CAMP FIRE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

National Board of Trustees
Camp Fire
Kansas City, Missouri

We have audited the accompanying financial statements of Camp Fire, which comprise the statements of financial position as of June 30, 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 audits 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 Camp Fire as of June 30, 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, management has adopted Accounting Standards Update (ASU) No. 2016-14 *Not-For-Profit (Topic 958), Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Joseph, Missouri
October 2, 2019

CAMP FIRE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 995,374	$ 327,020
Investments	610,009	623,922
Charter Fees Receivable, Net	200,753	233,938
Pledges Receivable	36,612	9,526
United Way Receivable	58,710	58,715
Grants Receivable, Net	1,436,538	1,206,950
Merchandise Inventory, Net	1,407	778
Prepaid Expenses	27,110	25,508
Other Receivables	40,609	5,528
Total Current Assets	3,407,122	2,491,885
INVESTMENTS	-	111,347
PROPERTY AND EQUIPMENT		
Land	10	10
Monument	25,000	25,000
Building Improvements	7,805	7,805
Furniture, Fixtures, and Equipment	251,007	251,007
Total, at Cost	283,822	283,822
Less: Accumulated Depreciation	225,715	208,542
Total Property and Equipment, Net	58,107	75,280
OTHER ASSETS		
Long-Term Charter Fees Receivable, Net	73,445	81,185
Long-Term Pledges Receivable, Net	65,117	1,573
Long-Term Grants Receivable, Net	504,808	639,767
Intangible Assets, Net	165,513	82,245
Beneficial Interest in Perpetual Trust	876,249	863,927
Total Other Assets	1,685,132	1,668,697
Total Assets	$ 5,150,361	$ 4,347,209

See accompanying Notes to Financial Statements.

CAMP FIRE
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019 AND 2018

LIABILITIES AND NET ASSETS	2019	2018
CURRENT LIABILITIES		
Accounts Payable	$ 131,309	$ 138,208
Accrued Liabilities	134,091	81,406
Line of Credit	249,360	176,593
Current Portion of Note Payable	24,735	23,806
Deferred Revenues	132,599	80,129
Total Current Liabilities	672,094	500,142
LONG-TERM LIABILITIES		
Note Payable, Less Current Portion	365,619	390,353
Total Liabilities	1,037,713	890,495
NET ASSETS		
Without Donor Restrictions:		
General Operating	(416,196)	(619,759)
Board-Designated	623,030	631,558
Total Without Donor Restrictions	206,834	11,799
With Donor Restrictions:		
Time Restrictions	160,439	69,814
Purpose Restrictions	2,869,126	2,399,827
Perpetual in Nature	876,249	975,274
Total With Donor Restrictions	3,905,814	3,444,915
Total Net Assets	4,112,648	3,456,714
Total Liabilities and Net Assets	$ 5,150,361	$ 4,347,209

See accompanying Notes to Financial Statements.

CAMP FIRE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND PUBLIC SUPPORT						
Contributions and Grants	$ 105,814	$ 140,914	$ 246,728	$ 24,724	$ 12,882	$ 37,606
United Way Contributions	5,466	70,452	75,918	4,757	70,452	75,209
Designated Contributions and Grants	205,144	2,244,202	2,449,346	521,290	2,070,579	2,591,869
Contribution of Net Assets, Net of Losses	56,342	-	56,342	5,369	-	5,369
Contractual Services	5,331	-	5,331	4,180	-	4,180
Contributed Goods, Services, and Travel	911	-	911	29,343	-	29,343
Royalties and License Fees	29,790	-	29,790	18,448	-	18,448
Charter and Community Partner Fees	1,297,565	-	1,297,565	1,244,733	-	1,244,733
Conferences and Program Services	190,872	-	190,872	243,805	-	243,805
Sales of Inventory, Net of Cost of Sales of $201 for 2019 and $56,154 for 2018	229	-	229	14,746	-	14,746
Investment Income - Net	19,447	4,401	23,848	27,171	6,110	33,281
Investment Income - Perpetual Trust	33,750	-	33,750	40,000	-	40,000
Unrealized Gain (Loss) on Investments, Net	9,834	(7,768)	2,066	8,244	899	9,143
Change in Value of Beneficial Interest in Perpetual Trust	-	12,322	12,322	-	19,323	19,323
Gain on Sale of Property and Equipment	2,774	-	2,774	-	-	-
Rental Income	68,822	-	68,822	66,194	-	66,194
Other Income	1,486	-	1,486	88,404	-	88,404
Net Assets Released from Restrictions	2,003,624	(2,003,624)	-	610,338	(610,338)	-
Total Revenues, Gains, and Public Support	4,037,201	460,899	4,498,100	2,951,746	1,569,907	4,521,653
EXPENSES						
Program Services:						
Programs for Youth	1,354,071	-	1,354,071	1,446,979	-	1,446,979
Services to Councils	750,365	-	750,365	723,035	-	723,035
Community Relations	413,848	-	413,848	285,962	-	285,962
Total Program Services	2,518,284	-	2,518,284	2,455,976	-	2,455,976
Support Services:						
Fundraising	736,595	-	736,595	397,862	-	397,862
Management and General Administration	587,287	-	587,287	526,284	-	526,284
Total Support Services	1,323,882	-	1,323,882	924,146	-	924,146
Total Expenses	3,842,166	-	3,842,166	3,380,122	-	3,380,122
CHANGES IN NET ASSETS	195,035	460,899	655,934	(428,376)	1,569,907	1,141,531
Net Assets - Beginning of Year	11,799	3,444,915	3,456,714	440,175	1,875,008	2,315,183
NET ASSETS - END OF YEAR	$ 206,834	$ 3,905,814	$ 4,112,648	$ 11,799	$ 3,444,915	$ 3,456,714

See accompanying Notes to Financial Statements.

