

**RESTART, INC. AND AFFILIATES**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**Year Ended December 31, 2020**  
**with**  
**Independent Auditors' Report**

**RESTART, INC. AND AFFILIATES**  
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

CONTENTS

	<u>Page</u>
Independent Auditors' Report .....	1 – 2
Financial Statements:	
Consolidated Statement of Financial Position .....	3 – 4
Consolidated Statement of Activities.....	5
Consolidated Statement of Functional Expenses .....	6
Consolidated Statement of Cash Flows .....	7 – 8
Notes to the Consolidated Financial Statements.....	9 – 22
Supplementary Information:	
Consolidating Statement of Financial Position.....	23 – 24
Consolidating Statement of Activities .....	25



# Keller & Owens, LLC

*Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**reStart, Inc. and Affiliates**

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of **reStart, Inc. and Affiliates**, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **reStart, Inc. and Affiliates** as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

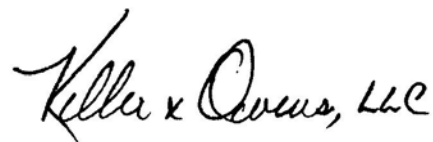
As discussed in Note 2 to the consolidated financial statements, in 2020, **reStart, Inc. and Affiliates** adopted Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

### **Report on Summarized Comparative Information**

We have previously audited **reStart, Inc. and Affiliates'** 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### *Other Matters*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "Keller & Owens, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas  
August 3, 2021

## RESTART, INC. AND AFFILIATES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2020

(with comparative totals as of December 31, 2019)

#### ASSETS

	2020	2019
Cash and Cash Equivalents	\$ 162,994	\$ 4,879
Restricted Cash	37,289	70,288
Investments, at fair value	9,887	5,794
Promises to Give, net	375,305	79,726
Government Grants Receivable	361,780	396,418
Other Receivables	5,495	1,496
Prepaid Expenses and Other	41,809	19,927
Cash Restricted for Long-Term Purposes	498,151	24,442
Right-of-use assets:		
Financing lease, net	36,186	-
Operating lease, net	44,937	-
Total right-of-use assets	81,123	-
Property and Equipment:		
Land	380,525	380,525
Building and improvements	13,485,786	13,485,786
Leasehold improvements	226,508	104,636
Furniture, fixtures, and equipment	381,349	381,349
Vehicles	77,995	77,995
	14,552,163	14,430,291
Less accumulated depreciation	(6,823,271)	(6,230,854)
Property and Equipment, net	7,728,892	8,199,437
Total Assets	\$ 9,302,725	\$ 8,802,407

*See accompanying notes*

## RESTART, INC. AND AFFILIATES

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

December 31, 2020

(with comparative totals as of December 31, 2019)

#### LIABILITIES AND NET ASSETS

	2020	2019
Liabilities:		
Accounts payable	\$ 123,491	\$ 502,246
Accrued liabilities	171,554	156,654
Deferred revenue	2,027	102,885
Notes payable	-	302,777
 Lease liabilities:		
Financing	39,879	-
Operating	44,639	-
Total lease liabilities	84,518	-
 Long-term debt	2,788,113	2,579,518
 Total Liabilities	3,169,703	3,644,080
 Net Assets:		
Without donor restrictions:		
Undesignated	279,775	(1,210,816)
Right-of-use assets and property and equipment, net of related debt	4,937,384	5,619,919
Total without donor restrictions	5,217,159	4,409,103
With donor restrictions	915,863	749,224
Total Net Assets	6,133,022	5,158,327
 Total Liabilities and Net Assets	\$ 9,302,725	\$ 8,802,407

