

**RESTORATION HOUSE OF GREATER KANSAS CITY**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2020**

**With**

**Independent Accountants' Review Report**

# RESTORATION HOUSE OF GREATER KANSAS CITY

## FINANCIAL STATEMENTS

December 31, 2020

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Keller & Owens, LLC

*Certified Public Accountants*

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors

**Restoration House of Greater Kansas City**

We have reviewed the accompanying financial statements of **Restoration House of Greater Kansas City** (the "Organization") (a nonprofit 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**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.

**Accountants' Responsibility**

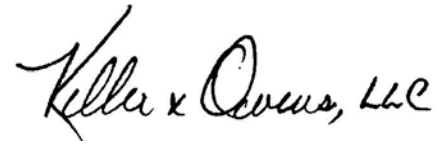
Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2020, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Kella x Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas  
July 14, 2021

# RESTORATION HOUSE OF GREATER KANSAS CITY

## STATEMENT OF FINANCIAL POSITION

December 31, 2020

### ASSETS

Cash and cash equivalents	\$	143,873
Accounts receivable		52
Prepays and deposits		11,335
Property and equipment, net		<u>929,639</u>
Total Assets	\$	<u>1,084,899</u>

### LIABILITIES AND NET ASSETS

#### Liabilities:

Accounts payable	\$	132,454
Accrued expenses		22,896
Deferred revenue		41,000
Note payable		<u>133,191</u>
Total Liabilities		329,541

#### Net Assets:

With donor restrictions		255,590
Without donor restrictions		<u>499,768</u>
Total Net Assets		<u>755,358</u>

Total Liabilities and Net Assets	\$	<u>1,084,899</u>
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*See accompanying notes and independent accountants' review report*

## RESTORATION HOUSE OF GREATER KANSAS CITY

### STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support Revenue:			
Contributions	\$ 399,040	\$ 90,240	\$ 489,280
Special events:			
Special event income	214,998	-	214,998
Less: costs of direct benefits to donors	(66,656)	-	(66,656)
Net special event income	148,342	-	148,342
Rehope sales:			
Merchandise sales net of discounts	94,499	-	94,499
Cost of goods sold	(50,417)	-	(50,417)
Net income from sales	44,082	-	44,082
Gain on disposal of property and equipment	1,051	-	1,051
Other income	40	-	40
Net assets released from restriction	155,196	(155,196)	-
 Total Support Revenue	 747,751	 (64,956)	 682,795
Expenses:			
Program services	522,334	-	522,334
Management and general	162,211	-	162,211
Fundraising	50,764	-	50,764
Total Expenses	735,309	-	735,309
Change in Net Assets	12,442	(64,956)	(52,514)
Net Assets, Beginning of Year	243,148	564,724	807,872
Net Assets, End of Year	\$ 255,590	\$ 499,768	\$ 755,358

*See accompanying notes and independent accountants' review report*

# RESTORATON HOUSE OF GREATER KANSAS CITY

## STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries and Benefits	\$ 216,603	\$ 20,249	\$ 10,149	-	\$ 247,001
Professional Services	12,232	51,711	875	-	64,818
Materials and Supplies	23,046	2,812	9,015	-	34,873
Insurance	10,840	8,122	-	-	18,962
Utilities	18,018	6,559	-	-	24,577
Repairs and Maintenance	18,720	-	-	-	18,720
Security	1,938	696	-	-	2,634
Client Assistance	44,174	166	861	-	45,201
Contractual Obligations	102,681	-	-	-	102,681
Bank Fees	1,457	3,037	3,854	-	8,348
Conferences, Meetings and Training	464	667	-	-	1,131
Dues and Subscriptions	-	3,788	-	-	3,788
Printing and Postage	58	1,969	-	-	2,027
Computer Maintenance and Supplies	116	40,207	996	-	41,319
Advertising and Marketing	107	13,237	4,352	-	17,696
Travel	2,390	452	-	-	2,842
Telephone	5,474	4,409	-	-	9,883
Miscellaneous	4,331	1,520	-	-	5,851
Interest	6,833	-	-	-	6,833
Venue Rental	-	-	20,662	-	20,662
Food, Beverage and Entertainment	-	-	-	66,656	66,656
Rehope Market Cost of Goods Sold	50,417	-	-	-	50,417
Depreciation Expense	52,852	2,610	-	-	55,462
 Total expenses included in expense section on the statement of activities	 572,751	 162,211	 50,764	 66,656	 852,382
 Add: expenses included with revenues on the statement of activities					
Cost of goods sold	(50,417)				(50,417)
Special event cost (direct benefit to donors)	-	-	-	(66,656)	(66,656)
 Total Expenses	 \$ 522,334	 \$ 162,211	 \$ 50,764	 \$ -	 \$ 735,309

