

**RECONCILIATION SERVICES**  
**FINANCIAL STATEMENTS**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2020**

**TABLE OF CONTENTS**

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Independent Auditor’s 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 ..... 6-12

## INDEPENDENT AUDITOR'S 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, 2020, 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.

### **Auditor’s 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, 2020, 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 2, 2021

Marr and Company, P.C.  
Certified Public Accountants

## RECONCILIATION SERVICES

### STATEMENT OF FINANCIAL POSITION December 31, 2020

ASSETS	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 1,398,831
Investments	2,285
Contracts and Grants Receivable	331,960
Prepaid Expenses	<u>3,597</u>
Total Current Assets	1,736,673
<u>Property and Equipment</u>	
Work in Process	35,677
Building	650,000
Building Improvements	267,681
Office Equipment	36,694
Rental Houses and Lots	416,200
Less Accumulated Depreciation	<u>(181,213)</u>
Net Property and Equipment	1,225,039
Other Assets	<u>2,266</u>
TOTAL ASSETS	\$ <u>2,963,978</u>
LIABILITIES AND NET ASSETS	
<u>Current Liabilities</u>	
Accounts Payable	\$ 41,104
Payroll Accrual & Withholdings	40,242
Vacation Accrual	11,639
Other Accruals	4,328
Current Portion of Note Payable	<u>25,014</u>
Total Current Liabilities	122,327
<u>Long-term Liabilities</u>	
Notes Payable	594,689
Less Current Portion	<u>(25,014)</u>
Total Long-term Liabilities	<u>569,675</u>
TOTAL LIABILITIES	692,002
<u>Net Assets</u>	
Without Donor Restrictions	1,668,121
With Donor Restrictions (Note 2)	<u>603,855</u>
Total Net Assets	<u>2,271,976</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,963,978</u>

See Accompanying Notes to these Financial Statements.

## RECONCILIATION SERVICES

### STATEMENT OF ACTIVITIES For the Year Ended December 31, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<u>Revenue, Gains and Other Support</u>			
Contributions and grants	\$ 1,173,907	\$ 1,129,476	\$ 2,303,383
Government contracts	425,454	0	425,454
Non-cash donations (Note 1J)	497,445	0	497,445
Sales (box lunches, merchandise, & E-course)	33,603	0	33,603
Fees for service	5,561	0	5,561
Rental Income	24,450	0	24,450
Other Income	3,193	0	3,193
Net assets released from restrictions	<u>916,021</u>	<u>(916,021)</u>	<u>0</u>
Total Revenue, Gains and Other Support	3,079,634	213,455	3,293,089
 <u>Expenses</u>			
Program Services	2,091,025	0	2,091,025
Administrative	390,587	0	390,587
Fundraising	<u>105,992</u>	<u>0</u>	<u>105,992</u>
Total Expenses	<u>2,587,604</u>	<u>0</u>	<u>2,587,604</u>
 Change in Net Assets	492,030	213,455	705,485
 NET ASSETS, BEGINNING OF YEAR	<u>1,176,091</u>	<u>390,400</u>	<u>1,566,491</u>
NET ASSETS, END OF YEAR	<u>\$ 1,668,121</u>	<u>\$ 603,855</u>	<u>\$ 2,271,976</u>

*See Accompanying Notes to these Financial Statements.*

## RECONCILIATION SERVICES

### STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Personnel Expenses	\$ 771,826	\$ 284,420	\$ 44,060	\$ 1,100,306
Occupancy Expenses (Building)	66,373	10,890	0	77,263
Office Expenses	60,029	58,846	12,083	130,958
Foster Grandparent Stipends/Travel and Recognition	269,865	0	0	269,865
Direct Assistance	748,666	0	0	748,666
Program Supplies and Other Expense	51,604	0	0	51,604
Professional Fees	49,751	31,164	48,626	129,541
Travel and Transportation	766	317	1,223	2,306
Property and Grounds (Holy Family Houses)	11,915	0	0	11,915
Interest	4,258	520	0	4,778
Depreciation	<u>55,972</u>	<u>4,430</u>	<u>0</u>	<u>60,402</u>
 TOTAL EXPENSES	 <u>\$ 2,091,025</u>	 <u>\$ 390,587</u>	 <u>\$ 105,992</u>	 <u>\$ 2,587,604</u>

