

RECONCILIATION SERVICES
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2017

TABLE OF CONTENTS

Independent Auditors' Report..... 1

BASIC FINANCIAL STATEMENTS:

 Statement of Financial Position..... 2

 Statement of Activities 3

 Statement of Functional Expenses..... 4

 Statement of Cash Flows..... 5

 Notes to Financial Statements 6-11



INDEPENDENT AUDITORS' REPORT

Board of Directors
Reconciliation Services
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Reconciliation Services (“the Organization”), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reconciliation Services as of December 31, 2017, 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.

Kansas City, Missouri
September 19, 2018

Marr and Company, P.C.
Certified Public Accountants

RECONCILIATION SERVICES

STATEMENT OF FINANCIAL POSITION December 31, 2017

ASSETS	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 573,728
Contracts and Grants Receivable	181,831
Accounts Receivable	355
Prepaid Expenses	<u>4,905</u>
Total Current Assets	760,819
<u>Property and Equipment</u>	
Work in Process	29,379
Leasehold Improvements	99,787
Office Equipment	13,832
Less Accumulated Depreciation	<u>(41,523)</u>
Net Property and Equipment	101,475
Other Assets	<u>8,860</u>
TOTAL ASSETS	\$ <u>871,154</u>
LIABILITIES AND NET ASSETS	
<u>Current Liabilities</u>	
Accounts Payable	\$ 33,709
Payroll Accrual & Withholdings	13,500
Vacation Accrual	6,436
Refundable Advances on Contracts	<u>2,232</u>
Total Current Liabilities	55,877
<u>Net Assets</u>	
Unrestricted	97,022
Temporarily restricted (Note 2)	<u>718,255</u>
Total Net Assets	<u>815,277</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>871,154</u>

See Accompanying Notes to these Financial Statements.

RECONCILIATION SERVICES

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue, Gains and Other Support</u>			
Contributions and grants	\$ 245,370	\$ 537,473	\$ 782,843
Government contracts	490,260	0	490,260
Non-cash donations	608,462	0	608,462
Fundraising events	107,206	0	107,206
Fees for service	19,693	0	19,693
Net assets released from restrictions	<u>431,693</u>	<u>(431,693)</u>	<u>0</u>
Total Revenue, Gains and Other Support	1,902,684	105,780	2,008,464
<u>Expenses</u>			
Program Services	1,451,658	0	1,451,658
Administrative	195,837	0	195,837
Fundraising	<u>166,873</u>	<u>0</u>	<u>166,873</u>
Total Expenses	<u>1,814,368</u>	<u>0</u>	<u>1,814,368</u>
Change in Net Assets	88,316	105,780	194,096
NET ASSETS, BEGINNING OF YEAR	<u>8,706</u>	<u>612,475</u>	<u>621,181</u>
NET ASSETS, END OF YEAR	\$ <u>97,022</u>	\$ <u>718,255</u>	\$ <u>815,277</u>

See Accompanying Notes to these Financial Statements.

RECONCILIATION SERVICES

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Personnel Expenses	\$ 414,513	\$ 132,813	\$ 40,718	\$ 588,044
Contract Services	15,307	510	187	16,004
Occupancy Expenses	77,930	6,360	1,104	85,394
Office Expenses	23,228	2,845	7,660	33,733
Foster Grandparent Stipends/Travel and Recognition	282,824	0	0	282,824
Direct Assistance	511,091	0	0	511,091
Other Program Supplies and Expense	46,611	0	13	46,624
Corporate Expenses	41,8982	52,893	38,373	133,158
Travel and Transportation	5,851	416	0	6,267
Special Events	0	0	78,818	78,818
Investment in RSSV	<u>32,411</u>	<u>0</u>	<u>0</u>	<u>32,411</u>
TOTAL EXPENSES	\$ <u>1,451,658</u>	\$ <u>195,837</u>	\$ <u>166,873</u>	\$ <u>1,814,368</u>

See Accompanying Notes to these Financial Statements.