*See accompanying notes and independent accountants' review report*

# RESTORATION HOUSE OF GREATER KANSAS CITY

## STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

Cash Flows from Operating Activities:	
Change in net assets	\$ (52,514)
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation and amortization	55,462
Forgiveness of capital lease obligation	14,559
Gain on disposal of property and equipment	(1,051)
(Increase) decrease in:	
Accounts receivable	(52)
Prepays and deposits	4,834
(Decrease) increase in:	
Accounts payable	(2,199)
Accrued expenses	(18,801)
Deferred revenue	<u>(12,000)</u>
Net Cash Used by Operating Activities	(11,762)
Cash Flows from Investing Activities:	
Purchases of property and equipment	(65,803)
Proceeds from sale of property and equipment	<u>5,175</u>
Net Cash Used by Investing Activities	<u>(60,628)</u>
Cash Flows from Financing Activities:	
Repayment of note payable	<u>(4,721)</u>
Net Cash Used by Financing Activities	<u>(4,721)</u>
Net Change in Cash and Cash Equivalents	(77,111)
Cash and Cash Equivalents at Beginning of Year	<u>220,984</u>
Cash and Cash Equivalents at End of Year	<u>\$ 143,873</u>

*See accompanying notes and independent accountants' review report*

# RESTORATION HOUSE OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Organization – Restoration House of Greater Kansas City** (the "Organization"), a Missouri nonprofit corporation in Greenwood, MO, is a faith-based, long-term, residential program for survivors of sex trafficking. The Organization's holistic restoration program focuses on healing survivors from the indignities they have suffered by providing physical needs, trauma and addiction therapy, as well as education and job skill training. The Organization is primarily supported by donors, which reside primarily in the greater Kansas City metropolitan area.

**Advertising** – The Organization expenses advertising costs as they are incurred. Advertising expense incurred during 2020 totaled \$17,696.

**Basis of Accounting** – The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Organization considers those highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Concentration of Credit Risk** – The Organization maintains its cash in bank accounts in amounts that may exceed federally insured limits at times. The Organization has not experienced any losses in these accounts in the past, and management believes the Organization is not exposed to significant credit risks as they periodically evaluate the strength of the financial institutions in which it deposits funds.

**Contributed Property, Materials, and Services** – Contributed property, materials and services are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, then the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions. Donated services are recorded as contributions at the estimated equivalent wage. However, non-professional volunteer time donated to the Organization is not recognized in the financial statements because they do not meet the criteria for recognition under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-605. In 2020, the Organization received approximately \$32,000 in goods to use in support of their mission.

# RESTORATION HOUSE OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Functional Allocation of Expenses** – The costs of providing programs and other services of the Organization are reported on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and benefits, occupancy related costs, materials and supplies, and client assistance. These allocations are based on estimates of time spent.

**Income Taxes** – The Organization is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as a publicly-supported entity which is not a private foundation under Section 509(a) of the Code.

The Organization has adopted the provisions of FASB ASC 740-10 as it might apply to the Organization's financial transactions. The Organization's policy is to disclose the impact of 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.

**Net Assets** – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. They also include any designations by the governing board.

*Net assets with donor restrictions* – Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

# RESTORATION HOUSE OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Property and Equipment** – The Organization capitalizes all expenditures for property and equipment over a nominal amount. Property and equipment are stated at cost at the date of acquisition. Maintenance and repairs are charged to expense as incurred. When items of property or equipment are sold or retired, the related cost is removed from the accounts and any gain or loss is included in the results of operations. Depreciation is provided over the estimated useful lives of the respective assets on the straight-line basis. Lives for depreciation are as follows: buildings and improvements, 10 to 35 years; vehicles, equipment and furniture, 5 to 10 years; website development, 10 years.

