EL CENTRO, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2019
with
Independent Auditors' Report

EL CENTRO, INC.

FINANCIAL STATEMENTS

June 30, 2019

CONTENTS

Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
El Centro, Inc.

We have audited the accompanying financial statements of **El Centro, Inc.** (the "Organization") (a Kansas corporation), which comprise the statement of financial position as of June 30, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization'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 Organization'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 **El Centro, Inc.** as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

El Centro, Inc. has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 1. This has had a material effect on the presentation of the June 30, 2019 financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated January 21, 2019. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Keller & Owens, LLC

Overland Park, Kansas
January 23, 2020

EL CENTRO, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2019

(With comparative totals at June 30, 2018)

ASSETS

	2019	2018
Cash and Cash Equivalents	$ 619,883	$ 584,089
Certificates of Deposit, at cost	256,387	252,876
Accounts Receivable, no allowance for doubtful accounts	11,730	12,900
Contributions Receivable, net	92,400	187,477
Mortgage Loans Receivable, net	209,458	226,422
Interest in Assets Held by Others	6,195,303	6,087,246
Prepaid Expenses, Deposits and Other Assets	7,518	7,490
Property and Equipment, net	1,666,611	1,577,985
Total Assets	$ 9,059,290	$ 8,936,485

LIABILITIES AND NET ASSETS

	2019	2018
Liabilities:		
Accounts payable and accrued expenses	$ 196,016	$ 175,228
Refundable advances and deferred revenue	333,879	320,759
Total Liabilities	529,895	495,987
Net Assets:		
Without donor restrictions:		
Board designated for operating endowment	6,195,303	6,087,246
Undesignated	2,050,568	1,924,019
Total without donor restrictions	8,245,871	8,011,265
With donor restrictions	283,524	429,233
Total Net Assets	8,529,395	8,440,498
Total Liabilities and Net Assets	$ 9,059,290	$ 8,936,485

See accompanying notes

EL CENTRO, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

(With comparative totals for the year ended June 30, 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
Revenue and Support:				
Contributions:				
Private grants	$ 1,022,754	$ 214,986	$ 1,237,740	$ 1,235,830
Other contributions	92,454	2,100	94,554	81,333
Total Contributions	1,115,208	217,086	1,332,294	1,317,163
Federal, state and local government grants	177,603	-	177,603	170,540
Program services	494,064	-	494,064	523,832
Rental income	90,223	-	90,223	96,567
Investment return	391,187	-	391,187	578,834
Mortgage interest income	21,698	-	21,698	26,040
Other	21,945	-	21,945	35,188
Net assets released from restrictions	362,795	(362,795)	-	-
Total Revenue and Support	2,674,723	(145,709)	2,529,014	2,748,164
Expenses:				
Program services	2,091,542	-	2,091,542	1,928,160
Management and general	208,138	-	208,138	175,549
Fundraising	140,437	-	140,437	216,562
Total Expenses	2,440,117	-	2,440,117	2,320,271
Change in Net Assets	234,606	(145,709)	88,897	427,893
Net Assets, Beginning of Year	8,011,265	429,233	8,440,498	7,995,599
Net Assets, End of Year	$ 8,245,871	$ 283,524	$ 8,529,395	$ 8,423,492

See accompanying notes

EL CENTRO, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

(With comparative totals for the year ended June 30, 2018)

	2019				
	Program Services	Management and General	Fundraising	Total	2018 Total
Salaries and wages	$ 1,099,595	$ 105,727	$ 59,000	$ 1,264,322	$ 1,182,288
Employee benefits	215,935	20,015	12,727	248,677	217,858
Professional fees	100,240	38,944	55,098	194,282	236,138
Rent	13,434	-	-	13,434	11,119
Utilities	109,800	6,062	1,912	117,774	120,207
Grants to individuals	81,684	-	-	81,684	90,035
Depreciation and amortization	90,256	9,557	6,371	106,184	91,455
Maintenance	76,283	1,905	536	78,724	76,051
Supplies	65,149	-	-	65,149	52,540
Food service	43,063	-	-	43,063	43,102
Staff development	36,888	2,578	40	39,506	49,311
Travel	40,750	1,833	-	42,583	28,142
Insurance	22,300	1,310	224	23,834	22,380
Office supplies	10,246	2,578	416	13,240	22,166
Postage	1,359	255	138	1,752	1,900
Printing and publication	14,681	1,530	1,602	17,813	17,906
Real estate and property taxes	20,785	1,659	458	22,902	19,407
Miscellaneous	49,094	14,185	1,915	65,194	21,260
Total Expenses	$ 2,091,542	$ 208,138	$ 140,437	$ 2,440,117	$ 2,303,265

See accompanying notes

EL CENTRO, INC.

STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

(With comparative totals for the year ended June 30, 2018)

	2019	2018
Cash Flows From Operating Activities:		
Change in Net Assets	$ 88,897	$ 444,899
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and amortization	106,184	91,455
Provision for loan losses	(268)	(2,217)
Loss on uncollectible contributions	150	2,264
Net realized and unrealized gains on interest in assets held by others	(256,679)	(458,354)
Loss on disposal of property and equipment	13,500	-
(Increase) Decrease in:		
Accounts receivable	1,170	23,698
Contributions receivable	94,927	(47,024)
Mortgage loans receivable	17,232	101,283
Prepaid expenses, deposits and other assets	(28)	20,206
Increase (Decrease) in:		
Accounts payable and accrued expenses	20,788	26,941
Refundable advances and deferred revenue	13,120	164,324
Net Cash Provided by Operating Activities	98,993	367,475
Cash Flows From Investing Activities:		
Purchases of certificates of deposit	(30,136)	(200,913)
Proceeds from redemption of certificates of deposit	26,625	159,158
Purchase of interest in assets held by others	(134,508)	(30,480)
Proceeds from the withdrawal of interest in assets held by others	283,130	-
Purchases of property and equipment	(208,310)	(45,630)
Net Cash Used by Investing Activities	(63,199)	(117,865)
Cash Flows From Financing Activities:		
Principal payments on note payable and capital leases	-	(12,324)
Net Cash Used by Financing Activities	-	(12,324)
Change in Cash and Cash Equivalents	35,794	237,286
Cash and Cash Equivalents, Beginning of Year	584,089	346,803
Cash and Cash Equivalents, End of Year	$ 619,883	$ 584,089
Supplemental Cash Flow Information:		
Interest paid	$ -	$ 324

See accompanying notes

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - El Centro, Inc. (the "Organization") is a not-for-profit organization whose mission is strengthening communities and improving lives of Latinos and others through educational, social, and economic opportunities. The Organization's revenues and other support are derived principally from contributions, program service fees, federal and state grants and its activities are conducted principally in Wyandotte County and Johnson County, Kansas.

Advertising Costs – The Organization uses advertising to promote its programs among the community it serves. The costs of advertising are expensed as incurred. Advertising expense for the years ended June 30, 2019 and 2018 was $36,895 and $1,800, respectively.

Basis of Accounting – The Organization's policy 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.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210, which requires the Organization to classify net assets, revenues, gains and losses based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or certain grantor restrictions. They also include any designations by the governing board.

Net assets with donor restrictions - Net assets subject to donor- or certain grantor-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. The Organization has none of this type for the year ended June 30, 2019. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents – For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Certificates of Deposit – Certificates of deposit of $256,387 were held by the Organization at June 30, 2019 and are carried at cost in the statement of financial position. Their original maturities range between 6 and 18 months, and they bear interest at rates ranging between 0.85% and 1.75%.

Change in Accounting Principle – During the year ended June 30, 2019, the Organization adopted the provisions of FASB ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This ASU amends the current reporting model for not-for-profit organizations and enhances their required disclosures. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new quantitative and qualitative disclosures are added regarding the liquidity and availability of resources, and the methodology and allocation information related to the functional allocation of expenses is expanded. Investment expenses are now netted against investment return.

