

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

FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019
AND INDEPENDENT AUDITORS' REPORT



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 statements of financial position as of December 31, 2020 and 2019, 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 audits 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Pickett, Chaney & McMullen LLP

Overland Park, Kansas
June 4, 2021

UNITED COMMUNITY SERVICES OF JOHNSON COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 572,309	\$ 489,791
Restricted cash - agency funds held	283,926	279,727
Contributions and agency funds receivable	93,333	98,800
Prepaid expenses	<u>7,841</u>	<u>4,978</u>
Total current assets	957,409	873,296
 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION:		
Reserve fund	452,513	424,869
Board designated fund	<u>470,561</u>	<u>429,424</u>
Total beneficial interest in assets held by community foundation	923,074	854,293
 FURNITURE AND EQUIPMENT, NET	31,453	5,537
LEASE DEPOSIT	<u>4,250</u>	
Total assets	<u>\$ 1,916,186</u>	<u>\$ 1,733,126</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 22,114	\$ 3,983
Accrued expenses	33,520	35,505
Agency funds held as fiscal agent	<u>283,979</u>	<u>292,253</u>
Total current liabilities	339,613	331,741
CAPITAL LEASE OBLIGATION	2,806	
PAYCHECK PROTECTION PROGRAM LOAN	<u>77,063</u>	
Total liabilities	419,482	331,741
NET ASSETS:		
Without donor restrictions:		
Undesignated	480,889	310,942
Board designated	<u>923,074</u>	<u>854,293</u>
Total without donor restrictions	1,403,963	1,165,235
With donor restrictions	<u>92,741</u>	<u>236,150</u>
Total net assets	<u>1,496,704</u>	<u>1,401,385</u>
Total liabilities and net assets	<u>\$ 1,916,186</u>	<u>\$ 1,733,126</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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT:			
Contribution revenue:			
United Way	\$ 181,700		\$ 181,700
Contributions and sponsorships	30,000		30,000
Foundation and corporate grants	101,000	\$ 131,408	232,408
Government grants and contracts	230,500	59,362	289,862
Human Service Summit individual registrations	25		25
Interest income	176		176
Net investment return	98,781		98,781
Net assets released from restrictions	<u>334,179</u>	<u>(334,179)</u>	
Total revenues, gains and other support	976,361	(143,409)	832,952
EXPENSES:			
Program services:			
Community Planning	558,567		558,567
Drug and Alcoholism Council of Johnson County	<u>80,691</u>		<u>80,691</u>
Total program services	639,258		639,258
Supporting services:			
Management and general	86,570		86,570
Fund development	<u>11,805</u>		<u>11,805</u>
Total supporting activities	<u>98,375</u>		<u>98,375</u>
Total expenses	<u>737,633</u>		<u>737,633</u>
CHANGE IN NET ASSETS	238,728	(143,409)	95,319
NET ASSETS, BEGINNING OF THE YEAR	<u>1,165,235</u>	<u>236,150</u>	<u>1,401,385</u>
NET ASSETS, END OF THE YEAR	<u>\$ 1,403,963</u>	<u>\$ 92,741</u>	<u>\$ 1,496,704</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, 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	177,422	(177,422)	
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	80,994		80,994
Total program services	535,545		535,545
Supporting services:			
Management and general	94,793		94,793
Fund development	10,532		10,532
Total supporting activities	105,325		105,325
Total expenses	640,870		640,870
CHANGE IN NET ASSETS	109,818	131,786	241,604
NET ASSETS, BEGINNING OF THE YEAR	1,055,417	104,364	1,159,781
NET ASSETS, END OF THE YEAR	\$ 1,165,235	\$ 236,150	\$ 1,401,385

See notes to financial statements.