**Recently Issued Accounting Standards** – FASB ASC Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly, utilizing the modified retrospective method of transition, with no cumulative-effect adjustment to net assets.

**Revenue Recognition** – Contributions and grants are recognized when cash, securities or other assets, an unconditional promise to give, or notification of an irrevocable beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Promises to give collected prior to meeting conditions are included in deferred revenue in the statement of financial position.

Special event revenue is comprised of an exchange element based on the benefits received and a contribution element for the difference. As sponsorships do not include an explicit waiver of sponsors' rights to refunds if an event were not to take place, the exchange and contribution elements are both recognized when the underlying special events are held. Payments are required at the time of commitment.

**Subsequent Events** – Management has evaluated events and transactions that have occurred since December 31, 2020, and reflected their effects, if any, in these financial statements through July 14, 2021, the date the financial statements were available to be issued.

**Use of Estimates** – The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# RESTORATION HOUSE OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position at December 31, 2020, are as follows:

Cash and cash equivalents	\$	143,873
Accounts receivable		52
Less: amounts unavailable due to restrictions:		
Restricted by donors with purpose restrictions		<u>(499,768)</u>
Total Financial Assets Available for General Expenditures within One Year	\$	<u>(355,843)</u>

The Organization has restrictions on the use of property that was donated of \$456,066. The restrictions require the Organization to use the property to provide shelter for survivors of sex trafficking and their children. The Organization is not allowed to dispose of the property. If this were taken into consideration, the Organization would still have \$100,223 to spend on current operations.

### 3. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are held for the following purposes as of December 31, 2020:

Home for Minors	\$	31,394
Building and Land		456,066
Church Building Renovation		5,000
RH Farms		<u>7,308</u>
Total Net Assets with Donor Restrictions	\$	<u>499,768</u>

The following are sources of net assets released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of events specified by donors for the year ended December 31, 2020:

Home for Minors	\$	130,035
Rehope Market		16,000
RH Farms		8,161
Coffee Bar		<u>1,000</u>
Total Net Assets Released from Restriction	\$	<u>155,196</u>

# RESTORATION HOUSE OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 4. NOTE PAYABLE

In April 2018, the Organization obtained a mortgage that was secured by real property located at 808 W Main, Greenwood, MO 64034. The note requires 59 monthly payments of \$963 with a balloon payment of \$122,616 at the end. The note has an interest rate of 4.95%. The outstanding balance was \$133,191 on the note at December 31, 2020.

Maturities on note payable are as follows:

<u>Years ending December 31:</u>	
2021	\$ 5,072
2022	5,329
2023	<u>122,790</u>
Total	<u>\$ 133,191</u>

### 5. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2020 follows:

Building	\$ 528,563
Building and Improvement	344,735
Furniture and Equipment	16,961
Vehicles	3,000
Website	26,100
Less: accumulated depreciation	<u>(70,506)</u>
	848,853
Land	<u>80,786</u>
Total Property and Equipment, net	<u>\$ 929,639</u>

### 6. RELATED PARTY TRANSACTIONS

Contributions from related parties of the Organization including board members, employees, and immediate family members totaled approximately \$86,500 for the year ended December 31, 2020. Approximately 11% of contribution revenue was generated from a related party, Blue River – Kansas City Baptist Association.

# RESTORATION HOUSE OF GREATER KANSAS CITY

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 7. RECENT ACCOUNTING PRONOUNCEMENTS

#### *ASU 2016-02, Leases*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are to be applied using a modified retrospective approach.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date for certain entities to fiscal years beginning after December 15, 2021. Early application continues to be allowed.

#### *ASU 2020-07, Not-for-Profit Entities*

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments in this ASU are to be applied on a retrospective basis. The amendments should be applied for fiscal years beginning after June 15, 2021. Early adoption is permitted.

The Organization is evaluating the effect that these standards will have on its financial statements and related disclosures.

### 8. SUBSEQUENT EVENTS

In January 2021, the Organization signed a construction contract to provide renovations on property they own that will further their mission of providing shelter to survivors of sex trafficking and their children. The renovations will cost approximately \$800,000. The construction is being funded by a large donation of \$150,000 and two grants for \$300,000 and \$240,000 respectively. The remainder is being paid for with receipts from the past gala event and other donations.