

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
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**DANA F. COLE
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Down Syndrome Guild of Greater Kansas City, Inc.
Mission, Kansas

We have audited the accompanying financial statements of Down Syndrome Guild of Greater Kansas City, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 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 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 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 Down Syndrome Guild of Greater Kansas City, Inc., as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Dana J Cole + Company, LLP

Overland Park, Kansas
June 18, 2020

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash in bank	
Unrestricted	689,449
Restricted	559,540
Contributions receivable	62,191
Prepaid expenses	47,629
Inventory	<u>2,234</u>
Total current assets	<u>1,361,043</u>

PROPERTY AND EQUIPMENT

Building and improvements	637,320
Leasehold improvements	28,408
Furniture and equipment	44,530
Webpage	31,692
Automobiles	9,750
Other capital assets	25,830
Construction in progress	44,147
Less accumulated depreciation	<u>(76,920)</u>
Net property and equipment	<u>744,757</u>

BOARD-DESIGNATED ASSETS

Investment cash	7,917
Endowment cash	3,251
Investments	542,126
Endowment investments	<u>107,756</u>
Total board-designated assets	<u>661,050</u>

TOTAL ASSETS

2,766,850

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

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	27,939
Accrued liabilities	168,801
Deferred revenues	15,527
Promissory note - current position	11,403
Total current liabilities	<u>223,670</u>

LONG-TERM LIABILITIES

Promissory note - net of current position	<u>548,137</u>
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NET ASSETS

Net assets without donor restrictions	1,960,758
Net assets with donor restrictions	
Restricted by purpose or time	<u>34,285</u>
Total net assets	<u>1,995,043</u>

TOTAL LIABILITIES AND NET ASSETS	<u>2,766,850</u>
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DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT			
Program revenue	178,503		178,503
Public support			
Contributions	988,865	12,110	1,000,975
Special events	604,019		604,019
Consulting income	86,246		86,246
Investment income	75,178		75,178
Other income	20,730		20,730
	<u>1,953,541</u>	<u>12,110</u>	<u>1,965,651</u>
Net assets released from restriction	<u>123,527</u>	<u>(123,527)</u>	
Total revenues and other support	<u>2,077,068</u>	<u>(111,417)</u>	<u>1,965,651</u>
EXPENSES			
Program expense	889,395		889,395
Fundraising	570,229		570,229
Management and general	525,913		525,913
Total expenses	<u>1,985,537</u>		<u>1,985,537</u>
CHANGE IN NET ASSETS	91,531	(111,417)	(19,886)
NET ASSETS, beginning of year	<u>1,869,227</u>	<u>145,702</u>	<u>2,014,929</u>
NET ASSETS, end of year	<u>1,960,758</u>	<u>34,285</u>	<u>1,995,043</u>

