EL CENTRO, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2017
with
Independent Auditors' Report

EL CENTRO, INC.

FINANCIAL STATEMENTS

June 30, 2017

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, 2017, 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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 20, 2016. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Keller & Owens, LLC

Overland Park, Kansas
December 14, 2017

EL CENTRO, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2017

(With comparative totals at June 30, 2016)

ASSETS

	2017	2016
Cash and Cash Equivalents	$ 346,803	$ 677,438
Certificates of Deposit, at cost	211,121	209,464
Accounts Receivable, no allowance for doubtful accounts	36,598	21,876
Contributions Receivable, net	142,717	162,456
Mortgage Loans Receivable, net	325,488	355,727
Interest in Assets Held by Others	5,598,412	4,939,207
Prepaid Expenses, Deposits and Other Assets	27,696	16,625
Property and Equipment, net	1,623,810	1,619,864
Total Assets	$ 8,312,645	$ 8,002,657

LIABILITIES AND NET ASSETS

	2017	2016
Liabilities:		
Accounts payable and accrued expenses	$ 148,287	$ 159,483
Refundable advances and deferred revenue	156,435	251,650
Note payable and capital leases	12,324	26,627
Total Liabilities	317,046	437,760
Net Assets:		
Unrestricted:		
Board-designated	5,598,412	4,939,207
Undesignated	2,149,951	2,174,229
Total Unrestricted	7,748,363	7,113,436
Temporarily Restricted	247,236	451,461
Total Net Assets	7,995,599	7,564,897
Total Liabilities and Net Assets	$ 8,312,645	$ 8,002,657

See accompanying notes

EL CENTRO, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

(With comparative totals for the year ended June 30, 2016)

	2017			
	Unrestricted	Temporarily Restricted	Total	2016 Total
Revenue and Support:				
Contributions:				
Private grants	$ 933,084	$ 34,457	$ 967,541	$ 1,072,690
Other contributions	131,238	-	131,238	88,735
Total Contributions	1,064,322	34,457	1,098,779	1,161,425
Federal, state and local government grants	146,173	-	146,173	128,322
Program services	448,871	-	448,871	418,300
Rental income	113,563	-	113,563	115,476
Investment return	785,500	-	785,500	615
Mortgage interest income	30,982	-	30,982	37,065
Loss on disposal of property and equipment	-	-	-	(11,473)
Other	79,696	-	79,696	35,803
Net assets released from restrictions	238,682	(238,682)	-	-
Total Revenue and Support	2,907,789	(204,225)	2,703,564	1,885,533
Expenses:				
Program services	1,866,472	-	1,866,472	1,588,537
Management and general	172,062	-	172,062	182,138
Fundraising	234,328	-	234,328	190,536
Total Expenses	2,272,862	-	2,272,862	1,961,211
Change in Net Assets	634,927	(204,225)	430,702	(75,678)
Net Assets, Beginning of Year	7,113,436	451,461	7,564,897	7,640,575
Net Assets, End of Year	$ 7,748,363	$ 247,236	$ 7,995,599	$ 7,564,897

See accompanying notes

EL CENTRO, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

(With comparative totals for the year ended June 30, 2016)

	2017				2016
	Program Services	Management and General	Fundraising	Total	2016 Total
Salaries and wages	$ 986,511	$ 59,905	$ 108,502	$ 1,154,918	$ 1,047,375
Employee benefits	175,319	11,786	21,633	208,738	180,490
Professional fees	74,172	65,515	22,187	161,874	92,908
Utilities	107,336	5,130	5,070	117,536	102,691
Grants to individuals	93,938	-	-	93,938	77,021
Depreciation and amortization	75,281	7,344	9,181	91,806	95,840
Building, grounds, and equipment maintenance	85,783	1,920	1,106	88,809	107,074
Supplies	51,634	-	-	51,634	64,274
Food service	48,660	-	-	48,660	41,103
Staff development	36,287	3,751	131	40,169	21,822
Travel	28,750	421	301	29,472	26,793
Insurance	21,739	752	430	22,921	25,399
Office supplies	18,566	1,311	1,834	21,711	15,277
Real estate and property taxes	13,894	1,092	624	15,610	16,149
Miscellaneous	48,602	13,135	3,926	65,663	43,153
Direct benefit to donors	-	-	59,403	59,403	3,842
Total Expenses	$ 1,866,472	$ 172,062	$ 234,328	$ 2,272,862	$ 1,961,211

See accompanying notes

EL CENTRO INC.