*See accompanying notes*

## RESTART, INC. AND AFFILIATES

### CONSOLIDATED STATEMENT OF ACTIVITIES Year Ended December 31, 2020

(With comparative totals for the year ended December 31, 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Support and Revenue:</b>				
Contributions	\$ 1,469,851	\$ 337,986	\$ 1,807,837	\$ 1,304,384
In-kind contributions	296,994	-	296,994	85,267
Government grants	5,468,352	-	5,468,352	4,136,106
<b>Special events:</b>				
Gross revenue	23,522	-	23,522	11,648
Less: cost of direct benefits to donors	-	-	-	(5,910)
Special events, net	23,522	-	23,522	5,738
Program revenues	601,323	-	601,323	705,475
Rent revenue	146,272	-	146,272	176,269
Other	30,685	-	30,685	67,769
Cell tower sale	-	-	-	280,000
Net assets released from restrictions	171,347	(171,347)	-	-
<b>Total Support and Revenue</b>	<b>8,208,346</b>	<b>166,639</b>	<b>8,374,985</b>	<b>6,761,008</b>
<b>Expenses:</b>				
<b>Program services:</b>				
Shelter services	1,968,648	-	1,968,648	2,102,397
Youth and family services	1,529,385	-	1,529,385	1,815,701
Permanent housing services	1,797,240	-	1,797,240	1,464,156
Veteran services	1,228,770	-	1,228,770	998,943
Incorporated HUD projects	274,504	-	274,504	277,797
Total program services	6,798,547	-	6,798,547	6,658,994
<b>Supporting services:</b>				
Management and general	281,663	-	281,663	368,438
Fundraising and development	320,080	-	320,080	366,241
Total supporting services	601,743	-	601,743	734,679
<b>Total Expenses</b>	<b>7,400,290</b>	<b>-</b>	<b>7,400,290</b>	<b>7,393,673</b>
Change in Net Assets	808,056	166,639	974,695	(632,665)
Net Assets, Beginning of Year	4,409,103	749,224	5,158,327	5,790,992
Net Assets, End of Year	<u>\$ 5,217,159</u>	<u>\$ 915,863</u>	<u>\$ 6,133,022</u>	<u>\$ 5,158,327</u>

*See accompanying notes*

## RESTART, INC. AND AFFILIATES

### CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES Year Ended December 31, 2020

(With comparative totals for the year ended December 31, 2019)

	2020									2019 Total
	Program Services					Supporting Services				
	Shelter Services	Youth and Family Services	Permanent Housing Services	Veteran Services	Incorporated HUD Projects	Total Program Services	Management and General	Fundraising and Development	Total	
Salaries, wages, and benefits	\$ 1,162,177	\$ 1,083,822	\$ 602,747	\$ 440,648	\$ 50,541	\$ 3,339,935	\$ 124,414	\$ 185,783	\$ 3,650,132	\$ 3,602,994
Contract services	13,721	14,427	17,646	4,824	63,613	114,231	11,569	6,043	131,843	297,716
Physical plant and rents	213,661	134,495	767,719	36,640	45,839	1,198,354	30,812	38,003	1,267,169	1,349,580
Insurance	14,720	14,720	22,762	11,040	15,461	78,703	5,179	5,179	89,061	106,736
Equipment	12,483	6,506	3,900	2,911	-	25,800	3,934	-	29,734	35,763
Interest	29,089	11,778	8,050	23,318	-	72,235	67,446	6,000	145,681	164,532
Travel and meetings	6,107	508	6,413	6,986	-	20,014	600	-	20,614	42,226
Depreciation and amortization	262,187	147,933	17,739	36,615	86,208	550,682	29,564	17,739	597,985	618,389
Supplies	44,322	37,138	9,290	16,546	7,212	114,508	4,545	17,888	136,941	78,131
Client assistance	200,035	62,617	326,323	643,595	-	1,232,570	-	-	1,232,570	1,035,145
Cost of events	-	-	-	-	-	-	-	-	-	5,910
Miscellaneous	10,146	15,441	14,651	5,647	5,630	51,515	3,600	43,445	98,560	62,461
<b>Total expenses by function</b>	<b>1,968,648</b>	<b>1,529,385</b>	<b>1,797,240</b>	<b>1,228,770</b>	<b>274,504</b>	<b>6,798,547</b>	<b>281,663</b>	<b>320,080</b>	<b>7,400,290</b>	<b>7,399,583</b>
Less: expenses included with revenues on the statement of activities										
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	(5,910)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 1,968,648</b>	<b>\$ 1,529,385</b>	<b>\$ 1,797,240</b>	<b>\$ 1,228,770</b>	<b>\$ 274,504</b>	<b>\$ 6,798,547</b>	<b>\$ 281,663</b>	<b>\$ 320,080</b>	<b>\$ 7,400,290</b>	<b>\$ 7,393,673</b>

*See accompanying notes*



## RESTART, INC. AND AFFILIATES

### CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

(With comparative totals for the year ended December 31, 2019)