CAMP FIRE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services				Supporting Services			
	Programs for Youth	Services to Councils	Community Relations	Total Program Services	Fundraising	Management and General Administration	Total Supporting Services	Total Functional Expenses
EXPENSES								
Salaries and Wages	$ 589,500	$ 349,524	$ 223,793	$ 1,162,817	$ 429,109	$ 228,715	$ 657,824	$ 1,820,641
Benefits	43,766	26,798	16,908	87,472	21,912	16,850	38,762	126,234
Payroll Taxes	56,180	27,395	15,272	98,847	35,278	18,335	53,613	152,460
Total Salaries and Related Expenses	689,446	403,717	255,973	1,349,136	486,299	263,900	750,199	2,099,335
Payments and Products to Councils	180,851	96,800	-	277,651	-	-	-	277,651
Professional Fees and Contract Services	285,724	17,071	83,415	386,210	102,896	196,435	299,331	685,541
Travel, Conferences, and Meetings	41,294	39,384	12,698	93,376	76,037	27,263	103,300	196,676
Telephone and Other Communication	13,999	4,969	2,624	21,592	6,204	8,464	14,668	36,260
Occupancy	71,176	39,304	30,689	141,169	14,711	34,302	49,013	190,182
Depreciation and Amortization	8,445	17,982	1,703	28,130	3,860	1,915	5,775	33,905
Equipment Rental and Maintenance	2,251	823	539	3,613	1,222	6,426	7,648	11,261
Supplies and Office Expenses	13,092	4,381	2,055	19,528	1,221	6,989	8,210	27,738
Publications and Printing	10,144	131	6,023	16,298	14,348	127	14,475	30,773
Postage and Shipping	3,073	1,025	644	4,742	4,259	703	4,962	9,704
Insurance	23,486	3,736	2,447	29,669	5,549	2,756	8,305	37,974
Interest Expense and Bank Fees	5,235	205	-	5,440	223	27,943	28,166	33,606
Membership Dues and Subscriptions	4,680	1,809	15,038	21,527	15,384	9,283	24,667	46,194
Bad Debt and Charter Fee Relief	985	119,028	-	120,013	4,243	-	4,243	124,256
Obsolete Merchandise Inventory	37	-	-	37	-	-	-	37
Donated Goods and Services	153	-	-	153	139	619	758	911
Miscellaneous	-	-	-	-	-	162	162	162
Total Expenses	$ 1,354,071	$ 750,365	$ 413,848	$ 2,518,284	$ 736,595	$ 587,287	$ 1,323,882	$ 3,842,166

See accompanying Notes to Financial Statements.

CAMP FIRE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services			
	Programs for Youth	Services to Councils	Community Relations	Total Program Services	Fundraising	Management and General Administration	Total Supporting Services	Total Functional Expenses
EXPENSES								
Salaries and Wages	$ 710,562	$ 346,494	$ 132,243	$ 1,189,299	$ 189,741	$ 231,567	$ 421,308	$ 1,610,607
Benefits	47,026	23,816	8,685	79,527	12,640	16,086	28,726	108,253
Payroll Taxes	67,826	26,478	9,229	103,533	14,215	17,155	31,370	134,903
Total Salaries and Related Expenses	825,414	396,788	150,157	1,372,359	216,596	264,808	481,404	1,853,763
Payments and Products to Councils	176,916	38,474	-	215,390	-	-	-	215,390
Professional Fees and Contract Services	154,589	87,973	54,975	297,537	116,502	129,575	246,077	543,614
Travel, Conferences, and Meetings	72,221	82,082	17,315	171,618	15,405	15,431	30,836	202,454
Telephone and Other Communication	17,851	5,586	1,907	25,344	2,863	4,178	7,041	32,385
Occupancy	86,830	33,927	12,948	133,705	27,030	30,470	57,500	191,205
Depreciation and Amortization	15,362	4,509	3,064	22,935	3,221	3,394	6,615	29,550
Equipment Rental and Maintenance	2,439	950	284	3,673	678	6,291	6,969	10,642
Supplies and Office Expenses	24,169	8,070	7,913	40,152	2,176	15,007	17,183	57,335
Publications and Printing	7,630	2,019	9,731	19,380	581	240	821	20,201
Postage and Shipping	2,539	480	159	3,178	808	584	1,392	4,570
Insurance	27,871	4,142	1,237	33,250	2,959	3,120	6,079	39,329
Interest Expense and Bank Fees	5,156	-	-	5,156	145	29,319	29,464	34,620
Membership Dues and Subscriptions	1,837	337	14,765	16,939	3,200	10,224	13,424	30,363
Bad Debt and Charter Fee Relief	1,427	53,093	-	54,520	1,589	-	1,589	56,109
Obsolete Merchandise Inventory	19,461	-	-	19,461	-	-	-	19,461
Donated Goods and Services	750	4,562	11,500	16,812	533	11,998	12,531	29,343
Miscellaneous	4,517	43	7	4,567	3,576	1,645	5,221	9,788
Total Expenses	$ 1,446,979	$ 723,035	$ 285,962	$ 2,455,976	$ 397,862	$ 526,284	$ 924,146	$ 3,380,122

See accompanying Notes to Financial Statements.

