



CHILDREN'S SERVICES FUND OF JACKSON COUNTY

FINANCIAL STATEMENTS

For the Year Ended December 31, 2019





INDEPENDENT AUDITORS' REPORT

To the Board of Directors

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

Report on the Financial Statements

We have audited the accompanying financial statements of the Children's Services Fund of Jackson County, formerly known as Jackson County Community Children's Services Fund (the "Organization"), which comprise the statement of financial position as of December 31, 2019 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.

Adoption of New Accounting Standards

As discussed in Note 1 to the financial statements, on January 1, 2019, the Children's Services Fund of Jackson County adopted the amendments to the Accounting Standards Update ("ASU") No. 2018-08, Topic 958, *Not-for-Profit Entities*, 2016-18, Topic 230, *Statement of Cash Flows*, and Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to these matters.

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, 2019, 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.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
June 18, 2020



CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 2,309,526
Securities purchased under resale agreement	20,000,000
Taxes receivable	1,201,423
Interest receivable	123,181
Prepaid expenses	9,861

TOTAL CURRENT ASSETS 23,643,991

PROPERTY AND EQUIPMENT, at cost, less
accumulated depreciation

35,776

TOTAL ASSETS \$ 23,679,767

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 14,587
Accrued expenses	2,406,521

TOTAL LIABILITIES 2,421,108

NET ASSETS

NET ASSETS

Without donor restrictions 21,258,659

TOTAL LIABILITIES AND NET ASSETS \$ 23,679,767

See Notes to Financial Statements

CHILDREN'S SERVICES FUND OF JACKSON COUNTY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Year Ended December 31, 2019

NET ASSETS WITHOUT DONOR RESTRICTIONS

REVENUES

Jackson County taxes	\$ 13,514,859
Interest income	345,440
TOTAL REVENUES	<u>13,860,299</u>

EXPENSES

Program services	8,955,360
Management and general	301,627
TOTAL EXPENSES	<u>9,256,987</u>

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	4,603,312
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NET ASSETS, BEGINNING OF YEAR	<u>16,655,347</u>
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NET ASSETS, END OF YEAR	<u><u>\$ 21,258,659</u></u>
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See Notes to Financial Statements

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services	Management and General	Total Expenses
Grant expense	\$ 8,584,640	\$ -	\$ 8,584,640
Salaries & benefits	259,141	141,690	400,831
Professional fees	27,053	35,124	62,177
Contracted services	836	53,825	54,661
Advertising & promotion	36,436	17,921	54,357
Insurance	8,354	23,225	31,579
Utilities	486	2,272	2,758
Office supplies	8,929	4,730	13,659
Rent	18,853	9,467	28,320
Depreciation	4,413	2,273	6,686
Other	5,207	8,526	13,733
Bank charges	-	1,212	1,212
Meals & entertainment	-	1,131	1,131
Postage	-	117	117
Travel	1,012	114	1,126
TOTAL EXPENSES	\$ 8,955,360	\$ 301,627	\$ 9,256,987

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 4,603,312
Adjustments to reconcile changes in fund balance to net cash flows from operating activities:	
Depreciation	6,686
Changes in operating assets and liabilities:	
Taxes receivable	(7,313)
Interest receivable	(50,697)
Prepaid expenses	(1,179)
Accounts payable	1,884
Accrued expenses	761,420
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>5,314,113</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Maturities of securities under resale agreement	12,000,000
Purchases of securities under resale agreement	(20,000,000)
Investment in property and equipment	<u>(12,558)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(8,012,558)</u>
NET CHANGE IN CASH	(2,698,445)
CASH, BEGINNING OF YEAR	<u>5,007,971</u>
CASH, END OF YEAR	<u><u>\$ 2,309,526</u></u>

See Notes to Financial Statements

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations - The Children's Services Fund of Jackson County, formerly known as 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

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.

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 contract value plus accrued interest. These securities are collateralized by pledged securities with a value in excess of the securities. Interest is earned at rates between 1.00% and 2.00%, with maturity dates ranging from March 2020 to December 2020.

Taxes receivable - Accounts receivable consist of amounts due from Jackson County Missouri for funds collected but not remitted to the Organization. Management estimates the allowance for doubtful accounts based on history of collections and knowledge acquired about specific items. Adjustments to the allowance are charged to bad debt expense. Uncollectible accounts are written off against the reserve. An account is considered uncollectible when all efforts to collect the account have been exhausted. The allowance for doubtful accounts was \$0 at December 31, 2019.

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Property and equipment - Property and equipment consist primarily of office equipment which 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 one year are capitalized. Depreciation is calculated using straight-line methods over the estimated useful lives of the respective assets. Furniture and office equipment is depreciated over three to seven years. Maintenance and repairs are charged to expense as incurred.

Accrued expenses - Accrued expenses consists primarily of the funding expected to be paid subsequent to year-end for funding agreements issued during the current year.

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, 2019.

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.

Income taxes - The Organization has been granted exemptions from income taxes by the Internal Revenue Service under the provisions of Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Accordingly, no provision has been made for Federal income tax. The Organization did not have any material uncertain tax positions at December 31, 2019.

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 based off the overall salaries and wage allocation. Salaries and wages and related personnel costs are allocated based upon estimated time and effort.

Recent accounting pronouncements - On January 1, 2019 the Organization adopted the amendment to ASC Topic 958 in ASU 2018-08, *Not-for-Profit Entities*, ASC Topic 230 in ASU 2016-48, *Statement of Cash Flows*, and Accounting Standards Codification Topic 606 *Revenue from Contracts with Customers*, and related amendments. The adoption of the amendments and the ASC did not have a material impact on the Organization's financial position, statement of activities or cash flows. As such the Organization did not make any adjustments to its financial position upon adoption there are no differences in 2019 as reported under ASC Topics 606, 230, and 958 and prior guidance.

(2) Concentrations

During the year ended December 31, 2019 98% of the Organization's revenue came from Jackson County Missouri.

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(3) Property and equipment

Property and equipment, net of accumulated depreciation, consisted of the following as of December 31, 2019:

Property and equipment	\$	43,147
Less accumulated depreciation		(7,371)
		35,776
Property and equipment, net of accumulated depreciation	\$	35,776

Depreciation expense was \$6,686 for the year ended December 31, 2019.

(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 is 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, 2019, the Organization was not required to pay any additional rent.

Rent expense for office space totaled \$28,320 for the year ended December 31, 2019.

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

Years ended December 31,		
2020	\$	28,908
2021		29,711
2022		29,784
2023		30,587
2024		2,555
		121,545
Total lease payments	\$	121,545

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(5) Liquidity disclosure

The Organization has various sources of liquidity at its disposal, including cash, securities, 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, 2019, the following financial assets could be made available within one year of the statement of financial position date to meet general obligations:

Cash	\$ 2,309,526
Taxes receivable	1,201,423
Interest receivable	123,181
Securities purchased under resale agreement	<u>20,000,000</u>
Financial assets available for general expenditures	<u>\$ 23,634,130</u>

(6) Subsequent events

The Organization has evaluated subsequent events through June 18, 2020, which is the date the financial statements were available to be issued. The following items were noted that require disclosure in the financial statements.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. In response, the Children's Services Fund of Jackson County temporarily suspended its requirements for the organization's receiving grant awards to submit documentation of expenses before the funding transfer is made.

The Organization released funds for 2020 quarter one of approximately \$3 million, and the Board has approved the release of a similar amount of funds for quarter two, though those amounts have not been distributed as of the date of this report. Additionally, the Board issued cash match payment to its various grantees of approximately \$3 million, as well as a technology grant of approximately \$300,000