



CHILDREN'S SERVICES FUND OF JACKSON COUNTY

FINANCIAL STATEMENTS

For the Years Ended December 31, 2020 and 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 statements of financial position as of December 31, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2020 and 2019, and the results of its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
June 17, 2021



CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 3,222,355	\$ 2,309,526
Securities purchased under resale agreement	17,000,000	20,000,000
Taxes receivable	994,870	1,201,423
Interest receivable	6,009	123,181
Prepaid expenses	<u>6,797</u>	<u>9,861</u>
TOTAL CURRENT ASSETS	21,230,031	23,643,991
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	<u>32,485</u>	<u>35,776</u>
TOTAL ASSETS	<u>\$ 21,262,516</u>	<u>\$ 23,679,767</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 16	\$ 14,587
Accrued expenses	<u>2,618,484</u>	<u>2,406,521</u>
TOTAL LIABILITIES	2,618,500	2,421,108
<u>NET ASSETS</u>		
NET ASSETS		
Without donor restrictions	<u>18,644,016</u>	<u>21,258,659</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,262,516</u>	<u>\$ 23,679,767</u>

See Notes to Financial Statements

CHILDREN'S SERVICES FUND OF JACKSON COUNTY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2020 and 2019

	2020	2019
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
REVENUES		
Jackson County taxes	\$ 12,691,637	\$ 13,514,859
Interest income	146,520	345,440
TOTAL REVENUES	12,838,157	13,860,299
EXPENSES		
Program services	15,088,679	8,955,360
Management and general	364,121	301,627
TOTAL EXPENSES	15,452,800	9,256,987
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(2,614,643)	4,603,312
NET ASSETS, BEGINNING OF YEAR	21,258,659	16,655,347
NET ASSETS, END OF YEAR	\$ 18,644,016	\$ 21,258,659

See Notes to Financial Statements

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Services	Management and General	Total Expenses
Grant expense	\$ 14,696,766	\$ -	\$ 14,696,766
Salaries & benefits	328,249	230,289	558,538
Contracted services	588	46,526	47,114
Professional fees	12,443	32,068	44,511
Insurance	10,116	30,075	40,191
Rent	21,531	7,008	28,539
Other	4,691	6,245	10,936
Depreciation	6,970	3,280	10,250
Office supplies	4,148	2,098	6,246
Advertising & promotion	2,684	2,338	5,022
Utilities	493	2,478	2,971
Bank charges	-	1,316	1,316
Postage	-	400	400
TOTAL EXPENSES	\$ 15,088,679	\$ 364,121	\$ 15,452,800

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

See Notes to Financial Statements

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,614,643)	\$ 4,603,312
Adjustments to reconcile changes in fund balance to net cash flows from operating activities:		
Depreciation	10,250	6,686
Changes in operating assets and liabilities:		
Taxes receivable	206,553	(7,313)
Interest receivable	117,172	(50,697)
Prepaid expenses	3,064	(1,179)
Accounts payable	(14,571)	1,884
Accrued expenses	<u>211,963</u>	<u>761,420</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>(2,080,212)</u>	<u>5,314,113</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of securities under resale agreement	20,000,000	12,000,000
Purchases of securities under resale agreement	(17,000,000)	(20,000,000)
Investment in property and equipment	<u>(6,959)</u>	<u>(12,558)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>2,993,041</u>	<u>(8,012,558)</u>
 NET CHANGE IN CASH	912,829	(2,698,445)
 CASH, BEGINNING OF YEAR	<u>2,309,526</u>	<u>5,007,971</u>
 CASH, END OF YEAR	<u><u>\$ 3,222,355</u></u>	<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

During November 2020 the Organization committed to providing conditional funding of approximately \$15,000,000 to its partners during fiscal 2021 for core program support, as described previously. In April of 2021, the Organization committed to providing conditional funding of approximately \$15,000,000 in 2022 for core program support, with an additional \$2,000,000 earmarked for technology awards in late 2021 and early 2022.

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

Revenue recognition - The Organization is funded through a sales tax levy of one-eighth of one percent through March 2024. Revenue is recognized on an accrual basis as the County collects and remits payments to the Organization.

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 (cost). These securities are collateralized by pledged securities with a value in excess of the securities. Interest is earned at rates between .07% and .13%, with maturity dates ranging from March 2021 to March 2022.

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Taxes receivable – Taxes 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, 2020 and 2019.

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 five 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, 2020.

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 has adopted the standards requiring disclosure of uncertain tax positions under the ASC topic "Income Taxes." The Organization did not have any material uncertain tax positions at December 31, 2020 and 2019.

The Organization files its federal Exempt Organization Business Income Tax Return (Form 990) annually and is no longer subject to income tax examinations by taxing authorities for years before 2017.

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.

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(2) Concentrations

During the years ended December 31, 2020 and 2019, 99% and 98%, respectively, of the Organization's revenue came from Jackson County, Missouri.

(3) Property and equipment

Property and equipment, net of accumulated depreciation, consisted of the following as of December 31, 2020 and 2019:

	2020	2019
Property and equipment	\$ 50,106	43,147
Less accumulated depreciation	(17,621)	(7,371)
Property and equipment, net of accumulated depreciation	\$ 32,485	\$ 35,776

Depreciation expense was \$10,250 and \$6,686 for the years ended December 31, 2020 and 2019, respectively.

(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 included in 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 years ended December 31, 2020 and 2019, the Organization was not required to pay any additional rent.

Rent expense for office space totaled \$28,539 and \$28,320 for the years ended December 31, 2020 and 2019.

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

Years ended December 31,	
2021	\$ 29,711
2022	29,784
2023	30,587
2024	2,555
Total lease payments	\$ 92,637

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, 2020 and 2019, the following financial assets could be made available within one year of the statement of financial position date to meet general obligations:

	<u>2020</u>	<u>2019</u>
Cash	\$ 3,222,355	\$ 2,309,526
Taxes receivable	994,870	1,201,423
Interest receivable	6,009	123,181
Securities purchased under resale agreement	<u>17,000,000</u>	<u>20,000,000</u>
Financial assets available for general expenditures	<u>\$ 21,223,234</u>	<u>\$ 23,634,130</u>

(6) Risk and uncertainties

On March 11, 2020 the World Health Organization declared the outbreak of a coronavirus ("COVID-19") a pandemic. The COVID-19 outbreak began disrupting operations and affecting a wide range of industries and their employees. The extent of the impact of COVID-19 on the Organization's operational and financial performance as of December 31, 2020 was not deemed significant; however, the extent of the impact moving forward will depend on certain developments, including the duration and spread of the outbreak.

In response, the Children's Services Fund of Jackson County accelerated the release of funds to its partners. The Organization advanced approximately \$6,000,000 in funding to its partners, earmarked for the first two quarters of 2020 under the original contract agreements. As part of this accelerated release, the reporting requirements by partners to support the advanced amounts were due to the Organization before the submittal of any additional reimbursement requests. Additionally, the Board issued cash match payments to its various partners of approximately \$3,000,000 and technology grants of approximately \$300,000.

(7) Subsequent events

The Organization has evaluated subsequent events through June 17, 2021, which is the date the financial statements were available to be issued. The following significant matters were identified for disclosure during this evaluation.

As described in Note 1, the Organization has approved conditional funding of approximately \$15,000,000 for 2022 core program support, and extended its technology awards program into 2022.