



JACKSON COUNTY COMMUNITY CHILDREN'S SERVICES FUND

FINANCIAL STATEMENTS

For the Year Ended December 31, 2018





INDEPENDENT AUDITORS' REPORT

To the Board of Directors
JACKSON COUNTY COMMUNITY CHILDREN'S SERVICES FUND

Report on the Financial Statements

We have audited the accompanying financial statements of Jackson County Community Children's Services Fund (the "Organization"), which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018, and the results of its change in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Mayer Hoffman McCann P.C." in a cursive script.

Kansas City, Missouri
August 15, 2019

JACKSON COUNTY COMMUNITY CHILDREN'S SERVICES FUND

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS

CURRENT ASSETS

Cash	\$ 5,007,971
Securities purchased under resale agreement	12,072,484
Taxes receivable	1,194,110
Prepaid expenses	<u>8,682</u>

TOTAL CURRENT ASSETS 18,283,247

PROPERTY AND EQUIPMENT, at cost, less
accumulated depreciation

29,904

TOTAL ASSETS

\$ 18,313,151

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 12,703
Accrued expenses	<u>1,645,101</u>

TOTAL LIABILITIES

1,657,804

NET ASSETS

NET ASSETS

Without donor restrictions	<u>16,655,347</u>
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TOTAL LIABILITIES AND NET ASSETS

\$ 18,313,151

See Notes to Financial Statements

JACKSON COUNTY COMMUNITY CHILDREN'S SERVICES FUND

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Year Ended December 31, 2018

NET ASSETS WITHOUT DONOR RESTRICTIONS

REVENUES

Jackson County taxes	\$ 13,164,094
Interest income	126,990
TOTAL REVENUES	<u>13,291,084</u>

EXPENSES

Program services	4,863,259
Management and general	202,399
TOTAL EXPENSES	<u>5,065,658</u>

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	8,225,426
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NET ASSETS, BEGINNING OF YEAR	<u>8,429,921</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 16,655,347</u></u>
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See Notes to Financial Statements

JACKSON COUNTY COMMUNITY CHILDREN'S SERVICES FUND

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services	Management and General	Total Expenses
Grant expense	\$ 4,863,259	\$ -	\$ 4,863,259
Advertising & promotion	-	87	87
Insurance	-	20,054	20,054
Executive search	-	10,299	10,299
Professional fees	-	23,330	23,330
Bank charges	-	1,070	1,070
Depreciation	-	685	685
Meals & entertainment	-	496	496
Office supplies	-	6,823	6,823
Postage	-	80	80
Rent	-	11,818	11,818
Repairs & maintenance	-	3,037	3,037
Salaries & benefits	-	101,060	101,060
Travel	-	1,359	1,359
Utilities	-	770	770
Contracted services	-	21,431	21,431
TOTAL EXPENSES	\$ 4,863,259	\$ 202,399	\$ 5,065,658

JACKSON COUNTY COMMUNITY CHILDREN'S SERVICES FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 8,225,426
Adjustments to reconcile changes in fund balance to net cash flows from operating activities:	
Depreciation	685
Changes in operating assets and liabilities:	
Taxes receivable	(284,473)
Prepaid expenses	10,330
Accounts payable	(6,644)
Accrued expenses	1,645,101
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>9,590,425</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of securities under resale agreement	(12,072,484)
Investment in property and equipment	<u>(18,386)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(12,090,870)</u>

NET CHANGE IN CASH	(2,500,445)
CASH, BEGINNING OF YEAR	<u>7,508,416</u>
CASH, END OF YEAR	<u>\$ 5,007,971</u>

NONCASH INVESTING AND FINANCING ACTIVITIES

Property and equipment financed with accounts payable	<u>\$ 12,203</u>
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See Notes to Financial Statements

JACKSON COUNTY COMMUNITY CHILDREN'S SERVICES FUND

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations - The Jackson County Community Children's Services Fund (the "Organization") is an entity enabled through state statute (sections 67.1775 and 210.861, RSMo), approved by Jackson County, Missouri voters in November of 2016, and created through County Ordinance 4951 as passed by the Jackson County Legislature on January 17, 2017. This county ordinance allows for the collection of sales tax revenue from April 1, 2017 through March 31, 2024. Continuation beyond this date is contingent on the renewal of the tax by Jackson County. The Board of Directors of the Organization was appointed by Jackson County Executive Order No. 17-07 on March 15, 2017. The Board took responsibility for the Organization on September 29, 2017.

The mission of the Organization is to maximize community resources to build and maintain a comprehensive integrated system of quality services for children (age's birth through 19) and their families, through the allocation of funds to partner organizations that provide services intended to protect the well-being and safety of children and youth in Jackson County. The Organization has prioritized four areas to provide funding that will address current needs and improve outcomes for the following:

- Up to 30 days of temporary shelter for abused, neglected, runaway, homeless or emotionally disturbed youth
- Home and community based family intervention programs
- Prevention programs which promote healthy lifestyles among children and youth and strengthen families
- Individual, group, or family professional counseling and therapy services

Revenue recognition - The Organization is funded through a sales tax levy of one-eighth of one percent through March 2024. Revenue is recognized as earned by the County.