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

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

EXPENSES	Program Services					Fundraising	Management and General	Total
	Community Support	Public Awareness	Public Education	Social	Total Program Services			
Auction items						53,712		53,712
Awards and gifts	723	3,843	960	2,266	7,792	69,159	308	77,259
Books/library materials		1,607	594		2,201			2,201
Bank and credit card fees	526		96	51	673	7,749	17,638	26,060
Contract labor			159	158	317	800		1,117
Copier/postage machine lease							2,466	2,466
Decorations	876	7	239	7,589	8,711	881		9,592
Dues and subscriptions	574	7,003	5,697	348	13,622	2,766	5,127	21,515
Entertainment	2,343		100	3,656	6,099	11,013		17,112
Equipment rental	5,034		4,484	5,162	14,680	20,249	147	35,076
Event supplies	1,305	45	12,263	439	14,052	2,319	100	16,471
Facility usage	3,279	100	2,979		6,358	39,458		45,816
Insurance - administrative		134	3,333	134	3,601	111	17,274	20,986
Insurance - event	221		382		603	291	2,350	3,244
Interest expense							11,468	11,468
Investment expenses							4,500	4,500
Loss on disposal of assets							3,507	3,507
Marketing	261	5,438	468	65	6,232	4,449	8,986	19,667
Meals	7,319	1,041	18,747	23,849	50,956	53,177	32,999	137,132
Merchandise			77		77	6,732		6,809
Miscellaneous expenses - administrative			736		736	832	869	2,437
Miscellaneous expenses - program	1,941	1,367	10,747	5,600	19,655	411		20,066
Office supplies	2,184	325	31	219	2,759	458	5,681	8,898
Parking and traffic control		2	30		32	730	3	765
Participant fees						6,557		6,557
Postage and printing - program	1,103	4,244	12,234	448	18,029	5,218	1,615	24,862
Printing - administrative		4,122	4,122		8,244	2,748	1,760	12,752
Professional fees - administrative	5,468	2,061	2,822	131	10,482	20,173	51,364	82,019
Professional services - program	600	350	6,463	263	7,676	6,247	175	14,098
Promotional materials	4,710		1,807		6,517	40,891	255	47,663
Property taxes							2,038	2,038
Rent	5,307	16,168	16,168		37,643	10,779	10,905	59,327
Salaries and related expenses	143,579	36,976	391,338	6,115	578,008	195,931	316,269	1,090,208
Scholarships and donations		500			500			500
Technology	115		14,132		14,247	546	3,857	18,650
Telephone/internet	527		975		1,502	289	2,831	4,622
Tickets/events	3,307	1,980	8,336	4,196	17,819			17,819
Travel expenses - administrative	10,876	1,384	10,463	521	23,244	5,553	4,361	33,158
Training							9,350	9,350
Utilities							803	803
Expenses before depreciation	<u>202,178</u>	<u>88,697</u>	<u>530,982</u>	<u>61,210</u>	<u>883,067</u>	<u>570,229</u>	<u>519,006</u>	<u>1,972,302</u>
Depreciation			6,328		6,328		6,907	13,235
TOTAL EXPENSES	<u>202,178</u>	<u>88,697</u>	<u>537,310</u>	<u>61,210</u>	<u>889,395</u>	<u>570,229</u>	<u>525,913</u>	<u>1,985,537</u>

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

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	<u>(19,886)</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	13,235
Unrealized gains on investments	(45,920)
Realized gains on investments	(2,302)
Loss on disposal of assets	3,507
(Increase) decrease in operating assets:	
Contributions receivable	(57,425)
Prepaid expenses	79
Inventory	4,502
Increase (decrease) in operating liabilities:	
Accounts payable	(844)
Accrued expenses	2,963
Deferred revenue	644
Total adjustments	<u>(81,561)</u>
Net cash used in operating activities	<u>(101,447)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(26,918)
Purchase of property and equipment	<u>(730,307)</u>
Net cash used in investing activities	<u>(757,225)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Net proceeds from promissory note	<u>559,540</u>
DECREASE IN CASH	(299,132)
CASH, beginning of year	<u>1,559,289</u>
CASH, end of year	<u><u>1,260,157</u></u>
AS SHOWN ON THE STATEMENT OF FINANCIAL POSITION	
Cash in bank	
Unrestricted	689,449
Restricted	559,540
Cash in bank - Board-designated	
Investment cash	7,917
Endowment cash	<u>3,251</u>
Total cash	<u><u>1,260,157</u></u>

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

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Guild is a nonprofit 501(c)(3) corporation whose mission is to provide support and resources for individuals with Down Syndrome and their families and the professionals who serve them in the metropolitan Kansas City area and surrounding communities. The Guild seeks to provide the entire community with information and education to broaden awareness and foster positive attitudes regarding people with Down Syndrome.

Basis of Accounting

The policy of the Guild is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Contributions are recorded when received unless subject to accrual. Expenses are recognized when the obligation is incurred.

New Accounting Pronouncements

In 2019, the Guild adopted ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant receipt, the transaction is an exchange transaction and would follow the guidance under ASU 2014-09 (ASC Topic 606 - *Revenue Recognition*).

If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. ASU 2018-08 was implemented on a modified prospective basis. Therefore, in 2019, the new standard was applied to agreements that were either not completed as of January 1, 2019, or entered into after January 1, 2019. There was no material impact to the financial statements as a result of adoption. Accordingly, no adjustment to opening net assets was recorded.

Effective January 1, 2019, the Guild adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows.

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

The amendments in this ASU 2016-18 do not provide a definition of restricted cash or restricted cash equivalents. The Guild has applied the provisions of ASU 2016-18 retrospectively to all periods presented with no effect on net assets or previously issued financial statements.

In 2019, the Guild adopted ASU 2016-01, *Financial Instruments - Overall Recognition and Measurement of Financial Assets and Financial Liabilities* (Topic 825-10). This accounting standard allows an organization to choose, on an investment-by-investment basis, to report an equity investment without a readily determinable fair value, that does not qualify for the practical expedient fair value in accordance with FASB ASC 820-10-35-59, at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issue. The ASU requires additional disclosures about those investments. Adoption of this accounting pronouncement had no effect on the Guild's 2019 financial statements.

