

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Arts and Recreation Foundation of Overland Park, Inc.
Overland Park, Kansas

We have audited the accompanying financial statements of The Arts and Recreation Foundation of Overland Park, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 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 The Arts and Recreation Foundation of Overland Park, Inc., as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2018, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Dana J Cole + Company, LLP

Overland Park, Kansas
September 8, 2019

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017

	ASSETS		2018	2017
CURRENT ASSETS				
Cash and cash equivalents			3,358,613	1,720,381
Prepaid expenses			9,695	4,319
Special event receivable			3,114	143,394
Pledges receivable			254,554	182,862
Pledges receivable from related parties			<u>42,324</u>	<u>1,054,004</u>
Total current assets			<u>3,668,300</u>	<u>3,104,960</u>
OTHER ASSETS				
Investment cash			602,887	267,203
Investments			2,448,833	2,692,204
Pledges receivable - long-term, less allowance for doubtful pledges of \$10,309 and \$13,783 at December 31, 2018 and 2017			123,606	286,909
Pledges receivable from related parties - long-term			<u>10,347</u>	<u>27,503</u>
Total other assets			<u>3,185,673</u>	<u>3,273,819</u>
TOTAL ASSETS			<u><u>6,853,973</u></u>	<u><u>6,378,779</u></u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable			36,092	18,929
Payroll taxes payable			6,981	8,893
Deferred membership revenue			<u>113,369</u>	<u>104,158</u>
Total liabilities			<u>156,442</u>	<u>131,980</u>
NET ASSETS				
Net assets without donor restrictions			1,547,403	1,421,972
Net assets with donor restrictions			<u>5,150,128</u>	<u>4,824,827</u>
Total net assets			<u>6,697,531</u>	<u>6,246,799</u>
TOTAL LIABILITIES AND NET ASSETS			<u><u>6,853,973</u></u>	<u><u>6,378,779</u></u>

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

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT						
Program revenue	41,592	5,000	46,592	44,660	23,856	68,516
Foundation and trust grants	58,206	92,774	150,980	86,901		86,901
Dues	224,447		224,447	224,311		224,311
Contributions						
General	59,925	4,714	64,639	36,133	109,554	145,687
Corporate contributions				888		888
Growing to Inspire capital campaign		313,621	313,621		901,244	901,244
Special events, net of direct expenses of \$321,915 in 2018 and \$338,480 in 2017	1,130,437	7,500	1,137,937	1,166,155		1,166,155
Investment income	31,152	52,965	84,117	25,420	31,414	56,834
Government grants	5,000		5,000			
Miscellaneous	3,424		3,424			
	<u>1,554,183</u>	<u>476,574</u>	<u>2,030,757</u>	<u>1,584,468</u>	<u>1,066,068</u>	<u>2,650,536</u>
Net assets released from restriction	151,273	(151,273)		155,125	(155,125)	
Total revenues and other support	<u>1,705,456</u>	<u>325,301</u>	<u>2,030,757</u>	<u>1,739,593</u>	<u>910,943</u>	<u>2,650,536</u>
EXPENSES						
Program expense	974,754		974,754	1,051,315		1,051,315
Fundraising	475,552		475,552	307,315		307,315
Management and general	129,719		129,719	145,514		145,514
Total expenses	<u>1,580,025</u>		<u>1,580,025</u>	<u>1,504,144</u>		<u>1,504,144</u>
CHANGE IN NET ASSETS	<u>125,431</u>	<u>325,301</u>	<u>450,732</u>	<u>235,449</u>	<u>910,943</u>	<u>1,146,392</u>
NET ASSETS, beginning of year	<u>1,421,972</u>	<u>4,824,827</u>	<u>6,246,799</u>	<u>1,186,523</u>	<u>3,913,884</u>	<u>5,100,407</u>
NET ASSETS, end of year	<u>1,547,403</u>	<u>5,150,128</u>	<u>6,697,531</u>	<u>1,421,972</u>	<u>4,824,827</u>	<u>6,246,799</u>