UNITED COMMUNITY SERVICES OF JOHNSON COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2020

	PROGRAM SERVICES			SUPPORTING ACTIVITIES			
	Drug & Alcoholism			Total Supporting			
	Community Planning	Council of Johnson County	Total Program	Management and General	Fund Development	Activities	Total
Salaries and payroll taxes	\$ 321,000	\$ 62,417	\$ 383,417	\$ 42,548	\$ 5,802	\$ 48,350	\$ 431,767
Employee benefits	33,476	6,626	40,102	6,576	897	7,473	47,575
Contract services	138,250	795	139,045	4,049	552	4,601	143,646
Professional services	1,219	24	1,243	21,683	2,956	24,639	25,882
Office supplies	1,743	141	1,884	124	17	141	2,025
Telephone	1,164	226	1,390	199	27	226	1,616
Information technology and website	4,844	963	5,807	568	77	645	6,452
Postage	597	116	713	102	14	116	829
Occupancy	31,218	6,177	37,395	5,232	713	5,945	43,340
Insurance			-	3,044	415	3,459	3,459
Printing	6,361	520	6,881	389	53	442	7,323
Travel and training	2,623	258	2,881	207	29	236	3,117
Depreciation	2,737	532	3,269	468	64	532	3,801
Dues & subscriptions	1,883	1,222	3,105	68	9	77	3,182
Meeting expenses	8,249	335	8,584	457	63	520	9,104
Miscellaneous expenses	3,203	339	3,542	856	117	973	4,515
TOTAL FUNCTIONAL EXPENSES	\$ 558,567	\$ 80,691	\$ 639,258	\$ 86,570	\$ 11,805	\$ 98,375	\$ 737,633

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.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 95,319	\$ 241,604
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,801	3,289
Net realized and unrealized (gains) losses on assets held by community foundation	(88,944)	(103,220)
Changes in operating assets and liabilities:		
Contributions receivable	5,467	(94,500)
Prepaid expenses	(2,863)	197
Accounts payable	18,131	3,983
Accrued expenses	(1,985)	4,405
Agency funds held as fiscal agent	(8,274)	39,185
Net cash provided by operating activities	20,652	94,943
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from beneficial interest in assets held by community foundation	37,143	36,996
Purchase of beneficial interest in assets held by community foundation	(16,980)	(20,797)
Purchase of property and equipment	(26,342)	
Lease deposit	(4,250)	
Net cash (used in) provided by investing activities	(10,429)	16,199
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	77,063	
Repayments on capital lease obligations	(569)	(1,357)
Net cash used in financing activities	76,494	(1,357)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	86,717	109,785
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	769,518	659,733
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 856,235</u>	<u>\$ 769,518</u>
SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION:		
Cash paid for interest	<u>\$ 210</u>	<u>\$ 135</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
Capital lease obligation for office equipment	<u>\$ 3,375</u>	<u>\$ -</u>

See notes to financial statements.

UNITED COMMUNITY SERVICES OF JOHNSON COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 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, 2020 and

2019, the Organization held cash equivalents totaling \$365,834 and \$444,367, respectively, 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:

	2020	2019
Government grants	\$ 16,391	\$ 15,538
Contributions from foundations		62,500
Total conditional contributions	<u>\$ 16,391</u>	<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 years ended December 31, 2020 and 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				750
				<hr/>
	\$	-	\$	1,875
				<hr/>

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 2017.

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 4, 2021, which is the date the financial statements were available to be issued.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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 2021 is \$765,000.

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

Financial assets at period end:	2020	2019
Cash and cash equivalents	\$ 572,309	\$ 489,791
Restricted cash - agency funds held	283,926	279,727
Contributions and agency funds receivable	93,333	98,800
Beneficial interest in assets held at community foundation	<u>923,074</u>	<u>854,293</u>
Total financial assets	<u>\$ 1,872,642</u>	<u>\$ 1,722,611</u>
Financial assets available to meet general expenditures within one year:		
Cash and cash equivalents	\$ 572,309	\$ 489,791
Contributions receivable	93,333	86,275
Expected payout from Board designated funds for use in the next year	<u>30,000</u>	<u>30,000</u>
	<u>\$ 695,642</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 \$452,513 and \$424,869 as of December 31, 2020 and 2019, respectively, 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 \$470,561 and \$429,424, as of December 31, 2020 and 2019, respectively, 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, 2020 and 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:

		Fair Value Measurements Using:		
	Fair Value	Level 1	Level 2	Level 3
December 31, 2020 -				
Beneficial interest in assets held by community foundation	\$ 923,074	\$ -	\$ 923,074	\$ -
December 31, 2019 -				
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:

	2020	2019
Interest and dividend income	\$ 16,980	\$ 20,798
Net realized and unrealized gains on beneficial interest in assets held at community foundation	88,944	103,220
Investment expenses	(7,143)	(6,996)
	<u>\$ 98,781</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.

