

**KCK 501 MINNESOTA ALL, INC.
(A COMPONENT UNIT OF THE UNIFIED GOVERNMENT OF
WYANDOTTE COUNTY AND KANSAS CITY, KANSAS)**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

AND

INDEPENDENT AUDITOR'S REPORT



KCK 501 MINNESOTA ALL, INC.
(A COMPONENT UNIT OF THE UNIFIED GOVERNMENT OF
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FINANCIAL STATEMENTS

Year Ended December 31, 2021

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is available at the KCK ALL's office.*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
KCK 501 Minnesota ALL, Inc.
**(A Component Unit of the Unified Government of
Wyandotte County and Kansas City, Kansas)**

Opinions

We have audited the financial statements of the governmental activities and the general fund of KCK 501 Minnesota ALL, Inc. (KCK ALL), a component unit of the Unified Government of Wyandotte County and Kansas City, Kansas (Unified Government), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise KCK ALL's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of KCK ALL, as of December 31, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KCK ALL, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KCK ALL's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a

material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 KCK ALL's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KCK ALL's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Wichita, KS
June 27, 2022

REQUIRED SUPPLEMENTARY INFORMATION

**KCK 501 MINNESOTA ALL, INC.
(A COMPONENT UNIT OF THE UNIFIED GOVERNMENT OF
WYANDOTTE COUNTY AND KANSAS CITY, KANSAS)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This annual financial report of the KCK 501 Minnesota ALL, Inc. (KCK ALL) consists of two sections: Management's Discussion and Analysis and Basic Financial Statements. This section of the report presents management's discussion and analysis of the financial position and changes in financial position for the year ended December 31, 2021. This analysis should be read in conjunction with the independent auditor's report, audited governmental fund balance sheet and statement of net position, governmental fund revenues, expenditures and changes in fund balance and statement of activities, and accompanying notes.

KCK ALL was formed in May 2019 as a nonprofit support organization for the Unified Government for the purpose of financing a grocery store in Kansas City, Kansas with the proceeds of a New Markets Tax Credit (NMTC) transaction.

FINANCIAL HIGHLIGHTS

- At December 31, 2021, KCK ALL's total assets was \$5,120,335 which consisted of restricted cash of \$121,635 and a note receivable of \$4,998,700. The note receivable is set up as a leveraged loan between KCK ALL and a 3rd party investor related to the NMTC transaction.
- The main source of revenue consists of interest revenue of \$49,987 derived from the note receivable.
- KCK ALL incurred \$6,000 of expenses related to professional services for the year ended December 31, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

The *Governmental Fund Balance Sheet and Statement of Net Position* answers the question, "How is our financial health at the end of the year?" This statement includes all assets and liabilities of KCK ALL. The General Fund balance sheet uses the modified accrual basis of accounting and current resources measurement focus, and the Statement of Net Position uses the accrual basis of accounting and economic resources measurement focus. For the current period, there are no differences between these two bases of accounting. The resulting net position presented in the statement is displayed as restricted or unrestricted. Net position is restricted when its use is subject to external limits such as legal agreements or statutes. Net position falling outside this category is characterized as unrestricted. Over time, changes in net position may serve as a useful indicator of whether the financial position of KCK ALL is improving or deteriorating.

All of the current year's revenues and expenditures of KCK ALL are accounted for in the *Governmental Fund Revenues, Expenditures and Changes in Fund Balance and Statement of Activities*. This statement measures the activities of the KCK ALL's operations for the year ended December 31, 2021 and presents the excess of revenues over expenditures/expenses and change in fund balance/net position. The General Fund and Statement of Activities are presented using the two bases of accounting noted in the preceding paragraph. It can be used to determine whether KCK ALL has successfully recovered all of its costs through externally funded programs and other revenue sources. This statement helps answer the question, "Is KCK ALL as a whole better off or worse off as a result of the year's activities?"

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. *The Notes to the Financial Statements* follow the basic financial statements.

CONDENSED FINANCIAL INFORMATION

Statement of Net Position

The following table presents a condensed statement of net position at December 31, 2021 and 2020:

	2021	2020
Assets		
Restricted cash	\$ 121,635	\$ 71,648
Note receivable	4,998,700	4,998,700
Total assets	\$ 5,120,335	\$ 5,070,348
Liabilities		
Accounts payable	\$ 14,778	\$ 8,778
Total liabilities	14,778	8,778
Net position		
Restricted	5,105,557	5,061,570
Total net position	5,105,557	5,061,570
Total liabilities and net position	\$ 5,120,335	\$ 5,070,348

Statement of Activities

The following table presents a condensed statement of activities for the year ending December 31, 2021 and 2020:

	2021	2020
Revenues		
Interest	\$ 49,987	\$ 49,987
Total revenues	49,987	49,987
Expenses		
Professional services	6,000	8,778
Total expenses	6,000	8,778
Change in net position	43,987	41,209
Total net position, beginning of period	5,061,570	5,020,361
Total net position, end of period	\$ 5,105,557	\$ 5,061,570

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Assets, liabilities and changes in net position:

KCK ALL's net position ended with a balance of \$5,105,557 for the year ended December 31, 2021. The growth in net position resulted primarily from interest revenue related to the note receivable. See the Financial Highlights on page 3 for additional information.

CONTACTING KCK ALL'S FINANCIAL MANAGEMENT

This financial report is designed to provide stakeholders in KCK ALL with a general overview of the KCK ALL's finances and to show KCK ALL's accountability for the resources it receives, invests, and expends. If you have questions about this report, or need additional financial information, please contact Ms. Katherine Carttar, President, KCK 501 Minnesota ALL, Inc., 701 North 7th Street, Kansas City, Kansas 66101.