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

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>450,732</u>	<u>1,146,392</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized (gain) loss on investments	(34,779)	31
Unrealized (gain) loss on investments	83,215	(11,088)
(Increase) decrease in operating assets:		
Prepaid expenses	(5,376)	18
Special events receivable	140,280	(94,006)
Accrued interest receivable		2,185
Pledges receivable	1,120,447	519,977
Increase (decrease) in operating liabilities:		
Accounts payable	17,163	(17,298)
Accrued expenses		(36,416)
Payroll taxes payable	(1,912)	735
Deferred membership revenue	<u>9,211</u>	<u>8,408</u>
Total adjustments	<u>1,328,249</u>	<u>372,546</u>
 Net cash provided by operating activities	 <u>1,778,981</u>	 <u>1,518,938</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	363,831	118,251
Redemption of certificates of deposit		500,000
Purchase of investments	<u>(168,896)</u>	<u>(2,487,285)</u>
 Net cash provided by (used in) investing activities	 <u>194,935</u>	 <u>(1,869,034)</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 1,973,916	 (350,096)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,987,584</u>	<u>2,337,680</u>
CASH AND CASH EQUIVALENTS, end of year	<u>3,961,500</u>	<u>1,987,584</u>
 AS SHOWN ON THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	3,358,613	1,720,381
Investment cash	<u>602,887</u>	<u>267,203</u>
	<u>3,961,500</u>	<u>1,987,584</u>

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

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				2017			
	Program Services				Program Services			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
EXPENSES								
Accounting		30,940		30,940		28,890		28,890
Advertising and marketing	7,568		244,271	251,839	240,671	325	3,919	244,915
Merchandise	5,553			5,553	7,398			7,398
Architectural fees	2,605		750	3,355	6,036			6,036
Art	15,000			15,000	20,000			20,000
Artist and performance fees	26,250			26,250	4,025			4,025
Awards and grants to individuals	12,400			12,400	7,850			7,850
Bank charges and fees	203	22,420	1,908	24,531	407	16,736	1,202	18,345
Computer fees and services	1,883	12,325	213	14,421	2,125	13,427		15,552
Construction and maintenance materials	5,425			5,425				
Contract services	53,675	8,375	9,062	71,112	52,494	11,888	8,279	72,661
Dues	50	925		975		915		915
Equipment					14,143		1,558	15,701
Equipment rental	5,665	200		5,865	4,321	199		4,520
Food and beverage	15,049	778		15,827	5,242	1,826		7,068
Furnishings							13,808	13,808
Insurance	5,667	10,005		15,672		11,054		11,054
Investment fees	11,226	2,697		13,923	2,107	3,463		5,570
Landscape	718			718				
Office supplies		814	44	858	33	1,141	66	1,240
Payroll	61,319	24,527	72,834	158,680	19,072	25,568	112,061	156,701
Payroll tax	4,691	1,876	5,572	12,139	1,459	1,956	8,573	11,988
Postage, delivery, freight	22,309	1,010	1,720	25,039	1,133	332	5,878	7,343
Printing and publications	18,198	6,304	15,746	40,248	9,165	7,025	13,549	29,739
Professional fees	9,660	116	3,240	13,016	90,495	1,422	4,046	95,963
Program grants	41,383		3,000	44,383	35,788		4,500	40,288
Capital improvements	343,120			343,120	292,425			292,425
Occupancy	271,697			271,697	212,390			212,390
Sales tax	867		6,547	7,414	1,177		5,731	6,908
Supplies	23,393	3,331	109,679	136,403	18,771	1,890	123,599	144,260
Telephone		789		789		364		364
Travel and lodging	5,149	1,736	537	7,422	1,640	1,981	43	3,664
Bad debt						14,783		14,783
Other	4,031	551	429	5,011	948	329	503	1,780
Total expenses	<u>974,754</u>	<u>129,719</u>	<u>475,552</u>	<u>1,580,025</u>	<u>1,051,315</u>	<u>145,514</u>	<u>307,315</u>	<u>1,504,144</u>

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

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

The Arts and Recreation Foundation of Overland Park, Inc. (hereinafter referred to as ARFOP) is a nonprofit 501(c)(3) corporation whose mission is to support and promote the development and operation of the Overland Park Arboretum and Botanical Gardens, the Deanna Rose Children's Farmstead, and Overland Park Arts through the Foundation and the arboretum, farmstead, and arts friends groups. Together, they have raised significant funding to develop the arboretum, expand the farmstead, and enhance the arts programs. Their goal is to make these facilities and programs attractive and accessible to all residents of the Kansas City region.

Basis of Accounting

The policy of ARFOP 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 Pronouncement

Effective January 1, 2018, the Foundation adopted FASB Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, (ASU 2016-14). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as provide information regarding liquidity, financial performance, and cash flows. The provisions of ASU 2016-14 that significantly change the Foundation's financial statements are as follows:

- Revises the net assets classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three classes;
- Enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions; and
- Requires quantitative and qualitative disclosures on liquidity and the availability of resources to fund operations.