CAMP FIRE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 655,934	$ 1,141,531
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	17,173	23,949
Amortization	16,732	5,601
Income on Investments and Trust, Net	(23,848)	(33,281)
Unrealized Gain on Investments, Net	(2,066)	(9,143)
Change in Value of Trust	(12,322)	(19,323)
Effects of Changes in Operating Assets and Liabilities:		
Charter Fees Receivable, Net	40,925	20,256
Pledges and United Way Receivable, Net	(90,625)	11,518
Grants Receivable, Net	(94,629)	(1,505,351)
Other Receivables	(35,081)	120
Merchandise Inventory, Net	(629)	67,908
Prepaid Expenses	(1,602)	11,897
Accounts Payable and Accrued Liabilities	45,786	70,538
Deferred Revenues	52,470	11,870
Net Cash Provided (Used) by Operating Activities	568,218	(201,910)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(8,971)
Purchase of Intangible Asset	(100,000)	(80,000)
Proceeds from Sale of Investments	151,174	47,760
Net Cash Provided (Used) by Investing Activities	51,174	(41,211)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	2,225,602	2,489,826
Payments on Line of Credit	(2,152,835)	(2,486,045)
Payments on Note Payable	(23,805)	(22,871)
Net Cash Provided (Used) by Financing Activities	48,962	(19,090)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	668,354	(262,211)
Cash and Cash Equivalents - Beginning of Year	327,020	589,231
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 995,374	$ 327,020
SUPPLEMENTAL INFORMATION		
Cash Paid for Interest	$ 24,377	$ 24,164

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Camp Fire (the Organization) is a youth development organization headquartered in Kansas City, Missouri providing services to over 187,000 youth and adults in 25 states and the District of Columbia through a 52-council network. Founded in 1910 by Luther Gulick, M.D. and his wife, Charlotte, Camp Fire was the first nonsectarian organization for girls in the United States. Dr. Gulick chose the name “Camp Fire” because campfires were the origin of the first communities and domestic life. The Organization began with no barriers to nationality, race, creed, or economic status, which was unique in 1910 and remains a model for others even today. With that spirit of inclusiveness, Camp Fire expanded programming to include boys in 1975 and today embraces all children and youth, regardless of race, creed, religion, gender, social status, disability, or sexual orientation.

Camp Fire impacts thousands of communities nationwide through programs that meet or exceed nationally recognized quality standards, including:

- Out-of-school time programs
- Outdoor education
- Teen programs
- Customized programs to meet the needs of youth and families

Camp Fire’s curriculum and frameworks are portable and customizable for specific youth and family audiences. The benefit of this approach is that (1) Camp Fire councils do not rely on managing and funding the overhead for multiple program delivery facilities, and (2) Programs “move” where youth and their families are, delivered in neighborhood-based facilities already familiar to participants. This also ensures that councils engage in true operational partnerships with school districts, community organizations, and faith institutions – all typical locations for Camp Fire programs.

The core of Camp Fire’s success is the “how” of what we do. We offer youth and families an experience that is inclusive and open to everyone. Youth chart their course with adult guidance and support. Camp Fire helps youth develop abilities now, empowering youth for their future, but equally as important, their today.

Our Promise
Young people want to shape the world.
Camp Fire provides the opportunity to find their spark, lift their voice,
and discover who they are.
In Camp Fire, it begins *now*.
Light the fire within.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting policies followed by the Organization are presented below.

Use of Estimates in Preparing Financial Statements

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 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. Significant estimates incorporated into the Organization's financial statements include the timing and collectability of charter fees receivable, grants receivable, and pledges receivable; estimated useful lives for depreciable and amortizable assets; the allocations incorporated into the statements of functional expenses; the valuation of gift-in-kind contributions; and the valuation of the beneficial interest in perpetual trust. Actual results could differ from those estimates.

Description of Programs

The primary programs of the Organization are grouped into three activity areas:

Programs for Youth

Research, development, and evaluation of programs for youth and families through Outdoor Education, Out of School Time, and Teen Leadership; access to program quality intervention tools and supports for councils; program design, testing, and innovation; and regional and national training in support of effective program delivery.

Services to Councils

Council effectiveness assists councils in improving organizational performance so they are better equipped to effectively deliver high-quality programs and achieve our Camp Fire Promise. Strategies are developed in partnership with council leadership, to increase knowledge, interest, and skills related to enhancing organizational effectiveness.

Community Relations

Public relations and media support to increase awareness of the Organization's programs and services; development of products and materials that support programs and services.

