ELIZABETH BALLARD COMMUNITY CENTER, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

ELIZABETH BALLARD COMMUNITY CENTER, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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Summers, Spencer & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Board of Directors
Elizabeth Ballard Community Center, Inc.

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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 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.

Opinion

In our opinion, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Summers, Spencer & Company P.A.

Summers, Spencer & Company, P.A.

Lawrence, Kansas

October 30, 2020

ELIZABETH BALLARD COMMUNITY CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 135,144	$ 37,457
Accounts receivable, net of allowance	17,613	13,238
Pledges receivable	7,120	-
Prepaid insurance	767	701
Total current assets	160,644	51,396
Property and equipment, net	58,296	67,671
Beneficial interest in assets held by others	46,849	42,609
Total assets	$ 265,789	$ 161,676
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,644	5,723
Accrued compensation and payroll taxes	11,417	10,192
Deferred grant and fee revenue	3,413	6,910
Refundable advances	31,708	-
Current portion of long term debt	15,870	15,060
Total current liabilities	64,052	37,885
Long-term liabilities		
Note payable	258,113	376,511
Less current portion	(15,870)	(15,060)
Total long-term liabilities	242,243	361,451
Total liabilities	306,295	399,336
Net assets		
Without donor restrictions	(136,898)	(335,245)
With donor restrictions		
Purpose restrictions	11,392	12,585
Time restrictions	45,000	45,000
Perpetual in nature	40,000	40,000
	96,392	97,585
Total net assets	(40,506)	(237,660)
Total liabilities and net assets	$ 265,789	$ 161,676

ELIZABETH BALLARD COMMUNITY CENTER, INC.

STATEMENTS OF ACTIVITIES

For the year ended December 31,	2019		
	Without donor restrictions	With donor restrictions	Total
Support and revenue, net			
Program revenue	$ 279,914	$ -	$ 279,914
Grants	117,400	133,541	250,941
Contributions	118,640	-	118,640
Fundraising events	130,764	-	130,764
Gain on sale of assets	148,993	-	148,993
Change in beneficial interest in assets held by others	2,700	-	2,700
Amounts released from restriction	134,734	(134,734)	-
Total support and revenue, net	933,145	(1,193)	931,952
Expenses and losses			
Program services	590,475	-	590,475
General and administrative	106,152	-	106,152
Fundraising	38,171	-	38,171
Total expenses and losses	734,798	-	734,798
Change in net assets	198,347	(1,193)	197,154
Net assets, beginning of year	(335,245)	97,585	(237,660)
Net assets, end of year	$ (136,898)	$ 96,392	$ (40,506)

For the year ended December 31,	2018		
	Without donor restrictions	With donor restrictions	Total
Support and revenue, net			
Program revenue	$ 175,323	$ -	$ 175,323
Grants	72,190	58,850	131,040
Contributions	161,361	-	161,361
Fundraising events	115,632	-	115,632
Interest income	1	-	1
Change in beneficial interest in assets held by others	(2,497)	-	(2,497)
Amounts released from restriction	51,265	(51,265)	-
Total support and revenue, net	573,275	7,585	580,860
Expenses and losses			
Program services	452,814	-	452,814
General and administrative	83,663	-	83,663
Fundraising	32,241	-	32,241
Total expenses and losses	568,718	-	568,718
Change in net assets	4,557	7,585	12,142
Net assets, beginning of year	(339,802)	90,000	(249,802)
Net assets, end of year	$ (335,245)	$ 97,585	$ (237,660)

The accompanying notes are an integral part of the financial statements.

ELIZABETH BALLARD COMMUNITY CENTER, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31,	2019	2018
Cash flows from operating activities		
Cash received from program revenue	$ 274,141	$ 156,894
Cash received from grants	269,017	133,457
Cash received from contributions	87,944	180,926
Cash received from fundraising	130,764	115,632
Cash paid to employees	(490,805)	(374,634)
Cash paid to to vendors	(186,720)	(137,290)
Interest paid	(16,686)	(20,468)
Net cash flows provided by operating activities	67,656	54,517
Cash flows from investing activities		
Purchase of property and equipment	(6,571)	(11,747)
Proceeds from the sale of property and equipment	155,000	-
Net cash flows provided by (used in) investing activities	148,429	(11,747)
Cash flows from financing activities		
Net change in line of credit	-	(20,000)
Net change in short term note payable	-	(15,436)
Principal payments on long term note payable	(118,398)	(14,316)
Net cash flows used in financing activities	(118,398)	(49,752)
Net increase (decrease) in cash and cash equivalents	97,687	(6,982)
Cash and cash equivalents, beginning of year	37,457	44,439
Cash and cash equivalents, end of year	$ 135,144	$ 37,457