Financial Statement Presentation

The Guild utilizes FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. FASB 958-205 sets standards for external financial reporting by not-for-profit organization and requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. During the year ended December 31, 2018, the Guild adopted the provisions of Accounting Standards Update (ASU) 2016-14; *Not-for-Profit Entities* (Topic 958) *Presentation of Financial Statement of Not-for-Profit Entities*, which improves the net asset classification and the related information presented in the financial statements and notes about the Guild's liquidity, financial performance, and cash flows. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are currently available for operating purposes under the direction of the board, designated by the board for specific use, or invested in property and equipment.

Net Assets With Donor Restrictions

Net assets with donor restrictions are stipulated by donors for specific operating purposes, for the acquisition of property and equipment or are time restricted. These include donor restrictions requiring net assets to be held in perpetuity or for a specified term with investment return available for operations or other specific purposes. There were no net assets required to be held in perpetuity as of December 31, 2019.

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Guild utilizes FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Guild to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

Donated materials, equipment, and services are reflected as contributions by the Guild. Contributed services are recognized at fair market value if the services received (a) increase or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist the Guild with their operations. Volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Recognition of Contributions Received with Donor Restrictions

Support that is received with donor restrictions is reported as an increase in net assets received without donor restrictions if the restrictions expired in the reporting period in which the support is recognized. All other support received with donor restrictions is recognized as such depending on the nature of the restriction. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Use of Estimates

The preparation of financial statements in accordance 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 disclosure of contingent assets and liabilities at 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.

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising, marketing, and promotional material costs are expensed as incurred. Advertising for Guild events, programs, and job opportunities totaled \$10,356 for the year ending December 31, 2019. Promotional materials, mainly comprised of t-shirts for the Step Up for Down Syndrome Walks and other programs, totaled \$47,663.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Guild considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity of three months or less at the time of purchase. Excluded from this definition of cash equivalents are such amounts that represents funds that have been designated by the Board for investment. As of December 31, 2019, the Guild held no cash equivalents.

Accounts Receivable

The Guild's receivables as of December 31, 2019, consisted of grants and contributions receivable.

Receivables have been adjusted for all know uncollectible accounts. No allowance for bad debts is considered necessary at year end.

Investments

The Guild has adopted FASB ASC 958-320, *Not-for-Profit Entities, Investments - Debt and Equity Securities*. FASB ASC 958-320 establishes standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

Therefore, investments in equity securities that have a readily determinable fair value and all investments in debt securities are stated at fair value, with gains and losses included in the statement of activities. Fair value is determined by quoted market values.

Property and Equipment

Effective January 1, 2018, all acquisitions of property and equipment in excess of \$1,500 are capitalized. Property and equipment are recorded at cost if purchased or fair market value, on the date received as a donation for use in operations. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

The Guild provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives which range from 5 to 40 years. Depreciation expense for the year ended December 31, 2019, was \$13,235.

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Guild is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Guild's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Guild 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).

The Guild utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Guild continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. Management believes that it has the appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Compensated Absences

The Guild's paid time off policy states that all full-time employees who have successfully completed their 90-day probationary period are eligible for paid time off. For the first four calendar years of eligible employment, employees accrued paid time off at the rate of 15 day (120 hours) per year. Starting with their fifth calendar year, the accrual will increase to 20 days (160 hours) per year.

Executives accrued paid time off at the rate of 20 days (160 hours) per year. The maximum paid time off accrual balance that can be carried over is 5 days (40 hours).

Upon voluntary or involuntary, unused paid time off will be paid out up to a maximum of 5 days (40 hours). As of December 31, 2019, the amount expensed for compensated absences was \$12,112.

Functional Expenses

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated included payroll expenditures which are allocated on the basis of estimates of time and effort; occupancy costs which are allocated on a square footage basis; and supplies which are allocated based on usage analysis.

Inventories

The Guild accepts contributions of donated supplies for various events. These remaining contributed supplies are recorded at their estimated fair value after the event takes place and are reflected as event inventories in the statement of financial position. Inventories are recognized on a first-in, first-out (FIFO) basis.

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2. REQUIRED SUPPLEMENTARY DISCLOSURE FOR STATEMENT OF CASH FLOWS

For the year ended December 31, 2019, \$11,468 was expended for interest and there were no cash expenditures for income taxes.