Related Parties

The financial statements do not include the financial position or activities of the local councils, licensees, or community partners. Each council, licensee, and community partner is an autonomous corporation organized under the laws of the state in which it operates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Financial statement presentation follows the recommendations of Financial Accounting Standards Board ASC 958-205, *Financial Statements of Not-for-profit Organizations.* Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of 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 (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank accounts that are available for current operations. Certain cash equivalents are considered to be an integral part of the Organization's investment program and are, accordingly, recognized as a component of investments on the statement of financial position.

Investments

Investments include equity and fixed income mutual funds, which are carried at fair value, with unrealized and realized gains and losses on investments reported as increases or decreases in net assets without donor restrictions and net assets with donor restrictions based upon donor-imposed restrictions. Investments include investment specific cash equivalents, money market funds, and certificates of deposit that are reported at cost, which approximates fair value.

Investments which are available to repay current liabilities are classified as current assets on the statement of financial position, while investments restricted for long-term purposes are shown as long-term assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Pledges are recorded when received and determined to be unconditional. Allowances are provided for amounts estimated to be uncollectible. No allowance for doubtful accounts is recorded for pledges receivable as of June 30, 2019 or 2018, as management does not believe the required amount of such an allowance would be material to the financial statements.

Grants Receivable

Grants are recognized when the grant letter is received, absent the presence of conditional provisions, and are classified as net assets with restrictions if time or purpose restrictions are present.

Contributions

Gifts of cash and other assets are considered to be restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, whether because 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. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires, or the purpose restriction is accomplished, in the reporting period in which the support is recognized.

In-Kind Contributions

In-kind contributions consist of goods and services donated to the Organization. These have been reflected in the financial statements at their estimated fair market value at the date of donation.

In-kind support for contributed services is recognized if these services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation. Such support could be used in the program activities of the Organization as well as in fundraising and administrative activities. The value of services meeting these requirements, to the extent measurable, is reflected in the accompanying financial statements.

The Organization receives a substantial amount of support from nonprofessional volunteer services that do not meet the criteria listed above. These nonprofessional volunteers donate services for fundraising, education, and administration that are not valued or recorded in the financial statements.

Contributed property and equipment is recorded at its fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Charter Fees

The Organization grants credit to local councils, licensees, and community partners for the purpose of merchandise purchases and payment of charter fees. Accounts are due on negotiated terms, generally within 15 days, and are stated at the amounts due, net of an allowance for doubtful accounts. Accounts outstanding longer than their contractual payment terms are considered past due. The Organization determines its allowance for doubtful accounts by considering a number of factors, including the length of time accounts are past due, the council's ability to pay its obligations to the Organization, and the general condition of the council. The Organization writes off accounts receivable and charter fees when they become uncollectible, and payments subsequently received on such receivables are recorded to the allowance for doubtful accounts. Finance charges are recognized as revenue when billed, and are considered when the allowance for doubtful accounts is established.

Charter fees are paid to the Organization monthly, quarterly, or annually by the chartered councils. Such fees are determined annually and are based upon the level of certain expenditures made by each council. Certain councils have renegotiated payment terms over periods greater than one year. These renegotiated payments, and management's estimates of the timing of other payments, have been recorded as long-term charter fees receivable on the statements of financial position. Interest is accrued on the long-term charter fees receivable, generally at a rate 1% greater than the Wall Street Journal Prime Rate. Long-term receivables are not placed on nonaccrual status, but are considered in the allowance for doubtful accounts.

Merchandise Inventory

Merchandise inventory is carried at the lower of weighted-average cost or net realizable value.

Beneficial Interest in Perpetual Trust

The Organization holds a beneficial interest in a perpetual trust. The trust was created by an independent donor for which the assets are not in the possession or control of the Organization. The Organization, along with other specified nonprofit organizations and individuals, is a beneficiary of this trust. The income received by the Organization from this trust is included as support without donor restriction on the statement of activities. The Organization's beneficial interest in this trust is recorded at the fair value of the underlying assets in the trust and classified within net assets with donor restrictions perpetual in nature.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Organization's property and equipment is carried at cost if purchased, or fair value if contributed. The cost of property and equipment purchased in excess of $2,000 is capitalized. Depreciation of building improvements, furniture and fixtures, and equipment is provided on the straight-line method over the estimated useful lives of the assets as follows:

Building Improvements	5-30 Years
Equipment	3-10 Years
Furniture and Fixtures	5-10 Years

Leasehold improvements are amortized over the life of the lease, or the service lives of the improvements, whichever is shorter. Repair and maintenance costs are charged to expense as incurred. The monument is not being depreciated. Management believes the fair market value of the monument exceeds its cost basis.

Intangible Assets

Intangible assets are carried at cost if purchased, or fair value if contributed. Amortization is provided on the straight-line method over the estimated useful lives of the assets as follows:

Branding	5 Years
Curriculum	2-3 Years
Software Development	4-5 Years

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Deferred Revenues

Deferred revenues primarily represent council charter fees paid in advance of the terms set forth in the charter agreements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited according to formulas developed by management to, in its judgment, reflect actual costs and efforts expended on each program or supporting service by their natural expense classification. Functional expense allocations, expenses not explicitly attributable to a specific program or supporting service, are estimated through periodic evaluation of each employee's portfolio of responsibilities and how they distribute across functional areas.

Income Tax Status

The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation.

