

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018



**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, 2019 and 2018, 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, 2019 and 2018, 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.

Dana J Cole + Company, LLP

Overland Park, Kansas
June 15, 2020

THE ARTS AND RECREATION FOUNDATION OF OVERLAND PARK, INC.
 STATEMENTS OF FINANCIAL POSITION
 YEARS ENDED DECEMBER 31, 2019 AND 2018

	ASSETS	
	43,830	2018
CURRENT ASSETS		
Cash and cash equivalents	1,838,644	3,358,613
Prepaid expenses	5,766	9,695
Inventory	2,739	
Accounts receivable	28,964	3,114
Pledges receivable	238,278	254,554
Pledges receivable from related parties	40,973	42,324
Total current assets	<u>2,155,364</u>	<u>3,668,300</u>
OTHER ASSETS		
Investment cash		
Unrestricted	365,058	182,217
Restricted	958,264	420,670
Investments		
Unrestricted	677,406	
Restricted	3,736,098	2,448,833
Pledges receivable - long-term, less allowance for doubtful pledges of \$14,775 and \$10,309 at December 31, 2019 and 2018	26,823	123,606
Pledges receivable from related parties - long-term	2,401	10,347
Total other assets	<u>5,766,050</u>	<u>3,185,673</u>
TOTAL ASSETS	<u>7,921,414</u>	<u>6,853,973</u>
	LIABILITIES AND NET ASSETS	
LIABILITIES		
Accounts payable	30,659	36,092
Payroll taxes payable	6,904	6,981
Deferred sponsorship revenue	2,500	
Deferred membership revenue	125,126	113,369
Total liabilities	<u>165,189</u>	<u>156,442</u>
NET ASSETS		
Net assets without donor restrictions	2,377,325	1,547,403
Net assets with donor restrictions	5,378,900	5,150,128
Total net assets	<u>7,756,225</u>	<u>6,697,531</u>
TOTAL LIABILITIES AND NET ASSETS	<u>7,921,414</u>	<u>6,853,973</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, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES AND OTHER SUPPORT						
Program revenue	22,760	9,475	32,235	41,592	5,000	46,592
Foundation and trust grants	43,415		43,415	58,206	92,774	150,980
Dues	235,703		235,703	224,447		224,447
Contributions						
General	68,272	52,495	120,767	59,925	4,714	64,639
Corporate contributions	13,750		13,750			
Growing to Inspire capital campaign		276,165	276,165		313,621	313,621
Special events, net of direct expenses of \$426,281 in 2019 and \$321,915 in 2018	1,345,531		1,345,531	1,130,437	7,500	1,137,937
Investment income	63,531	163,661	227,192	31,152	52,965	84,117
Government grants				5,000		
Miscellaneous				3,424		3,424
	<u>1,792,962</u>	<u>501,796</u>	<u>2,294,758</u>	<u>1,554,183</u>	<u>476,574</u>	<u>2,025,757</u>
Net assets released from restriction	273,024	(273,024)		151,273	(151,273)	
Total revenues and other support	<u>2,065,986</u>	<u>228,772</u>	<u>2,294,758</u>	<u>1,705,456</u>	<u>325,301</u>	<u>2,030,757</u>
EXPENSES						
Program expense	811,260		811,260	1,211,260		1,211,260
Fundraising	273,453		273,453	239,046		239,046
Management and general	151,351		151,351	129,719		129,719
Total expenses	<u>1,236,064</u>		<u>1,236,064</u>	<u>1,580,025</u>		<u>1,580,025</u>
CHANGE IN NET ASSETS	<u>829,922</u>	<u>228,772</u>	<u>1,058,694</u>	<u>125,431</u>	<u>325,301</u>	<u>450,732</u>
NET ASSETS, beginning 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>
NET ASSETS, end of year	<u>2,377,325</u>	<u>5,378,900</u>	<u>7,756,225</u>	<u>1,547,403</u>	<u>5,150,128</u>	<u>6,697,531</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, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	<u>1,058,694</u>	<u>450,732</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gain on investments	(32,575)	(34,779)
Unrealized (gain) loss on investments	(56,565)	83,215
(Increase) decrease in operating assets:		
Prepaid expenses	3,929	(5,376)
Inventory	(2,739)	
Accounts receivable	(25,850)	140,280
Pledges receivable	122,356	1,120,447
Increase (decrease) in operating liabilities:		
Accounts payable	(5,433)	17,163
Payroll taxes payable	(77)	(1,912)
Deferred sponsorship revenue	2,500	
Deferred membership revenue	<u>11,757</u>	<u>9,211</u>
Total adjustments	<u>17,303</u>	<u>1,328,249</u>
Net cash provided by operating activities	<u>1,075,997</u>	<u>1,778,981</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,746,583	363,831
Purchase of investments	<u>(4,622,114)</u>	<u>(168,896)</u>
Net cash provided by (used in) investing activities	<u>(1,875,531)</u>	<u>194,935</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(799,534)	1,973,916
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,961,500</u>	<u>1,987,584</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>3,161,966</u></u>	<u><u>3,961,500</u></u>
AS SHOWN ON THE STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	1,838,644	3,358,613
Investment cash		
Unrestricted	365,058	182,217
Restricted	<u>958,264</u>	<u>420,670</u>
	<u><u>3,161,966</u></u>	<u><u>3,961,500</u></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, 2019 AND 2018