*See Accompanying Notes to these Financial Statements.*

## RECONCILIATION SERVICES

### STATEMENT OF CASH FLOWS For the Year Ended December 31, 2020

<u>Cash Flows From Operating Activities</u>	
Change in total net assets	\$ 705,485
Adjustments to reconcile change in net assets to net cash flows operating activities –	
Depreciation	60,402
Unrealized gain on investments	(363)
(Increase)/Decrease in:	
Contracts and grants receivable	(151,359)
Prepaid expenses	1,682
Increase/(Decrease) in:	
Accounts payable	7,341
Payroll accrual and withholdings	19,539
Accrued vacation	1,564
Other accruals	<u>4,328</u>
Net Cash Provided by Operating Activities	648,619
 <u>Cash Flows From Investing Activities</u>	
Purchase of capital assets	<u>(43,877)</u>
Net Cash Used by Investing Activities	(43,877)
 <u>Cash Flows From Financing Activities</u>	
Proceeds from long-term debt	600,000
Principal payment of long-term debt	<u>(455,311)</u>
Net Cash Provided by Financing Activities	144,689
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>649,400</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$1,398,831</u>
  Supplemental Disclosures:	
Cash paid for interest	\$ 4,778

*See Accompanying Notes to these Financial Statements.*

## RECONCILIATION SERVICES

### NOTES TO FINANCIAL STATEMENTS December 31, 2020

#### 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: NOTES PAYABLE

NOTE 3: NET ASSETS WITH DONOR RESTRICTIONS

NOTE 4: LIQUIDITY AND AVAILABILITY



## RECONCILIATION SERVICES

### NOTES TO FINANCIAL STATEMENTS December 31, 2020

#### 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 (Thelma's Kitchen), 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 (FGP) is operated in partnership with Senior Corps, part of the Corporation for National and Community Service. Through the FGP, we recruit, train, and mobilize senior adults with low incomes to volunteer to mentor, tutor, and offer encouragement and emotional support for area youth with exceptional needs. FGP volunteers serve in schools, early education centers, Children's Mercy Hospital, and family court.
- 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

- Thelma's Kitchen, Kansas City's first donate-what-you-can cafe, opened in 2018 as a community gathering space offering affordable, healthy meals in exchange for donations of volunteer time, lunch tokens, and monetary donations. During Covid-19, Thelma's Kitchen pivoted from in-person dining to nutritious Box Lunches served through a to-go window, installed to ensure safety for community members and staff. RS increases access to meals for food insecure individuals and families by distributing lunch tokens to RS clients, and through partners including Operation Breakthrough, Journey to New Life and the Kansas City Police Department. Thelma's Kitchen remains an access point for all RS social and mental health services. Thelma's Box Lunch is also available for group orders and off-site delivery in some circumstances.
- Education about Racial Reconciliation and the History of Troost Avenue is offered during volunteer orientations, through presentations in the community, at Community Table Talks in Thelma's Kitchen, and through regular podcasts and articles.

## RECONCILIATION SERVICES

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### A. Organization (continued)

###### REVEAL Social & Mental Health Services

The REVEAL (Restore-Engage-Value-Encourage-Act-Lead) Program offers a comprehensive approach to individual and community healing through essential social services, case management, and therapeutic services. Our case managers help individuals and families meet urgent needs and accomplish immediate goals, assisting with: housing and utilities assistance; ID/document assistance; and dental and medical supplies, services, and prescriptions through our partnership with the KC Medicine Cabinet. Additionally, we offer evidence-based, clinical support under the direction of a Licensed Clinical Social Worker (LCSW), through individual and group therapy and intensive case management for our clients struggling with depression and the effects of trauma. This combined approach to mental health empowers individuals to build resilience, find healing from trauma and depression, find meaningful life work, secure stable housing, and access the resources they need to have sustainable health and well-being.