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 974,695	\$ (632,665)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization expense	597,985	618,389
Gain on disposition of property and equipment	-	(8,641)
Gain on forgiveness of notes payable	(76,154)	-
Paycheck Protection Program grant proceeds received	706,000	-
Paycheck Protection Program forgiveness	(706,000)	-
In-kind donation of stock	(9,980)	(5,808)
Noncash lease expense on operating lease	(298)	-
In-kind donation of forgiven notes payable	-	(8,500)
(Increase) decrease in:		
Promises to give	(295,579)	202,797
Government grants receivable	34,638	(186,626)
Other receivables	(3,999)	1,614
Prepaid expenses and other	(21,882)	7,554
Increase (decrease) in:		
Bank overdraft	-	(149,143)
Accounts payable	(378,755)	312,474
Accrued liabilities	14,900	(1,724)
Deferred revenue	(100,858)	92,272
	734,713	241,993
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities:		
Proceeds from sales of investments	5,887	69
Purchases of property and equipment	(121,873)	(41,357)
Proceeds on disposition of property and equipment	-	8,641
	(115,986)	(32,647)
Net Cash Used by Investing Activities		

*See accompanying notes*

## RESTART, INC. AND AFFILIATES

### CONSOLIDATED STATEMENT OF CASH FLOWS (continued) Year Ended December 31, 2020

(With comparative totals for the year ended December 31, 2019)

	2020	2019
Cash Flows from Financing Activities:		
Proceeds from borrowings on line of credit	-	523,759
Repayments from borrowings on line of credit	-	(534,309)
Proceeds from borrowings on notes payable	9,654	68,500
Repayments of notes payable	(236,277)	(199,833)
Repayments on lease liability	(1,874)	-
Proceeds from borrowings on long-term debt	300,000	-
Repayments of borrowings on long-term debt	(91,405)	(77,521)
Net Cash Used by Financing Activities	(19,902)	(219,404)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	598,825	(10,058)
Cash, Cash Equivalents, and Restricted Cash Beginning of Year	99,609	109,667
Cash, Cash Equivalents, and Restricted Cash End of Year	\$ 698,434	\$ 99,609

#### SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest Paid on Long-term Debt	\$ 145,247	\$ 164,532
Interest Paid on Lease Liability - Financing	\$ 434	\$ -

#### NONCASH INVESTING AND FINANCING ACTIVITIES

Vehicle Purchased with Financing Lease	\$ 41,753	\$ -
Financing of Trade Payables with Notes Payable	\$ -	\$ 51,028

*See accompanying notes*

# RESTART, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### 1. NATURE OF THE ORGANIZATION

**reStart, Inc.** (“reStart”) grew out of an overnight emergency shelter established in 1981 in downtown Kansas City. Incorporated as a nonprofit in 1984, reStart has evolved and expanded over 37 years of service to become a community leader advocating and modeling best practices for ending homelessness. reStart is dedicated to advocating for the homeless families, youth, and adults served, and addressing the underlying causes of chronic and generational homelessness. reStart is the only homeless agency in Kansas City serving all populations – single adults, traditional and nontraditional families, unaccompanied youth, youth who have aged out of foster care, veterans, individuals identifying as LGBTQ, persons living with HIV/AIDS, former offenders, and individuals recently released from psychiatric hospitalization.

reStart provides a full continuum of care from emergency shelter to transitional and permanent housing for all members of the community. reStart is a member of the Homeless Services Coalition of Greater Kansas City and the Kansas City Continuum of Care. reStart also works with private and government organizations to ensure that homeless individuals and families have access to the services they need and for which they are eligible, as well as avoid unnecessary duplication of services.

**reStart Accessible Housing, Inc.** (“RAH”) – During 2015, reStart was approached by the owner board of a U.S. Department of Housing and Urban Development (“HUD”) supportive housing project in Independence, Missouri, Gateway Accessible Housing IV, Inc. (“GAH”), requesting reStart assume project sponsorship. The project has 18 units of fully-accessible housing for individuals meeting low-income requirements. The change in sponsor was approved by both the reStart and the GAH boards in 2015. On November 30, 2016 final approval was received by HUD, and the operations of GAH have been consolidated from that date. In April 2017, there was an amendment to the articles of incorporation to change the name to reStart Accessible Housing, Inc.

**reStart Housing Services, Inc.** (“RHS”) – HUD granted a \$2,147,500 award to build and operate 14 units of permanent supportive housing for young adults who have aged out of the foster care system and have a disability. A separate 501(c)(3) was established, and the facility began operations in 2015.

**Principles of Consolidation** – The consolidated financial statements include the accounts of reStart, RAH, and RHS, collectively referred to as the Organization. reStart’s board appoints and approves board members to RHS and RAH, and the president and chief executive officer of reStart is the president of both RHS and RAH. Accordingly, the accounts of RHS and RAH have been consolidated. All significant intra-entity transactions and accounts have been eliminated.