NOTE 3. CREDIT RISK

The Guild maintains cash balances in accounts at two financial institutions within the Kansas City metro. Accounts at both institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Additionally, the Guild utilizes an Insurance Cash Sweep (Sweep) Deposit Placement Agreement for their main operating account. Under the terms of this agreement, Guild funds exceeding FDIC coverage at the main institution are placed at other Destination Institutions in order to obtain sufficient insurance coverage for the Guild's cash balances. The Sweep account also helps mitigate credit risk associated with maintaining deposits in banks located within the same geographic region.

At December 31, 2019, all Guild deposits in financial institutions were fully insured.

Financial instruments which potentially subject the Guild to concentrations of credit risk consist principally of grants and contributions receivable from several entities. Such credit risk is considered by the Guild to be limited due to commitment of the grantor, their financial resources, and their support of the program for which the grant is intended. As of December 31, 2019, the Guild had no significant concentrations of credit risk.

NOTE 4. FAIR VALUE MEASUREMENTS

The Guild utilizes FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, fair value is 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. In determining fair value, the Guild uses various methods including market, income, and cost approaches.

Based on these approaches, the Guild often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique.

These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Guild utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Guild is required to provide the following information according to the fair value hierarchy.

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended December 31, 2019, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Fair Value on a Recurring Basis

The table below presents the balances of assets measured at December 31, 2019, at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
Investments				
International equities	43,274	43,274		
U.S. equities	106,567	106,567		
Fixed income	500,041	500,041		
Total	<u>649,882</u>	<u>649,882</u>	<u> </u>	<u> </u>

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 investments at December 31, 2019, are disclosed in Note 5.

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVESTMENTS

Investments as of December 31, 2019, are summarized as follows:

	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Investments			
International equities	42,066	1,208	43,274
U.S. equities	97,381	9,186	106,567
Fixed income	<u>481,185</u>	<u>18,856</u>	<u>500,041</u>
Total	<u>620,632</u>	<u>29,250</u>	<u>649,882</u>

The balances reported above include investments held within the Guild's board-designated operating reserve and board-designated endowment fund; additional details for each sub-set can be found in Notes 7 and 8, respectively.

Investment fees incurred for the year totaled \$4,500 and are detailed on the Guild's statement of functional expenses. Investment income for the year ended December 31, 2019, is comprised of the following:

Interest and dividends	26,956
Net unrealized loss	45,920
Net realized gains	<u>2,302</u>
Total investment income	<u>75,178</u>

NOTE 6. BOARD-DESIGNATED ASSETS

As of December 31, 2019, the Board of Directors had designated \$550,043 of net assets without donor restrictions as an operating reserve to support the mission of the Guild. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported within net assets without donor restrictions.

The Guild's Board of Directors has adopted an investment policy for these funds which details both the objectives and guidelines intended to apply to the investments. The purpose is to establish sound cash management practices to ensure efficient utilization of cash in a manner consistent with the overall strategic goals of the Guild.

The objectives of the investment policy detailed below are to preserve Guild capital while attempting to keep up with inflation; maximize returns with minimal levels of risk and to manage liquidity requirements.

Investments are to be divided into the following general asset classes: cash and cash equivalents; global equities; global fixed income and alternatives. Assets may be invested in any combination of short to intermediate maturity of fixed income and equity investments.

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 6. BOARD-DESIGNATED ASSETS (Continued)

No more than twenty percent (20%) of the total portfolio may be in intermediate-term (five to ten year) maturities. The actual asset allocation and the benchmark indexes will be reviewed by the Guild's Finance Committee and reported to the Board at least quarterly.

The following summarizes activity within the board-designated operating reserve for the year ending December 31, 2019.

	Without Donor Restrictions
Board-designated assets, beginning of year	495,643
Contributions	14,284
Interest and dividends	12,225
Unrealized gains	30,472
Realized gains	1,270
Advisory fees	<u>(3,851)</u>
 Board-designated net assets, end of year	 <u>550,043</u>

NOTE 7. ENDOWMENT FUND

During 2018, the Guild's Board of Directors set aside amounts from the board-designated operating reserve to function as an endowment for the organization. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Guild has adopted the principals of and requirements under the Uniform Prudent Management of Institutional funds Act (UPMIFA). Investment policy and decisions for asset placement are based on a long-term investment strategy appropriate for an institutional endowment held in perpetuity.