The financial statements for the year ended December 31, 2017, have been retrospectively restated for the effects of the adoption of ASU 2016-14, which resulted in temporarily and permanently restricted net assets being reported as net assets with donor restrictions, and unrestricted net assets being reported as net assets without donor restrictions. There was no change in total net assets, nor was there an effect on the change in net assets in the accompanying statements of activities for the year ended December 31, 2017.

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The financial statements report amounts by class of net assets, as required by ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. As such, 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 resources available to support operations and not subject to donor restrictions 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 resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

Contributions

ARFOP utilizes FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. This standard requires that unconditional promises to give (pledges) and contributions be recorded as receivables and revenues and requires ARFOP 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.

Recognition of Donor-Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions (Continued)

In-Kind Contributions and Contributed Services

ARFOP records various types of in-kind contributions. Contributed services are recognized at fair market value if the services received a) create 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 ARFOP with its operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Cash and Cash Equivalents

For purposes of the statement of cash flows, ARFOP considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

ARFOP utilizes 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 statements of activities. Fair value is determined by quoted market values.

Special Events Receivable

Special events receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year end.

Pledges Receivable

ARFOP started collecting pledges for the Growing to Inspire capital campaign within the year ended December 31, 2016. The Foundation continues to accept pledges on the project. An allowance for uncollectible nonrelated party pledges of 2.5% has been included in the calculation of pledges receivable for both of the years ended December 31, 2018 and 2017.

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Expenses for construction, contract services, architectural fees, capital improvements, certain program grants, and landscaping are for the improvements on property owned by the City of Overland Park, Kansas. Equipment expense is for minor purchases and is treated as an operating expense. Therefore, no such costs are capitalized as an asset of ARFOP.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Certain categories of expense are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Salaries are allocated on an basis of time and effort by the Foundation's staff.

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.

Advertising

Advertising expense reported on the statements of functional expenses includes both advertising and marketing expense. These are expensed as incurred. Advertising expenses for the years ended December 31, 2018 and 2017, were \$251,839 and \$244,915, respectively. For the years ended December 31, 2018 and 2017, various publications within the Kansas City metropolitan area donated marketing services totaling \$244,446 and \$175,472, respectively. Services were valued at their fair value.

Compensated Absences

ARFOP makes available vacation and sick leave benefits for full-time employees based on the agreement with each employment letter. Unused vacation does not carry over to the succeeding year.

Income Taxes

ARFOP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as a publicly supported organization. Contributions to ARFOP qualify for a charitable contribution deduction.

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

ARFOP utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. ARFOP continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. ARFOP 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.

NOTE 2. REQUIRED SUPPLEMENTARY DISCLOSURE FOR STATEMENT OF CASH FLOWS

For the years ended December 31, 2018 and 2017, there were no cash expenditures for income taxes or interest.

NOTE 3. FAIR VALUE MEASUREMENTS

ARFOP utilizes FASB ASC 820-10, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. 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, ARFOP uses various methods including market, income, and cost approaches. Based on these approaches, ARFOP 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. ARFOP 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, ARFOP is required to provide the following information according to the fair value hierarchy.

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.

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

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 years ended December 31, 2018 and 2017, 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 tables below present the balances of assets measured at December 31, 2018 and 2017, at fair value on a recurring basis.

	2018			
	Total	Level 1	Level 2	Level 3
Investments				
Bond funds	1,701,512	1,701,512		
Equity funds	135,668	135,668		
Exchange traded funds	611,653	611,653		
Total	<u>2,448,833</u>	<u>2,448,833</u>		
	2017			
	Total	Level 1	Level 2	Level 3
Investments				
Equities	50,064	50,064		
Bond funds	1,892,017	1,892,017		
Equity funds	242,518	242,518		
Exchange traded funds	507,605	507,605		
Total	<u>2,692,204</u>	<u>2,692,204</u>		

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 investments at December 31, 2018 and 2017, are disclosed in Note 4.