STATEMENT OF CASH FLOWS
Year Ended June 30, 2017

(With comparative totals for the year ended June 30, 2016)

	2017	2016
Cash Flows From Operating Activities:		
Change in Net Assets	$ 430,702	$ (75,678)
Adjustments to Reconcile Changes in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Depreciation and amortization	91,806	95,840
Provision for loan losses	(2,710)	3,965
Loss on uncollectible contributions	493	1,380
Net realized and unrealized (gains) losses on interest in assets held by others	(661,873)	107,918
Loss on disposal of property and equipment	-	11,473
(Increase) Decrease in:		
Accounts receivable	(14,722)	(7,279)
Contributions receivable	19,246	(148,674)
Mortgage loans receivable	32,949	64,146
Prepaid expenses, deposits and other assets	(11,071)	462
Increase (Decrease) in:		
Accounts payable and accrued expenses	(11,196)	25,510
Refundable advances and deferred revenue	(95,215)	251,650
Net Cash (Used) Provided by Operating Activities	(221,591)	330,713
Cash Flows From Investing Activities:		
Purchases of certificates of deposit	(106,369)	(54,018)
Proceeds from redemption of certificates of deposit	104,712	105,870
Purchase of interest in assets held by others	(107,332)	(92,730)
Proceeds from the withdrawal of interest in assets held by others	110,000	-
Purchases of property and equipment	(95,752)	(72,890)
Net Cash Used by Investing Activities	(94,741)	(113,768)
Cash Flows From Financing Activities:		
Principal payments on note payable and capital leases	(14,303)	(71,804)
Net Cash Used by Financing Activities	(14,303)	(71,804)
Change in Cash and Cash Equivalents	(330,635)	145,141
Cash and Cash Equivalents, Beginning of Year	677,438	532,297
Cash and Cash Equivalents, End of Year	$ 346,803	$ 677,438
Supplemental Cash Flow Information:		
Interest paid	$ 1,259	$ 4,720

See accompanying notes

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 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, 2017 and 2016 was $13,652 and $425, 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 report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization. Board-designated net assets represent amounts the Organization has set aside for a specific purpose.

Temporarily restricted net assets - consist of donor-restricted contributions. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as "net assets released from restrictions." Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Permanently restricted net assets – consist of donor-restricted contributions, which are required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations. There were no permanently restricted net assets at June 30, 2017 and 2016.

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 $211,121 were held by the Organization at June 30, 2017 and are carried at cost in the statement of financial position. Their original maturities range between 12 and 36 months, and they bear interest at rates ranging between 0.35% and 1.15%.

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, 2016, 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, 2017, the Organization had approximately $50,000 in deposits in excess of FDIC-insured limits.

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.

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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 the program, management and general, and fundraising categories based on time allocations, full-time equivalent measures, and building square footage.

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.

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, 2017 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. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment returns, including gains, interest and dividends that are restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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

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 9.125%, due from individual homeowners. Required monthly payments of principal and interest approximate $4,432 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 2018 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.

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

Reclassifications – Certain amounts in the 2016 financial statements have been reclassified for comparative purposes to conform to the 2017 presentation.

Subsequent Events - Management has evaluated events and transactions that have occurred since June 30, 2017 and reflected their effects, if any, in these financial statements through December 14, 2017, the date the financial statements were available to be issued.

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2. CONTRIBUTIONS RECEIVABLE

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

	2017	2016
Amounts due in:		
Less than one year	$ 144,973	$ 199,733
One to five years	100	8,200
	145,073	207,933
Present value discount at 3%	-	(202)
Allowance for uncollectible contributions	(2,356)	(45,275)
Contributions Receivable, net	$ 142,717	$ 162,456

3. CONDITIONAL PROMISES TO GIVE

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

Community foundation grants conditioned upon meeting various donor stipulations and allowing donors to unilaterally revoke the grants	$ 488,140	$ 502,685
Total Conditional Promises to Give	$ 488,140	$ 502,685

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 deposits on the statement of financial position at June 30, as follows:

Collected and unspent (refundable advances)	$ 142,388	$ 216,987
Amounts yet to be collected	345,752	285,698
Total Conditional Promises to Give	$ 488,140	$ 502,685

4. 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.

	2017	2016
Performing	$ 237,341	$ 264,507
Nonperforming and on non-accrual	93,022	98,805
Total Mortgage Loans Receivable	330,363	363,312
Allowance for loan losses, beginning of year	7,585	10,912
Write-offs	-	(7,292)
Provision for loan losses	(2,710)	3,965
Allowance for loan losses, end of year	4,875	7,585
Mortgage Loans Receivable, net	$ 325,488	$ 355,727

5. 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, 3017 and 2016, there were no transfers between Levels 1 and 2, or into and out of Level 3.

5. 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:

	2017	2016
Interest in Assets Held by Others:		
Level 1	$ -	$ -
Level 2	5,598,412	4,939,207
Level 3	-	-
Total	$ 5,598,412	$ 4,939,207

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, 2017 or 2016.

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 6 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.

6. INTEREST IN ASSETS HELD BY OTHERS

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

	2017	2016
Money Market Pool	$ 12,523	$ 10,993
Short-Term Fixed Income Pool	208,297	186,431
Intermediate-Term Fixed Income Pool	610,066	552,906
Equity Pool	4,767,526	4,188,877
Total Interest in Assets Held by Others	$ 5,598,412	$ 4,939,207

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

Interest and dividends	$ 123,627	$ 108,533
Net realized gains	86,061	13,066
Net unrealized gains (losses)	575,812	(120,984)
Total Investment Return	$ 785,500	$ 615

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.

