

DRAFT

**ELIZABETH BALLARD COMMUNITY CENTER, INC
LAWRENCE, KANSAS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

AND

INDEPENDENT AUDITORS' REPORT

ELIZABETH BALLARD COMMUNITY CENTER, INC
Lawrence, Kansas

TABLE OF CONTENTS

Independent Auditors' Report on Financial Statements	<u>Page</u> 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	7-10

DRAFT

DRAFT

To the Board of Directors
Elizabeth Ballard Community Center, Inc.
Lawrence, Kansas 66044

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Report on the Financial Statements

We have audited the accompanying financial statements of Elizabeth Ballard Community Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

Basis for Qualified Opinion

As a result of management turnover and inconsistent payment applications, accounts receivable contains numerous invalid and/or inactive items. Management is currently in the process of determining the accurate collectible accounts receivable balance. As a result, we were unable to obtain sufficient appropriate audit evidence about the amount recognized as accounts receivable by Elizabeth Ballard Community Center, Inc. for the year ended December 31, 2015. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Elizabeth Ballard Community Center, Inc. as of December 31, 2015, 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.

DRAFT

Kohart Accounting, PA
A Professional Association
Certified Public Accountant

August 30, 2016

ELIZABETH BALLARD COMMUNITY CENTER, INC
Lawrence, Kansas

STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 9,398
Accounts receivable	91,442
Prepaid expenses	<u>662</u>
Total current assets	<u>101,502</u>

DRAFT

Fixed Assets

Property and equipment	354,134
Building improvements	29,971
Land	2,000
Accumulated depreciation	<u>(365,333)</u>
Total fixed assets	<u>20,772</u>

Other Assets

Beneficiary interest in assets held by others	<u>41,888</u>
Total assets	<u><u>\$ 164,163</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 4,225
Wages payable	7,244
Payroll taxes payable	4,669
Note payable, current portion	<u>12,205</u>
Total current liabilities	28,343

Noncurrent Liabilities

Note payable, net of current portion	381,528
--------------------------------------	---------

Net Assets

Unrestricted	(325,708)
Temporarily Restricted	<u>80,000</u>
Total net assets	<u>(245,708)</u>
Total liabilities and net assets	<u><u>\$ 164,163</u></u>

The accompanying notes to financial statements are an integral part of this statement.

ELIZABETH BALLARD COMMUNITY CENTER, INC
Lawrence, Kansas

STATEMENT OF ACTIVITIES AND NET ASSETS

For the year ended December 31, 2015

DRAFT

	Unrestricted	Temporarily Restricted	Total
Support			
Program service fees	\$ 284,895	\$ -	\$ 284,895
Grant revenue	79,092	40,000	119,092
United Way	117,588		117,588
CACFP	39,018		39,018
Fundraising	31,876		31,876
Donations	166,009		166,009
Net Assets Released from Restriction	20,000	(20,000)	-
	<u>\$ 738,478</u>	<u>\$ 20,000</u>	<u>\$ 758,478</u>
Revenue			
Gain on sale of property	73,746		73,746
Other income	823		823
	<u>813,047</u>	<u>20,000</u>	<u>833,047</u>
Expenses			
Program services			
Childcare and food program	581,805		581,805
Community service	64,507		64,507
Supporting services	103,510		103,510
Fundraising	9,703		9,703
	<u>759,525</u>	<u>-</u>	<u>759,525</u>
Change in net assets	53,521	20,000	73,521
Net assets, beginning of year	<u>(379,230)</u>	<u>60,000</u>	<u>(319,230)</u>
Net assets, end of year	<u><u>\$ (325,708)</u></u>	<u><u>\$ 80,000</u></u>	<u><u>\$ (245,708)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