Investment Return Objectives, Risk Parameters, and Strategies

The Guild has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment funds over the long term. Investments will be invested using an asset allocation to maximum long-term return under various parameters.

The investment policy serves to diversity investments and provides a balance enhancing total return while avoiding undue risk concentration in any single asset class or investment category.

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. ENDOWMENT FUND (Continued)

Investment Return Objectives, Risk Parameters, and Strategies (Continued)

The Guild understands that investment risk cannot be eliminated but should be managed. The level of overall portfolio risk taken should be consistent with the overall return objectives and investment policy of the organization. Rebalancing will take place when market fluctuations cause deviations from the target allocations to occur with an emphasis placed on mitigating risk and reducing expenses as far as practicable.

Spending Policy

The adopted spending policy which is intended to allocate the annual total return from the investments to address the following objectives: (a) provide consistent funding for programs, projects, or services as designed by the Board; (b) provide for annual assessments for operating reserves and expenses; (c) provide for long-term growth of the corpus of the investments. Total disbursements for spending, including appropriations for operating reserves and expenses, will be reviewed and approved by the Board. The spending will be calculated using the twelve-quarter rolling average market value of the funds functioning as the endowment portfolio. The Board intends to employ a constant growth spending policy where annual distributions will have a target equal to distributions in the prior year, plus an adjustment for inflation. Under certain conditions, the Board may decide not to spend the amount indicated by the spending formula or may provide for an additional appropriation for operating reserves and expenses. When the fair market value of an endowment is 90% of its corpus amount, the endowment should be evaluated and spending could be frozen.

Under the prudent management flexibility of UPMIFA, spending may continue to occur if it has a significant impact on the mission and can be done prudently without significantly impeding the endowment's recovery. After consideration of the factors, the Board will exercise its fiduciary duty when determining whether spending is allowed.

For the year ended December 31, 2019, the endowment fund consisted only of board-designated amounts, and is therefore reported as net assets without donor restrictions.

Changes in the endowment net assets without donor restrictions as of December 31, 2019, are as follows:

	Without Donor Restrictions
Endowment net assets, beginning of year	92,668
Interest and dividends	2,514
Unrealized gains	15,443
Realized gains	1,032
Advisory fees	(650)
	111,007
Endowment net assets, end of year	111,007

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Guild's financial assets available to meet cash needs for general expenditures, that is, without donor or other restrictions limited their use, within one year of the statement of financial position date are as follows:

Cash	1,260,157
Contributions receivable	62,191
Short-term investments	<u>542,126</u>
	<u>1,864,474</u>
Less	
Board designations	(550,043)
Portion with donor restrictions	(34,285)
Restricted cash	<u>(11,403)</u>
Total financial assets available to meet general expenditures within the next twelve months	<u><u>1,268,743</u></u>

The Guild's endowment fund was created by the Board of Directors during 2018. Income from the endowment is for specific purposes and, therefore is not available for general expenditure for purposes of the disclosure above.

As part of the Guild's liquidity management, it has a policy to establish sound cash management practices to ensure efficient utilization of cash in a manner consistent with the overall strategic goals of the organization.

The Guild has adopted investment policies to structure financial assets to be available as the Guild's general expenditures liabilities, and other obligations come due. The specifics of the board-designated operating reserve fund and the board-designated endowment fund can be found within Notes 6 and 7, respectively. Although the Guild does not intend to spend from this fund other than the amounts appropriated for general expenditures, funds could be made available if necessary.

NOTE 9. RETIREMENT PLAN

Beginning January 1, 2012, the Guild has set up a SIMPLE IRA plan in which eligible employees may voluntarily participate with a matching contribution equal to 100% of their elective deferrals up to a limit of 3% of their compensation for the calendar year. Employees are 100% vested immediately. Retirement expense for the year ended December 31, 2019, was \$18,651.

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10. NONCASH CONTRIBUTIONS

Over the course of the year, The Guild receives several in-kind contributions of goods and services for various Guild events. During the year ended December 31, 2019, the Guild received the following noncash contributions of services, supplies, and auction items that have been reflected in the Guild's financial statements. Amounts are reflected both as in-kind support and are offset by like amounts included in expenses.

