RECONCILIATION SERVICES

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Reconciliation Services
Kansas City, Missouri

Opinion

We have audited the accompanying financial statements of Reconciliation Services ("the Organization"), which comprise the statement of financial position as of December 31, 2021, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Reconciliation Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Reconciliation Services' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Reconciliation Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Reconciliation Services' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Marr and Company

Kansas City, Missouri
June 9, 2022

Marr and Company, P.C.
Certified Public Accountants

RECONCILIATION SERVICES

STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS	
Cash and Cash Equivalents	$ 3,883,401
Investments	54,351
Contracts and Grants Receivable	653,793
Promises to Give	2,432,413
Prepaid Expenses	17,557
Other Assets	2,266
Property and Equipment:	
Construction in Process	362,383
Building	650,000
Building Improvements	267,681
Office Equipment	45,179
Rental Houses and Lots	416,200
Less Accumulated Depreciation	(247,782)
Net Property and Equipment	1,493,661
TOTAL ASSETS	$ 8,537,442
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts Payable	$ 101,198
Grants Payable	180,000
Payroll Accrual & Withholdings	64,698
Vacation Accrual	15,957
Other Accruals	5,416
Notes Payable (Note 2)	588,618
Total Liabilities	955,887
Net Assets:	
Without Donor Restrictions	1,227,146
With Donor Restrictions (Note 3)	6,354,409
Total Net Assets	7,581,555
TOTAL LIABILITIES AND NET ASSETS	$ 8,537,442

See Accompanying Notes to these Financial Statements.

RECONCILIATION SERVICES

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Contributions and grants	$ 554,813	$ 7,543,130	$ 8,097,943
Government contract	421,839	0	421,839
Non-cash donations (Note 1J)	596,402	0	596,402
Sales (box lunches, merchandise, & courses)	246,881	0	246,881
Fees for service	13,958	0	13,958
Rental Income	25,000	0	25,000
Net Investment Income	5,523	0	5,523
Other Income	11,964	0	11,964
Net assets released from restrictions	1,792,576	(1,792,576)	0
Total Revenue, Gains and Other Support	3,668,956	5,750,554	9,419,510
Expenses			
Program Services	3,232,013	0	3,232,013
Supporting Activities:			
Management and General	643,651	0	643,651
Fundraising	234,267	0	234,267
Total Supporting Activities	877,918		877,918
Total Expenses	4,109,931	0	4,109,931
Change in Net Assets	(440,975)	5,750,554	5,309,579
NET ASSETS, BEGINNING OF YEAR	1,668,121	603,855	2,271,976
NET ASSETS, END OF YEAR	$ 1,227,146	$ 6,354,409	$ 7,581,555

See Accompanying Notes to these Financial Statements.

RECONCILIATION SERVICES

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services	Supporting Activities: Management and General	Supporting Activities: Fundraising	Total
EXPENSES				
Personnel Expenses	$ 892,826	$ 449,438	$ 177,510	$ 1,519,774
Occupancy Expenses (Building)	98,317	21,916	12,918	133,151
Office Expenses	60,964	73,248	35,433	169,645
Foster Grandparent Stipends/Travel and Recognition	247,922	0	0	247,922
Direct Assistance	1,561,829	0	0	1,561,829
Supplies and Other Expense	165,193	20	100	165,313
Professional Fees	120,955	93,182	7,170	221,307
Travel and Transportation	3,211	105	709	4,025
Property and Grounds (Holy Family House)	7,790	0	0	7,790
Interest	10,867	1,312	427	12,606
Depreciation	62,139	4,430	0	66,569
TOTAL EXPENSES	$ 3,232,013	$ 643,651	$ 234,267	$ 4,109,931

See Accompanying Notes to these Financial Statements.

RECONCILIATION SERVICES

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

Cash Flows From Operating Activities	
Change in total net assets	$ 5,309,579
Adjustments to reconcile change in net assets to net cash flows from operating activities –	
Depreciation	66,569
Realized and unrealized gain on investments	(5,522)
Contributions restricted for capital assets	(4,874,174)
(Increase)/Decrease in:	
Contracts and grants receivable	(321,833)
Prepaid expenses	(13,960)
Increase/(Decrease) in:	
Accounts payable	60,094
Grants payable	180,000
Payroll accrual and withholdings	24,456
Accrued vacation	4,318
Other accruals	1,088
Net Cash Provided by Operating Activities	430,615
Cash Flows From Investing Activities	
Purchase of capital assets	(335,191)
Net Cash Used by Investing Activities	(335,191)
Cash Flows From Financing Activities	
Proceeds from contributions restricted for capital assets	2,395,217
Principal payment of long-term debt	(6,071)
Net Cash Provided by Financing Activities	2,389,146
Change in Cash	2,484,570
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,398,831
CASH AND CASH EQUIVALENTS, END OF YEAR	$3,883,401

Supplemental Disclosures:	
Cash paid for interest	$ 24,766

See Accompanying Notes to these Financial Statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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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.

