

RECONCILIATION SERVICES
FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2018

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, 2018, 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, 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.

Kansas City, Missouri
September 11, 2019

Marr and Company, P.C.
Certified Public Accountants

RECONCILIATION SERVICES

STATEMENT OF FINANCIAL POSITION December 31, 2018

ASSETS

<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 710,165
Investments	6,518
Contracts and Grants Receivable	294,762
Other Receivable	2,358
Promise to Give	25,000
Prepaid Expenses	<u>9,075</u>
Total Current Assets	1,047,878
<u>Property and Equipment</u>	
Work in Process	35,677
Leasehold Improvements	211,147
Office Equipment	14,836
Rental Houses and Lots	409,200
Less Accumulated Depreciation	<u>(75,004)</u>
Net Property and Equipment	595,856
Other Assets	<u>5,545</u>
TOTAL ASSETS	\$ <u>1,649,279</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>	
Accounts Payable	\$ 54,248
Payroll Accrual & Withholdings	15,722
Vacation Accrual	6,540
Refundable Advances	<u>8,150</u>
Total Current Liabilities	84,660
<u>Net Assets</u>	
Without Donor Restriction	850,361
With Donor Restriction (Note 2)	<u>714,258</u>
Total Net Assets	<u>1,564,619</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,649,279</u>

See Accompanying Notes to these Financial Statements.

RECONCILIATION SERVICES

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2018

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<u>Revenue, Gains and Other Support</u>			
Contributions and grants	\$ 224,189	\$ 869,933	\$ 1,094,122
Government contracts	565,728	0	565,728
Non-cash donations (Note 1J)	1,004,817	0	1,004,817
Fundraising events	135,260	0	135,260
Fees for service	18,040	0	18,040
Rental Income	3,350	0	3,350
Other Income	969	0	969
Net assets released from restrictions	<u>873,930</u>	<u>(873,930)</u>	<u>0</u>
Total Revenue, Gains and Other Support	2,826,283	(3,997)	2,822,286
 <u>Expenses</u>			
Program Services	1,676,611	0	1,676,611
Administrative	288,076	0	288,076
Fundraising	<u>108,257</u>	<u>0</u>	<u>108,257</u>
Total Expenses	<u>2,072,944</u>	<u>0</u>	<u>2,072,944</u>
 Change in Net Assets	 753,339	 (3,997)	 749,342
 NET ASSETS, BEGINNING OF YEAR	 <u>97,022</u>	 <u>718,255</u>	 <u>815,277</u>
NET ASSETS, END OF YEAR	<u>\$ 850,361</u>	<u>\$ 714,258</u>	<u>\$ 1,564,619</u>

See Accompanying Notes to these Financial Statements.

RECONCILIATION SERVICES

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Personnel Expenses	\$ 510,056	\$ 167,351	\$ 7,849	\$ 685,256
Contract Services	4,747	9,941	12,214	26,902
Occupancy Expenses	97,225	11,735	0	108,960
Office Expenses	14,600	31,807	14,028	60,435
Foster Grandparent Stipends/Travel and Recognition	308,115	0	0	308,115
Direct Assistance	552,140	0	22,579	574,719
Program Supplies and Other Expense	86,775	939	73	87,787
Professional Fees	28,384	64,526	4,513	97,423
Travel and Transportation	9,608	127	4	9,739
Property and Grounds	24,761	54	0	24,815
Special Events	-	0	46,997	46,997
Investment in RSSV	8,315	0	0	8,315
Depreciation	<u>31,885</u>	<u>1,596</u>	<u>0</u>	<u>33,481</u>
TOTAL EXPENSES	<u>\$ 1,676,611</u>	<u>\$ 286,076</u>	<u>\$ 108,257</u>	<u>\$ 2,072,944</u>

See Accompanying Notes to these Financial Statements.