# RESTART, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### 1. NATURE OF THE ORGANIZATION (continued)

**Current Programs and Services** – reStart operates seven separate facilities and offers the following programs and services:

#### **Shelter Services**

*Adult Emergency Shelter* – provides shelter in emergency situations for single adults. reStart provides basic necessities such as meals, hygiene items, and clothing as well as comprehensive wrap-around supportive services including mental health screenings, onsite counseling, substance abuse counseling, health education workshops, screenings, and domestic violence support, among many other services provided.

*Employment Assistance* – provides current and past clients with onsite employment opportunities as well as assistance with resume writing and interviewing to work towards gaining outside employment. Life skills classes, monthly budgeting classes, and a financial literacy program for youth and young adults are some of the many resources provided.

*Mental Health Services* – provide mental health screenings, assessments, therapy and referrals to all clients at reStart.

*Housing Solutions* – focuses on placing newly homeless and chronically homeless individuals and families into permanent housing via direct assistance with rent and utilities as well as Shelter Plus Care referrals which help connect homeless persons with disabilities to permanent housing with supportive services.

*Street Outreach* – provides services to connect the street homeless with services and support.

#### **Youth and Family Services**

*Youth Network* – includes Youth Emergency Shelter, Youth Transitional Living, Maternity Group Home, a 24-hour hotline, and Youth Street Outreach Services.

*Family Shelter* – provides for immediate needs of families and offers a wide range of the same supportive services offered to singles.

*Substance Abuse Counseling* – works with individuals and families battling drug or alcohol addiction and provides substance abuse prevention and education to youth at reStart.

# RESTART, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### 1. NATURE OF THE ORGANIZATION (continued)

#### Permanent Housing Services

*Adult Transitional Living* – provides supportive, longer-term housing for single adults as they work with staff to seek permanent housing. Staff provide advocacy, guidance and resources to stabilize these individuals and help them develop the necessary tools to move toward self-sufficiency.

*Permanent Housing* – provides scattered-site permanent housing for chronically homeless and disabled individuals and families. Staff provide resources, substance abuse counseling, life skills coaching, assistance with increasing income, and assistance in applying for benefits, connections to mental and physical health providers, and group activities to bolster social skills.

*Rapid Rehousing* – provides housing case management and services for homeless individuals to move them from the shelter or street directly into housing. Clients receive case management, rental and utility assistance payments, goal setting and planning, employment coaching, and life skills assessments. Coaching, long-term housing stability, planning, assistance with household income, and goal setting training are also provided. This program serves Kansas City’s homeless families, single adults, and youth.

#### Veteran Services

*Veterans and Families* – provides housing and outreach, case management, and other supporting services to help low-income veterans and their families access Veteran’s Administration benefits, mental health services, substance abuse treatment, and employment assistance. Vocational and rehabilitation counseling, income support services, legal services, temporary financial assistance, and housing retention are also provided.

*Health Care for Homeless Vets* – provides veterans with residence in the Adult Shelter and they receive the same counseling services, meals, and stable housing.

# RESTART, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** – The Organization prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Cash, Cash Equivalents, and Restricted Cash** – For purposes of the consolidated statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

**Comparative Financial Information** – The consolidated financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s 2019 consolidated financial statements from which the summarized information was derived.

**Concentrations of Credit Risk** – The Organization maintains its cash in bank accounts in amounts that may exceed federally insured limits at times. The Organization has not experienced any losses in these accounts in the past, and management believes the Organization is not exposed to significant credit risks as it periodically evaluates the strength of the financial institutions in which it deposits funds. At December 31, 2020, the Organization had approximately \$443,000 in deposits that exceeded federally-insured limits.

**Donated Services and Materials** – Donated services and materials are reflected as contributions at their estimated fair values at date of donation. Volunteer services do not meet the criteria for recognition under generally accepted accounting principles and thus are not reflected in the accompanying consolidated financial statements.

**Estimates** – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

# RESTART, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages, and benefits; contract services; physical plant and rents; interest; and depreciation, which are allocated on the basis of estimates of time and effort.

**Government Grants Receivable** – Government grants receivable consists of amounts due from government grant agencies and is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. There was no allowance at December 31, 2020 or 2019.