ELIZABETH BALLARD COMMUNITY CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended December 31,	2019			
	Program Services	General and Administrative	Fundraising	Total
Salaries	$ 399,108	$ 38,116	$ 11,211	$ 448,435
Payroll taxes and benefits	38,799	3,706	1,090	43,595
Legal and professional	10,255	33,390	-	43,645
Office expenses	-	12,543	-	12,543
Supplies	30,278	-	25,870	56,148
Repairs and maintenance	10,012	1,112	-	11,124
Telephone and utilities	17,867	940	-	18,807
Interest	8,343	8,343	-	16,686
Insurance	4,774	5,836	-	10,610
Change in allowance for doubtful accounts	33,569	-	-	33,569
Depreciation	9,939	-	-	9,939
Other	27,531	2,166	-	29,697
Total expenses	$ 590,475	$ 106,152	$ 38,171	$ 734,798

For the year ended December 31,	2018			
	Program Services	General and Administrative	Fundraising	Total
Salaries	$ 305,043	$ 29,132	$ 8,569	$ 342,744
Payroll taxes and benefits	28,363	2,709	797	31,869
Legal and professional	730	17,620	-	18,350
Office expenses	-	7,742	-	7,742
Supplies	21,414	-	22,875	44,289
Repairs and maintenance	18,306	2,034	-	20,340
Telephone and utilities	20,137	1,060	-	21,197
Interest	10,234	10,234	-	20,468
Insurance	5,955	7,278	-	13,233
Assistive services	337	-	-	337
Change in allowance for doubtful accounts	29,609	-	-	29,609
Depreciation	9,169	-	-	9,169
Other	3,517	5,854	-	9,371
Total expenses	$ 452,814	$ 83,663	$ 32,241	$ 568,718

NOTES TO FINANCIAL STATEMENTS

Note 1 – Nature of organization

Elizabeth Ballard Community Center, Inc. (the Organization) 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.

Note 2 – Summary of significant accounting policies

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United State of America (U.S. GAAP).

Basis of presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in it corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Use of 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 affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Cash and cash equivalents

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. These balances are fully insured by the Federal Deposit Insurance Corporation (FDIC) at December 31, 2019 and 2018, respectively.

Accounts receivable and allowance for doubtful accounts

Accounts receivable consist of amounts due to the Organization for services provided through December 31, 2019 that have not yet been collected. Amounts are generally considered past due if not collected within 30 days of billing. Interest is not charged on outstanding balances.

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful accounts receivable totaled $14,327 and $29,609 at December 31, 2019 and 2018, respectively.

Revenue recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. The Organization recognizes donations without donor restriction and contributions when cash, securities or other assets, an unconditional promise to give, or notification of beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Donations with donor imposed restrictions that are met in the current reporting period are reported as contributions without donor restriction.

No amounts have been reflected in the financial statements for donated services or property. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but do not meet the criteria for recognition.

Beneficial interest in assets held by community foundation

During 2006, the Organization established an organization fund that is perpetual in nature at Douglas County Community Foundation (DCCF) and named the Organization as beneficiary. The Organization granted variance power to the DCCF, which allows the DCCF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the DCCF's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested in the pooled investment account of DCCF for the benefit of the organization and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Fair value measurements

The Organization has adopted the provisions of FASB ASC 820-10. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

FASB ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

> Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
>
> Level 2 – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
>
> Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree for judgment exercised by the Organization in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that the Organization believes market participants would use in pricing the asset or liability at the measurement date.

Property and equipment

Property and equipment are recorded at cost. The Organization capitalizes equipment, software and real property improvements with a cost over $1,500 and estimated useful life of two years or more. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	10 – 30 years
Office furniture and equipment	5 – 10 years

Income taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code as provided by a determination letter received from the Internal Revenue Service.