	2020	2019
City of Olathe - Human Service Fund		\$ 12,525
Committed funding for 2020 Housing Study		86,275
Contributions receivable	<u>\$ 93,333</u>	<u> </u>
	<u>\$ 93,333</u>	<u>\$ 98,800</u>

7. FURNITURE AND EQUIPMENT

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

	2020	2019
Furniture and fixtures	\$ 35,214	\$ 35,684
Computer/office equipment	8,065	20,357
Office equipment held under capital lease	<u>3,375</u>	<u> </u>
	46,654	56,041
Less accumulated depreciation and amortization	<u>(15,201)</u>	<u>(50,504)</u>
	<u>\$ 31,453</u>	<u>\$ 5,537</u>

Depreciation and amortization expense totaled \$3,801 and \$3,289 for the years ended December 31, 2020 and 2019, respectively.

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 years ended December 31, 2020 and 2019, are as follows:

	Human Service Fund	Fiscal Agent	Total
Agency funds held as fiscal agent, January 1, 2019	\$ 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, December 31, 2019	176,509	115,744	292,253
Agency funds received	369,087	328	369,415
Agency funds disbursed	<u>(355,789)</u>	<u>(21,900)</u>	<u>(377,689)</u>
Agency funds held as fiscal agent, December 31, 2020	<u>\$ 189,807</u>	<u>\$ 94,172</u>	<u>\$ 283,979</u>

9. OPERATING LEASE AND CAPITAL LEASE

On June 1, 2020, the Organization signed a 10-year lease on office space. Lease payments are recorded as occupancy expense, and totaled \$43,340 and \$32,615 for the years ended December 31, 2020 and 2019, respectively.

The copier was purchased under a capital lease. Monthly payments are \$111, which includes principal and interest. The lease terms is 36 months, and bears interest at 11.50%.

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

	Operating Lease	Capital Lease	Total
2021	\$ 51,000	\$ 1,068	\$ 52,068
2022	51,000	1,198	52,198
2023	51,000	540	51,540
2024	51,000		51,000
2025	51,000		51,000

10. PAYCHECK PROTECTION PROGRAM LOAN

The Organization received loan proceeds of \$76,500 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides loans to qualifying business at a 1% interest rate. Payments are not required to begin for up to six months after funding the loan. PPP loans and accrued interest are forgivable if the program requirements are met.

The Organization was notified in January 2021 that the balance of the PPP loan and accrued interest has been forgiven in full. As of December 31, 2020, interest expense of \$563 has been accrued.

11. NET ASSETS

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

	2020	2019
Undesignated	\$ 480,889	\$ 310,942
Board designations:		
Reserve fund	452,513	424,869
Board designated Fund	<u>470,561</u>	<u>429,424</u>
	<u>923,074</u>	<u>854,293</u>
	<u>\$ 1,403,963</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 2020 and 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 2020 and 2019 transferred \$15,000 to the operating cash accounts.

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

	2020	2019
Personnel and benefits	\$ 22,092	\$ 66,239
Community housing study 2020	30,775	129,000
Consultants	13,747	29,285
Direct program costs	22,097	4,239
Indirect costs and other	4,030	7,387
	<u>\$ 92,741</u>	<u>\$ 236,150</u>

Net assets of \$334,179 and \$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:

	2020	2019
Personnel and benefits	\$ 162,952	\$ 109,351
Community housing study 2020	95,975	
Direct program costs	1,312	1,400
Travel and training	2,260	6,366
Consultants	41,070	55,652
Indirect costs and other	30,610	4,653
	<u>\$ 334,179</u>	<u>\$ 177,422</u>

12. 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 2020 or 2019.

The Organization made contributions in the amount of \$22,542 and \$22,445 for the years ended December 31, 2020 and 2019, respectively.

13. MAJOR CONCENTRATIONS

The Organization received \$181,700 and \$155,100 of grants and support from United Way of Greater Kansas City, for the years ended December 31, 2020 and 2019, respectively. This funding represented approximately 22% and 18% of the Organization's total support and revenues for the years ended December 31, 2020 and 2019, respectively.

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