**Income Taxes** – reStart, RAS, and RHS are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state law, and contributions are tax deductible within the limitations prescribed by the Code. reStart, RAS, and RHS have been classified as publicly supported organizations that are not private foundations under Section 509(a) of the Code. Among other things, reStart, RAS, and RHS are exempt from income tax (except on unrelated business income), FUTA, and state and local real estate taxes.

In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740-10-25, *Accounting for Uncertainty in Income Taxes*, the Organization’s policy is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not that the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2020 and 2019, and accordingly, no liability has been accrued.

# RESTART, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Net Assets** – Net assets, revenue, 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. They also include any designations by the governing board. There were no board-designated net assets at December 31, 2020 or 2019.

*Net assets with donor restrictions* – Net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization 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 consolidated statement of activities as net assets released from restrictions.

**Promises to Give** – Unconditional promises to give in future periods are recognized as support in the period the promises are received. Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, less an allowance for uncollectible promises. The discounts on those amounts are computed using risk-free interest rates applicable to the year in which the promise is received. In subsequent years, amortization of the discounts is included in contribution revenue in the consolidated statement of activities.

Management provides an allowance for unconditional promises to give, which is based upon a review of outstanding amounts, historical collection, and existing economic conditions. Management writes off promises to give when it determines they will not be collected. There was no allowance at December 31, 2020 or 2019.



# RESTART, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Property and Equipment** – Purchased property and equipment is stated at cost. Donated property and equipment is recorded at fair value on the date of donation. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	40 years
Building improvements	5 – 20 years
Leasehold improvements	Length of lease
Furniture, fixtures, and equipment	3 – 5 years
Vehicles	5 years

Depreciation amounted to \$592,418 and \$618,389 for the years ended December 31, 2020 and 2019, respectively.

**Recently Issued Accounting Pronouncements** – Effective January 1, 2020, the Organization adopted the new lease accounting guidance in FASB Accounting Standards Update (“ASU”) *2016-02 Leases (Topic 842)* using the modified retrospective transition approach and electing the effective date option. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments as of December 31, 2019 would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2020, (a) a lease liability of \$72,044, which represents the present value of the remaining lease payments of \$79,200, discounted using the Organization’s incremental borrowing rate of 8.00% and (b) a right-of-use asset of \$72,044, which represents the lease liability. There was no cumulative effect adjustment to the opening balance of net assets as of January 1, 2020.

**Reclassifications** – Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

# RESTART, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Revenue Recognition** – The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest 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 substantially met. Government grant revenues are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At December 31, 2020, conditional promises to give totaling \$175,000, have not been recognized in the accompanying consolidated financial statements.

Program revenues are recognized at the points in time when the underlying services occur. Rental revenues are recognized in the period for which the underlying rental payment applies.

**Subsequent Events** – Management has evaluated events and transactions that have occurred since December 31, 2020 and reflected their effects, if any, in these consolidated financial statements through August 3, 2021, the date the consolidated financial statements were available to be issued.

### 3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Organization’s financial assets available for general expenditures within one year as of December 31:

	<u>2020</u>	<u>2019</u>
Cash, cash equivalents, and restricted cash	\$ 698,434	\$ 99,609
Investments	9,887	5,794
Promises to give	375,305	79,726
Government grants receivable	361,780	396,418
Other receivables	<u>5,495</u>	<u>1,496</u>
Total financial assets at year-end	1,450,901	583,043
Less: cash restricted by HUD regulatory agreements	(37,289)	(70,288)
Less: promises to give due in more than one year	-	(10,000)
Less: donor restrictions for specific programs	(42,406)	(160,000)
Less: donor restrictions for long-term purposes	<u>(498,151)</u>	<u>(509,498)</u>
Total Financial Assets Available for General Expenditures within One Year	<u>\$ 873,055</u>	<u>\$ (166,743)</u>

At December 31, 2020, the Organization collected sufficient revenue to cover general expenditures not covered by donor-restricted sources and is continually evaluating its programs to ensure they have the funds necessary to operate effectively. The consolidated statement of cash flows identifies the sources and uses of the Organization’s cash and shows positive cash generated by operations.

# RESTART, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### 4. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statement of financial position that sum to the total of the same such amounts shown in the consolidated statement of cash flows at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 162,994	\$ 4,879
Restricted cash	37,289	70,288
Cash restricted for long-term purposes	<u>498,151</u>	<u>24,442</u>
 Total Cash, Cash Equivalents, and Restricted Cash	 <u>\$ 698,434</u>	 <u>\$ 99,609</u>

Restricted cash consists primarily of (a) deposit amounts restricted in accordance with HUD regulatory agreements with RAH and RHS and (b) amounts restricted for long-term purposes including renovations of facilities.