Although it is exempt from federal and state income taxes on its principal operations, the Organization is subject to federal income taxes on the net income from certain operations that generate unrelated business income. Unrelated business income tax incurred during 2019 or 2018 was not significant. The Organization follows the standard for evaluating uncertain tax positions and has determined no liability should be recorded for uncertain tax positions.

New Accounting Pronouncement Effective in Future Accounting Period

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The standard does not impact the recording of contributions. Since then, the board issued proposed ASU, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. The amendments in this update defer the effective date of update 2014-09 for all entities by one year, making the standard effective for fiscal year ending June 30, 2020. Management will be evaluating the effects of this new standard.

In June, 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement Effective in Future Accounting Period (Continued)

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842).* This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for the Organization for the fiscal year ending June 30, 2021. In July 2019, FASB approved a proposal to delay the effective date of ASU 2016-02. If the proposal is formally approved, the effective date would be moved back one year, making it effective for the year ending June 30, 2022. Management will be evaluating the effects of this new standard.

NOTE 2 CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. Net Assets as of July 1, 2017 has been reclassified to conform with the requirements of ASU 2016-14, as follows:

	As Previously Presented	Reclassification	As Reclassified
Unrestricted	$ 440,175	$ (440,175)	$ -
Temporarily Restricted	919,057	(919,057)	-
Permanently Restricted	955,951	(955,951)	-
Without Donor Restrictions	-	440,175	440,175
With Donor Restrictions	-	1,875,008	1,875,008
	$ 2,315,183	$ -	$ 2,315,183

NOTE 3 LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, investments, pledges receivable, grants receivable, and a line of credit.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash.

NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

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, comprise of the following:

	2019	2018
Cash and Cash Equivalents	$ 995,374	$ 327,020
Investments	610,009	735,269
Charter Fees Receivable, Current Portion	200,753	233,938
Pledges Receivable	101,729	11,099
United Way Receivable	58,710	58,715
Grants Receivable, Net	1,941,346	1,846,717
Accounts Receivable	40,609	5,528
Total Financial Assets	3,948,530	3,218,286
Contractual or Donor Imposed		
Restrictions:		
Cash Restricted to Specific Uses	946,782	562,989
Endowment Fund Investments	-	111,347
Grants Receivable	1,922,344	1,836,838
Time Related Restrictions:		
Long Term Pledges Receivable	65,117	1,573
Total Restriction Imposed	2,934,243	2,512,747
Board Designations:		
Operating Reserve	610,009	616,567
Dallas Restart	-	1,721
Council Dissolution Funds	13,021	13,270
Total Board Designations	623,030	631,558
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	$ 391,257	$ 73,981

Time related restrictions associated with Pledges Receivable and United Way Receivables of $95,322 and $68,241 at June 30, 2019 and 2018, respectively, have not been included in the restrictions imposed on financial assets as the amounts are expected to be collected within one year.

The Organization’s board designated operating reserve secures its line of credit, and is not readily available for operations.

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Organization uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs, by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; and

Level 2 – Valuations based on quoted prices for similar assets or liabilities, or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs, or significant value drivers, are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classifications in the valuation hierarchy.

Equity and Fixed Income Mutual Funds

Fair value of equity and fixed income mutual funds is determined based on quoted market prices. These are classified as investments valued using Level 1 inputs within the valuation hierarchy.

Beneficial Interest in Perpetual Trust

The fair value of interests in perpetual trusts was determined by calculating the Organization's proportional share of the underlying assets held in trust, as determined by the trustee, and is classified as an investment using Level 3 inputs within the valuation hierarchy.

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of assets and liabilities measured on a recurring basis, as of June 30, 2019 and 2018 are as follows:

	June 30, 2019			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Inputs (Level 3)
Mutual Funds:				
Equity	$ 362,105	$ 362,105	$ -	$ -
Fixed Income	241,899	241,899	-	-
Beneficial Interest in Perpetual Trust	876,249	-	-	876,249
Total	$ 1,480,253	$ 604,004	$ -	$ 876,249

	June 30, 2018			
	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Inputs (Level 3)
Mutual Funds:				
Equity	$ 405,764	$ 405,764	$ -	$ -
Fixed Income	291,683	291,683	-	-
Beneficial Interest in Perpetual Trust	863,927	-	-	863,927
Total	$ 1,561,374	$ 697,447	$ -	$ 863,927

The following is a reconciliation of the beginning and ending balance of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2019 and 2018:

	Beneficial Interest in Perpetual Trust
BALANCE - JUNE 30, 2017	$ 844,604
Unrealized Gains	19,323
BALANCE - JUNE 30, 2018	863,927
Unrealized Gains	12,322
BALANCE - JUNE 30, 2019	$ 876,249

NOTE 5 INVESTMENTS

Investments at June 30, 2019 are as follows:

	Original Cost or Basis	Fair Market Value	Excess of Market Over Cost
Cash and Cash Equivalents	$ 6,005	$ 6,005	$ -
Equity and Fixed Income Mutual Funds	554,250	604,004	49,754
Total	$ 560,255	$ 610,009	$ 49,754

Investment returns for the year ended June 30, 2019 consist of the following:

Investment Income	$ 15,728
Net Realized Gain	14,077
Net Unrealized Gain	2,066
Investment Fees	(5,957)
Total Investment Return	$ 25,914

Investments at June 30, 2018 are as follows:

	Original Cost or Basis	Fair Market Value	Excess of Market Over Cost
Cash and Cash Equivalents	$ 37,822	$ 37,822	$ -
Equity and Fixed Income Mutual Funds	649,759	697,447	47,688
Total	$ 687,581	$ 735,269	$ 47,688

Investment returns for the year ended June 30, 2018 consist of the following:

Investment Income	$ 299
Net Realized Gain	39,700
Net Unrealized Gain	9,143
Investment Fees	(6,718)
Total Investment Return	$ 42,424

NOTE 6 PLEDGES AND UNITED WAY RECEIVABLE

Pledges and United Way receivable include the following:

	2019	2018
Annual Fund Campaign	$ 106,612	$ 11,194
United Way	58,710	58,715
Total Pledges and United Way Receivable	165,322	69,909
Less: Unamortized Discount	4,883	95
Net Pledges and United Way Receivable	160,439	69,814
Less: Current Portion	95,322	68,241
Pledges and United Way Receivable, Long Term (Net)	$ 65,117	$ 1,573

An imputed discount rate of 4% was used in discounting long-term pledges.

Pledges and United Way Receivable are due in future years as follows:

Year Ending June 30,	Amount
2020	$ 95,322
2021	30,000
2022	20,000
2023	20,000
Total	$ 165,322

The Organization has been notified that it is designated as a beneficiary of certain wills and trusts. The present value of will and trust amounts that are irrevocable are recognized as income, and reflected as long-term wills and trusts, at the point that the amount can be reasonably estimated. Those wills and trusts that are revocable are not recognized within the accompanying financial statements due to their conditional nature.

NOTE 7 GRANTS RECEIVABLE

Grants receivable include the following:

	2019	2018
New York Life Foundation	$ 575,000	$ -
Margaret A. Cargill Foundation	700,000	-
S. D. Bechtel, Jr. Foundation	667,536	1,859,931
Other	19,002	14,555
Total Grants Receivable	1,961,538	1,874,486
Less: Unamortized Discount	20,192	27,769
Net Grants Receivable	1,941,346	1,846,717
Less: Current Portion (Net)	1,436,538	1,206,950
Grants Receivable, Long-Term (Net)	$ 504,808	$ 639,767

NOTE 8 OPERATING LEASES

The Organization leased office and warehouse space during 2019 and 2018 under noncancelable operating leases. The leases expire at various dates through August 2026. The Organization entered into a new office lease effective February 2016. Total lease expense was $182,067 in 2019 and $184,666 in 2018. Future minimum lease commitments for these leases as of June 30, 2019 are as follows:

Year Ending June 30,	Amount
2020	$ 172,800
2021	176,811
2022	175,860
2023	176,191
2024	180,161
Thereafter	396,057
Total	$ 1,277,880

A portion of the leased office space is leased to an unaffiliated organization. The above lease expense is expected to be offset by payments due under the sublease as follows:

Year Ending June 30,	Amount
2020	$ 75,733
2021	77,563
2022	79,394
2023	81,224
2024	83,054
Thereafter	182,582
Total	$ 579,550

Total rental income from subleases was $68,822 and $66,194 in 2019 and 2018, respectively.

NOTE 9 INTANGIBLE ASSETS

Intangible assets consist of software development, corporate branding, and program curriculum. Amortization expense on the assets was $16,732 and $5,601 during 2019 and 2018, respectively.

NOTE 10 RETIREMENT PLAN

The Organization maintains a defined contribution 401(k) retirement plan (the Plan) which provides benefits upon retirement, death, or disability for all employees who have reached age 18 and completed one year of service. Annual employer contributions are based on a match of employee contributions up to 4% of each individual’s salary. Retirement expense for the Plan was $28,106 in 2019 and $25,895 in 2018.

NOTE 11 RELATED PARTY TRANSACTIONS

Charter Fees Receivable

Charter fees are due from chartered councils and community partners, and consisted of the following as of June 30:

	2019	2018
Charter Fees Receivable	$ 785,753	$ 719,938
Less: Allowance for Doubtful Accounts	499,000	390,000
Net Collectible Charter Fees Receivable	286,753	329,938
Less: Unamortized Discount	12,555	14,815
Charter Fees Receivable, Net	274,198	315,123
Less: Current Portion	200,753	233,938
Long-Term Charter Fees Receivable, Net	$ 73,445	$ 81,185

Amounts due in future years as of June 30, 2019:

Year Ending June 30,	Amount
2020	$ 200,753
2021	17,419
2022	14,708
2023	13,628
2024	13,530
Thereafter	26,715
Total	$ 286,753

An imputed discount rate of 4% was used in discounting long-term charter fees receivable.

There were no long-term charter fees receivable that were considered past due by the Organization's policy, as discussed in Note 1, at June 30, 2019 or 2018.

The Organization is involved in legal proceedings with one of the chartered councils relating to repayment of the amounts due to the Organization. In most cases, these issues were considered when the above allowance was determined.

Accounts Payable

At June 30, 2019 and 2018, the Organization had accounts payable due to Councils totaling $3,047 and $30,112, respectively.