RECONCILIATION SERVICES

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2017

<u>Cash Flows From Operating Activities</u>	
Change in total net assets	\$194,096
Adjustments to reconcile change in net assets to net cash flows operating activities –	
Depreciation	9,071
(Increase)/Decrease in:	
Contracts and grants receivable	(68,146)
Prepaid expenses	708
Other assets	17,831
Supplies/inventory	5,729
Increase/(Decrease) in:	
Accounts payable	(25,077)
Payroll accrual and withholdings	(1,491)
Refundable advances on government contracts	<u>(18,857)</u>
Net Cash Provided by Operating Activities	113,864
 <u>Cash Flows From Investing Activities</u>	
Purchase of capital assets	<u>(34,756)</u>
 Net Cash Used by Investing Activities	(34,756)
 Net Increase in Cash and Cash Equivalents	79,108
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>494,620</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 573,728</u>

See Accompanying Notes to these Financial Statements.

RECONCILIATION SERVICES

NOTES TO FINANCIAL STATEMENTS December 31, 2017

INDEX

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Organization
- B. Financial Statement Presentation
- C. Cash and Cash Equivalents
- D. Contract and Grant Receivables
- E. Promises to Give
- F. Property and Equipment
- G. Contract Revenue
- H. Income Taxes
- I. Estimates
- J. Donated Property, Materials and Services
- K. Functional Allocation of Expenses
- L. Subsequent Events

NOTE 2: TEMPORARILY RESTRICTED NET ASSETS

RECONCILIATION SERVICES

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Reconciliation Services (the Organization) was incorporated in September 2005 as a Missouri not for-profit corporation. It works to seek racial and economic reconciliation through strengths-based Healthy Community Initiatives, Social and Mental Health Services, and the creation of Economic Opportunities. The Organization has innovated an intentional client continuum of care to transform Troost Avenue from a dividing line into a gathering place, revealing the strength of all. The client intake process aims to help the most difficult-to-reach clients move from emergency to greater self-sufficiency in a relationally supportive and culturally competent environment. The goal is to see complete client recovery and stability, helping them move from accessing Social Services or food through our Healthy Community Initiatives, to engaging in deeper healing work through the REVEAL Mental Health program, and to achieve increased financial stability through the Economic Community Building Programs.

The Organization's mission is to cultivate a community seeking reconciliation to transform Troost from a dividing line into a gathering place, revealing the strength of all. Its vision is that Kansas City, no longer divided by Troost, is revealed as a thriving and vibrant community inspiring reconciliation across the nation. The mission is accomplished through various programs and activities which include the following:

Economic Community Building Programs

- The Foster Grandparents Program (a partnership with the Senior Corps, which is part of the Corporation for National and Community Service) recruits, trains and mobilizes low-income senior adults to volunteer with at risk area youth.
- RS Social Ventures, LLC, is a company in formation, founded by RS, aims in time to provide living wage employment opportunities to our clients and financially support other programs.

Healthy Community Initiatives

- Friday Night Meals, which in 2018 transformed into Thelma's Kitchen, a Donate-What-You-Can Cafe.
- Food Pantry, which was closed in 2017 to avoid program duplication with other agencies, given the abundance of other pantry options nearby.
- Education about Racial Reconciliation and the History of Troost Avenue.

Social Services

- Professional Case Management services are provided for clients residing in the Kansas City Metropolitan Area, with a primary focus on clients living in the neighborhoods east of Troost Avenue. Services include Housing and Utilities Assistance, ID and Document Assistance, Financial Medical Assistance through the Kansas City Medicine Cabinet, Referrals to other agencies, and other general case management services.

RECONCILIATION SERVICES

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Organization (continued)

Mental Health Services

- The innovative mental health program, REVEAL, provides group therapy, individual therapy, and aftercare support, helping clients find hope and healing from depression, trauma, and Post-Traumatic Stress Syndrome (PTSD).

B. Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Organization has complied with Accounting Standards Codification (ASC) Topic 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. The Organization is required to report information regarding its financial position and activities according to three classes of net assets, which follows.

Unrestricted Net Assets

Unrestricted net assets include those currently available at the discretion of the Board of Directors for use in the Organization's operations in accordance with its bylaws.

