,000 to GKCCF. 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. The investment philosophy for the Board Designated 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 Board Designated fund, which had a balance of \$429,424, as of December 31, 2019, is reported in the statements of financial position as beneficial interest in assets held by other – board designated.

5. FAIR VALUE MEASUREMENTS AND DISCLOSURES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as 1) quoted prices for similar assets or liabilities, 2) quoted prices for identical or similar assets in inactive markets, 3) inputs other than quoted prices that are observable, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset has a specified (contractual) term, the level 2 input must be observable for substantially the full term.

Level 3 – Unobservable inputs supported by little or no market activity and are significant to the fair value of the asset or liability

The assets fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019:

Beneficial interest in assets held by community foundation – Fair value is determined using net asset value, which estimates fair value. Investments for which the Foundation expects to have the ability to redeem its investments with the investee within 12 months after the reporting date are categorized as Level 2.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although The Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statement of Financial Position on a recurring basis:

	<u>Fair Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by community foundation	\$ 854,293		\$ 854,293	

Total return on investments and beneficial interest in assets held by community foundation as included in the Statement of Activities is as follows:

Interest and dividend income	\$ 20,798
Net realized and unrealized gains on beneficial interest in assets held at community foundation	103,220
Investment expenses	<u>(6,996)</u>
	<u>\$ 117,022</u>

6. CONTRIBUTIONS AND AGENCY FUNDS RECEIVABLE

Receivables consist of the following, all of which are expected to be collected in the next year.

City of Olathe - Human Service Fund	\$ 12,525
Committed funding for 2020 Housing Study	<u>86,275</u>
	<u>\$ 98,800</u>

7. FURNITURE AND EQUIPMENT

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

Furniture and fixtures	\$ 35,684
Computer/office equipment	<u>20,357</u>
	56,041
Less accumulated depreciation	<u>(50,504)</u>
	<u>\$ 5,537</u>

Depreciation expense totaled \$3,289 for the year ended December 31, 2019.

8. AGENCY FUNDS HELD AS FISCAL AGENT

The primary agency funds are related to the Human Service Fund. The 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. The Organization has also agreed to serve as a fiscal agent to manage the disbursement of funds for other not-for-profit organizations.

Changes to the agency funds held for the year ended December 31, 2019, are as follows:

	Human Service Fund	Fiscal Agent	Total
Agency funds held as fiscal agent, beginning of year	\$ 178,068	\$ 75,000	\$ 253,068
Agency funds received	328,781	125,744	454,525
Agency funds receivable at year end	12,525		12,525
Agency funds disbursed	<u>(342,865)</u>	<u>(85,000)</u>	<u>(427,865)</u>
Agency funds held as fiscal agent, end of year	<u>\$ 176,509</u>	<u>\$ 115,744</u>	<u>\$ 292,253</u>

9. 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 was extended on a month-to-month basis until suitable office space could be located. The Organization signed a 10 year lease on new office space, effective June 1, 2020. Lease payments, which are recorded as occupancy expense, for the year ended December 31, 2019, totaled \$32,615.

Future minimum lease payments under the operating leases for the next five years are as follows:

2020	\$ 29,750
2021	51,000
2022	51,000
2023	51,000
2024	51,000

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 \$135 for the year ended December 31, 2019. There are no remaining lease payments.

10. NET ASSETS

Net assets without donor restrictions are available for the following purposes as of December 31, 2019:

Undesignated	\$ 310,942
Board designations:	
Reserve fund	424,869
Board designated Fund	<u>429,424</u>
	<u>854,293</u>
	<u>\$ 1,165,235</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 the board designated fund. The Board has approved a spending plan of up to 4% annually to be used for operating purposes, and in 2019 transferred \$15,000 to the operating cash accounts.

Board designated fund – The board designated 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. The Board has approved a spending plan of up to 4% annually to be used for operating purposes, and in 2019 transferred \$15,000 to the operating cash accounts.

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

Personnel and benefits	\$ 66,239
Community housing study 2020	129,000
Consultants	29,285
Direct program costs	4,239
Indirect costs and other	7,387
	<u>\$ 236,150</u>

Net assets of \$177,422 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:

Personnel and benefits	\$ 109,351
Direct program costs	1,400
Travel and training	6,366
Consultants	55,652
Indirect costs and other	4,653
	<u>\$ 177,422</u>

11. 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:

<u>Years of Service</u>	<u>Employer Base</u>	<u>Employer Match</u>
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 2019.

The Organization made a contribution in the amount of \$22,445 for the year ended December 31, 2019.

12. MAJOR CONCENTRATIONS

The Organization received \$155,100 of grants and support from United Way of Greater Kansas City, for the year ended December 31, 2019. This funding represented approximately 18% of the Organization's total support and revenues for the year ended December 31, 2019.

13. SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization.

As discussed in Note 2, the investments held at GKCCF are sensitive to these types of events, and have most likely been adversely affected by the disruption to the world's economy and the overall decline in the financial markets.

The Organization has received a loan in the amount of \$76,500 through the Paycheck Protection Program administered through the Small Business Administration. This loan bears interest at 1% and matures in 2 years. Under the terms of the loan program, proceeds used for qualified expenditures may be forgiven.

The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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