### 5. PROMISES TO GIVE

Unconditional promises to give consisted of the following at December 31:

Due in less than one year	\$ 375,305	\$ 69,726
Due in one to five years	<u>-</u>	<u>10,000</u>
 Total Promises to Give, net	 <u>\$ 375,305</u>	 <u>\$ 79,726</u>

### 6. NOTES PAYABLE

Notes payable consisted of payment plans with various vendors, short-term business loans, and loans with related parties. As of December 31, 2020, all notes payable were either paid off or forgiven.

## RESTART, INC. AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

#### 7. LEASE COMMITMENTS

The Organization has a financing lease for a vehicle expiring March 20, 2023. At the end of the lease, the Organization has an option to purchase the vehicle at its guaranteed residual value of \$28,141.

The Organization also has an operating lease for office space expiring June 30, 2022.

Lease expense for 2020 and 2019 is as follows:

	2020	2019
Finance lease expense:		
Amortization of right-of-use asset	\$ 5,567	\$ -
Interest on lease liability	434	-
Operating lease expense	31,382	24,120
Total	\$ 37,383	\$24,120

Other lease information for 2020 is as follows:

Cash paid for amounts included in the measurement of lease liabilities for:	
Finance lease:	
Operating cash flows	\$ 434
Financing cash flows	1,874
Operating lease:	
Operating cash flows	31,680
Right-of-use assets obtained in exchange for lease liabilities:	
Finance lease	41,753
Operating lease	84,809
Weighed-average remaining lease term (in years):	
Finance lease	2.25
Operating lease	1.50
Weighed-average discount rate:	
Finance lease	4.26%
Operating lease	8.00%

# RESTART, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### 7. LEASE COMMITMENTS (continued)

The following is a maturity analysis of the annual, undiscounted cash flows of the financing and operating lease liabilities as of December 31, 2020:

	Financing	Operating
2021	\$ 6,924	\$ 31,680
2022	6,924	15,840
2023	1,154	-
	15,002	47,520
Add: guaranteed residual value	28,141	-
Less: present value discount	(3,264)	(2,881)
Total lease liability	\$ 39,879	\$ 44,639

### 8. LONG-TERM DEBT

Long-term debt consists of a 6.0% fixed rate loan with monthly principal and interest payments of \$5,012. The debt matures on June 26, 2023, upon which a balloon payment will be due. The loan is collateralized by the Organization's assets. At December 31, 2020, the balance of the loan was \$433,155.

Long-term debt also includes a \$2,252,500 term loan with a fixed interest rate of 4.7% and monthly principal and interest payments of \$14,582 until March 31, 2028, upon which a balloon payment will be due. The loan is collateralized by real estate and other assets of the Organization. At December 31, 2020, the balance of the loan was \$2,054,958.

On March 6, 2020, reStart entered into a \$300,000 promissory note with a party related to a board member. The note has a fixed interest rate of 8.00% and requires monthly interest-only payments of \$2,000 for the first two years beginning April 10, 2020. Starting April 10, 2022, monthly principal and interest payments of \$3,640 over ten years are required through maturity on March 10, 2032. A pre-payment penalty exists if the note is paid back on or before March 6, 2023. At December 31, 2020, the balance of the related party loan was \$300,000.

Future maturities of long-term debt are as follows:

2021	\$ 114,868
2022	135,966
2023	470,990
2024	115,313
2025	121,916
Thereafter	1,829,060
Total	\$ 2,788,113

## RESTART, INC. AND AFFILIATES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

#### 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	<u>2020</u>	<u>2019</u>
Time restrictions:		
Promise to give	\$ 375,306	\$ 79,726
Purpose-restrictions – long-term purposes:		
Renovation of facilities	498,151	502,920
Pre-development phase of capital campaign	-	6,578
Purpose-restrictions – other purposes:		
Youth street outreach	-	150,000
Youth-related operations in Johnson County, KS	-	10,000
Economic mobility	2,406	-
Adult emergency shelter	25,000	-
Family emergency shelter	<u>15,000</u>	<u>-</u>
Total Net Assets With Donor Restrictions	<u>\$ 915,863</u>	<u>\$ 749,224</u>

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

Time restrictions:		
Expiration of time restrictions	\$ -	\$ 202,797
Purpose-restrictions – long-term purposes:		
Pre-development phase of capital campaign	6,578	29,880
Purpose-restrictions – other purposes:		
Renovation of facilities	4,769	-
Youth street outreach	150,000	-
Youth-related operations in Johnson County, KS	<u>10,000</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>\$ 171,347</u>	<u>\$ 232,677</u>