Temporarily Restricted Net Assets

Temporarily restricted net assets include those gifts of cash and promises to give which are stipulated by donors for specific operating purposes, special projects or the restriction is satisfied either by the passage of time or by actions of the Organization.

Permanently Restricted Net Assets

Permanently restricted net assets include those restricted by donors in perpetuity as endowments or irrevocable trusts. The Organization had no permanently restricted net assets at December 31, 2017.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, checking accounts and money market accounts. 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. Deposits held in the Organization's checking accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization had \$295,906 of deposits in excess of insurance levels at December 31, 2017.

D. Contract and Grant Receivables

Contract and grant receivables are stated at the amount management expects to collect. Management makes a regular assessment of the collectability of outstanding accounts and if deemed necessary, establishes an allowance for uncollectible accounts. At December 31, 2017, the Organization considered all receivables fully collectible.

RECONCILIATION SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

F. Property and Equipment

Property and equipment are recorded at cost, if acquired, or fair value, if donated. The Organization's policy is to capitalize property and equipment with a cost of \$1,000 or more and a useful life of two years or more. Depreciation is calculated over the estimated useful lives of the respective assets on a straight-line basis.

	<u>Years</u>
Leasehold Improvements	10-15
Office Equipment	3

Depreciation expense for the year ended December 31, 2017, was \$9,071.

G. Contract Revenue

The Organization receives a significant amount of revenue in the form of government grants and contracts. The Organization recognizes contract funds received or receivable as revenue to the extent that related program expenses have been incurred. Contract funds received in excess of expenses incurred are recognized as refundable advances in the Statements of Financial Position.

H. Income Taxes

Reconciliation Services qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization has adopted the provisions of the FASB ASC 740-10 as it might apply to the Organization's financial transactions. The Organization's policy is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2017 and, accordingly, no liability has been accrued.

I. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECONCILIATION SERVICES

NOTES TO FINANCIAL STATEMENTS December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Donated Property, Materials and Services

Donated property and materials are reflected as a contribution at their estimated fair value at the date of receipt. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

For the year ended December 31, 2017, the Organization benefited from \$44,000 of reduced rent, \$104,189 in food and supplies for meals served, and \$61,696 in professional services including electrical work, videography, and health physicals for foster grandparents. The Organization was provided non-cash assistance to award medical, utility and ID vouchers to qualifying candidates which amounted to \$237,552, \$107,457 and \$3,721, respectively for the year ended December 31, 2017. During 2017, the Organization also benefited from \$49,545 of non-cash fundraising support. The Organization recognized these gifts-in-kind as a contribution and corresponding expense, except for \$10,055 of electrical work which was capitalized as a leasehold improvement.

During 2017, 96 low-income senior volunteers serving in Reconciliation Services' Foster Grandparents Program spent 89,784 hours mentoring and providing emotional support to over 300 students in the Kansas City Missouri School District, and at other community locations including Operation Breakthrough and the Family Court, as well as at other schools in Jackson, Clay and Platte counties. The Organization also had an additional 533 volunteers provide 5,237 hours of volunteer service in 2017, which included volunteers at Friday Night Meals, in the RS Internet Cafe, and FaithWorks volunteers from Church of the Resurrection Downtown. However, these services did not meet the criteria for recognition in the financial statements.

K. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated between the programs and supporting services benefitted.

L. Subsequent Events

Management has evaluated subsequent events to September 19, 2018 which is the issue date of the financial statements.

RECONCILIATION SERVICES

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 were restricted by the donors for the following purposes:

Direct Assistance	\$ 32,281
Thelma's Kitchen	87,011
Capital Campaign	344,033
Case Management	22,500
Health Services	151,016
Future Operations	<u>81,414</u>
Total	\$ <u>718,255</u>

The following are sources of net assets released from temporary donor restriction by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors.

Direct Assistance	\$ 44,157
Thelma's Kitchen	77,992
Capital Campaign	62,231
Case Management	42,000
Health Services	144,781
Troost Festival	5,319
Future Operations	<u>55,213</u>
Total	\$ <u>431,693</u>