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 $3,212,469 of deposits in excess of insurance levels at December 31, 2021.

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, 2021, the Organization considered all receivables fully collectible.

E. Contributions and 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 with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

Conditional promises to give, that is, those with measurable performance or other barriers and a right of return, are not recognized until the conditions on which they depend are substantially met. At December 31, 2021 there are $3,000,000 of conditional capital related promises to give that have not been recognized as the performance obligations have not been met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their estimated future cash flows, using an appropriate risk adjusted discount rate applicable to the years in which the promises are to be received, with the amortization of the discount included in contribution revenue. No discount has been recognized in these financial statements since the timing of expected collection is within two years and the calculated discount is not significant.

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.

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

Depreciation expense for the year ended December 31, 2021, was $66,569.

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, satisfying the performance obligation. Contract funds received in excess of expenses incurred are recognized as contract liabilities in the Statements of Financial Position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021 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.

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 processing those skills, and would typically need to be purchased if not provided by donation.

For the year ended December 31, 2021, the Organization benefited from $256,777 in food and supplies for meals served and other program supplies, and $19,341 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 $71,539 and $248,745, respectively for the year ended December 31, 2021. The Organization recognized these gifts-in-kind, totaling $596,402 as contributions and corresponding expenses in 2021.

The following volunteer services did not meet the accounting criteria for recognition in the financial statements. During 2021, low-income senior volunteers serving in Reconciliation Services' Foster Grandparents Program spent 5,186 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 $54,453. The Organization had clinical Interns for therapy and case management donate 1,523 hours and additional volunteers provide 3,883 hours of volunteer service in 2020 in Thelma's Kitchen. Management estimates the value of these services to the community to be $13,098 and $33,394, 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 and number of program staff for personnel costs, square footage of space for occupancy depreciation, and interest.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Fair Value Measurements

In accordance with US GAAP, the Organization determines the fair value of investments and other assets using FASB ASC 820, Fair Value Measurements and Disclosures, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by or other means.

If the asset or liability has a specified (contractual) term, the Level 2 inputs must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's 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.

M. Subsequent Events

Management has evaluated subsequent events to June 9, 2022 which is the issue date of the financial statements.

NOTE 2: RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan for full-time employees. After one year of service, the Organization matches contributions up to 3% of eligible compensation, which amounted to $14,813 for the year ended December 31, 2021.

NOTE 3: NOTES PAYABLE

Construction loan up to $865,000 requiring interest-only payments at 3.88% through maturity in September of 2022. The loan refinanced a previous note for the purchase of a building and the balance is available for construction costs. The loan is collateralized by the Organization's building and property.	$ 438,718
Economic Injury Disaster Loan with the Small Business Administration (SBA) requiring monthly principal and interest payments of $641 beginning in June of 2022 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
Total	$ 588,618

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

Year	Amount
2022	$ 440,555
2023	3,776
2024	3,881
2025	3,989
2026	4,035
Thereafter	132,382
Total	$ 588,618

For the year ended December 31, 2021, the Organization paid $24,766 in interest related to these agreements. At December 31, 2021, $12,160 was capitalized and included in construction in process. The remaining $12,606 was recognized as interest expense for the year ended December 31, 2021.

NOTE 4: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of cash and cash equivalents and promises to give at December 31, 2021 and were restricted by the donors for the following purposes:

Thelma's Kitchen	$ 99,974
Capital Campaign	4,872,783
REVEAL Services	1,226,056
Social Leader	10,500
Future Operations	145,096
Total	$ 6,354,409

NOTE 4: 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	$ 206,013
Capital Campaign	12,000
REVEAL Services	1,305,420
Social Leader	55,000
Future Operations	214,143
Total	$ 1,792,576

NOTE 5: LEASE COMMITMENT

In October of 2021 the Organization entered into an 18-month lease agreement for temporary office space. The agreement requires monthly payments of $6,769 and lease expense was $19,951 for the year ended December 31, 2021. The following sets forth minimum lease payments under this agreement.

Year	Amount
2022	$ 81,226
2023	20,307
Total	$ 101,533

NOTE 6: INVESTMENTS

The following table sets forth information about the level within the fair value hierarchy at which the Organization's financial assets are measured on a recurring basis at December 31, 2021:

Investments	Fair Value	Quote Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	$ 45,657	$ 45,657	-	-
Mutual Funds	3,445	3,445	-	-
Equity Index Funds	5,249	5,249	-	-
Total Investments	$ 54,351	$ 54,351	-	-

RECONCILIATION SERVICES

NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 7: 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, 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

Cash and cash equivalents	$ 3,883,401
Investments	54,351
Contracts and Grants Receivable	653,793
Promises to Give	2,432,413
Total Financial Assets at Year-End	7,023,958
Less those unavailable for general expenditure within one year, due to:	
Net assets with donor restrictions	6,354,409
Less: donor restricted for future operations	(145,096)
Financial assets available to meet cash needs for general expenditure within one year	$ 814,645