	2019				2018			
	Program Services				Program Services			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
EXPENSES								
Accounting		33,240		33,240		30,940		30,940
Advertising and marketing	191,025		9,630	200,655	244,074		7,765	251,839
Merchandise	3,348			3,348	5,553			5,553
Architectural fees	748		4,925	5,673	2,605		750	3,355
Art	65,000			65,000	15,000			15,000
Artist and performance fees	3,450			3,450	26,250			26,250
Awards and grants to individuals	7,450			7,450	12,400			12,400
Bank charges and fees	135	23,138	2,191	25,464	203	22,420	1,908	24,531
Computer fees and services	3,178	13,652	315	17,145	1,883	12,325	213	14,421
Construction and maintenance materials	25,334			25,334	5,425			5,425
Contract services	44,675	11,625	17,533	73,833	53,675	8,375	9,062	71,112
Dues		925		925	50	925		975
Equipment rental	1,818	260		2,078	5,665	200		5,865
Food and beverage	1,345	789		2,134	15,049	778		15,827
Insurance		15,258		15,258	5,667	10,005		15,672
Investment fees	7,255	953	173	8,381	11,226	2,697		13,923
Landscape	700		425	1,125	718			718
Office supplies		335	235	570		814	44	858
Payroll	59,994	34,348	60,672	155,014	61,319	24,527	72,834	158,680
Payroll tax	4,589	2,628	4,641	11,858	4,691	1,876	5,572	12,139
Postage, delivery, freight	9,291	306	590	10,187	22,309	1,010	1,720	25,039
Printing and publications	2,845	89	16,937	19,871	18,198	6,304	15,746	40,248
Professional fees		553	740	1,293	9,660	116	3,240	13,016
Program grants	84,261	3,000	20,779	108,040	41,383		3,000	44,383
Capital improvements	12,402			12,402	343,120			343,120
Occupancy	271,697			271,697	271,697			271,697
Sales tax	519		7,650	8,169	867		6,547	7,414
Supplies	9,561	1,458	123,379	134,398	23,393	3,331	109,679	136,403
Telephone		2,410		2,410		789		789
Travel and lodging	640	1,968	82	2,690	5,149	1,736	537	7,422
Bad debt		4,416		4,416				
Other			2,556	2,556	4,031	551	429	5,011
Total expenses	<u>811,260</u>	<u>151,351</u>	<u>273,453</u>	<u>1,236,064</u>	<u>1,211,260</u>	<u>129,719</u>	<u>239,046</u>	<u>1,580,025</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 the Foundation) 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

It is the Foundation's policy 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 May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The provisions of ASU No. 2014-09 apply to exchange transactions with customers that are bound by contracts or similar arrangements and establish a performance obligation approach to revenue recognition. The new standard also requires expanded disclosures regarding the qualitative and quantitative information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for annual reporting periods beginning after December 15, 2018, and permits the use of either a full retrospective or a modified retrospective approach.

