

**KANSAS CITY MEDICAL
SOCIETY FOUNDATION, INC.**

FINANCIAL STATEMENTS

December 31, 2019

IFFT & CO. PA

Certified Public Accountants

11030 Granada Lane • Suite 100 • Overland Park, Kansas 66211
Tel 913-345-1120 • Fax 913-345-0724 • E-mail info@ifftcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kansas City Medical Society Foundation, Inc.
Kansas City, Missouri

We have audited the accompanying financial statements of Kansas City Medical Society Foundation, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2019, 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 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 Kansas City Medical Society Foundation, Inc. as of December 31, 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.

Correction of Errors

As described in Note 2 to the financial statements, management discovered errors that resulted in certain revenue amounts being understated for the year ended December 31, 2018. Additionally, certain amounts were reported as net assets with donor restrictions rather than as net assets without donor restrictions as of December 31, 2018. Accordingly, amounts reported for net assets as of the beginning of the year have been restated to correct these errors. Our opinion is not modified with respect to these matters.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Foundation has adopted Financial Accounting Standards Board Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Iffr & Co. PA

December 9, 2020

KANSAS CITY MEDICAL SOCIETY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 103,126
Grants receivable	290,000
Other receivables	7,402
Due from affiliates	<u>92,976</u>

TOTAL ASSETS	<u>\$ 493,504</u>
--------------	-------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 15,400
Accrued expenses	<u>13,046</u>
TOTAL CURRENT LIABILITIES	28,446

NET ASSETS

Without donor restrictions	122,890
With donor restrictions - purpose restricted	327,168
With donor restrictions - time restricted	<u>15,000</u>
Total with donor restrictions	<u>342,168</u>

TOTAL NET ASSETS	<u>465,058</u>
------------------	----------------

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 493,504</u>
----------------------------------	-------------------

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

KANSAS CITY MEDICAL SOCIETY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenues			
Contributions	\$ 1,981	-	1,981
Grants	248,864	331,286	580,150
Interest income	95	-	95
Net assets released from restrictions	<u>362,719</u>	<u>(362,719)</u>	<u>-</u>
Total support and revenues	613,659	(31,433)	582,226
Expenses			
Program	481,706	-	481,706
Management and general	135,177	-	135,177
Fundraising	<u>34,674</u>	<u>-</u>	<u>34,674</u>
Total expenses	<u>651,557</u>	<u>-</u>	<u>651,557</u>
CHANGE IN NET ASSETS	(37,898)	(31,433)	(69,331)
NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	(70,198)	230,716	160,518
CORRECTION OF ERRORS	<u>230,986</u>	<u>142,885</u>	<u>373,871</u>
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>160,788</u>	<u>373,601</u>	<u>534,389</u>
NET ASSETS, END OF YEAR	<u>\$ 122,890</u>	<u>342,168</u>	<u>465,058</u>

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

	Program Services				Total	Supporting Services			Total	Program and Supporting Services
	Advocacy	Charitable Care	Diverse Workforce	Retired Physicians		Program Services	Management and General	Fundraising		
Salaries and wages	\$ 1,470	277,739	1,470	-	280,679	22,143	15,608	37,751	318,430	
Employee benefits	-	1,050	-	-	1,050	5,200	-	5,200	6,250	
Other payroll expense	-	3,976	-	-	3,976	1,772	-	1,772	5,748	
Payroll taxes	-	12,861	281	-	13,142	13,207	668	13,875	27,017	
Total salaries and related expenses	1,470	295,626	1,751	-	298,847	42,322	16,276	58,598	357,445	
Office expenses	-	7,562	-	111	7,673	3,960	-	3,960	11,633	
Professional fees	-	41,816	-	-	41,816	53,657	18,370	72,027	113,843	
Insurance	-	-	-	-	-	2,326	-	2,326	2,326	
Advertising and marketing	686	15,536	-	44	16,266	665	-	665	16,931	
Rent and administrative	-	-	-	-	-	21,927	-	21,927	21,927	
CareScope	-	24,095	-	-	24,095	-	-	-	24,095	
Travel	74	5,060	93	-	5,227	2,291	28	2,319	7,546	
Information technology	-	6,783	-	-	6,783	5,373	-	5,373	12,156	
Meetings and meals	-	158	-	299	457	2,039	-	2,039	2,496	
Staff and board development	-	10,026	-	-	10,026	414	-	414	10,440	
Partnership expenses	-	66,666	-	-	66,666	-	-	-	66,666	
Miscellaneous expense	-	3,850	-	-	3,850	203	-	203	4,053	
Total	\$ 2,230	477,178	1,844	454	481,706	135,177	34,674	169,851	651,557	