ELIZABETH BALLARD COMMUNITY CENTER, INC
Lawrence, Kansas

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2015

DRAFT

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fundraising</u>	<u>Totals</u>
Salaries	\$ 355,724	\$ 33,548	\$ -	\$ 389,272
Payroll taxes and benefits	41,358	2,796	-	44,154
ESC program expenses	43,167			43,167
Food program expenses	27,842			27,842
Insurance	10,589	14,555		25,144
Miscellaneous	415			415
Occupancy	22,363	1,118		23,481
Professional fees		16,746		16,746
Program and administration supplies	5,404	-	-	5,404
Program and administration expenses	5,573	7,080		12,653
Repairs and maintenance	9,324	1,258		10,582
Event and fundraising expenses			9,703	9,703
Depreciation	6,870			6,870
Interest expense	13,012	13,012		26,024
Bad debt expense	104,671			104,671
Penalties and fines		13,397		13,397
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u><u>\$ 646,312</u></u>	<u><u>\$ 103,510</u></u>	<u><u>\$ 9,703</u></u>	<u><u>\$ 759,525</u></u>

The accompanying notes to financial statements are an integral part of this statement.

ELIZABETH BALLARD COMMUNITY CENTER, INC
Lawrence, Kansas

STATEMENT OF CASH FLOWS
For the year ended December 31, 2015

DRAFT

Cash Flows From Operating Activities

Change in net assets	\$ 73,521
Adjustments to reconcile change in net assets to net cash flows	
Depreciation	6,870
Loss (gain) on sale of property	(73,746)
Changes in assets and liabilities	
(Increase) decrease in receivables	(17,647)
(Increase) decrease in prepaid expenses	3,932
Increase (decrease) in accounts and wages payable	(57,753)
Increase (decrease) in payroll taxes payable	(212,227)
	<hr/>
Net cash provided (used) by operating activities	(277,050)

Cash Flows From Investing Activities

Proceeds from sale of property	212,203
Transfer of assets from a Not-For-Profit entity that holds contributions for others	2,254
Change in beneficiary interest	933
Purchase of property and equipment	(18,579)
	<hr/>
Net cash provided (used) by investing activities	196,811

Cash Flows From Financing Activities

Proceeds from notes payable	400,000
Payments on notes payable	(310,363)
	<hr/>
Net cash provided (used) by financing activities	89,637

Net increase (decrease) in cash for period	9,398
---	--------------

Cash as of beginning of period	-
---------------------------------------	----------

Cash as of end of period	\$ 9,398
---------------------------------	-----------------

Supplemental Information

Interest paid	\$ 26,024
	<hr/>
Income taxes paid	\$ -
	<hr/>

The accompanying notes to financial statements are an integral part of this statement.

ELIZABETH BALLARD COMMUNITY CENTER, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

DRAFT

Note 1 - Summary of Significant Accounting Policies

Elizabeth Ballard Community Center, Inc. is a nonprofit voluntary health and welfare agency located in Lawrence, Kansas. The Organization provides childcare services, utility and rental assistance, adoption of families for the holidays, school kits for children, and food pantry for those in the community who need assistance.

The financial statements of Elizabeth Ballard Community Center, Inc. have been prepared on the accrual basis of accounting which is in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies are described below:

Definition of the Entity – Elizabeth Ballard Community Center, Inc. is a nonprofit corporation governed by a ten member board. Elizabeth Ballard Community Center, Inc. as an entity has been defined to include on a combined basis (a) Elizabeth Ballard Community Center (b) organizations for which Elizabeth Ballard Community Center, Inc. is financially accountable, and (c) other organizations for which the nature and significance of their relationship with Elizabeth Ballard Community Center, Inc. are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in Elizabeth Ballard Community Center, Inc.'s report.

Classification of Net Assets – The Organization has adopted generally accepted accounting principles as outlined in the Financial Accounting Standards Boards Accounting Standard Codification (FASB ASC) 958-205. Under FASB ASC 958-205, The Organization is required to report information regarding its financial position and activities according to three classes of net assets – permanently restricted, temporarily restricted, and unrestricted.

Statement of Functional Expenses – The costs of providing various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that will affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Income Taxes – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Income determined to be unrelated business taxable income (UBTI) would be taxable.

ELIZABETH BALLARD COMMUNITY CENTER, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

DRAFT

The Organization follows the accounting standards for uncertain tax positions. The Organization's policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this policy had no impact on the Organization's financial statements.