The Organization adopted the provisions of FASB ASC 740-10, *Accounting for Income Taxes*. This standard clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization has not identified any uncertain tax positions for the years ended December 31, 2019 and 2018.

The Organization's income tax returns are subject to review and examination by U.S. federal jurisdiction and the State of Kansas. The Organization is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes.

Recently adopted accounting guidance

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which provides a robust framework from addressing revenue recognition issues and replaces most of the existing revenue recognition guidance including industry-specific guidance, in current U.S. GAAP. The standard is effective for nonpublic entities for periods beginning after December 15, 2018. Accordingly, the Organization has adopted this guidance as of January 1, 2019 and management does not believe there is a material impact on the timing of revenue recognition.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Made. The guidance assists entities in (1) evaluating whether transactions should be accounted for as contributions or as exchange transactions and (2) determining whether a contribution is conditional. The standard is effective for fiscal years beginning after December 31, 2018. Accordingly, the Organization has adopted this guidance as of January 1, 2019.

Note 3 – 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 date, comprise of the following:

	2019	2018
Cash and cash equivalents	$ 135,144	$ 37,457
Pledges receivable	7,120	-
Accounts receivable, net of allowance	17,613	13,238
	159,877	50,695
Less:		
Funds subject to purpose restrictions	(11,392)	(12,585)
Deferred grant revenue	(31,708)	-
	$ 116,777	$ 38,110

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

Note 4 – Accounts receivable

Accounts receivable consist of the following as of December 31:

	2019	2018
Tuition and fees	$ 30,006	$ 39,480
Other	1,934	3,367
	31,940	42,847
Allowance for doubtful accounts	(14,327)	(29,609)
	$ 17,613	$ 13,238

Note 5 – Property and equipment

Property and equipment include the following as of December 31:

	2019	2018
Property and equipment	$ 343,790	$ 393,661
Building improvements	45,056	55,403
Land	2,000	2,000
Total cost	390,846	451,064
Less accumulated depreciation	(332,550)	(383,393)
Property and equipment, net	$ 58,296	$ 67,671

Depreciation expense for the year ended December 31, 2019 and 2018 was $9,939 and $9,169, respectively.

Note 6 – Fair value disclosure

As discussed in Note 2, the Organization has a beneficial interest in the DCCF pooled investment fund. The investment policy governing the underlying investments is established by the Board of the Douglas County Community Foundation. These assets are measured at fair value on a recurring basis, and at December 31, 2019 and 2018 are classified as Level 3 in the fair value hierarchy.

Unobservable inputs reflect DCCF's assumptions that market participants would use in pricing the pooled investments, developed on the best information available in the circumstances, including assumptions about risk. Inputs may include market price information, volatility statistics, specific broad credit data, liquidity statistics, and other factors.

Fair value of assets measured on a recurring basis as of December 31, 2019 are as follows:

	(Level 1)	(Level 2)	(Level 3)	Total
Beneficial interest in assets held by others	$ -	$ -	$ 46,849	$ 46,849

Fair value of assets measured on a recurring basis as of December 31, 2018 are as follows:

	(Level 1)	(Level 2)	(Level 3)	Total
Beneficial interest in assets held by others	$ -	$ -	$ 42,609	$ 42,609

The following is a reconciliation of the activity related to the Level 3 investments for the year ended December 31, 2019 and 2018:

December 31, 2017	$ 47,088
Total dividend income and gains/losses	(1,999)
Grants made	(34,126)
Contributions/additions	32,144
Fees	(499)
December 31, 2018	42,609
Total dividend income and gains/losses	7,148
Grants made	(23,576)
Contributions/additions	21,116
Fees	(448)
December 31, 2019	$ 46,849

Note 7 – Line of credit

The Organization has a $20,000 revolving line of credit, of which $20,000 was unused at December 31, 2019. Bank advances on the credit line are payable on demand and carry an interest rate equal to 6.5%. The credit line is secured by the Organization's building and has been renewed annually. The balance outstanding as of December 31, 2019 and 2018 was $0.