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

KANSAS CITY MEDICAL SOCIETY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (69,331)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Changes in operating assets and liabilities	
Grants receivable	239,548
Other receivables	(7,402)
Due from affiliate	(172,694)
Accounts payable	(8,042)
Accrued expenses	13,046
Grants payable	<u>(4,733)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(9,608)</u>
 NET CHANGE IN CASH	 (9,608)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>112,734</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	 <u><u>\$ 103,126</u></u>

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

KANSAS CITY MEDICAL SOCIETY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Kansas City Medical Society Foundation, Inc. (the Foundation), is a 501(c)(3) nonprofit organization dedicated to improving access to medical care along with advancing the overall wellness of people across greater Kansas City. Affiliated with the Kansas City Medical Society (KCMS), the Foundation operates WyJo Care and Metro Care charitable care programs that deliver over \$8 million worth of donated specialty care to uninsured patients each year. In addition, the Foundation carries out health equity initiatives to increase wellness among vulnerable populations.

Net Assets

Net assets, revenues, gains, and losses are classified 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 restrictions.
- Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage 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 Foundation 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 accompanying statement of activities as net assets released from restrictions.

Revenue and Revenue Recognition

The Foundation recognizes contributions when cash, securities, other assets, or an unconditional promise to give is 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 conditions on which they depend have been met.

Cash Equivalents

The Foundation considers highly liquid investments purchased with initial maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of demand deposits held in checking accounts.

KANSAS CITY MEDICAL SOCIETY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Grants Receivable

The Foundation's receivables due from grants are recorded at amounts due, net of an allowance for doubtful accounts. Grants receivable are generally due at the donor's discretion. Grants outstanding beyond the time agreed are considered past due. The Foundation determines its allowance by considering a number of factors, including the length of time grants receivable are past due, the Foundation's previous loss history, the grantor's current ability to pay its obligations to the Foundation, and the condition of the general economy as a whole. The Foundation writes off receivables when they become uncollectible. At December 31, 2019, the Foundation considered grants receivable to be fully collectible; accordingly, no allowance for doubtful account was recorded.

Income Taxes

The Foundation is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been included in the accompanying financial statements.

The Foundation recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Foundation is subject to income tax regulations in the U.S. federal jurisdiction and certain state jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Foundation is no longer subject to income tax examinations by the applicable tax authorities for the years before 2016. If any were to be incurred, the Foundation's policy is to record penalties and interest assessed by income tax authorities as operating expenses.

In-Kind Donations and Services

The Foundation periodically receives in-kind donations of goods and services. The Foundation only records donated services to the extent that they would create or enhance financial assets. Donated services from physicians and various facilities are discussed further in Note 5. The value of these services is not recorded in the accompanying financial statements.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the accompanying statement of activities. The accompanying statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

KANSAS CITY MEDICAL SOCIETY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Advertising

The Foundation expenses advertising costs as incurred.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principles

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 have been implemented to contributions received in the accompanying financial statements. There was no effect on net assets in connection with the implementation of ASU 2018-08.

Subsequent Events

Subsequent events have been evaluated through December 9, 2020, which is the date the financial statements were available to be issued.

NOTE 2 - CORRECTION OF ERRORS

During the year ended December 31, 2019, management discovered errors in the recording of revenue for the year ended December 31, 2018. These errors resulted in an understatement of revenue with donor restrictions of \$345,271 and an understatement of revenue without donor restrictions of \$28,600 for the year ended December 31, 2018. The correction of these errors resulted in an increase in net assets with donor restrictions of \$345,271 and an increase in net assets without donor restrictions of \$28,600.

Additionally, an error was discovered that resulted in the improper recording of net assets released from donor restrictions as of December 31, 2018. As a result, net assets with donor restrictions were overstated by \$202,386 and net assets without donor restrictions were understated by \$202,386 at December 31, 2018. The correction of this error resulted in a decrease of net assets with donor restrictions of \$202,386 and an increase in net assets without donor restrictions of \$202,386.

