

ELEVATE METRO KC
PERIOD FROM JANUARY 16, 2019 (INCEPTION)
TO JUNE 30, 2020



HOUSE PARK DOBRATZ & WIEBLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ELEVATE METRO KC

PERIOD FROM JANUARY 16, 2019 (INCEPTION) TO JUNE 30, 2020

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Independent Auditors' Report

To the Board of Directors
Elevate Metro KC
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Elevate Metro KC (the Organization), which comprise the statement of financial position as of June 30, 2020 and the related statement of activities and change in net assets, functional expenses, and cash flows for the period from January 16, 2019 (inception) to June 30, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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.

(continued)

Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elevate Metro KC as of June 30, 2020, and the change in its net assets and its cash flows for the period from January 16, 2019 (inception) to June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

House Park Dobratz & Wiebler, P.C.

Kansas City, Missouri
December 1, 2020

ELEVATE METRO KC
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

	<u>2020</u>
Current assets:	
Cash	\$ 309,945
Prepaid expenses	<u>3,003</u>
Total current assets	312,948
Property and equipment (Note 2)	<u>47,234</u>
	<u>\$ 360,182</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Current portion of note payable (Note 3)	\$ 9,864
Accounts payable	721
Accrued expenses (Note 4)	<u>7,960</u>
	18,545
Contingency (Note 8)	
Note payable, less current portion (Note 3)	36,336
Net assets, without donor restrictions	<u>305,301</u>
	<u>\$ 360,182</u>

See notes to financial statements.

ELEVATE METRO KC

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

PERIOD FROM JANUARY 16, 2019 TO JUNE 30, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue:			
Contributions and grants (Note 6)	\$ 540,537	\$ 104,000	\$ 644,537
In-kind contributions	3,272		3,272
Other	1,536		1,536
Net assets released from program restrictions	<u>104,000</u>	<u>(104,000)</u>	
	<u>649,345</u>	<u> --</u>	<u>649,345</u>
Expenses:			
Program	190,083		190,083
Management and general	112,936		112,936
Fundraising	<u>41,025</u>		<u>41,025</u>
Total operating expenses	<u>344,044</u>		<u>344,044</u>
Change in net assets	305,301		305,301
Net assets, beginning of period	<u> --</u>		<u> --</u>
Net assets, end of period	<u>\$ 305,301</u>	<u>\$ --</u>	<u>\$ 305,301</u>

See notes to financial statements.

ELEVATE METRO KC

STATEMENT OF FUNCTIONAL EXPENSES

PERIOD FROM JANUARY 16, 2019 TO JUNE 30, 2020

	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 140,006	\$ 55,544	\$ 27,997	\$ 223,547
Employee benefits (Note 5)	17,528	13,968	3,646	35,142
Payroll taxes	<u>12,054</u>	<u>6,232</u>	<u>2,385</u>	<u>20,671</u>
	169,588	75,744	34,028	279,360
Automobile repair and maintenance	2,858			2,858
Books and subscriptions	95	1,024		1,119
Depreciation (Note 2)	5,556			5,556
Fundraising events			2,474	2,474
Insurance		14,110		14,110
Marketing			3,970	3,970
Miscellaneous		915		915
Office expense	3,212	2,856	348	6,416
Professional fees		12,424		12,424
Program expenses	2,390	47	4	2,441
Staff development	47	1,072		1,119
Telephone and internet	1,393	1,490		2,883
Travel and meetings	<u>4,944</u>	<u>3,254</u>	<u>201</u>	<u>8,399</u>
	<u>\$ 190,083</u>	<u>\$ 112,936</u>	<u>\$ 41,025</u>	<u>\$ 344,044</u>

See notes to financial statements

ELEVATE METRO KC
STATEMENT OF CASH FLOWS
PERIOD FROM JANUARY 16, 2019 TO JUNE 30, 2020

	<u>2020</u>
Cash flows from operating activities:	
Change in nets assets	\$ 305,301
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	5,556
Changes in operating assets and liabilities:	
Prepaid expenses	(3,003)
Accounts payable	721
Accrued expenses	<u>7,960</u>
Net cash provided by operating activities	316,535
 Cash flows from investing activities, purchase of property and equipment	 (52,790)
 Cash flows from financing activities, proceeds from note payable	 <u>46,200</u>
 Net increase in cash	 309,945
 Cash, beginning of period	 <u> --</u>
 Cash, end of period	 <u><u>\$ 309,945</u></u>

See notes to financial statements.

ELEVATE METRO KC

NOTES TO FINANCIAL STATEMENTS

PERIOD FROM JANUARY 16, 2019 TO JUNE 30, 2020

1. Organization and summary of significant accounting policies:

Organization:

Elevate Metro KC (the Organization) is a not-for-profit corporation that works to build long-term, life-changing relationships with urban youth, equipping them to thrive and contribute to the Greater Kansas City community. The Organization became a nonprofit on January 16, 2020 and has a fiscal year-end of June 30. The Organization is a local affiliate of Elevate USA, a national organization headquartered in Colorado. In the period ended June 30, 2020, the Organization derived 60% of its revenue from Elevate USA, including pass-through contributions and matching grants.

