

RESTORATION HOUSE OF GREATER KANSAS CITY

FINANCIAL STATEMENTS

Year Ended December 31, 2021

With

Independent Accountants' Review Report

RESTORATION HOUSE OF GREATER KANSAS CITY

FINANCIAL STATEMENTS

December 31, 2021

CONTENTS

	<u>Page</u>
Independent Accountants' Review Report	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 16



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, 2021, and the related statements 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.

We are required to be independent of **Restoration House of Greater Kansas City** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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.

Summarized Comparative Information

We previously reviewed **Restoration House of Greater Kansas City**'s December 31, 2020, financial statements and in our report dated July 14, 2021, stated that based on our procedures, we were not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Keller & Owens, LLC".

Overland Park, Kansas
September 28, 2022

RESTORATION HOUSE OF GREATER KANSAS CITY

STATEMENT OF FINANCIAL POSITION

December 31, 2021

(with comparative totals as of December 31, 2020)

	<u>ASSETS</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 436,500	\$ 143,873
Accounts receivable	-	52
Promises to give	30,000	-
Prepays and deposits	2,735	11,335
Investments	33,078	-
Property and equipment, net	<u>1,742,263</u>	<u>929,639</u>
 Total Assets	<u>\$ 2,244,576</u>	<u>\$ 1,084,899</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable	\$ 8,771	\$ 132,454
Accrued expenses	91,826	22,896
Deferred revenue	20,878	41,000
Notes payable	<u>208,208</u>	<u>133,191</u>
 Total Liabilities	329,683	329,541
Net Assets:		
Without donor restrictions	1,357,872	255,590
With donor restrictions	<u>557,021</u>	<u>499,768</u>
 Total Net Assets	<u>1,914,893</u>	<u>755,358</u>
 Total Liabilities and Net Assets	<u>\$ 2,244,576</u>	<u>\$ 1,084,899</u>

See accompanying notes and independent accountants' review report

RESTORATION HOUSE OF GREATER KANSAS CITY

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2021

(with comparative totals for the year ended December 31, 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support Revenue:				
Contributions	\$ 646,421	\$ 1,060,308	\$ 1,706,729	\$ 489,280
Special events:				
Special event income	193,297	-	193,297	214,998
Less: costs of direct benefits to donors	<u>(71,164)</u>	<u>-</u>	<u>(71,164)</u>	<u>(66,656)</u>
Net special event income	122,133	-	122,133	148,342
ReHope sales:				
Merchandise sales net of discounts	128,250	-	128,250	94,499
Cost of goods sold	<u>(48,945)</u>	<u>-</u>	<u>(48,945)</u>	<u>(50,417)</u>
Net income from sales	79,305	-	79,305	44,082
Gain on disposal of property and equipment	-	-	-	1,051
Investment income	(504)	-	(504)	40
Other income	392	-	392	-
Net assets released from restriction	<u>1,003,055</u>	<u>(1,003,055)</u>	<u>-</u>	<u>-</u>
 Total Support Revenue	 1,850,802	 57,253	 1,908,055	 682,795
Expenses:				
Program services	578,854	-	578,854	522,334
Management and general	132,278	-	132,278	162,211
Fundraising	<u>37,388</u>	<u>-</u>	<u>37,388</u>	<u>50,764</u>
Total Expenses	<u>748,520</u>	<u>-</u>	<u>748,520</u>	<u>735,309</u>
 Change in Net Assets	 1,102,282	 57,253	 1,159,535	 (52,514)
Net Assets, Beginning of Year	<u>255,590</u>	<u>499,768</u>	<u>755,358</u>	<u>807,872</u>
Net Assets, End of Year	<u>\$ 1,357,872</u>	<u>\$ 557,021</u>	<u>\$ 1,914,893</u>	<u>\$ 755,358</u>

See accompanying notes and independent accountants' review report

RESTORATON HOUSE OF GREATER KANSAS CITY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021

(with comparative totals for the year ended December 31, 2020)