KANSAS CITY MEDICAL SOCIETY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 103,126
Grants receivable	290,000
Other receivables	7,402
Due from affiliate	<u>92,976</u>
Financial assets at year-end	493,504
Less those unavailable for general expenditure within one year, due to:	
Donor restricted for specified purpose	<u>327,168</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 166,336</u></u>

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2019:

Subject to expenditure for specified purpose:	
Salaries	\$ 303,706
Community health education	10,882
Programmatic capacity	7,580
Board diversity	<u>5,000</u>
	327,168
Subject to expenditure for specified time:	<u>15,000</u>
Total net assets with donor restrictions	<u><u>\$ 342,168</u></u>

KANSAS CITY MEDICAL SOCIETY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 4 - NET ASSETS WITH DONOR RESTRICTIONS - Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2019:

Satisfaction of purpose restrictions:

Salaries	\$ 357,207
Community health education	304
Technical assistance	<u>5,208</u>
	<u>\$ 362,719</u>

NOTE 5 - IN-KIND DONATIONS AND SERVICES

The Foundation has recruited various health care providers, including physicians, imaging centers, hospitals, laboratories, and surgical centers, who have committed to accepting patient referrals and treating patients at no cost. Medical services, supplies, and equipment are donated by various organizations. Local hospitals also donate surgical, radiology, and supplies to the patients. Participating providers are asked to submit a non-payable claim to Blue Cross Blue Shield of Kansas City or to the Foundation directly. The Foundation tracks the diagnoses, procedures performed, cost of the donated physician care, and cost of the donated hospital services. Costs are reported as self-pay charges, as this would be the required payment from the patient if not being donated. During 2019, there were approximately 900 participating physicians, as well as hospitals and practices, in Johnson and Wyandotte Counties in Kansas and Clay, Platte, and Jackson Counties in Missouri, which resulted in approximately 3,000 medical services being provided for uninsured patients, with an estimated value of \$8,000,000 (unaudited).

The Foundation includes the Retired Physicians Organization (RPO) program, which provides free health education presentations to community groups and mentors Kansas City-area medical students and residents. In 2019, the RPO volunteer speaker's bureau gave twenty-four community health presentations with an in-kind volunteer value of \$11,370 (unaudited).

NOTE 6 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salary and benefit related expenses are allocated on the basis of estimates of time and effort, while office related expenses are allocated based on usage.

KANSAS CITY MEDICAL SOCIETY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019

NOTE 7 - RELATED PARTY TRANSACTIONS

In 2019, the Foundation and KCMS shared staff positions and payroll processing, office space, and operational costs. The Foundation accrued and/or reimbursed KCMS \$145,608 of wages, payroll taxes, benefits, office rent, and other expenses for 2019. The Foundation was owed \$88,671 for payroll costs and \$4,305 for various shared costs from KCMS as of December 31, 2019.

NOTE 8 - CONSULTING AGREEMENT

The Foundation and an independent consultant entered into a consulting agreement to engage the consultant as an independent contractor to provide management services, including part-time Executive Director services. Total fees incurred under this contract were \$82,500 for 2019.

NOTE 9 - CONCENTRATIONS OF RISK

A significant donor is defined as any donor that accounts for 10% or more of total support and revenues. During the year ended December 31, 2019, funding from one significant donor represented approximately 86% of the Foundation's total support and revenue and accounted for 92% of receivables at December 31, 2019.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent to December 31, 2019, the COVID-19 outbreak in the United States began disrupting operations and affecting a wide range of industries and their employees. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the related impact on its donors, employees, volunteers, and vendors, all of which are uncertain and cannot be predicted. The extent to which COVID-19 may impact the Foundation's financial condition or results of operations is uncertain and cannot be reasonably estimated.

Related to the COVID-19 outbreak, the Foundation received certain forms of assistance. In April 2020, the Foundation received a Paycheck Protection Program loan in the amount of \$69,900. If the funds are used for eligible purposes within a specified period, the loan may be forgiven. Any amount not forgiven will be a loan through the lending bank and repaid over a specified time period at an interest rate of 1%. This loan is not collateralized. Also in April 2020, the Foundation received a \$5,000 award from The United Methodist Church of the Resurrection COVID Relief Assistance Fund. In June 2020, the Foundation received a Kansas City Regional COVID-19 Response and Recovery Fund award in the amount of \$50,000.