Net asset classification – To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, net assets have been classified into the following:

Net assets without donor restrictions – Net assets without donor restrictions include expendable resources over which the Organization's Board of Directors has discretionary control and are used to carry out the Organization's operations in accordance with its bylaws, including board designated net assets.

Net assets with donor restrictions – These net assets are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. The Organization has no net assets with donor restrictions as of December 31, 2018.

Basis of accounting - The Organization prepares its financial statements on the accrual basis of accounting.

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

JACKSON COUNTY COMMUNITY CHILDREN'S SERVICES FUND

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Cash - Cash consists of the available cash balance on deposit at a financial institution. At times, the Organization maintains deposits in the financial institution in excess of federally insured limits. Management monitors the soundness of the financial institution and believes that the risk of loss is negligible.

Securities purchased under resale agreement – Securities purchased under a resale agreement are recorded at cost plus accrued interest. Interest is earned at rates between 1.81% and 2.22%, with maturity dates ranging from April 2019 to December 2019.

Property and equipment – Property and equipment consist primarily of office equipment and are recorded at cost or, if donated, at fair value at the date of donation. Individual items with a cost of \$500 or greater and a useful life of greater than a year are capitalized. Depreciation is provided using straight-line methods over the estimated useful lives of the respective assets. Furniture and equipment is depreciated over three to seven years. Maintenance and repairs are charged to expense as incurred.

Income taxes – Jackson County Community Children's Services Fund is exempt from federal income taxes under Section 501(c)(3). Therefore, no provision has been made for federal and state income taxes.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Expenses that can be identified with a specific program or general and administrative functions are allocated directly to those functional categories. Other expenses that are common to both functions are allocated by management's estimate of resources devoted to the programs or support source using allocations. Salaries and wages and related personnel costs are allocated based upon estimated time and effort. During 2018 the only items classified as program services were grant expenses paid or accrued. All other expenses were classified as management and general. The Organization continued to incur costs that were related to its formation and any allocation of the remaining expenses of \$202,399 to program services would not be material to the financial statements taken as a whole.

Recent accounting pronouncements – The Financial Accounting Standards Board ("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 adopted this ASU during the year ended December 31, 2018.

(2) Concentrations

During the year ended December 31, 2018 99% of the Organization's revenue came from Jackson County Missouri.

JACKSON COUNTY COMMUNITY CHILDREN'S SERVICES FUND

NOTES TO THE FINANCIAL STATEMENTS

(3) Property and equipment

Property and equipment, net of accumulated depreciation, consisted of the following as of December 31, 2018:

Property and equipment	\$	30,589
Less accumulated depreciation		<u>(685)</u>
Property and equipment, net of accumulated depreciation	\$	<u>29,904</u>

Depreciation expense was \$685 for the year ended December 31, 2018.

(4) Lease commitments

During October 2018, the Organization entered into an operating lease for office space which is set to expire in January 2024. The "base rent" negotiated was payable in monthly installments according to the following schedule:

December 2018 through January 2019	No monthly payments
February 2019 through January 2021	\$2,409 per month
February 2021 through January 2023	\$2,482 per month
February 2023 through January 2024	\$2,555 per month

Rent expense is recorded on a straight-line basis over the life of the lease. The difference between the amount of "base rent" paid and rent expense is recorded as deferred rent and is within accrued expense in the financial statements. During the term of the lease, the Organization is also required to pay "additional rent" defined as the tenant's percentage of any increase in the landlord's operating and maintenance costs of the building over and above the amount of such costs incurred during the last full calendar year immediately preceding the date on which the Organization occupied the premises. During the year ended December 31, 2018 Organization was not required to pay an additional rent.

Rent expense for office space totaled \$11,818 for the year ended December 31, 2018.

Minimum future lease payments required under the operating lease are as follows:

Years ended December 31,		
2019	\$	26,499
2020		28,908
2021		29,711
2022		29,784
2023		30,587
Thereafter		<u>2,555</u>
Total lease payments	\$	<u>148,044</u>

JACKSON COUNTY COMMUNITY CHILDREN'S SERVICES FUND

NOTES TO THE FINANCIAL STATEMENTS

(5) Liquidity disclosure

The Organization has various sources of liquidity at its disposal, including cash, certificates of deposit, and receivables. For purposes of analyzing resources available over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Additionally, the Organization monitors its budget and anticipates sufficient revenue to cover general expenditures over the next 12 months. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash. As of December 31, 2018, the following financial assets could be made available within one year of the balance sheet date to meet general obligations:

Cash	\$ 5,007,971
Taxes receivable	1,194,110
Securities purchased under resale agreement	<u>12,072,484</u>
Financial assets available for general expenditures	<u><u>\$ 18,274,565</u></u>

(6) Subsequent events

The Organization has evaluated subsequent events through August 15, 2019, which is the date the financial statements were available to be issued. No items were noted that require disclosure in the financial statements.