6. 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, mortgaged-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. Treasuries notes and bonds, corporate bonds, bank loans, mortgaged-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.

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.

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

7. PROPERTY AND EQUIPMENT

Property and equipment includes the following:

	2017	2016
Land	$ 13,500	$ 13,500
Buildings and improvements	2,403,977	2,373,909
Equipment, furniture, and vehicles	385,027	319,343
Software	14,617	14,617
	2,817,121	2,721,369
Less accumulated depreciation and amortization	1,193,311	1,101,505
Total Property and Equipment, net	$ 1,623,810	$ 1,619,864

Depreciation and amortization expense totaled $91,806 and $95,840 for the years ended June 30, 2017 and 2016. Included in equipment, furniture, and vehicles are costs related to two capital leases involving office equipment costing $76,109. At June 30, 2017 and 2016, accumulated depreciation on the underlying equipment amounted to $66,313 and $56,517, respectively. Related depreciation expense amounted to $9,796 and $14,317 for the years ended June 30, 2017 and 2016, respectively.

8. NOTE PAYABLE AND CAPITAL LEASES

	2017	2016
Note bearing interest at 6.125%, payable in monthly installments of $329, including interest. The loan matures on January 1, 2018. The loan is collateralized by certain real property.	$ 1,842	$ 5,550
Capital lease bearing interest at 3.45%, payable in monthly installments of $890, including interest. Final payment is due June 2018. The note is collateralized by equipment having a net book value of $9,796.	10,482	20,609
Capital lease paid off in 2017.	-	468
Total Note Payable and Capital Leases	12,324	26,627
Less Current Portion	12,324	14,310
Long-term Portion	$ -	$ 12,317

Aggregate annual maturities on the note payable and the capital lease obligation are as follows:

Year Ending June 30	
2018	$ 12,324
Total	$ 12,324

Interest expense amounted to $1,259 and $4,720 for the years ended June 30, 2017 and 2016, respectively.

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30 are available for the following purposes:

	2017	2016
Purpose restrictions:		
Academy for Children	$ 67,392	$ 199,298
Promotora program	83,440	111,797
AFC playground equipment	23,242	70,000
Emergency & utilities assistance	14,193	25,796
Health Navigation program	15,818	19,412
Community organizing	3,480	14,983
Financial literacy	7,917	2,500
Family support services	29,040	-
Time restrictions – pledges receivable	2,714	7,675
Total Temporarily Restricted Net Assets	$ 247,236	$ 451,461

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 purposes:

	2017	2016
Purpose restrictions:		
Academy for Children	$ 131,906	$ -
Promotora program	28,357	-
AFC Playground	46,758	-
Emergency & utilities assistance	11,603	-
Health Navigation program	3,594	21,295
Community organizing	11,503	-
Financial literacy	-	7,750
Facility improvements	-	11,870
Family support services	-	7,462
Miscellaneous purpose restrictions	-	1,021
Time restrictions– pledges receivable	4,961	7,487
Total Net Assets Released From Restrictions	$ 238,682	$ 56,885

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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 donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated 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 donor-restricted endowment funds:

- The duration and preservation of the various funds
- The purposes of the donor-restricted endowment funds
- 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:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated	$5,598,412	$ -	$ -	$5,598,412
Total Endowment Net Assets	$5,598,412	$ -	$ -	$5,598,412

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated	$4,939,207	$ -	$ -	$4,939,207
Total Endowment Net Assets	$4,939,207	$ -	$ -	$4,939,207

10. ENDOWMENT (continued)

Changes in the Organization's endowment net assets for the year ended June 30 are as follows:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$4,939,207	$ -	$ -	$4,939,207
Investment return:				
Interest and dividends, net of fees	107,332	-	-	107,332
Net realized and unrealized gains	661,873	-	-	661,873
Total investment return	769,205	-	-	769,205
Other Changes:				
Transfers to remove board-designated endowment funds	(110,000)	-	-	(110,000)
Endowment net assets, end of year	$5,598,412	$ -	$ -	$5,598,412

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$4,954,395	$ -	$ -	$4,954,395
Investment return:				
Interest and dividends, net of fees	92,730	-	-	92,730
Net realized and unrealized losses	(107,918)	-	-	(107,918)
Total investment return	(15,188)	-	-	(15,188)
Endowment net assets, end of year	$4,939,207	$ -	$ -	$4,939,207

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 2018 fiscal year, the Organization has not appropriated any of its endowment assets.

11. LEASE COMMITMENTS

The Organization rents commercial and office space to a variety of businesses at monthly rates from $175 to $2,895 for periods ending through March 31, 2018. The following is a schedule of future minimum rentals under non-cancelable operating leases.

Year Ending June 30	
2018	$ 43,773

The rental space is carried at a cost of approximately $489,856 less accumulated depreciation of $216,416 at June 30, 2017.

12. 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 match 100% of the employees' contributions up to 1% of eligible compensation. Retirement plan expense was $34,474 and $32,776 in 2017 and 2016, respectively.