	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	2021 Total	2020 Total
Salaries and Benefits	\$ 211,553	\$ 20,352	\$ 8,767	-	\$ 240,672	\$ 247,001
Professional Services	-	55,637	2,000	-	57,637	64,818
Materials and Supplies	18,440	918	2,299	-	21,657	34,873
Insurance	14,272	9,929	-	-	24,201	18,962
Utilities	15,526	8,076	-	-	23,602	24,577
Repairs and Maintenance	61,888	33	-	-	61,921	18,720
Security	2,230	743	-	-	2,973	2,634
Client Assistance	31,051	20	-	-	31,071	45,201
Contractual Obligations	131,523	-	-	-	131,523	102,681
Bank Fees	2,485	5,856	3,345	-	11,686	8,348
Conferences, Meetings and Training	6,256	6,753	-	-	13,009	1,131
Dues and Subscriptions	481	4,961	-	-	5,442	3,788
Printing and Postage	96	1,306	-	-	1,402	2,027
Computer Maintenance and Supplies	-	1,135	-	-	1,135	41,319
Advertising and Marketing	311	2,494	1,214	-	4,019	17,696
Travel	5,070	53	-	-	5,123	2,842
Telephone and Internet	7,040	5,903	-	-	12,943	9,883
Miscellaneous	11,624	5,499	19,763	-	36,886	5,851
Interest	6,571	-	-	-	6,571	6,833
Venue Rental	-	-	-	9,000	9,000	20,662
Food, Beverage and Entertainment	-	-	-	62,164	62,164	66,656
ReHope Market Cost of Goods Sold	48,945	-	-	-	48,945	50,417
Depreciation Expense	<u>52,437</u>	<u>2,610</u>	<u>-</u>	<u>-</u>	<u>55,047</u>	<u>55,462</u>
	627,799	132,278	37,388	71,164	868,629	852,382
Less: expenses included with revenues on the statement of activities						
Cost of goods sold	(48,945)	-	-	-	(48,945)	(50,417)
Special event cost (direct benefit to donors)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,164)</u>	<u>(71,164)</u>	<u>(66,656)</u>
Total expenses included in expense section on the statement of activities	<u>\$ 578,854</u>	<u>\$ 132,278</u>	<u>\$ 37,388</u>	<u>\$ -</u>	<u>\$ 748,520</u>	<u>\$ 735,309</u>

See accompanying notes and independent accountants' review report

RESTORATION HOUSE OF GREATER KANSAS CITY

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

(with comparative totals for the year ended December 31, 2020)

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,159,535	\$ (52,514)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Contributions restricted for renovation	(982,823)	-
Depreciation	55,047	55,462
Forgiveness of capital lease obligation	-	14,559
Gain on disposal of property and equipment	-	(1,051)
Donated stock	(33,768)	-
Realized and unrealized losses	690	-
(Increase) decrease in:		
Accounts receivable	52	(52)
Promises to give	(30,000)	-
Prepays and deposits	8,600	4,834
(Decrease) increase in:		
Accounts payable	(123,683)	(2,199)
Accrued expenses	68,930	(18,801)
Deferred revenue	(20,122)	(12,000)
Net Cash Provided (Used) by Operating Activities	102,458	(11,762)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(867,671)	(65,803)
Proceeds from sale of property and equipment	-	5,175
Net Cash Used by Investing Activities	(867,671)	(60,628)
Cash Flows from Financing Activities:		
Contributions restricted for renovation	982,823	-
Loan proceeds	80,000	-
Repayment of note payable	(4,983)	(4,721)
Net Cash Provided (Used) by Financing Activities	1,057,840	(4,721)
Net Change in Cash and Cash Equivalents	292,627	(77,111)
Cash and Cash Equivalents at Beginning of Year	143,873	220,984
Cash and Cash Equivalents at End of Year	\$ 436,500	\$143,873

See accompanying notes and independent accountants' review report

RESTORATION HOUSE OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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 – Certain expenses to promote the general purpose and activities of the Organization are expensed as incurred and amount to \$4,019 and \$17,696 during 2021 and 2020.

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, 2021

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'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, 2021.

Investments – Investments consist of marketable securities with readily determinable market values and are stated at fair value. Fair values are based on quoted market prices. The investments, which are held by brokers, are uninsured by the FDIC and are not guaranteed by a financial institution; therefore, they include the risk of loss of principal invested. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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.

RESTORATION HOUSE OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Promises to Give – Unconditional promises to give in future periods are recognized as support in the period the promises are received. Promises to give that are expected to be collected within one year are recorded at their net realizable value.

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.

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, 2021, and reflected their effects, if any, in these financial statements through September 28, 2022, the date the financial statements were available to be issued.

RESTORATION HOUSE OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 436,500	\$ 143,873
Accounts receivable	-	52
Promises to give	30,000	-
Investments	33,078	-
Less: amounts unavailable due to restrictions:		
Restricted by donors -		
with time and purpose restrictions	<u>(557,021)</u>	<u>(499,768)</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ (57,443)</u>	<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 \$398,623 to spend on current operations.

RESTORATION HOUSE OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

3. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 – Inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 – Inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means;
- Level 3 – Inputs are unobservable and reflect assumptions on the part of the reporting entity.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 33,078	\$ -	\$ -	\$ 33,078
Total assets – recurring basis	<u>\$ 33,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,078</u>

RESTORATION HOUSE OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

4. NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Home for Minors	\$ -	\$ 31,394
Building and Land	456,066	456,066
Church Building Renovation	-	5,000
Renovation and Repairs	60,502	-
Education	1,178	-
Medical Care	8,000	-
Van Repairs	978	-
RH Farms	297	7,308
Promises to Give for the Sky's the Limit Campaign	30,000	-
Total Net Assets with Donor Restrictions	\$ 557,021	\$ 499,768

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:

Home for Minors	\$ 79,844	\$ 130,035
ReHope Market	-	16,000
ReHope Computer	1,000	-
RH Farms – Operations	9,011	8,161
RH Farms – Renovation	892,321	-
Church Building Renovation	5,000	-
Program Supplies	1,407	-
Psychological Services	2,000	-
Training and Education	12,472	-
Coffee Bar	-	1,000
Total Net Assets Released from Restriction	\$ 1,003,055	\$ 155,196

RESTORATION HOUSE OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

5. NOTES 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, 2021.

In December 2021, Blue River – Kansas City Baptist Association made a short-term, zero interest loan of \$80,000 to the Organization. This loan was to help finish the septic system which is part of the renovation project. This was repaid in January 2022.