Program	
Community Support	1,941
Public Awareness	1,917
Public Education	10,461
Social	6,500
General and Administrative	52,465
Fundraising	
General	2,500
Private Cellar Wine Tasting and Auction	
Auction Items	49,308
Food and beverages	12,116
Miscellaneous	810
Step-Up For Down Syndrome Walks	
Food and beverages	12,129
Tee-Up for Down Syndrome	
Food and beverages	10,380
Miscellaneous	4,159
	<u>164,686</u>
Total In-Kind Contributions	<u>164,686</u>

At year end, donations recorded as inventory for events to be held in the subsequent year was comprised of various beverages left over after the Step Up for Down Syndrome walks and was being used for events held in office.

NOTE 11. LEASE COMMITMENTS

In May 2013, the Guild entered into an agreement to conduct its operations with offices leased under a 7-year noncancellable lease expiring on April 30, 2020.

In December 2017, the Guild amended their lease to add additional office space and extend the lease term to April 30, 2022. Total lease expense for the year ending December 31, 2019, was \$59,326.

The Guild entered into negotiations to extend this lease in November 2019. A lease extension through December 2026 was executed in January 2020.

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11. LEASE COMMITMENTS (Continued)

Future minimum lease payments for office space at December 31, 2019, are:

Year Ending December 31,	
2020	53,796
2021	53,796
2022	<u>17,932</u>
	<u>125,524</u>

In December 2015, the Guild entered into a copier and paper folder lease which is set to expire on December 2, 2020. This lease included service and a set number of color and black/white images. In February 2016, FDFDS entered into a 36-month lease for a copier. When the operations merged, the Guild assumed this copier lease as well. Total copier lease expenses incurred in December 31, 2019, amounted to \$13,606. This amount includes both lease expense and some excess printing charges.

Future minimum copier lease payments at December 31, 2019, are:

Year Ending December 31,	
2020	<u>11,628</u>

NOTE 12. DISCLOSURE OF NET ASSETS

The detail of the Guild's net asset categories at December 31, 2019, is as follows:

Net assets without donor restrictions:	
Undesignated	554,951
Board-designated operating reserve	550,043
Board-designated endowment fund	111,007
Invested in property and equipment	<u>744,757</u>
Total net assets without donor restrictions	<u>1,960,758</u>
Net assets with donor restrictions	
Unexpended funds received for specified purposes	<u>34,285</u>
	<u>1,995,043</u>

DOWN SYNDROME GUILD OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12. DISCLOSURE OF NET ASSETS (Continued)

Net assets with donor restrictions at December 31, 2019, are available for the following purposes:

Public Education	2,502
Public Awareness	4,982
Social	<u>26,801</u>
	<u>34,285</u>

NOTE 13. PROMISSORY NOTE

Within the year ended December 31, 2019, the Guild executed a promissory note to help fund the purchase and improvements of a new building to be used for additional program and operational space. The original promissory note was dated July 1, 2019, and the terms were updated on September 29, 2019. Under the most recent terms of the agreement, the maximum principal allowed is \$1,500,000 at a rate of 4.68% per annum. The stated maturity date is September 29, 2022. The terms of the agreement require monthly payments of accrued interest in the first year outstanding with principal and interest payments due monthly in years two and three. Upon maturity, all unpaid principal and accrued interest will be due and payable.

If the note had been fully funded at December 31, 2019, required debt payments would be as follows:

Year Ending December 31,	Principal	Interest	Total
2020	11,403	70,155	81,558
2021	46,968	68,668	115,636
2022	<u>1,441,629</u>	<u>422,001</u>	<u>1,863,630</u>
	<u>1,500,000</u>	<u>560,824</u>	<u>2,060,824</u>

The line of credit is secured deposits held in a Money Market account at the lending institution. These deposits are recorded as restricted cash on the statement of financial position and subtracted from the Guild's liquidity calculation as they are not available for general operating expenditures within the next year.

The balance of the line of credit was \$559,540 at December 31, 2019.

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NOTES TO FINANCIAL STATEMENTS

NOTE 14. SUBSEQUENT EVENTS

Due to the recent spread of the Coronavirus (COVID-19) and the anticipated slowing of business activity in programs and events that the Guild provides, a decline in revenue for part of the year ending December 31, 2020, is possible. The dollar amount of any decline in revenue related to COVID-19 is not known at the time of issuance of the financial statements. The Guild did secure some funding through the Paycheck Protection Program (PPP), established by Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

In preparing the financial statements, the Guild has evaluated events and transactions for potential recognition or disclosure through June 18, 2020, the date the financial statements were available to be issued.