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4. INVESTMENTS

Investments as of December 31, 2018 and 2017, are summarized as follows:

	2018		
	Cost	Unrealized Appreciation (Depreciation)	Value
Bond funds	1,728,001	(26,489)	1,701,512
Equity funds	129,537	6,131	135,668
Exchange traded funds	597,279	14,374	611,653
Total	2,454,817	(5,984)	2,448,833
	2017		
	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Equities	49,134	930	50,064
Bond funds	1,900,522	(8,505)	1,892,017
Equity funds	204,245	38,273	242,518
Exchange traded funds	502,409	5,196	507,605
Total	2,656,310	35,894	2,692,204

Investment income for the years ended December 31, 2018 and 2017, is composed of the following:

	2018	2017
Interest	56,103	10,701
Dividends	76,450	35,076
Net realized gain (loss)	34,779	(31)
Net unrealized gain (loss)	(83,215)	11,088
Total investment income	84,117	56,834

Investment fees for the years ending December 31, 2018 and 2017, were \$13,924 and \$5,570, respectively.

NOTE 5. CONCENTRATIONS OF CREDIT RISK

The Foundation had deposits at one institution in excess of the \$250,000 federally insured limit by the Federal Deposit Insurance Corporation. As of December 31, 2018 and 2017, all ARFOP's cash balances were fully secured through insurance and collateralization.

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5. CONCENTRATIONS OF CREDIT RISK (Continued)

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of trade, contribution, and pledge receivables. Such credit risk is considered by management to be limited due to the Foundation's broad contributors' base, the number of contributors, and its contributors' financial resources. As of December 31, 2018 and 2017, the Foundation had no significant concentrations of credit risk.

NOTE 6. DONATED FACILITIES

ARFOP and the City of Overland Park, Kansas, have entered into an agreement in which the City will provide, as is practical and reasonable, at no cost, the use of facilities for the promotion of ARFOP's mission and objectives and raising funds and donations, provided the funds raised are used to support programs, projects, and events offered by the City or those programs, projects, and events supported by the City that provide cultural arts opportunities and recreational activities for the residents of and visitors to the City. In addition, the City agrees to make available at no cost office space for the ARFOP staff. The value of this agreement cannot be determined and is not included as a contribution or an expense on the financial statements.

NOTE 7. PLEDGES RECEIVABLE

In 2015 ARFOP initiated the Growing to Inspire capital campaign for expansion and improvements of the Overland Park Arboretum & Botanical Gardens. Within 2016, the Campaign started collecting pledges for the proposed expansion. Final payments are all due no more than five years after the date the pledge was made.

Promises to give, net of a discount to present value at 4.5% and an allowance for doubtful accounts at December 31, 2018 and 2017, are due to be collected as follows:

	2018	2017
Gross amount due		
One year or less	307,257	1,281,257
Between one year and five years	<u>160,727</u>	<u>353,414</u>
	<u>467,984</u>	<u>1,634,671</u>
Less:		
Present value discount	26,794	69,610
Less allowance for doubtful accounts	<u>10,359</u>	<u>13,783</u>
	<u>37,153</u>	<u>83,393</u>
Total	<u>430,831</u>	<u>1,551,278</u>

Discounts will be recognized as contribution income in years 2019 through 2022.

Pledges for the Growing to Inspire capital campaign have been reported as temporarily restricted net assets and are restricted in use for costs and expenses associated with the expansion and of the campaign, itself.

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7. PLEDGES RECEIVABLE (Continued)

Approximately 12% of the total pledges receivable, or \$52,671, represents pledges from ARFOP Board Members or other related parties. The amounts disclosed as receivables from related parties are net of the present value discount.

NOTE 8. CONDITIONAL PROMISES TO GIVE

The Foundation has received conditional promises to give totaling \$1,000,000 from a single donor. Commitments of \$500,000 were received in the years ending December 31, 2018 and 2017. Payment of the promise is contingent upon groundbreaking on the improvements at the Overland Park Arboretum & Botanical Gardens. Since these funds represent a conditional promise to give, they are not recorded as contribution revenue until the donor conditions are substantially met.

NOTE 9. IN-KIND CONTRIBUTIONS AND CONTRIBUTED SERVICES

Over the course of the year, ARFOP receives several in-kind contributions of goods and services for various Foundation events. During the years ended December 31, 2018 and 2017, ARFOP received the following noncash contributions of services and equipment that have been reflected in the financial statements of the Foundation.