Comparative Financial Information – The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Concentrations of Credit Risk - The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times. The Organization has not experienced any losses in these accounts in the past, and management believes the Organization is not exposed to significant credit risks as they periodically evaluate the strength of the financial institutions in which it deposits funds. At June 30, 2019, the Organization had approximately $122,278 in deposits in excess of FDIC-insured limits. In addition, the Organization had $298,596 on deposit with the Archdiocese of Kansas City in Kansas that is uninsured at June 30, 2019.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable – Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at a discounted present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. Management provides for estimated uncollectible accounts through a charge to the statement of activities and a credit to a valuation allowance based on its assessment of the current status of individual accounts. The allowance for uncollectible pledges is based on management's assessment of the collectability of specific donors' pledges and the aging of pledges receivable. All pledges or portions thereof, deemed to be uncollectible, are written off to the allowance for uncollectible pledges.

Conditional promises to give are not included as support until the conditions are substantially met; funds collected prior to meeting such conditions are recorded as refundable advances in the statement of financial position.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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, expenses, gains, losses, and other changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses – The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among program and supporting services based on time allocations, full-time equivalent measures, and building square footage. Management considers the following costs to be supporting services: salaries and wages, employee benefits, professional fees, utilities, depreciation and amortization, maintenance, staff development, travel, insurance, office supplies, real estate and property taxes, and miscellaneous. The remaining expenses are considered program expenses.

Government Grants – Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes – The Organization is a non-profit organization exempt from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been classified as a publicly supported organization which is not a private foundation under Section 509(a) of the code. Among other things, the Organization is exempt from income, FUTA, and state and local real estate taxes.

The Organization's policy with regard to FASB ASC 740-10 is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2019 and, accordingly, no liability has been accrued.

Interest in Assets Held by Others – The investment of a beneficial interest in a community foundation is reported in the statement of financial position at its net asset value as a practical expedient for measuring fair value. Net investment return is reported in the statement of activities and consists of unrealized gains and losses. Investment returns, including gains, interest and dividends less external investment expenses that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

Mortgage Loans Receivable and Allowance for Loan Losses – The Organization has mortgage loans receivable stated at outstanding principal balances net of charge-offs and the allowance for loan losses. The loans bear interest at rates between 7.000% and 8.625%, due from individual homeowners. Required monthly payments of principal and interest approximate $4,967 in the aggregate. The notes are secured by the respective homes and are due over periods up to 30 years, with final payment due dates ranging from 2022 to 2037. Interest income on loans is calculated using the simple interest method on the daily balances of the principal amounts outstanding.

The Organization provides an allowance for uncollectible mortgage loans receivable, which is based upon a review of outstanding receivables, historical collection information, economic conditions and estimated fair value of the homes. The Organization monitors credit worthiness based on timeliness of payments according to the contractual terms. Loans past due for more than 15 days are considered delinquent. Interest continues to accrue on delinquent accounts until the account is written off. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the homeowner. When a loan is one month overdue, a specific allowance equivalent to 2% of the outstanding balance is made. When a loan is two or more months overdue, a specific allowance equivalent to 5% of the outstanding balance is made. The minimum allowance for loan loss balance is 1% as a general provision.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment - Property and equipment are stated at cost less accumulated depreciation. Expenditures for property and equipment over $1,000 that meet the definition of a capital asset are capitalized and depreciated using the straight-line method over the estimated useful life of the asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	5 - 39 years
Equipment, furniture, and vehicles	3 - 10 years
Software	3 years

Subsequent Events - Management has evaluated events and transactions that have occurred since June 30, 2019 and reflected their effects, if any, in these financial statements through January 23, 2020, the date the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following at June 30, 2019:

Cash and cash equivalents	$ 619,883
Certificates of deposit	256,387
Accounts and contributions receivable	104,130
Interest in assets held by others	6,195,303
Total financial assets at year-end	7,175,703
Less: board designations	(6,195,303)
Total financial assets available to meet general expenditures over the next 12 months	$ 980,400

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by sources with donor restrictions. Donor imposed restricted net assets are available for normal operations and are deemed available to meet general expenditures.

