

SHEFFIELD PLACE

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2019 AND 2018



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Sheffield Place
Kansas City, Missouri

We have audited the accompanying financial statements of Sheffield Place (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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 Organization as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization, in 2019, has adopted the provisions of FASB ASU 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. This has had a material disclosure impact to the December 31, 2019 and 2018, financial statements. Our opinion is not modified with respect to this matter.

Pickett, Chaney & McMullen LLP

Overland Park, Kansas
April 13, 2020

SHEFFIELD PLACE

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,470,818	\$ 867,755
Certificates of deposit	251,581	
Interest receivable	3,054	
Grants receivable	22,501	46,573
Promises receivable - Growth Campaign	795,697	
Promises receivable	<u>74,429</u>	<u>82,368</u>
Total current assets	2,618,080	996,696
Property and equipment, net	<u>941,772</u>	<u>966,003</u>
Total assets	<u>\$ 3,559,852</u>	<u>\$ 1,962,699</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 11,694	\$ 8,119
Accrued payroll expenses and withholdings	50,791	44,700
Accrued vacation	30,763	22,759
Clients' accounts	<u>1,491</u>	<u>1,471</u>
Total current liabilities	94,739	77,049
Net Assets:		
Without donor restrictions	1,813,225	1,654,136
With donor restrictions	<u>1,651,888</u>	<u>231,514</u>
Total net assets	<u>3,465,113</u>	<u>1,885,650</u>
Total liabilities and net assets	<u>\$ 3,559,852</u>	<u>\$ 1,962,699</u>

See notes to financial statements.

SHEFFIELD PLACE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT:						
Federal government grants	\$ 26,281		\$ 26,281	\$ 119,209		\$ 119,209
Other government grants	503,068		503,068	342,905		342,905
In-kind contributions	145,635		145,635	87,598		87,598
Contributions and grants	339,509	\$ 348,609	688,118	206,663	\$ 474,296	680,959
Contributions - Growth Campaign		1,493,100	1,493,100			
Special events	379,440		379,440	329,237		329,237
Occupancy fees	9,617		9,617	11,330		11,330
Interest income	10,226		10,226	4,368		4,368
Rental income	42,113		42,113	31,906		31,906
Net assets released from restrictions	421,335	(421,335)	-	431,835	(431,835)	-
Total revenues, gains and other support	1,877,224	1,420,374	3,297,598	1,565,051	42,461	1,607,512
EXPENSES:						
Program services	1,301,865		1,301,865	1,105,804		1,105,804
Administrative	144,546		144,546	122,678		122,678
Fundraising	271,724		271,724	193,945		193,945
Total expenses	1,718,135		1,718,135	1,422,427		1,422,427
CHANGE IN NET ASSETS	159,089	1,420,374	1,579,463	142,624	42,461	185,085
NET ASSETS, BEGINNING OF YEAR	1,654,136	231,514	1,885,650	1,511,512	189,053	1,700,565
NET ASSETS, END OF YEAR	<u>\$ 1,813,225</u>	<u>\$ 1,651,888</u>	<u>\$ 3,465,113</u>	<u>\$ 1,654,136</u>	<u>\$ 231,514</u>	<u>\$ 1,885,650</u>