##### 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 temporary 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 \$680,924 of deposits in excess of insurance levels at December 31, 2020.

## RECONCILIATION SERVICES

### NOTES TO FINANCIAL STATEMENTS

December 31, 2020

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 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, 2020, the Organization considered all receivables fully collectible.

##### 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>
Building	40
Building Improvements	10-15
Rental Houses	25
Office Equipment	3

Depreciation expense for the year ended December 31, 2020, was \$60,402.

##### 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, 2020 and, accordingly, no liability has been accrued.

## RECONCILIATION SERVICES

### NOTES TO FINANCIAL STATEMENTS December 31, 2020

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 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.

##### 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, 2020, the Organization benefited from \$800 of reduced rent, \$254,859 in food and supplies for meals served and other program supplies, and \$12,243 in professional services including consulting and communication services. The Organization was provided non-cash assistance to award medical and utility vouchers to qualifying candidates which amounted to \$96,954 and \$132,589, respectively for the year ended December 31, 2020. The Organization recognized these gifts-in-kind as a contribution and corresponding expense.

The following volunteer services did not meet the accounting criteria for recognition in the financial statements. During 2020, low-income senior volunteers serving in Reconciliation Services' Foster Grandparents Program spent 65,146 hours mentoring and providing emotional support to 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. Management estimates the value of these services to the community to be \$684,033. The Organization had clinical Interns for therapy and case management donate 1,495 hours and additional volunteers provide 3,978 hours of volunteer service in 2020 in Thelma's Kitchen. Management estimates the value of these services to the community to be \$12,857 and \$34,211, respectively.

##### 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 2, 2021 which is the issue date of the financial statements.

## RECONCILIATION SERVICES

### NOTES TO FINANCIAL STATEMENTS December 31, 2020

NOTE 2: NOTES PAYABLE

Note payable to bank for purchase of building requiring monthly principal and interest payments of \$3,314 through maturity in September 2025 at which a balloon payment of the remaining balance will be due. The note has a fixed interest rate of 3.88%. The loan is collateralized by the Organization's building and property.	\$444,789
Economic Injury Disaster Loan with the Small Business Administration (SBA) requiring monthly principal and interest payments of \$641 beginning in June of 2021 through maturity in June of 2050. The loan has a fixed interest rate of 2.75% and is collateralized by substantially all of the Organization's assets.	149,900
Line of credit up to \$30,000 with interest-only payments at a variable rate of Wall Street Prime + 1.0%. The loan is collateralized by the Organization's building and property.	<u>0</u>
	<u>\$ 594,689</u>

The maturities of the long-term debt are as follows for the year ending December 31:

<u>Year</u>	<u>Amount</u>
2021	\$ 25,014
2022	27,495
2023	28,539
2024	29,622
2025	351,535
Thereafter	<u>132,484</u>
Total	<u>\$594,689</u>

Interest expense was \$4,778 for the year ended December 31, 2020 related to these agreements.

NOTE 3: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of cash and cash equivalents at December 31, 2020 and were restricted by the donors for the following purposes:

Thelma's Kitchen	\$ 127,091
Capital Campaign	10,609
REVEAL Services	288,880
Social Leader	35,000
Future Operations	<u>142,275</u>
Total	<u>\$ 603,855</u>

## RECONCILIATION SERVICES

### NOTES TO FINANCIAL STATEMENTS December 31, 2020

#### NOTE 3: NET ASSETS WITH DONOR RESTRICTIONS (continued)

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	\$ 158,481
Capital Campaign	9,967
REVEAL Services	522,584
Future Operations	<u>224,989</u>
Total	<u>\$ 916,021</u>

#### NOTE 4: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Organization's financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

Cash and cash equivalents	\$ 1,398,831
Investments	2,285
Contracts and Grants Receivable	<u>331,960</u>
Total Financial Assets at Year-End	1,733,076
Less those unavailable for general expenditure within one year, due to:	
Net assets with donor restrictions	603,855
Less: donor restricted for future operations	<u>(142,275)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$1,271,496</u>

The Organization also has a line of credit of up to \$30,000 (Note 2) available for general operations as of December 31, 2020.