BASIC FINANCIAL STATEMENTS

**KCK 501 MINNESOTA ALL, INC.
(A COMPONENT UNIT OF THE UNIFIED GOVERNMENT OF
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**GOVERNMENTAL FUND BALANCE SHEET AND
STATEMENT OF NET POSITION**

December 31, 2021

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Restricted cash	\$ 121,635	\$ --	\$ 121,635
Note receivable	4,998,700	--	4,998,700
Total assets	\$ 5,120,335	\$ --	\$ 5,120,335
LIABILITIES			
Related party payable	\$ 14,778	\$ --	\$ 14,778
Total liabilities	14,778	--	14,778
FUND BALANCE / NET POSITION			
Fund balances:			
Restricted	5,105,557	(5,105,557)	--
Total fund balances	5,105,557	(5,105,557)	--
Total liabilities and fund balances	\$ 5,120,335		
Net position:			
Restricted			5,105,557
Total liabilities and net position			\$ 5,120,335

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

**KCK 501 MINNESOTA ALL, INC.
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GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

Year ended December 31, 2021

	General Fund	Adjustments	Statement of Activities
Interest revenue	\$ 49,987	\$ --	\$ 49,987
Total revenues	49,987	--	49,987
Expenses			
Professional fees	6,000	--	6,000
Total expenditures/expenses	6,000	--	6,000
Change in fund balance / net position	43,987	--	43,987
Fund balance / net position:			
Beginning of the year	5,061,570	--	5,061,570
End of the year	\$ 5,105,557	\$ --	\$ 5,105,557

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

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NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

KCK ALL was created as a public benefit corporation under Kansas Statutes Annotated Section 17-1759 *et seq.* and is intended to be a Type II supporting organization within the meaning of Section 509(a)(3) of the Internal Revenue Code of 1986, as amended, and Treasury Regulations Section 1.509(a)-4(f) that is operated in connection with the Unified Government. KCK ALL was created for the purpose of financing a grocery store in Kansas City, Kansas with the proceeds of a New Markets Tax Credit (NMTC) transaction. KCK ALL's activity consists of entering into certain loan documents with the NMTC parties in connection with the development of the grocery store as well as additional related agreements concerning the development and financing of the grocery store.

Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading. KCK ALL has been determined to be a blended component unit of the Unified Government. KCK ALL is financially accountable to the Unified Government, and the Unified Government exercises oversight responsibility on financial interdependency, selection of governing authority, and has the ability to significantly influence operations and accountability for fiscal matters, scope of public service, and special financing relationships. The Unified Government provides grant funding to facilitate the operation of KCK ALL through an initial grant funding agreement.

KCK ALL is primarily funded through interest payments received on the note receivable.

KCK ALL has no employees. All activities of KCK ALL are performed by Unified Government employees.

Basis of Accounting

For financial reporting purposes, KCK ALL presents combined government-wide and fund financial statements. The government-wide column is prepared using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred. Expenses are specifically associated with a service or program and are therefore identifiable to a particular function. Program revenues include grants restricted to meeting the requirements of the NMTC transaction; revenues not classified as program revenues are presented as general revenues.

The general fund column is prepared on a flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as they are both measurable and available to finance KCK ALL's current operations. "Measurable" means the amount of the transaction that can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, KCK ALL considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures are recorded when the related liability is both measurable and incurred.

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NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The reconciliation between the fund and the government-wide columns is included in the adjustments column.

Use of Estimates

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

Cash and Cash Equivalents

KCK ALL defines cash and cash equivalents to include all highly liquid investment instruments with original maturities of three months or less.

Revenue Recognition and Note Receivable

Grant revenue and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Interest due on note receivable payments is recognized when earned.

KCK ALL uses the reserve method of accounting for bad debts. Under this method, all uncollectible accounts are charged to the allowance account, and bad debt expense is determined by adjusting the balance in the allowance account to a reserve considered reasonable by management. As of December 31, 2021, it is estimated that the note receivable will be fully collectible.

Net Position

On the Statement of Net Position, equity is shown as net position and is classified as follows:

Restricted – includes net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

In the general fund, equity is shown as fund balance and is classified as follows:

Restricted – includes fund balance restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.

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NOTES TO THE FINANCIAL STATEMENTS

2. RESTRICTED CASH

As of December 31, 2021, KCK ALL had restricted cash balances of \$121,635 for NMTC transaction related costs.

Deposit and Investment Policies. KCK ALL has adopted the Unified Government's policies that require its cash and investments be held in interest bearing accounts in Kansas banks.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, KCK ALL will not be able to recover the value of its deposits or investments that are in the possession of an outside party. At December 31, 2021, KCK ALL's deposits are fully insured by FDIC coverage.

3. NOTE RECEIVABLE

As of December 31, 2021, the note receivable balance consists of one note receivable related to the NMTC transaction for \$4,998,700 which will be repaid by the NMTC parties. The note receivable is expected to be fully collectible.

4. ECONOMIC DEPENDENCY

KCK ALL received all its revenues from interest on the note receivable for the year ended December 31, 2021.

5. RISK MANAGEMENT

KCK ALL is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions and natural disasters.

KCK ALL has adopted the Unified Governments risk management policy and is self-insured for general liability claims. All liability claims are reviewed, challenged if appropriate, and processed for payment at the agreed amount by the Legal Department. Kansas statutes limit the liability in tort cases to \$500,000.

6. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

While there are several pending governmental accounting standards, management currently has determined that none of the pending standards are applicable to KCK ALL.