SHEFFIELD PLACE

STATEMENTS OF FUNCTIONAL EXPENSES FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019				2018			
	Program	Administrative	Fundraising	Total	Program	Administrative	Fundraising	Total
Salaries and wages	\$ 724,223	\$ 79,903	\$ 36,695	\$ 840,821	\$ 616,344	\$ 70,826	\$ 26,998	\$ 714,168
Payroll taxes	60,435	6,931	3,291	70,657	48,147	5,552	2,262	55,961
Employee benefits	85,393	14,513	4,129	104,035	94,293	13,961	4,234	112,488
Professional fees	12,038	19,348	1,274	32,660	3,950	18,060		22,010
Professional fees - Growth Campaign			25,300	25,300				-
Special events			193,438	193,438			151,084	151,084
Direct client assistance - In-kind	44,812			44,812	32,650			32,650
Supplies	49,699	1,488	1,041	52,228	37,716	639	1,541	39,896
Telephones	6,202	857	1,093	8,152	8,499	1,668	1,666	11,833
Building maintenance	53,561	1,020		54,581	46,286	430		46,716
Utilities	44,409	436		44,845	39,299	547		39,846
Insurance	26,239	2,930	1,535	30,704	24,269	1,348	1,348	26,965
Conferences and training	30,148	2,148	1,685	33,981	12,948	404	1,723	15,075
Travel	2,378	424	291	3,093	1,938	840	309	3,087
Computer information systems	16,625	3,633		20,258	11,845	1,233	1,845	14,923
Depreciation	116,553	1,174		117,727	108,391	1,099		109,490
Client expenses	23,090			23,090	13,481			13,481
Other - Growth Campaign			514	514				-
Other	6,060	9,741	1,438	17,239	5,748	6,071	935	12,754
TOTAL FUNCTIONAL EXPENSES	\$ 1,301,865	\$ 144,546	\$ 271,724	\$ 1,718,135	\$ 1,105,804	\$ 122,678	\$ 193,945	\$ 1,422,427

See notes to financial statements.

**SHEFFIELD PLACE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,579,463	\$ 185,085
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	117,727	109,490
Changes in operating assets and liabilities:		
Grants receivable	24,073	46,429
Promises receivable - Growth Campaign	(795,697)	
Promises receivable	7,939	13,236
Interest receivable	(3,054)	
Accounts payable	3,575	607
Accrued payroll expenses and withholdings	6,091	3,977
Accrued vacation pay	8,004	
Client accounts	<u>20</u>	<u>(151)</u>
Net cash provided by operating activities	948,141	358,673
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificates of deposit	(251,581)	
Purchase of property and equipment	<u>(93,497)</u>	<u>(209,644)</u>
Net cash used in investing activities	<u>(345,078)</u>	<u>(209,644)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	603,063	149,029
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>867,755</u>	<u>718,726</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,470,818</u>	<u>\$ 867,755</u>

See notes to financial statements.

SHEFFIELD PLACE

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

1. DESCRIPTION OF THE ORGANIZATION

Nature of Activities – Sheffield Place is a Missouri nonprofit organization which operates a transitional housing program in Kansas City, Missouri. The Sheffield Place mission is “to empower homeless mothers and their children to heal from their trauma and become self-sufficient.”

Sheffield Place was founded in 1991 and has served more than 1,200 homeless mothers and their children as they make the difficult journey from despair to hope and from homelessness to self-sufficiency. To advance the mission of healing and self-sufficiency for homeless children and families, Sheffield Place offers four fully-integrated programs:

- **Residential Housing Services** - Each family has a private living unit with a private bath
- **Residential Clinical Services** - This highly-structured program provides: an hour of therapy and an hour of case management each week along with the requirement that mothers participate in a minimum of 10 hours of psycho-educational and therapy groups each week of the 27 hours offered.
- **Aftercare/Outpatient Clinical Services** - Families receive case management services in their homes along with other supportive services for as long as needed without charge. Families may return to the facility for therapy and psycho-social groups.
- **Permanent Housing Services** - Families receive supportive services through the aftercare program. Sheffield Place currently operates 10 units of permanent housing. Families pay adjusted rent and all utilities.

In response to the overwhelming need for services for homeless, mother-led families, the agency embarked upon a strategic expansion program in 2011 that dramatically increased the number of clients served. In 2018, for example, the agency served 129 families (365 individuals) up more than six-fold from just 20 families served in 2010. The facility houses 17 families at once and as many as 102 families each year.

In 2019, 1,063 families called for services and 123 families (307 individuals) received services. To address the ever-increasing need, Sheffield Place conducted a capital campaign (called the Growth Campaign) to acquire and renovate a building that will provide housing services for 7 families at a time. The campaign will also make improvements to the main facility including - new energy-efficient lighting, kitchen & restroom remodeling, tuck-pointing the nearly 100-year old main facility; purchase and renovation of three houses in the neighborhood for use by client families as permanent housing.