NOTE 12 CONTRIBUTED GOODS AND SERVICES

Contribution revenue was recognized for certain goods and services received at the following fair values for the years ended June 30:

	2019	2018
Professional Services	$ -	$ 25,764
Telephone and Online Fees	-	720
Travel, Conferences, and Meetings	415	2,326
Miscellaneous	496	533
Total Contributed Goods and Services	$ 911	$ 29,343

NOTE 13 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions as of June 30 consist of the following:

	2019	2018
Board-Designated:		
Operating Reserve	$ 610,009	$ 616,567
Dallas Restart	-	1,721
Council Dissolution Funds	13,021	13,270
Total Board-Designated Net Assets	623,030	631,558
General Operating	(416,196)	(619,759)
Total Net Assets Without Donor Restriction	$ 206,834	$ 11,799

At June 30, 2019 and 2018, the value of the assets underlying the Organization’s general operating net assets without donor restrictions was less than the level required to fund the liabilities committed by those funds. Accordingly, the general operating net assets without donor restrictions were being supported by drawing upon the Organization’s net assets without donor restrictions designated by the board of directors.

NOTE 14 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	2019	2018
Time Related Restrictions:		
Heartland Council Receivables	$ 58,710	$ 58,711
Pledges Receivable	101,729	11,099
Total Net Assets with Time Related Restrictions	$ 160,439	$ 69,810
Purpose Related Restrictions:		
Heartland Council	$ 10,000	$ 9,758
Program Development	858,621	328,704
Capacity Building	986,826	2,050,011
Camp Diversity and Inclusion	959,589	-
Youth Leadership Expansion	54,090	-
Other	-	4,003
Endowment Funds - See Note 15	-	7,355
Total Net Assets With Donor Purpose Related Restrictions	$ 2,869,126	$ 2,399,831

During the years ended June 30, 2019 and 2018, net assets of $2,003,624 and $610,338, respectively, were released from donor restrictions by satisfying the time or purpose restrictions as stipulated by the donors.

Net assets with donor restrictions perpetual in nature consist of the following as of June 30:

	2019	2018
James Humphrey Wilkinson Perpetual Trust	$ 876,249	$ 863,927
Lone Star Endowment Fund	-	111,347
Total Net Assets With Donor Restrictions Perpetual in Nature	$ 876,249	$ 975,274

NOTE 15 ENDOWMENTS

The Organization’s endowment consists of a donor-restricted fund established to support general operating expenses of a council to be re-established in Texas. After several years of attempting to restart the council in Texas, and operating at deficits, the Council was closed and the endowment was released. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board has interpreted Missouri’s enactment of the Uniform Prudent Management of Institutional Funds Act (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. Consequently, the Organization classifies net assets with donor restrictions perpetual in nature as:

NOTE 15 ENDOWMENTS (CONTINUED)

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as net assets with donor restrictions purpose restricted until those amounts are appropriated for expenditure by the board. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce results similar to the S&P 500 index while assuming a moderate level of investment risk.

Spending Policy

The Organization has a policy of appropriating for distribution each year any funds earned in excess of the original endowed gift. In establishing this policy, the Organization considered the stipulations of the endowments as needing to maintain financial assets in the original amount of the endowment gifts. Therefore, any assets in excess of original gift balances are considered appropriated and are to be used based on the donor stipulations.

In establishing this policy, the Organization considered the long-term expected returns on its endowment investments. Accordingly, over the long term, the Organization expects the current spending policy will allow its endowment to retain the original corpus of the gift.

Strategies Employed for Achieving Objectives

The endowment assets are invested to provide the highest total rate of return consistent with sound investment practices. Equity investments have proven to provide the maximum return on investments over long periods of time, and mutual and co-mingled funds provide significant diversification among companies, industries, and countries. Therefore, the endowment funds are invested primarily in equity mutual and co-mingled funds.
Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ -	$ -

NOTE 15 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the fiscal year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	$ -	$ 118,702	$ 118,702
Investment Return:			
Investment Income	-	3,552	3,552
Net Depreciation	-	(7,768)	(7,768)
Total Investment Return	-	(4,216)	(4,216)
Appropriation of Endowment Assets for Expenditures	-	(114,486)	(114,486)
Net Assets - End of Year	$ -	$ -	$ -

Endowment net asset composition by type of fund as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 118,702	$ 118,702

Changes in endowment net assets for the fiscal year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - Beginning of Year	$ -	$ 122,340	$ 122,340
Investment Return:			
Investment Income	-	5,463	5,463
Net Appreciation	-	899	899
Total Investment Return	-	6,362	6,362
Appropriation of Endowment Assets for Expenditures	-	(10,000)	(10,000)
Net Assets - End of Year	$ -	$ 118,702	$ 118,702

NOTE 16 LINE OF CREDIT AND LONG-TERM DEBT

Line of Credit

The Organization had a secured line of credit during the current year that allows for borrowings of up to $300,000, maturing January 23, 2020. The line is collateralized by a lien on the Organization’s accounts receivable. Interest is charged at a variable rate, which is The Wall Street Journal Prime Rate plus .25% (5.75% and 5.0% at June 30, 2019 and 2018, respectively). As of June 30, 2019 and 2018, outstanding borrowings were $249,360 and $176,593, respectively.