The Organization files as a tax-exempt organization. As of December 31, 2015, its 2012 through 2014 fiscal year tax returns are open for examination by the IRS.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in checking, money market accounts and certificates of deposit. The Organization considers all cash to be cash equivalents.

Long-Term Assets – Property and equipment with a life that benefits future periods have been capitalized at cost. Depreciation is provided over the estimated useful lives of the respective assets (five to thirty-nine years) using the straight-line method. Depreciation expense for the year ended December 31, 2014 was \$29,017.

Contributions – Contributions are recognized when the donor makes a promise to give to Elizabeth Ballard Community Center, Inc. that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization are recorded as permanently restricted net assets. For the year ended December 31, 2015, the Organization did not have any permanently restricted net assets. For the year ended December 31, 2015 the Organization had temporarily restricted net assets which totaled \$80,000. Temporarily restricted net assets consisted of contributions received with a grantor imposed use restriction.

Transfer of Assets to a Not-for-Profit that holds Contributions for Others – The Organization has adopted the provisions of FASB ASC 958-605 with respect to the monies transferred into a fund at Douglas County Community Foundation. The Organization provided the Foundation the power to modify the distribution of funds. The distribution of funds is limited to the income of the fund, net of the fees and expenses for purposes described in Code Section 170(c)(1) or (2)(B) that are consistent with the exempt status and purposes of the Foundation. Under FASB ASC 958-605, the transferring of assets is presumed reciprocal in nature even if the transferring entity explicitly grants the recipient entity variance power when the transferring entity specifies itself as the beneficiary. As a result, the Organization recognized in the Statement of Financial Position \$41,888 as an asset. The asset is considered a beneficiary interest in assets held by others.

ELIZABETH BALLARD COMMUNITY CENTER, INC.
Lawrence, Kansas

DRAFT

NOTES TO FINANCIAL STATEMENTS

Note 2 – Cash and Credit Risk

At year end, the bank carrying amounts of the Organization's deposits were \$23,593, which consisted of \$23,593 in checking accounts.

Note 3 – Accounts Receivable

Accounts receivable occur due to the performance of services near the end of the year that have been billed but amounts have not been collected. The Organization considers all accounts to be collectible; accordingly, there is no provision for doubtful accounts in these financial statements. If amounts become uncollectible, the amount is charged to operations at that time.

Note 4 – Prepaid Expenses

Prepaid expenses consist of the following:

Prepaid Insurance	<u>\$ 622</u>
-------------------	---------------

Note 5 – Note Payable

The Organization has a note with Peoples Bank with a current interest rate of 5.25%. Under the terms of this loan agreement dated May 15, 2015, with a loan maturity date in 2020. Principal and interest payment of \$2,712.98 are payable monthly. The loan is secured by a real estate mortgage.

The future maturities on the note are as follows:

2016	\$ 12,205
2017	12,862
2018	13,553
2019	14,282
2020	340,831
	<u>\$ 393,733</u>

Note 6 – Compensated Absences

The Organization provides for vacation, holiday and sick leave absences of employees during the year. Full time employees accrue 3.5 hours per pay period of vacation and sick time. Employees may carryover vacation and sick hours to the next year. Unused vacation and sick hours at year end are not paid to employees. Upon termination, the employee forfeits all accumulated sick time. No provision for compensated absences has been made in these financial statements.

ELIZABETH BALLARD COMMUNITY CENTER, INC.
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

DRAFT

Note 7 – Donated Services

The Organization records the value of services when the service either creates or enhances a nonfinancial asset or required specialized skills and would need to be purchased if the services were not donated. The Organization records the value of goods when there is an objective basis available to measure the value. The Organization records the value of the goods and services as in-kind in the financial statements at their estimated value at the date of receipt. During the year ended December 31, 2015, no goods or services met the criteria noted above for reporting purposes.

Note 8 – Risk Management

The Organization is exposed to various risks of loss related to limited torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters. The Organization carries commercial insurance and has not incurred any losses in the past three years.

Note 9 – Subsequent Events

Management has evaluated subsequent events through August 30, 2016 the date on which the financial statements were available to be issued.