	2018	2017
Artist and performance fees		300
Equipment rental	10,115	6,893
Food and beverages	26,699	55,301
Mailing services		3,300
Marketing services	239,946	175,472
Professional fees	2,890	
Supplies	9,975	40,900
Total in-kind contributions	289,625	282,166

NOTE 10. LIQUIDITY

The Foundation's financial assets available to meet cash needs for general expenditures within one year of the balance sheet date are as follows:

	2018	2017
Cash and cash equivalents	3,961,500	1,987,584
Special event receivable	3,114	143,394
Investments	2,448,833	2,692,204
Pledges receivable	430,831	1,236,866
	6,844,278	6,060,048
Less portion with donor restrictions	(5,150,128)	(4,824,827)
Total	1,694,150	1,235,221

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11. DISCLOSURE OF NET ASSETS

The detail of the Foundation's net asset categories at December 31, 2018 and 2017, are as follows:

	2018	2017
Net assets without donor restrictions		
Undesignated	1,547,403	904,618
Board-designated		<u>517,354</u>
Total net assets without donor restrictions	<u>1,547,403</u>	<u>1,421,972</u>
Net assets with donor restrictions		
Unexpended funds received for a specific purpose	<u>5,150,128</u>	<u>4,824,827</u>
Total net assets	<u>6,697,531</u>	<u>6,246,799</u>

Net assets identified as board-designated have been set aside for the following purposes:

	2018	2017
Growing to Inspire	400,000	250,000
Deanna Rose Children's Farmstead	7,000	240,857
Friends of the Arboretum	26,497	26,497
Friends of the Arts	45,000	
	<u>478,497</u>	<u>517,354</u>

Net assets with donor restrictions at December 31, 2018 and 2017, are available for the following purposes:

	2018	2017
2018 STEMS		5,000
2019 STEMS	7,500	
9-11 Firefighter's Memorial	4,964	4,534
Arboretum Sculptures	14,780	15,924
Ben Craig Administration Building	48,143	
Ben Craig Farmstead Maintenance	200,499	200,499
Ben's Bank	10,329	8,836
Beverly's Butterfly Garden	3,193	3,193
Draft Horse Barn	220,885	215,893
Education	30,000	
Erickson Rose Garden	31,258	31,258

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11. DISCLOSURE OF NET ASSETS (Continued)

	2018	2017
Farmstead	16,114	13,560
Friends of the Arts Sculpture Program	10,500	10,500
Growing to Inspire Campaign	4,354,120	4,025,251
Hen House	182	182
Kiwanis Repose	936	936
McGowan Costume Grant	2,566	2,566
Metcalf Bank Fund	149,829	165,614
Outdoor Musical Instruments	12,131	
Night of the Living Farm		10,000
Plein Air Paint	1,000	
PNC Field Trip Grant	640	640
Prairie Dog Exhibit	2,800	2,400
Ritter Legacy Garden Seating	26,304	106,586
Sculpture Exhibition	1,065	1,065
Solid Sweep System	390	390
Total	<u>5,150,128</u>	<u>4,824,827</u>

In November 2007, the Foundation received \$200,000 from the Barton P. Cohen estate to be set aside as a separate fund to be known as the Metcalf Bank Fund. Per the last will and testament of Barton P. Cohen, the Foundation is to designate a portion of the Overland Park Arboretum near the Barton P. Cohen Overlook and Iris Garden as being maintained and developed by the Metcalf Bank Fund and 5% of its market value as of the last day of the preceding year shall be used in each calendar year for maintaining and improving the Overlook, Iris Garden, and Metcalf Bank area.

NOTE 12. COMMITMENTS

At December 31, 2018, the Foundation had outstanding construction commitments to the City of Overland Park, Kansas totaling \$206,940.

In November 2018, the Foundation made two commitments for improvements at the Deanna Rose Children's Farmstead: the purchase and installation the BioGen, (a fodder feed system) and construction of Mackenzie's Island. The total commitment for each project was \$40,000 and \$140,000, respectively. At December 31, 2018, the remaining commitments for these two projects totaled \$31,800 and \$136,791, respectively.

Within the year, the Foundation committed funds for the renovation of the grape bower area of the Legacy Garden at the Overland Park Arboretum and Botanical Gardens and the creation of The Retreat. The total funding commitment was \$106,500. At December 31, 2018, the remaining commitment is \$26,218.

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12. COMMITMENTS (Continued)

In December 2018, the Foundation committed to purchase Outdoor Musical Instruments, a musical play system for the Santa Fe Commons totaling \$12,131.

NOTE 13. SUBSEQUENT EVENTS

In preparing the financial statements, ARFOP has evaluated events and transactions for potential recognition or disclosure through September 8, 2019, the date the financial statements were available to be issued.