Administrative and Fundraising – Provides oversight of programs, business management, record keeping, budgeting, financing and other administrative and fundraising activities for the Organization. The expense for “Professional fees – Growth Campaign” provided for a consultant who assisted in successfully raising \$1,493,100. This capital campaign will increase the number of families served by more than 30% annually.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents – For the purposes of the Statement of Cash Flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents. All cash was held in a bank at December 31, 2019 and 2018.

Property and Equipment – The Organization capitalizes property and equipment with a cost over \$1,000. Maintenance and repairs are charged to expense. The Organization assesses the impairment of long-lived assets, which include improvements and equipment, whenever events or changes in the circumstances indicate that such assets might be impaired and the carrying value may not be recoverable.

Depreciation and amortization are computed on the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Facility and accessibility improvements	5-10 years
Furniture and equipment	5-7 years
Software	3 years
House	15 years

Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. No allowance for doubtful accounts was considered necessary at December 31, 2019 or 2018. All contributions receivable are expected to be collected within one year.

Promises to Give – Unconditional promises to give are recorded as revenues or gains in the period received and as assets or a decrease of liabilities, depending on the form of the benefits received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the condition on which they depend have been met. Consequently, at December 31, 2019, contributions

approximating \$130,000, have not been recognized in the accompanying statement of activities because the condition on which they depend has not yet been met. This conditional contribution is dependent on the donor having the fundraising event, for which the Organization is the sole benefactor, in 2021. There were no conditional promises to give at December 31, 2018.

Donated Assets – Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

In January 2013, the Organization signed a grant agreement whereby the Organization would be granted a house for use by the Organization, consistent with their mission. The grant agreement has restrictions on the use of the property for 15 years. Significant restrictions include: having comprehensive general liability insurance on the house, exclusively using the property for its charitable purposes, and housing individuals in the house within the financial limits as defined in the grant agreement. If any of these requirements are violated during the 15 year period, the house, including any improvements to the house, will be forfeited back to the grantor. Management believes the probability of the Organization failing to meet these requirements to be remote. Accordingly, the grant was recognized in the statement of activities at fair value as a net asset with donor restrictions. The grant is released from restrictions over the 15 year restriction period. For the years ended December 31, 2019 and 2018, \$2,703 was released from restrictions in each year.

Donated Services – The Organization generally pays for services requiring specific expertise. During the year ended December 31, 2019, the Organization received legal services in the amount of \$8,000. This amount is included in statement of activities as a revenue and an expense.

Grant Revenues – The Organization receives a significant amount of revenue in the form of grants. The Organization recognizes grant funds received or receivable as revenue to the extent that related program expenses have been incurred. Grants receivable were \$22,501 and \$46,573 as of December 31, 2019 and 2018, respectively.

Client Accounts – Residents remit a portion of their monthly income to the Organization as occupancy charges and as savings held on the resident's behalf. Upon departure from Sheffield Place, residents may be reimbursed for their security deposit and savings.

Income Taxes – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for income taxes has been recorded. The Organization accounts for uncertain tax positions in accordance with the provisions of Financial Accounting Standards Board ("FASB") Codification Topic *Income Taxes*. *Income Taxes* clarifies the accounting for uncertainty in income taxes and requires the Organization to recognize in their financial statements the impact of a tax position taken or expected to be taken in a tax return, if that position is more likely than not to be sustained under audit, based on the technical merits of the position. Management has assessed the tax positions of the Organization and determined that no positions exist that require adjustment or disclosure in the financial statements. The Organization is subject to routine audits by

taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2016.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related benefits, payroll taxes, office expenses, insurance expenses, and depreciation. Allocation of these expenses is based on an estimate of time and effort.

Use of 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 the reported amounts of assets, liabilities and changes therein, and disclosures 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.