RECONCILIATION SERVICES

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2018

<u>Cash Flows From Operating Activities</u>	
Change in total net assets	\$ 749,342
Adjustments to reconcile change in net assets to net cash flows operating activities –	
Depreciation	33,481
Donated Property and Equipment	(418,000)
(Increase)/Decrease in:	
Contracts and grants receivable	(112,931)
Promise to give	(25,000)
Other receivable	(2,003)
Prepaid expenses	(4,170)
Other assets	3,315
Increase/(Decrease) in:	
Accounts payable	20,539
Payroll accrual and withholdings	2,222
Accrued vacation	105
Refundable advances	<u>5,918</u>
Net Cash Provided by Operating Activities	252,818
 <u>Cash Flows From Investing Activities</u>	
Investment activity, net	(6,518)
Purchase of capital assets	<u>(109,863)</u>
 Net Cash Used by Investing Activities	(116,381)
 Net Increase in Cash and Cash Equivalents	136,437
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>573,728</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 710,165</u>

See Accompanying Notes to these Financial Statements.

RECONCILIATION SERVICES

NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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: NET ASSETS WITH DONOR RESTRICTION

NOTE 3: LIQUIDITY AND AVAILABILITY

RECONCILIATION SERVICES

NOTES TO FINANCIAL STATEMENTS December 31, 2018

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 Café.
- 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, 2018

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 implemented FASB ASU 2016-14 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 two classes of net assets, which follows.

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Donor-imposed restrictions may be temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions may be perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed into service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 \$249,395 of deposits in excess of insurance levels at December 31, 2018.

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, 2018, the Organization considered all receivables fully collectible.

RECONCILIATION SERVICES

NOTES TO FINANCIAL STATEMENTS December 31, 2018

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 net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

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>
Rental Houses	25
Leasehold Improvements	10-15
Office Equipment	3

Depreciation expense for the year ended December 31, 2018, was \$33,481.

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, 2018 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, 2018

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, 2018, the Organization benefited from \$78,530 of reduced rent, \$147,553 in food and supplies for meals served, and \$39,970 in professional services including electrical work, videography, and health physicals for foster grandparents. The Organization was provided non-cash assistance to award medical and utility vouchers to qualifying candidates which amounted to \$161,879 and \$136,689, respectively for the year ended December 31, 2018. During 2018, the Organization benefited from \$22,196 of non-cash fundraising support. The Organization recognized these gifts-in-kind as a contribution and corresponding expense, except for \$25,000 of the electrical work which had not taken place as of year-end and is included as a promise to give at December 31, 2018.

During 2018, the Organization received an \$8,800 discount on two community tables as a part of the startup for the donate what you can cafe, Thelma's Kitchen. Two rental houses and two undeveloped lots valued at \$409,200 were received by the Organization that were previously owned by Friends of the Holy Family House Foundation to continue the mission of improving housing options for the community. The Organization capitalized these as property and equipment and recorded as in-kind contributions.

During 2018, 103 low-income senior volunteers serving in Reconciliation Services' Foster Grandparents Program spent 94,057 hours mentoring and providing emotional support to 334 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 additional volunteers provide 5,530 hours of volunteer service in 2018, which included volunteers at Friday Night Meals, and in Thelma's Kitchen. However, these services did not meet the criteria for recognition in the financial statements.

K. Functional Allocation of Expenses

Expenses are charged to the program based on direct expenditures incurred. Functional expenses, which cannot readily be related to a specific program, are charged to the various programs based upon hours worked, number of program staff, square footage of space, or other reasonable methods for allocating the Organization's multiple function expenditures.

L. Subsequent Events

Management has evaluated subsequent events to September 11, 2019 which is the issue date of the financial statements.

RECONCILIATION SERVICES

NOTES TO FINANCIAL STATEMENTS December 31, 2018

NOTE 2: NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consisted of cash and cash equivalents at December 31, 2018 and were restricted by the donors for the following purposes:

Thelma's Kitchen	\$ 95,598
Capital Campaign	305,168
REVEAL Services	186,999
Future Operations	<u>126,493</u>
Total	\$ <u>714,258</u>

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

Thelma's Kitchen	\$ 255,944
Capital Campaign	138,865
REVEAL Services	311,956
Future Operations	<u>167,165</u>
Total	\$ <u>873,930</u>

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

Cash and cash equivalents	\$ 710,165
Investments	6,518
Contracts and Grants Receivable	294,762
Other Receivable	2,358
Promise to Give	<u>25,000</u>
Total Financial Assets at Year-End	1,038,803
Less those unavailable for general expenditure within one year, due to:	
Non-cash promise to give	25,000
Net assets with donor restriction	714,258
Less: donor restricted for future operations	<u>(126,493)</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u>423,038</u>