# RESTART, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### 10. FEDERAL HOME LOAN GRANT

Federal Home Loan Bank of Chicago, IFF, and reStart entered into an Affordable Housing Program Agreement, effective December 21, 2012. The entire loan grant of \$700,000 was incurred in 2013. The funds were advanced to reStart in 2014. This loan grant does not have an interest requirement or repayment terms, and will be forgiven in 15 years if all Federal Home Loan Bank System conditions are met. Those conditions include maintaining 90 units of low-income housing. Management believes the probability of reStart failing to meet these requirements to be remote. Accordingly, the loan grant was recognized as grant revenue as the funds were expended, and no liability is recorded on the consolidated statement of financial position.

### 11. CELL TOWER SALE

On June 19, 2019, reStart entered into an agreement to sell an easement to the land owned by reStart upon which a cell tower site exists. The acquirer agreed to pay reStart \$280,000 in exchange for the right to use the cell tower site and receive current rents and certain future rents, for a period of 50 years, expiring July 31, 2030.

### 12. PAYCHECK PROTECTION PROGRAM

On April 15, 2020, reStart was approved for a \$706,000 Paycheck Protection Program (“PPP”) loan from a financial institution under the CARES Act, at a fixed interest rate of 1.00%. The agreement called for equal monthly payments of principal and interest beginning November 15, 2020 through April 15, 2022. The entire loan was forgiven on December 21, 2020 and is recorded in government grants revenue on the 2020 consolidated statement of activities in accordance with FASB ASC 958-605.

### 13. RISKS AND UNCERTAINTIES

The COVID-19 outbreak is causing serious health and financial risks globally. In addition, this crisis has the potential to negatively affect the Organization by disrupting operations, reducing the ability to access capital, reducing customer traffic to a variety of program functions, reducing contributions due to financial uncertainties, disrupting supply chains, and reducing collectibility of certain receivables. Additionally, the Organization is dependent upon grants from federal, state, and local government agencies, which are not guaranteed and subject to budget cuts by the respective governing authorities. While management is considering the current and future effects of the pandemic on the Organization, an estimate of any negative impacts and the means of mitigation are not known at this time.

# RESTART, INC. AND AFFILIATES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020

### 14. NEW ACCOUNTING PRONOUNCEMENTS

#### *ASU 2016-13, Financial Instruments – Credit Losses*

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard requires application of the current expected credit loss (“CECL”) methodology for the measurement of credit losses on financial assets measured at amortized cost. The CECL methodology replaces the previous incurred loss methodology. It also modifies the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis. This standard is effective for annual reporting periods beginning after December 15, 2020. The standard is applied on a modified retrospective approach.

In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which deferred the effective date of the new CECL standard. The new standard is effective for fiscal years beginning after December 15, 2022.

#### *ASU 2020-07, Not-for-Profit Entities*

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments in this ASU are to be applied on a retrospective basis. The amendments should be applied for fiscal years beginning after June 15, 2021. Early adoption is permitted.

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



**SUPPLEMENTARY INFORMATION**

## RESTART, INC. AND AFFILIATES

### CONSOLIDATING STATEMENT OF FINANCIAL POSITION December 31, 2020

	reStart, Inc.	reStart Accessible Housing, Inc.	reStart Housing Services, Inc.	Eliminations	Consolidated Total
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 151,488	\$ 8,319	\$ 3,187	\$ -	\$ 162,994
Restricted Cash	-	13,952	23,337	-	37,289
Investments, at fair value	9,887	-	-	-	9,887
Promises to Give, net	375,305	-	-	-	375,305
Government Grants Receivable	361,780	-	-	-	361,780
Other Receivables	-	4,608	887	-	5,495
Prepaid Expenses and Other	39,821	1,988	-	-	41,809
Cash Restricted for Long-Term Purposes	498,151	-	-	-	498,151
Right-of-Use Assets:					
Financing lease, net	36,186	-	-	-	36,186
Operating lease, net	44,937	-	-	-	44,937
Total Right-of-Use Assets	81,123	-	-	-	81,123
Property and Equipment:					
Land	34,525	196,000	150,000	-	380,525
Building and improvements	10,298,051	1,152,253	2,035,482	-	13,485,786
Leasehold improvements	226,508	-	-	-	226,508
Furniture, fixtures, and equipment	342,262	-	39,087	-	381,349
Vehicles	77,995	-	-	-	77,995
	10,979,341	1,348,253	2,224,569	-	14,552,163
Less accumulated depreciation	(5,965,888)	(554,742)	(302,641)	-	(6,823,271)
Property and Equipment, net	5,013,453	793,511	1,921,928	-	7,728,892
 Total Assets	 \$ 6,531,008	 \$ 822,378	 \$ 1,949,339	 \$ -	 \$ 9,302,725