3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are summarized at June 30 as follows:

	2019	2018
Amounts due in:		
Less than one year	$ 92,400	$ 192,097
	92,400	192,097
Allowance for uncollectible contributions	-	(4,620)
Contributions Receivable, net	$ 92,400	$ 187,477

4. CONDITIONAL PROMISES TO GIVE

Conditional promises to give consisted of the following at June 30:

	2019	2018
Community foundation grants conditioned upon meeting various donor stipulations and allowing donors to unilaterally revoke the grants	$ 741,833	$ 597,926
Total Conditional Promises to Give	$ 741,833	$ 597,926

Some of the conditional promises to give remain uncollected; the remainder represents unspent amounts that have been paid by donors and included in refundable advances and deferred revenue on the statement of financial position at June 30, as follows:

	2019	2018
Collected and unspent (refundable advances)	$ 321,837	$ 305,661
Amounts yet to be collected	419,996	292,265
Total Conditional Promises to Give	$ 741,833	$ 597,926

5. MORTGAGE LOANS RECEIVABLE

The following is a summary of the Organization's allowance for loan losses and loan portfolio at June 30, consisting of residential real estate mortgages.

	2019	2018
Performing	$ 205,055	$ 219,889
Nonperforming and on non-accrual	6,793	9,191
Total Mortgage Loans Receivable	211,848	229,080
Allowance for loan losses, beginning of year	2,658	4,875
Provision for loan losses	(268)	(2,217)
Allowance for loan losses, end of year	2,390	2,658
Mortgage Loans Receivable, net	$ 209,458	$ 226,422

6. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 - inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 - inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded or other external independent means;
- Level 3 - inputs are unobservable and reflect assumptions on the part of the reporting entity.

The Organization's policy is to recognize transfers between Levels 1 and 2, and into and out of Level 3 at the end of the reporting period. For the years ended June 30, 3019 and 2018, there were no transfers between Levels 1 and 2, or into and out of Level 3.

6. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth information about the levels within the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at June 30:

	2019	2018
Interest in Assets Held by Others:		
Level 1	$ -	$ -
Level 2	6,195,303	6,087,246
Level 3	-	-
Total	$ 6,195,303	$ 6,087,246

The following is a description of the valuation methodology used for fair value measurements. There have been no changes in the methodology used at June 30, 2019 or 2018.

Interest in assets held by others – Net asset value is provided by the community foundation, taking into account the Organization's proportionate net asset share in investment pools. The value of the pools is derived from the fair value of investments within those pools, which are valued using a combination of various methodologies depending upon the type of investments within the pool. See Note 7 for a description of the nature, characteristics, and risk of the various classes of investments within each pool. As allowed by FASB ASC 820-10-35-54B, the entire interest is classified within Level 2 of the fair value hierarchy as the Organization has the ability to immediately redeem its investment in the beneficial interest in assets held by others in the near term, as any requests for withdrawals could only take up to fourteen days to process.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

7. INTEREST IN ASSETS HELD BY OTHERS

The beneficial interest in Greater Kansas City Community Foundation ("GKCCF") consists of the following at June 30:

	2019	2018
Money Market Pool	$ 13,295	$ 13,820
Short-Term Fixed Income Pool	221,895	228,587
Intermediate-Term Fixed Income Pool	655,796	670,125
Equity Pool	-	5,174,714
Equity Pool – Domestic	3,817,160	-
Equity Pool - International	1,487,157	-
Total Interest in Assets Held by Others	$ 6,195,303	$ 6,087,246

Investment return for the years ended June 30 is summarized as follows:

	2019	2018
Interest and dividends	$ 151,633	$ 137,486
Net realized gains	157,322	156,673
Net unrealized gains	99,357	301,681
Less: Investment fees	(17,125)	(17,006)
Total Investment Return	$ 391,187	$ 578,834

Below is a description of the nature, characteristics, and risk of the various classes of investments indicated above:

Money Market Pool – The purpose of the Money Market Pool is to provide liquidity for participating charitable funds and organizations in funding grant-making and payment of fees and administrative costs while providing desired principal stability. The long-term investment objective of the Money Market Pool is to seek a competitive market return to preserve and grow the portfolio, provide cash flows to meet charitable needs now and those in the future. The performance objective of the Money Market Pool is to meet or exceed the performance of the 90-Day Treasury Bill, a truly "liquid" money market benchmark. As such, the Money Market Pool is highly liquid, which enables donors to access funds for grants in a timely manner. The Money Market Pool invests primarily in bank deposits and high-quality institutional money market funds. The money market fund's holdings include U.S. dollar denominated money market securities of domestic and foreign issuers rated in the highest category by at least two nationally recognized rating services, U.S. Government securities, and repurchase agreements.