NOTE 16 LINE OF CREDIT AND LONG-TERM DEBT (CONTINUED)

Long-Term Debt

The Organization took out a note payable to Central Bank of the Midwest in the amount of $450,000 during the year ending June 30, 2017. The note is secured by a lien on an investment account valued at $610,009 as of June 30, 2019. The note is payable in monthly installments of $3,330, including interest at 3.95%, maturing November 2021 when the remaining balance is due. The outstanding principal at June 30, 2019 and 2018 was $390,354 and $414,159, respectively.

Long-Term Debt (Continued)

Scheduled maturities of long-term debt are as follows as of June 30, 2019:

Year Ending June 30,	Amount
2020	$ 24,735
2021	25,786
2022	339,833
Total	$ 390,354

The Organization incurred interest expense of $24,377 and $24,164 for the years ended June 30, 2019 and 2018, respectively.

NOTE 17 CONCENTRATIONS OF RISK

At June 30, 2019, five councils made up 73% of the $274,198 net charter fees receivable. At June 30, 2018, four councils made up 76% of the $315,123 net charter fees receivable.

During the year ended June 30, 2019, 47% of revenues were provided through contributions of two donors. During the year ended June 30, 2018, 55% of revenues were provided through a contribution from one donor.

NOTE 18 CONTRIBUTION OF NET ASSETS

The Organization records net proceeds received from dissolved councils as Contribution of Net Assets. Contribution of net assets was $56,342 and $5,369 for the years ended June 30, 2019 and 2018, respectively.

NOTE 19 BENEFICIAL INTEREST IN PERPETUAL TRUST

In 1976, the Organization was named as a beneficiary of a perpetual trust. Under the terms of the trust, the Organization is designated to receive 2.5% of the annual income of the trust with no corresponding transfer of trust assets. The Organization received trust income, the use of which is without donor restrictions, of $33,750 in 2019 and $40,000 in 2018.

At the time the Organization was notified of the trust, its share of the fair value of the trust assets was $538,080 and was reflected in the statements of activities as a permanently restricted contribution. Changes in the fair value of the Organization's interest in the trust assets are reflected as unrealized gains or losses in the statements of activities in the year in which they take place. The gain on this trust amounted to $12,322 and $19,323 for the years ended June 30, 2019 and 2018, respectively. The Organization's share in the trust had a value of $876,249 and $863,927 at June 30, 2019 and 2018, respectively.

NOTE 20 HALL FAMILY FOUNDATION GIFT

In 2005, the Hall Family Foundation pledged $500,000 to the Greater Kansas City Community Foundation, with the Organization named as a conditional beneficiary of the fund's earnings. The Organization is eligible to receive a portion of the earnings on the investment equal to 5% for supplemental funding of its rent expense as long as it is headquartered in downtown Kansas City, Missouri. In 2019 and 2018, the Organization received $23,261 and $23,430, respectively, which is included as contributions and grants revenue.

NOTE 21 CONTINGENCIES

Prior to 2019, the Organization has incurred decreases in net assets without donor restrictions and has experienced negative cash flows from operations. In response to this trend, Management has secured funding from the S.D. Bechtel, Jr. Foundation to support the hiring of a full development team consisting of fundraising professionals; all of the positions have already been filled. This strategy is in line with the Organization's five year business plan, and is expected to produce more sustainable, recurring revenue which will result in an increase in net assets without donor restrictions for fiscal year 2020 and on into the future.

The Organization's investment portfolio is subject to significant fluctuations in its value. Because the values of individual investments fluctuate with market conditions, the amount of investment gains or losses that the Organization will recognize in its future financial statements, if any, cannot be determined.

The Organization has legal actions that arise in the ordinary course of business and are now pending against the Organization. It is the opinion of management, after reviewing such actions with counsel that the outcome of any lawsuit or claim which is pending should either be covered by insurance, or would not result in a material settlement.

NOTE 22 CONTRACTUAL SERVICES

The Foundation has contracted with service providers, engaging in a co-employment relationship with the Organization. The service providers administer personnel management services relative to the Organization's employees including payment of salaries, wages, payroll taxes, employee benefits, and procurement of workers' compensation insurance. This agreement shall remain in force until either the service providers or the Organization terminate the agreement by giving 30 days prior written notice. The Organization is required to pay service fees based on a percentage of gross salaries, which cover services rendered to each employee. The service provider's service fee percentage may be adjusted annually. The Organization paid $2,065,446 and $1,686,493 to the service providers for the years ended June 30, 2019 and 2018, respectively, for salaries and payroll related costs. In addition, the Organization paid $23,903 and $26,227 to service providers for the years ended June 30, 2019 and 2018, respectively, for service fees.

NOTE 23 RECLASSIFICATIONS

Certain reclassifications of prior year amounts have been made to conform to the presentation adopted for 2019 related to Note 2 Changes in Accounting Principle. These reclassifications had no effect on previously reported change in net assets or total net assets.

NOTE 24 SUBSEQUENT EVENTS

Management evaluated subsequent events through October 2, 2019, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2019, but prior to October 2, 2019, that provided additional evidence about conditions that existed at June 30, 2019, have been recognized in the 2019 financial statements.