## RESTART, INC. AND AFFILIATES

### CONSOLIDATING STATEMENT OF FINANCIAL POSITION December 31, 2020

	reStart, Inc.	reStart Accessible Housing, Inc.	reStart Housing Services, Inc.	Eliminations	Consolidated Total
<u>LIABILITIES AND NET ASSETS</u>					
Liabilities:					
Accounts payable	\$ 89,222	\$ 13,934	\$ 20,335	\$ -	\$ 123,491
Accrued liabilities	163,946	3,925	3,683	-	171,554
Deferred revenue	-	524	1,503	-	2,027
Lease liabilities:					
Financing	39,879	-	-	-	39,879
Operating	44,639	-	-	-	44,639
Total lease liabilities	84,518	-	-	-	84,518
Long-term debt	2,788,113	-	-	-	2,788,113
Total Liabilities	3,125,799	18,383	25,521	-	3,169,703
Net Assets:					
Without donor restrictions:					
Undesignated	267,401	10,484	1,890	-	279,775
Right-of-use assets and property and equipment, net of related debt	2,221,945	793,511	1,921,928	-	4,937,384
Total without donor restrictions	2,489,346	803,995	1,923,818	-	5,217,159
With donor restrictions	915,863	-	-	-	915,863
Total Net Assets	3,405,209	803,995	1,923,818	-	6,133,022
Total Liabilities and Net Assets	\$ 6,531,008	\$ 822,378	\$ 1,949,339	\$ -	\$ 9,302,725

## RESTART, INC. AND AFFILIATES

### CONSOLIDATING STATEMENT OF ACTIVITIES Year Ended December 31, 2020

	<u>reStart, Inc.</u>	<u>reStart Accessible Housing, Inc.</u>	<u>reStart Housing Services, Inc.</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>Support and Revenue:</b>					
Contributions	\$ 1,807,837	\$ -	\$ -	\$ -	\$ 1,807,837
In-kind contributions	296,994	-	-	-	296,994
Government grants	5,468,352	-	-	-	5,468,352
<b>Special events:</b>					
Gross revenue	<u>23,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,522</u>
Program revenues	601,323	-	-	-	601,323
Rent revenue	-	71,951	74,321	-	146,272
Other	<u>29,346</u>	<u>25</u>	<u>1,314</u>	<u>-</u>	<u>30,685</u>
<b>Total Support and Revenue</b>	<b>8,227,374</b>	<b>71,976</b>	<b>75,635</b>	<b>-</b>	<b>8,374,985</b>
<b>Expenses:</b>					
Salaries, wages, and benefits	3,599,591	15,183	35,358	-	3,650,132
Contract services	68,230	46,040	17,573	-	131,843
Physical plant and rents	1,221,330	19,455	26,384	-	1,267,169
Insurance	73,600	8,934	6,527	-	89,061
Equipment	29,734	-	-	-	29,734
Interest	145,681	-	-	-	145,681
Travel and meetings	20,614	-	-	-	20,614
Depreciation and amortization	511,777	28,806	57,402	-	597,985
Supplies	129,729	1,434	5,778	-	136,941
Client assistance	1,232,570	-	-	-	1,232,570
Miscellaneous	<u>92,930</u>	<u>3,317</u>	<u>2,313</u>	<u>-</u>	<u>98,560</u>
<b>Total Expenses</b>	<b><u>7,125,786</u></b>	<b><u>123,169</u></b>	<b><u>151,335</u></b>	<b><u>-</u></b>	<b><u>7,400,290</u></b>
Change in Net Assets	1,101,588	(51,193)	(75,700)	-	974,695
Net Assets, Beginning of Year	<u>2,303,621</u>	<u>855,188</u>	<u>1,999,518</u>	<u>-</u>	<u>5,158,327</u>
Net Assets, End of Year	<b><u>\$ 3,405,209</u></b>	<b><u>\$ 803,995</u></b>	<b><u>\$ 1,923,818</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,133,022</u></b>