Date of Management’s Review – Subsequent events have been evaluated through April 13, 2020, which is the date the financial statements were available to be issued.

Adoption of Accounting Standards Update – The Organization has adopted Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. This ASU had a material impact on the disclosures in the accompanying financial statements.

3. LIQUIDITY AND AVAILABILITY

The following represents the Organization’s financial assets as of December 31:

	2019	2018
Financial assets at period end:		
Cash and cash equivalents	\$ 1,470,818	\$ 867,755
Certificates of deposit	251,581	
Interest receivable	3,054	
Grants receivable	22,501	46,573
Promises receivable - Growth Campaign	795,697	
Promises receivable	<u>74,429</u>	<u>82,368</u>
Total financial assets	<u>2,618,080</u>	<u>996,696</u>
Amounts not available to be used within one year, for general expenditures within one year:		
Promises receivable - Growth Campaign	795,697	
Cash received for Growth Campaign	<u>663,049</u>	
Total financial assets not available to be used within one year	<u>1,458,746</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,159,334</u>	<u>\$ 996,696</u>

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its operations to be available to meet cash needs for general expenditures.

The financial assets from the Growth Campaign are excluded as they are donor restricted for long term purposes. The long term purposes include: purchase and renovation of a 7 unit apartment building, purchase and renovate 3 houses in the neighborhood, to maintain the integrity of the main facility, amongst other projects.

As part of the Organization's liquidity management plan, the Organization may invest cash in excess of daily cash requirements, in short-term low risk investments.

In addition to the financial assets available to meet general expenditures over the next twelve months, the Organization operates within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

4. CERTIFICATES OF DEPOSIT

The Organization's certificates of deposit are held by a local bank. At December 31, 2019, the certificates of deposit had remaining maturities from four months to eleven months. Cost approximates fair value. Rates as of December 31, 2019, ranged from 0.57% to 0.63%.

5. RETIREMENT PLAN

The Organization has a retirement plan under Section 401(k) of the Internal Revenue Code. To become eligible, employees must complete one year of service (at least 1,000 hours) and must have attained age 21. Employer contributions are made at the Board's discretion and vest over six years. There were \$31,772 and \$23,804 in employer contributions in 2019 and 2018, respectively.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2019	2018
Furniture and equipment	\$ 339,262	\$ 277,555
Houses	703,040	681,397
Facility improvements	1,164,668	1,154,520
Accessibility improvements	<u>403,726</u>	<u>403,726</u>
	2,610,696	2,517,198
Accumulated depreciation	<u>(1,668,924)</u>	<u>(1,551,195)</u>
	<u>\$ 941,772</u>	<u>\$ 966,003</u>

Depreciation expense totaled \$117,727 and \$109,490 for the years ended December 31, 2019 and 2018, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of December 31:

	2019	2018
Clinical services	\$ 149,379	\$ 145,808
Asset acquisitions	1,463,389	31,862
House	21,626	24,329
Fundraising	<u>17,494</u>	<u>29,515</u>
	<u>\$ 1,651,888</u>	<u>\$ 231,514</u>

Net assets of \$421,335 and \$431,835, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes, or by the passage of time. Net assets released from restrictions for the years ended December 31 were:

	2019	2018
Clinical services	\$ 329,531	\$ 335,451
Asset acquisitions	74,579	86,196
Fundraising	14,522	7,485
House	<u>2,703</u>	<u>2,703</u>
	<u>\$ 421,335</u>	<u>\$ 431,835</u>

8. CONCENTRATIONS

The Organization maintains cash at three financial institutions. At December 31, 2019, the balance was insured by the Federal Deposit Insurance Corporation up to \$250,000 at each financial institution. At December 31, 2019, the Organization's uninsured balance totaled \$720,818.

One contribution to the Growth Campaign was for \$400,000, representing approximately 12% of total revenue. A portion of this amount, \$270,000, is receivable at December 31, 2019. This entire \$270,000 was received subsequent to year end.

9. SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

* * * * *