7. INTEREST IN ASSETS HELD BY OTHERS (continued)

Short-Term Fixed Income Pool – The purpose of the Short-Term Fixed Income Pool is to provide capital preservation and current income to help meet spending requirements of donor portfolios. The Short-Term Fixed Income Pool will utilize a passive, cost effective approach with a secondary objective to provide broad exposure to U.S. income markets. The Short-Term Fixed Income Pool is diversified across U.S. Treasury notes and bonds, corporate bonds, bank loans, mortgage-backed securities and U.S. Treasury Inflation-Protected Securities. The Short-Term Fixed Income Pool will have a lower average effective duration than broad fixed income market benchmarks such as the Barclays U.S. Aggregate Bond Index, hence limiting overall interest rate risk.

Intermediate-Term Fixed Income Pool – The purpose of the Intermediate-Term Fixed Income Pool is to provide capital preservation and current income to help meet spending requirements of donor portfolios. The Intermediate-Term Fixed Income Pool will utilize a passive, cost effective approach with a secondary objective to provide broad exposure to U.S. income markets. The Intermediate-Term Fixed Income Pool is diversified across U.S. Treasury notes and bonds, corporate bonds, bank loans, mortgage-backed securities and U.S. Treasury Inflation-Protected Securities. The average effective duration and interest rate risk of the Intermediate-Term Fixed Income Pool will be commensurate with broad fixed income benchmarks such as the Barclays U.S. Aggregate Bond Index.

Equity Pool – The long-term investment objective of the Equity Pool is to obtain broad equity market exposure utilizing a passive, cost effective approach that is diversified across market capitalizations and regions. A secondary objective is to provide cash flows to fund distributions and to preserve the purchasing power of the funds to meet charitable needs now and in the future. The Equity Pool has been divided into Domestic and International Pools.

If the Organization were to redeem its beneficial interest in the community foundation, the community foundation would liquidate the pooled funds at the nearest month-end, wait a couple of days to ensure all earnings from the pools have been applied and credited, and disburse the entirety of the funds shortly thereafter.

8. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	2019	2018
Land	$ -	$ 13,500
Buildings and improvements	2,619,175	2,443,625
Equipment, furniture, and vehicles	326,331	322,247
Software	10,973	14,617
	2,956,479	2,793,989
Less accumulated depreciation and amortization	1,289,868	1,216,004
Total Property and Equipment, net	$ 1,666,611	$ 1,577,985

Depreciation and amortization expense totaled $106,184 and $91,455 for the years ended June 30, 2019 and 2018. Included in equipment, furniture, and vehicles are costs related to two capital leases involving office equipment costing $76,109. At June 30, 2019 and 2018, accumulated depreciation on the underlying equipment amounted to $76,109 and $76,109, respectively. Related depreciation expense amounted to $-0- and $9,796 for the years ended June 30, 2019 and 2018, respectively.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 are available for the following:

	2019	2018
Purpose restrictions:		
Academy for Children	$ 120,799	$ 65,262
Promotora program	51,365	78,860
AFC building & equipment upgrades	27,219	112,227
Emergency & utilities assistance	15,792	10,708
Health Navigation program	4,342	-
Community organizing	12,694	3,659
Financial literacy	13,030	10,068
Family support services	28,912	26,400
Facility improvements	7,271	121,799
Latino Arts Festival	2,100	-
Time restrictions – pledges receivable	-	250
Total Net Assets with Donor Restrictions	$ 283,524	$ 429,233

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions during the years ended June 30 were for the following:

	2019	2018
Purpose restrictions:		
Academy for Children	$ 38,311	$ 49,563
Promotora program	78,127	79,580
AFC building & equipment upgrades	85,008	22,160
Emergency & utilities assistance	9,855	12,746
Health Navigation program	-	15,818
Community organizing	3,659	1,071
Financial literacy	6,756	7,917
Family support services	26,400	29,040
Facility improvements	114,429	-
Time restrictions– pledges receivable	250	2,464
Total Net Assets Released From Restrictions	$ 362,795	$ 220,359

10. ENDOWMENT

The Organization has a board-designated endowment fund which is invested at the Greater Kansas City Community Foundation ("GKCCF") known as the El Centro, Inc. Endowment Fund ("the Fund"). The Organization retains a beneficial interest in these assets.