Basis of accounting:

All financial transactions have been recorded in and reported by the following net asset groups:

Net assets without donor restrictions represent resources over which the Board of Directors has discretionary control and are used to carry out operations of the Organization in accordance with its bylaws.

Net assets with donor restrictions represent resources available for use currently or in the future, but are expendable only for purposes specified by the donor, within a donor-designated time period, or are limited by donor-imposed stipulations that the corpus be held in perpetuity. Resources of these funds originate from gifts and grants.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Estimates and assumptions:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes:

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's policy is to provide liabilities for uncertain income tax provisions when a liability is probable and estimable. The Organization has no uncertain tax positions for the period ended June 30, 2020 and is not aware of any violation of its tax status as an organization exempt from income taxes.

ELEVATE METRO KC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

PERIOD FROM JANUARY 16, 2019 TO JUNE 30, 2020

1. Organization and summary of significant accounting policies (continued):

Fair value of financial instruments:

The carrying amounts of financial instruments including cash, prepaid expenses, accounts payable, accrued expenses, and note payable approximated fair values as of June 30, 2020 due to their short-term nature.

Concentrations of credit risk:

The Organization maintains its cash at institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances frequently exceed FDIC insurance coverage. At June 30, 2020, the Organization had \$59,945 in uninsured cash balances.

Property and equipment:

Property and equipment are stated at cost, if purchased, and at fair market value at date of gift, if donated. Depreciation is provided by the straight-line method over the estimated useful lives of the assets ranging from five to ten years.

Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of the assets are capitalized.

Contributed goods and services:

The Organization regularly receives in-kind donations including food and beverages for event space and miscellaneous expenses. All in-kind contributions are valued at fair value determined at the time of contribution.

Unpaid volunteers make contributions of their time to the Organization. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

Marketing costs:

The Organization expenses all marketing costs as incurred. Marketing costs were \$3,970 for the period ended June 30, 2020.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on management's estimate of resources devoted to the program or support service.

Subsequent events:

Subsequent events have been evaluated through December 1, 2020, which is the date the financial statements were available to be issued.

ELEVATE METRO KC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

PERIOD FROM JANUARY 16, 2019 TO JUNE 30, 2020

2. Property and equipment:

The following is a summary of property and equipment as of June 30, 2020:

	<u>2020</u>
Equipment	\$ 52,790
Accumulated depreciation	<u>(5,556)</u>
	<u>\$ 47,234</u>

Depreciation expense was \$5,556 for the period ended June 30, 2020.

3. Note payable:

In April 2020, the Organization received a loan under the government's Paycheck Protection Program (PPP) in the amount of \$46,200. The loan was obtained through a local bank. PPP loans received through the government are forgivable provided the recipients meet certain requirements. The requirements relate to spending the funds primarily for salaries. The Organization retained its staff during the period in question and has no reason to believe that the loan will not be forgiven in accordance with the intent of the program.

Absent a forgiveness of the loan, the loan amount would be required to be repaid with monthly payments of \$2,600 beginning in March 2021 with interest of 1.00%. A summary of principal payments by fiscal year follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 9,864
2022	<u>36,336</u>
	<u>\$ 46,200</u>

4. Accrued expenses:

The following is a summary of accrued expenses as of June 30, 2020:

	<u>2020</u>
Accrued payroll	\$ 2,768
Accrued PTO	<u>5,192</u>
	<u>\$ 7,960</u>

ELEVATE METRO KC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

PERIOD FROM JANUARY 16, 2019 TO JUNE 30, 2020

5. Employee benefit plan:

The Organization participates in Elevate USA's 401(k) plan (Note 5) which covers all employees. Participants can elect to make tax deferred contributions to the Plan subject to statutory limits. The Organization matches participant contributions up to 6.86% of compensation. Contributions totaling \$1,974 were made to the Plan by the Organization for the period ended June 30, 2020. The Organization also pays the Executive Director's whole life policy annual premium as a retirement benefit. The amount paid for this benefit was \$3,860 for the period ended June 30, 2020.

6. Related party transactions:

Elevate USA collected donations on behalf of the Organization prior to the date the Organization received its 501(c)(3) designation. In addition, Elevate USA provided matching grants for certain contributions and grants received by the Organization. For the period ended June 30, 2020, contribution and grant revenue received from Elevated USA totaled \$386,715.

Certain full-time employees participate in health and welfare benefit plans maintained by Elevate USA. Local affiliates share in the cost of such programs without serving as the plan sponsor.

7. Liquidity:

The Organization utilizes a 30-day horizon to assess its immediate liquidity needs. The period was established based on management's review of the typical life cycle of converting its financial assets to cash and typical payments of payroll and trade payables.

The following reflects the Organization's financial assets as of June 30, 2020.

Cash	\$ 309,945
Accounts payable	(721)
Accrued expenses	(7,960)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 301,264</u>

8. COVID-19:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of the independent auditors' report, management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may impact the financial position, results of operations, and cash flows in fiscal 2021.