Maturities on notes payable are as follows:

<u>Years ending December 31:</u>	
2022	\$ 85,329
2023	<u>122,879</u>
Total	<u>\$ 208,208</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2021</u>	<u>2020</u>
Building	\$ 528,563	\$ 528,563
Building improvements	344,735	344,735
Furniture and equipment	27,895	16,961
Vehicles	3,000	3,000
Website	26,100	26,100
Construction in process	856,737	-
Less accumulated depreciation	<u>(125,553)</u>	<u>(70,506)</u>
	1,661,477	848,853
Land	<u>80,786</u>	<u>80,786</u>
Total Property and Equipment, net	<u>\$ 1,742,263</u>	<u>\$ 929,639</u>

Depreciation expense was \$55,047 and \$55,462 for the year ended December 31, 2021, and 2020, respectively.

RESTORATION HOUSE OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

7. RELATED PARTY TRANSACTIONS

Contributions from related parties including board members, employees, and immediate family members totaled approximately, \$75,168 and \$86,500 for the years ended December 31, 2021 and 2020. Approximately 3% and 11% of contribution revenue was generated from a related party, Blue River – Kansas City Baptist Association for the years ended December 31, 2021 and 2020, respectively. In addition, Blue River – Kansas City Baptist Association loaned the Organization an \$80,000, interest free, six-month loan. This loan is to assist in finishing the septic system which is part of the renovation project.

The Organization is under a Memorandum of Understanding (“MOU”) with Missouri Baptist Children’s Home (“MBCH”) to operate a safe house and treatment facility for juvenile victims of sex trafficking and assessment of those being trafficked. The amount owed to MBCH was \$65,454 for the year ended December 31, 2021. This amount is included in accrued expenses.

8. 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. Subsequent ASUs have allowed for an option for organizations to initially adopt the standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption.

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.

RESTORATION HOUSE OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

8. RECENT ACCOUNTING PRONOUNCEMENTS (continued)

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.

ASU 2016-13, Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard requires application of the current expected credit loss (“CECL”) methodology for the measurement of credit losses on financial assets measured at amortized cost. The CECL methodology replaces the previous incurred loss methodology. It also modifies the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis. This standard is effective for annual reporting periods beginning after December 15, 2020. The standard is applied on a modified retrospective approach.

In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which deferred the effective date of the new CECL standard. The new standard is effective for fiscal years beginning after December 15, 2022.

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

RESTORATION HOUSE OF GREATER KANSAS CITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

9. PAYCHECK PROTECTION PROGRAM LOAN

On February 11, 2021, the Organization was approved for a \$51,233 Paycheck Protection Program (“PPP”) loan from a financial institution under the CARES Act, at a fixed interest rate of 1.00%. The note matures in February 2026. If the Organization spends the loan funds on certain qualified expenditures as specified under the rules and regulations referenced in the loan agreement, all or a portion of the PPP loan funds will be forgiven and treated as a contribution by the Organization. For any amounts not forgiven, the agreement calls for equal monthly payments of principal and interest in an amount needed to fully amortize the loan by the maturity date. Forgiveness is not guaranteed and conditioned on U.S. Small Business Administration (“SBA”) approval and SBA reimbursement to the Organization’s financial institution. The loan was forgiven on August 6, 2021. The Organization has recognized it in contributions in accordance with the accrual basis of accounting.

10. COMMITMENTS

Construction for a renovation project started on May 4, 2021. It was estimated to take five months to complete. In 2022, the Organization completed Phase 2 of the construction project and started Phase 3. The estimated cost for Phase 3 is \$1,500,000.

11. PROMISES TO GIVE

A pledge of \$30,000 was made for the Sky’s the Limit Campaign. The campaign plans to raise \$5.3 million through 2024 to expand housing and training capacity and provide for related staffing. During 2022, \$10,000 of this promise to give was received with \$10,000 expected to be given in each of 2023 and 2024. No allowance or discount is recorded due to immateriality.

12. SUBSEQUENT EVENTS

In February 2022, the Organization purchased ten acres from Roth Hereford Farms to build the tiny homes for the residents of the programs. The cost totaled \$100,000. Additionally, in July of 2022, the Organization received a grant of \$2,000,000 to support the construction of new transitional housing for female human trafficking survivors. Another \$5,000 was also contributed to this housing project in July 2022.