Kansas adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in 2008. The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

- The duration and preservation of the various funds.
- The purposes of the endowment funds with donor restrictions.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

The following is a summary of the Organization's endowment net asset composition by type of fund as of June 30:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 6,195,303	$ -	$6,195,303
Total Endowment Net Assets	$ 6,195,303	$ -	$6,195,303

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 6,087,246	$ -	$6,087,246
Total Endowment Net Assets	$ 6,087,246	$ -	$6,087,246

10. ENDOWMENT (continued)

Changes in Endowment Net Assets
For the Year Ended June 30, 2019.

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$6,087,246	$ -	$6,087,246
Investment earnings	391,187	-	391,187
Transfers to remove board-designated endowment funds	(283,130)	-	(283,130)
Net assets, end of year	$6,195,303	$ -	$6,195,303

Changes in Endowment Net Assets
For the Year Ended June 30, 2018.

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$5,598,412	$ -	$5,598,412
Investment earnings	578,834	-	578,834
Transfers to remove board-designated endowment funds	(90,000)	-	(90,000)
Net assets, end of year	$6,087,246	$ -	$6,087,246

Return Objectives and Risk Parameters – The Organization has adopted endowment investment and spending policies with the assistance of GKCCF that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that the purchasing power of the endowment assets do not decline over time.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Organization follows its investment policy, which allows for annual distributions of between 2.5% and 5% computed using the balance as of the end of the prior fiscal year. Absent any donor restrictions, board-designated funds may be transferred to or from the Organization at any time.

Appropriation of Endowment Assets for Next Fiscal Year – For the 2020 fiscal year, the Organization has not appropriated any of its endowment assets.

11. RETIREMENT PLAN

The Organization has a 403(b) program for substantially all of its employees. The Organization makes discretionary contributions equal to 2% of eligible compensation and also matches 100% of the employees' contributions up to 1% of eligible compensation. Retirement plan expense was $37,923 and $36,894 in 2019 and 2018, respectively.

12. LEASE COMMITMENTS

In September 2017, the Organization entered into an operating lease for office equipment commencing October 2017 and expiring September 2022. Rental payments associated with the operating lease are charged to expense when paid. Rent expense associated with this lease was $7,056 for the year ended June 30, 2019.

Minimum future lease payments under the non-cancelable operating leases are as follows:

Fiscal Year Ending June 30:	
2020	9,408
2021	9,408
2022	9,408
2023	2,352
Total	$ 30,576

The Organization rents commercial and office space to a variety of businesses at monthly rates from $25 to $3,112 for periods ending through June 30, 2021. The following is a schedule of future minimum rentals under non-cancelable operating leases.

Year Ending June 30	
2020	105,968
2021	6,000
Total	$ 111,968

The rental space is carried at a cost of approximately $585,734 less accumulated depreciation of $254,711 at June 30, 2019.

13. NEW ACCOUNTING PRONOUNCEMENTS

ASU 2014-09, Revenue from Contracts with Customers

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606*), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The standard permits the use of either the retrospective or cumulative effect transition method.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606),* which deferred the effective date of the new revenue recognition standard for one year. The new standard is effective for fiscal years beginning after December 15, 2018. Early application is permitted.

ASU 2018-08, Not-for-Profit Entities

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU are to be applied on a modified prospective basis. Retrospective application is permitted. For transactions in which the entity serves as the resource recipient, the amendments should be applied for fiscal years beginning after December 15, 2018. For transactions in which the entity serves as the resource provider, the amendments should be applied for fiscal years beginning after December 15, 2019. Early adoption is permitted.

ASU 2016-02, Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are to be applied using a modified retrospective approach.

In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which deferred the effective date of the new lease standard for one year for non-public entities. The new standard is effective for fiscal years beginning after December 15, 2020. Early application continues to be allowed.

The Organization is evaluating the effect that these standards will have on its financial statements and related disclosures.