The Foundation adopted the new standard on January 1, 2019, using the modified retrospective method. Based on the Foundation's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. The adoption of the ASU No. 2014-09 did not have an impact on the Foundation's financial statements. Therefore, no cumulative adjustment was recognized in net assets upon adoption.

Effective January 1, 2019, the Foundation adopted ASU 2018-08, *Clarifying the Scope and the 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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, 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. The 2018 financial statements were not restated and continue to be reported under the accounting standards in effect in that period. 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 Foundation 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. The amendments in this ASU 2016-18 do not provide a definition of restricted cash or restricted cash equivalents. The Foundation 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 Foundation 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 Foundation's 2018 and 2019 financial statements.

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*. During 2018, the Foundation adopted the provisions of Accounting Standards Update (ASU) 2016-14: *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, (ASU 2016-14), which improves the net asset classification and related information presented in the financial statements and note about the Foundation'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 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

The Foundation 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 the Foundation 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 net assets without donor restrictions 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 net assets with donor restrictions depending on the nature of the restriction. When the restriction expires, net assets with donor restrictions are reclassified to unrestricted net assets without donor restrictions.

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

The Foundation 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 the Foundation 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, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Foundation 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.

Accounts 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

The Foundation 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 5.0% and 2.5% has been included in the calculation of pledges receivable for the years ended December 31, 2019 and 2018, respectively.

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 the Foundation.

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 a 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, 2019 and 2018, were \$200,655 and \$251,839, respectively. For the years ended December 31, 2019 and 2018, various publications within the Kansas City metropolitan area donated marketing services totaling \$176,025 and \$244,446, respectively. Services were valued at their fair value.

Compensated Absences

The Foundation 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

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code as a publicly supported organization. Contributions to the Foundation 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)

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

Inventory

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is based on the selling price.

Revenue Recognition

The Foundation has analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and has concluded that no changes are necessary to conform with the new standard. Our sales contain a single delivery element and revenue is recognized at a single point in time when ownership, risks, and rewards transfer.

The Foundation holds various special events throughout the year. Tickets are priced at varying levels based on each event and can be purchased in advance, or in some cases, the day of the event. Revenues from ticket sales and sponsorships are recognized when the event occurs. Events are held rain or shine and there is no right of return associated with the ticket sale. The value the donor receives is reported as revenues from contracts with customers - special events on the statement of activities.

The Foundation also had various items for sale at events or sales as fundraising activities. Merchandise and concession items purchased are delivered to customers directly to customers at events. There is no right of return associated with any items the Foundation sells. Control of the items purchased transfers to the customers when the items are purchased. Revenues derived from merchandise sales are reported as revenues from contracts with customers - merchandise sales on the statement of activities.

Memberships

The Foundation provides various classifications of membership at different rates on a yearly basis.

Program/Activity Revenue

The Foundation conducts program-related experiences such as education and general program about the Farmstead where the performance obligation is delivery of the program. Fees for programs and activities are set by the Foundation. For sponsorships described as program revenues, fees include program supplies, staffing, and facility

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program/Activity Revenue (Continued)

costs. As is customary, these items are not separately priced and are therefore considered to be one performance obligation. Some special programs do incur additional fees, which are separately priced. Fees collected in advance of delivery of the program or activity are initially recognized as liabilities (deferred revenue) and are only recognized in the statements of activities after delivery of a program has occurred.

Special Fundraising Event Revenue

The Foundation conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component) and a portion represents a contribution to the Foundation. The fair value of meals and entertainment provided at special events is measured at the actual cost to the Foundation. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Foundation, are recorded as costs of direct donor benefits in the statement of activities. The performance obligation is delivery of the event, which is usually accompanied by a presentation, with the event fee set by the Foundation. FASB ASU 2014-09 requires allocation of the transaction price to the performance obligations. Accordingly, the Foundation separately presents in the statement of activities the exchange and contribution components of the gross proceeds from special events.

Special event fees collected in advance of delivery of the event are initially recognized as liabilities (deferred revenue) and are only recognized in the statements of activities after delivery of the special event has occurred. For special event fees received before year end that are for an event to occur after year end, follows AICPA guidance where the inherent contribution is conditioned on the event taking place, and is therefore treated as a refundable advance along with the exchange component.