Note 8 – Note payable

The Organization has a note with Bank Midwest with a current interest rate of 5.25%. Under the terms of this loan agreement, dated August 26, 2016, principal and interest of $2,867 are payable monthly. The loan is secured by a real estate mortgage and matures in 2021.

The future maturities on the note are as follows:

2020	$ 15,870
2021	242,243
	$ 258,113

Note 9 – Compensated absences

The Organization provides for paid time off (PTO) and paid holidays for full-time employees during the year. Upon hire, full time employees accrue 3.34 hours per pay period of PTO and the accrual rate increases with years of service. Employees may carryover a maximum of 40 hours of PTO to the next year. Unused PTO hours in excess of 40 hours earned for the year are not paid to employees. Upon termination, the employee is paid a maximum of 40 hours of PTO and forfeits all the unused balance.

Note 10 – Net asset restrictions

As of December 31, donor restricted net assets are restricted for the following:

	2019	2018
Time restrictions		
For subsequent year's activities	$ 45,000	$ 45,000
Purpose restrictions		
United Way Safety Net Funds	11,392	-
Lawrence Board of Realtors scholarships	-	2,735
Growing Green Kids	-	9,850
Total purpose restrictions	11,392	12,585
Total net assets with donor restriction	$ 56,392	$ 57,585

As of December 31, perpetual in nature donor restricted net assets consist of the following and earnings are without donor restriction:

	2019	2018
Tensie Oldfather - operations	$ 40,000	$ 40,000

Net assets were released from donor restriction by satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors.

	2019	2018
Expiration of time restrictions	$ 45,000	$ 50,000
Satisfaction of purpose restrictions		
United Way Safety Net Funds	18,608	-
Lawrence Board of Realtors scholarships	2,735	1,265
Growing Green Kids	9,850	-
City of Lawrence Community Outreach	30,000	-
Trauma Informed Transformation	7,000	-
KHF - Donor Database	2,117	-
Fairy Godmother Fund	2,100	-
Kriz building improvements	17,324	-
Total purpose restrictions satisfied	89,734	1,265
Total net assets with donor restriction	$ 134,734	$ 51,265

Note 11 – Transactions with board members

During 2016, the Organization's entered into line of credit held by a local bank and a board member was named a guarantor of the line of credit. In addition, the same board member provided short term borrowings throughout 2017 in order for the Organization to meet cash flow needs. The balance outstanding for short term borrowings as of December 31, 2019 and 2018 was $0. No formal stated terms exist for the short term borrowings.

Note 12 – Risk management

The Organization is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 13 – Functional expense allocation

The costs of providing the various programs have been summarized on a functional basis in the Statement of Activities. Certain costs have been allocated among the programs and supporting services as depicted in the Statement of Functional Expenses. Expenses that can be identified with a specific program and support 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 programs or support services. Direct benefits to donor costs have been included in fundraising costs on the statement of functional expenses as the associated costs are not material in relation to the financial statements taken as a whole.

The expenses that are allocated among Ballard's Early Childhood Education Program and its supporting General & Administrative, and Fundraising functions include salaries and payroll taxes, professional services, supplies, repairs and maintenance, telephone, internet, and utilities, interest expense, insurance, and other, which are allocated on the basis of estimates of time and effort.

Note 14 – Subsequent events

Management has evaluated subsequent events through October 30, 2020, the date which the financial statements were available to be issued.

As a result of significant disruption in the U.S. economy due to the outbreak of the COVID-19 coronavirus in 2020, uncertainties have arisen which are likely to negatively impact future operating results. The duration and extent to which COVID-19 may impact the financial performance is unknown at this time. During April of 2020, the Organization received a loan in the amount of $92,900 from the Payroll Protection Program (PPP). The final terms of forgiveness or repayment of the PPP funds are not final as of the date of this report.

Note 15 – Pending accounting pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*, which, among other things, requires the recognition of lease assets and lease liabilities for operating leases on the statement of financial position for lessees, and the disclosure of key information about leasing arrangements. The standard is effective for fiscal years beginning after December 15, 2021. Early application is permitted. The standard will need to be applied retrospectively in the year adopted. It is management's responsibility to ensure appropriate adoption of ASU 2016-02.