



CHILDREN'S SERVICES FUND OF JACKSON COUNTY

FINANCIAL STATEMENTS

For the Years Ended December 31, 2021 and 2020





INDEPENDENT AUDITORS' REPORT

To the Board of Directors

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

Opinion

We have audited the financial statements of Children's Services Fund of Jackson County (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Children's Services Fund of Jackson County as of December 31, 2021 and 2020, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. 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 audits.
- 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 the Organization'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 the Organization'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.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
June 23, 2022

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 9,166,991	\$ 3,222,355
Securities purchased under resale agreement	12,000,000	17,000,000
Taxes receivable	1,118,276	994,870
Interest receivable	6,384	6,009
Prepaid expenses	21,162	6,797
TOTAL CURRENT ASSETS	22,312,813	21,230,031
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation		
	21,987	32,485
TOTAL ASSETS	\$ 22,334,800	\$ 21,262,516
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 3,163	\$ 16
Accrued expenses	3,457,102	2,618,484
TOTAL LIABILITIES	3,460,265	2,618,500
<u>NET ASSETS</u>		
NET ASSETS		
Without donor restrictions	18,874,535	18,644,016
TOTAL LIABILITIES AND NET ASSETS	\$ 22,334,800	\$ 21,262,516

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, 2021 and 2020

	2021	2020
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
REVENUES		
Jackson County taxes	\$ 14,330,391	\$ 12,691,637
Interest income	15,282	146,520
TOTAL REVENUES	14,345,673	12,838,157
EXPENSES		
Program services	13,654,909	15,088,679
Management and general	460,245	364,121
TOTAL EXPENSES	14,115,154	15,452,800
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	230,519	(2,614,643)
NET ASSETS, BEGINNING OF YEAR	18,644,016	21,258,659
NET ASSETS, END OF YEAR	\$ 18,874,535	\$ 18,644,016

See Notes to Financial Statements

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services	Management and General	Total Expenses
Grant expense	\$ 13,234,829	\$ -	\$ 13,234,829
Salaries & benefits	338,547	209,783	548,330
Professional fees	22,822	141,560	164,382
Contracted services	445	46,459	46,904
Insurance	12,175	33,046	45,221
Rent	22,580	9,666	32,246
Other	8,487	7,333	15,820
Depreciation	7,139	3,359	10,498
Advertising & promotion	2,800	3,770	6,570
Office supplies	4,200	1,807	6,007
Utilities	508	2,593	3,101
Travel	377	177	554
Bank charges	-	526	526
Postage	-	166	166
TOTAL EXPENSES	\$ 13,654,909	\$ 460,245	\$ 14,115,154

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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 230,519	\$ (2,614,643)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	10,498	10,250
Changes in operating assets and liabilities:		
Taxes receivable	(123,406)	206,553
Interest receivable	(375)	117,172
Prepaid expenses	(14,365)	3,064
Accounts payable	3,147	(14,571)
Accrued expenses	838,618	211,963
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>944,636</u>	<u>(2,080,212)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of securities under resale agreement	17,000,000	20,000,000
Purchases of securities under resale agreement	(12,000,000)	(17,000,000)
Investment in property and equipment	-	(6,959)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>5,000,000</u>	<u>2,993,041</u>
 NET CHANGE IN CASH	 5,944,636	 912,829
 CASH, BEGINNING OF YEAR	 <u>3,222,355</u>	 <u>2,309,526</u>
 CASH, END OF YEAR	 <u>\$ 9,166,991</u>	 <u>\$ 3,222,355</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 (ages 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. At December 31, 2020 interest is earned at rates between .07% to .13%. At December 31, 2021 interest is earned at rates between .04% and .09%, with maturity dates ranging from March 2022 to September 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, 2021 and 2020.

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 had no net assets with donor restrictions as of December 31, 2021 and 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, 2021 and 2020.

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 2018.

Functional allocation of expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statements 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, 2021 and 2020, 99% 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, 2021 and 2020:

	2021	2020
Property and equipment	\$ 50,106	50,106
Less accumulated depreciation	(28,119)	(17,621)
Property and equipment, net of accumulated depreciation	\$ 21,987	\$ 32,485

Depreciation expense was \$10,498 and \$10,250 for the years ended December 31, 2021 and 2020, 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 expenses 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, 2021 and 2020, the Organization was not required to pay any additional rent.

Rent expense for office space totaled \$32,246 and \$28,539 for the years ended December 31, 2021 and 2020, respectively.

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

Years ended December 31,	
2022	\$ 29,784
2023	30,587
2024	2,555
Total lease payments	\$ 62,926

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 purchased under related agreement, 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 statements of cash flows which identifies the sources and uses of the Organization's cash. As of December 31, 2021 and 2020, the following financial assets could be made available within one year of the statements of financial position date to meet general obligations:

	<u>2021</u>	<u>2020</u>
Cash	\$ 9,166,991	\$ 3,222,355
Taxes receivable	1,118,276	994,870
Interest receivable	6,384	6,009
Securities purchased under resale agreement	<u>12,000,000</u>	<u>17,000,000</u>
Financial assets available for general expenditures	<u>\$ 22,291,651</u>	<u>\$ 21,223,234</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, 2021 and 2020 was not deemed significant; however, the extent of the impact moving forward will depend on certain developments, including the duration and spread of outbreaks.

(7) Subsequent events

The Organization has evaluated subsequent events through June 23, 2022, 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 \$15,850,000 for 2022 core program support, and extended its technology awards program into 2022. During February 2022 the Organization made quarter 1 grant reimbursements of \$3,852,000 and during March 2022 the organization released cash match funding of \$3,852,000.