Reclassification

In certain instances, figures for the prior year have been reclassified to place them on a basis comparable with the current year.

NOTE 2. REQUIRED SUPPLEMENTARY DISCLOSURE FOR STATEMENT OF CASH FLOWS

For the years ended December 31, 2019 and 2018, there were no cash expenditures for income taxes or interest.

NOTE 3. FAIR VALUE MEASUREMENTS

The Foundation 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.

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

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

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 Foundation uses various methods including market, income, and cost approaches.

Based on these approaches, the Foundation 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 Foundation 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 Foundation 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.

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, 2019 and 2018, 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.

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

NOTE 3. FAIR VALUE MEASUREMENTS (Continued)

Fair Value on a Recurring Basis

The tables below present the balances of assets measured at December 31, 2019 and 2018, at fair value on a recurring basis.

	2019			
	Total	Level 1	Level 2	Level 3
Investments				
Marketable CDs	708,530	708,530		
Fixed income	3,191,294	3,191,294		
Mutual funds	310,036	310,036		
Treasury bills	99,766	99,766		
Exchange traded funds	103,878	103,878		
Total	4,413,504	4,413,504		
	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	2,448,833	2,448,833		

The carrying amounts, market value, unrealized gains, and unrealized losses of the Level 1 investments at December 31, 2019 and 2018, are disclosed in Note 4.

NOTE 4. INVESTMENTS

Investments as of December 31, 2019 and 2018, are summarized as follows:

	2019		
	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Marketable CDs	700,805	7,725	708,530
Fixed income	3,164,782		3,191,294
Mutual funds	278,600	31,436	310,036
Treasury bills	97,755	2,011	99,766
Exchange traded funds	85,871	18,007	103,878
Total	4,327,813	59,179	4,413,504

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

NOTE 4. INVESTMENTS (Continued)

	2018		
	Cost	Unrealized Appreciation (Depreciation)	Fair 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

Investment income for the years ended December 31, 2019 and 2018, is composed of the following:

	2019	2018
Interest	27,482	56,103
Dividends	101,130	76,450
Capital gains	9,440	
Net realized gain	32,575	34,779
Net unrealized gain (loss)	56,565	(83,215)
Total investment income	227,192	84,117

Investment fees for the years ending December 31, 2019 and 2018, were \$8,277 and \$13,924, 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, 2019 and 2018, all of the Foundation's cash balances were fully secured through insurance and collateralization.

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, 2019 and 2018, the Foundation had no significant concentrations of credit risk.

NOTE 6. DONATED FACILITIES

The Foundation 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 the Foundation's mission and objectives and raising funds and donations, provided the funds raised are used to support programs, projects, and events

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

NOTE 6. DONATED FACILITIES (Continued)

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 Foundation's 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 the Foundation 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, 2019 and 2018, are due to be collected as follows:

	2019	2018
Gross amount due		
One year or less	290,514	307,257
Between one year and five years	<u>50,700</u>	<u>160,727</u>
	<u>341,214</u>	<u>467,984</u>
Less:		
Present value discount	17,964	26,794
Less allowance for doubtful accounts	<u>14,775</u>	<u>10,359</u>
	<u>32,739</u>	<u>37,153</u>
Total	<u>308,475</u>	<u>430,831</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 net assets with donor restrictions and are restricted in use for costs and expenses associated with the expansion and of the campaign, itself.

Approximately 13% of the total pledges receivable, or \$43,374, represents pledges from Foundation Board Members or other related parties. The amounts disclosed as receivables from related parties are net of the present value discount.

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

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, the Foundation receives several in-kind contributions of goods and services for various Foundation events. During the years ended December 31, 2019 and 2018, the Foundation received the following noncash contributions of services and equipment that have been reflected in the financial statements of the Foundation.

	2019	2018
Equipment rental	6,914	10,115
Food and beverages	40,771	26,699
Marketing services	176,025	239,946
Professional fees	7,624	2,890
Supplies	34,606	9,975
Total in-kind contributions	265,940	289,625

NOTE 10. INVENTORY

The Foundation had inventory consisting of ornaments, nutcracker figurines, tiaras, and other items for sale that carried forward from the Nutcracker Tea Party held in December 2019 for next year's event. The total cost of items in inventory was \$2,739.

NOTE 11. SPECIAL EVENT REVENUES

Gross receipts from special fundraising events recorded by the Foundation consisted of a combination of exchange transaction and contribution revenues. As a result of adopting FASB ASU 2014-09 during 2019, the Foundation is required to separately present the components of this revenue:

Revenues from contracts with customers	
Special events	863,738
Merchandise sales	179,155
Total	1,042,893
Contributions	728,919
Special event revenues	1,042,893
Special fundraising events - gross	1,771,812
Less direct expenses	(426,281)
Special fundraising events - net	1,345,531

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

NOTE 12. COMMITMENTS

At December 31, 2019, the Foundation had outstanding construction commitments to the City of Overland Park, Kansas.

In November 2018, the Foundation made the commitment for construction of Mackenzie's Island at the Deanna Rose Children's Farmstead. The total commitment for the project was \$140,000. At December 31, 2019, the remaining commitments for the project totaled \$133,582.

NOTE 13. 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:

	2019	2018
Cash and cash equivalents	3,161,966	3,358,613
Accounts receivable	28,964	3,114
Investments	4,413,504	2,448,833
Pledges receivable	308,475	430,831
	<u>7,912,909</u>	<u>6,241,391</u>
Less board-designated	(648,497)	(478,497)
Less portion with donor restrictions	<u>(5,378,900)</u>	<u>(5,150,128)</u>
Total	<u><u>1,885,512</u></u>	<u><u>612,766</u></u>

NOTE 14. DISCLOSURE OF NET ASSETS

The detail of the Foundation's net asset categories at December 31, 2019 and 2018, are as follows:

	2019	2018
Net assets without donor restrictions		
Undesignated	1,728,828	1,068,906
Board-designated	648,497	478,497
Total net assets without donor restrictions	<u>2,377,325</u>	<u>1,547,403</u>
Net assets with donor restrictions		
Unexpended funds received for a specific purpose	<u>5,378,900</u>	<u>5,150,128</u>
Total net assets	<u><u>7,756,225</u></u>	<u><u>6,697,531</u></u>

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

NOTE 14. DISCLOSURE OF NET ASSETS (Continued)

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

	2019	2018
Growing to Inspire	570,000	400,000
Deanna Rose Children's Farmstead	7,000	7,000
Friends of the Arboretum	26,497	26,497
Friends of the Arts	45,000	45,000
	<u>648,497</u>	<u>478,497</u>

Net assets with donor restrictions at December 31, 2019 and 2018, are available for the following purposes:

	2019	2018
2019 STEMS		7,500
9-11 Firefighter's Memorial	5,403	4,964
Arboretum Sculptures		14,780
Ben Craig Administration Building		48,143
Ben Craig Farmstead Maintenance	200,499	200,499
Ben's Bank	15,328	10,329
Beverly's Butterfly Garden	4,193	3,193
Draft Horse Barn	270,885	220,885
Education	4,475	30,000
Erickson Rose Garden	31,258	31,258
Farmstead	23,426	16,114
Friends of the Arts Sculpture Program	10,500	10,500
Growing to Inspire Campaign	4,638,433	4,354,120
Hen House	182	182
Kiwanis Repose	936	936
McGowan Costume Grant	2,566	2,566
Metcalfe Bank Fund	166,561	149,829
Outdoor Musical Instruments		12,131
PNC Field Trip Grant		640
Prairie Dog Exhibit	2,800	2,800
Ritter Legacy Garden Seating		26,304
Sculpture Exhibition	1,065	1,065
Solid Sweep System	390	390
Total	<u>5,378,900</u>	<u>5,150,128</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 Metcalfe Bank Fund. Per the last will and testament of Barton P. Cohen, the Foundation is to designate a portion of the

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

NOTE 14. DISCLOSURE OF NET ASSETS (Continued)

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 15. SUBSEQUENT EVENTS

Due to the recent spread of the Coronavirus (COVID-19) and anticipated slowing of business activity in the events and programs that the Foundation 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 Foundation 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 Foundation has evaluated events and transactions for potential recognition or disclosure through June 15, 2020, the date the financial statements were available to be issued.