



CHILDREN'S SERVICES FUND OF JACKSON COUNTY

FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021





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, 2022 and 2021, 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, 2022 and 2021, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective January 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

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 audits.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
August 17, 2023

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 3,379,784	\$ 9,166,991
Securities purchased under resale agreement	12,500,000	12,000,000
Taxes receivable	1,394,161	1,118,276
Interest receivable	112,110	6,384
Prepaid expenses	22,754	21,162
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TOTAL CURRENT ASSETS	17,408,809	22,312,813
RIGHT OF USE ASSET - OPERATING LEASE	32,571	-
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	18,489	21,987
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TOTAL ASSETS	<u>\$ 17,459,869</u>	<u>\$ 22,334,800</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 6,464	\$ 3,163
Accrued expenses	2,479,132	3,457,102
Current portion of operating lease liability	28,656	-
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TOTAL CURRENT LIABILITIES	2,514,252	3,460,265
OPERATING LEASE LIABILITY	4,336	-
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TOTAL LIABILITIES	2,518,588	3,460,265
<u>NET ASSETS</u>		
NET ASSETS		
Without donor restrictions	14,941,281	18,874,535
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 17,459,869</u>	<u>\$ 22,334,800</u>

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

For the Years Ended December 31, 2022 and 2021

	2022	2021
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
REVENUES		
Jackson County taxes	\$ 16,082,729	\$ 14,330,391
Interest income	154,968	15,282
TOTAL REVENUES	16,237,697	14,345,673
EXPENSES		
Program services	19,473,542	13,654,909
Management and general	697,409	460,245
TOTAL EXPENSES	20,170,951	14,115,154
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(3,933,254)	230,519
NET ASSETS, BEGINNING OF YEAR	18,874,535	18,644,016
NET ASSETS, END OF YEAR	\$ 14,941,281	\$ 18,874,535

See Notes to Financial Statements

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Program Services	Management and General	Total Expenses
Grant expense	\$ 18,947,584	\$ -	\$ 18,947,584
Salaries & benefits	366,246	230,580	596,826
Professional fees	90,352	333,178	423,530
Advertising & promotion	10,725	57,063	67,788
Insurance	13,852	22,908	36,760
Lease expense	23,664	9,978	33,642
Contracted services	1,978	22,931	24,909
Other	7,619	12,767	20,386
Depreciation	6,446	3,033	9,479
Office supplies	4,309	1,924	6,233
Utilities	508	2,561	3,069
Travel	259	260	519
Postage	-	119	119
Bank charges	-	107	107
TOTAL EXPENSES	\$ 19,473,542	\$ 697,409	\$ 20,170,951

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
Lease expense	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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (3,933,254)	\$ 230,519
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	9,479	10,498
Amortization of right of use asset - operating lease	29,826	-
Changes in operating assets and liabilities:		
Taxes receivable	(275,885)	(123,406)
Interest receivable	(105,726)	(375)
Prepaid expenses	(1,592)	(14,365)
Accounts payable	3,301	3,147
Accrued expenses	(977,970)	838,618
Operating lease liability	(29,405)	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	(5,281,226)	944,636
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of securities under resale agreement	12,000,000	17,000,000
Purchases of securities under resale agreement	(12,500,000)	(12,000,000)
Investment in property and equipment	(5,981)	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(505,981)	5,000,000
NET CHANGE IN CASH	(5,787,207)	5,944,636
CASH, BEGINNING OF YEAR	9,166,991	3,222,355
CASH, END OF YEAR	\$ 3,379,784	\$ 9,166,991

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 (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. On November 8, 2022, the citizens of Jackson County voted to continue this tax in perpetuity. 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. No additional funding was committed during 2022. In February 2022, the Organization funded a cash match to its partners in the amount of \$3,772,817.

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

Revenue recognition - Revenue is recognized on an accrual basis as the County collects and remits payments to the Organization. Current funding is through a sales tax levy of one-eighth of one cent and was increased to one-fourth of one cent by Jackson County Voters on November 8, 2022. The increased funding will go into effect after December 31, 2022.

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 December 31, 2022 and 2021, cash balances in excess of the \$250,000 insurance provided by the Federal Deposit Insurance Corporation amounted to \$3,473,155 and \$9,189,005, respectively. These balances were invested in accounts for which the financial institution provided collateral for the entire balance. 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, 2021 interest is earned at rates between .04% to .09%. At December 31, 2022 interest is earned at rates between 2.42% and 2.63%, with maturity dates ranging from May 2023 to March 2024.

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, 2022 and 2021.

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, 2022 and 2021.

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, 2022 and 2021.

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 2019.

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

(1) Summary of significant accounting policies (continued)

Adoption of new lease standard – The Organization implemented Accounting Standards Update (“ASU”) 2016-02, *Leases* (“Topic 842”) effective January 1, 2022. The Organization elected the short-term lease exception provided for in Topic 842; therefore, the Organization only recognizes right-of-use assets and lease liabilities for leases with a term greater than one year. The Organization elected the package of practical expedients to not re-evaluate existing contracts as containing a lease or the lease classification. In addition, the Organization did not reassess initial direct costs for any existing leases. The Organization has elected the practical expedient to not separate non-lease components from lease components. The practical expedient was elected to utilize the risk-free rate for the remaining term of the lease as of the date of adoption. The Organization determines whether an arrangement is a lease at lease inception.

(2) Concentrations

During the years ended December 31, 2022 and 2021, 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, 2022 and 2021:

	2022	2021
Property and equipment	\$ 56,087	50,106
Less accumulated depreciation	(37,598)	(28,119)
Property and equipment, net of accumulated depreciation	\$ 18,489	\$ 21,987

Depreciation expense was \$9,479 and \$10,498 for the years ended December 31, 2022 and 2021, respectively.

(4) Lease commitments

The Organization leases office space under long-term operating leases. The “base rent” negotiated is payable in monthly installments. 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, 2022 and 2021, the Organization was not required to pay any additional rent. Total rent expense totaled \$33,221 and \$32,246 for the years ended December 31, 2022 and 2021, respectively. Future minimum lease payments under the operating leases are as follows:

<u>Years ended December 31,</u>	
2023	\$ 28,656
2024	4,410
Total future undiscounted lease payments	33,066
Less present value discount	(74)
Operating lease liability ending balance	\$ 32,992

Subsequent to year end, the Organization entered into a new seven year lease agreement, with the base rent payable in monthly installments beginning in September 2023.

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(4) Lease commitments (continued)

In addition, the adoption of the leasing standard ASC 842 requires the disclosure of other information pertaining to the operating cash flows from operating leases, the weighted-average remaining lease term for the operating leases, and the weighted average discount rate for the operating leases. These items are disclosed below for the year ended December 31, 2022.

Other information

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows from operating leases	\$	29,405
Weighted-average remaining lease term		
Operating leases (years)		1.08
Weighted-average discount rate		
Operating leases (percentage)		0.78%

The Organization had a non-cash investing and financing activity in the amount of \$62,397, related to right-of-use assets financed with operating lease liabilities recorded in connection with the implementation of Topic 842.

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the right-of-use ("ROU") assets and lease liabilities for its space and certain equipment. The Organization has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date. The Organization did not have any ROU assets related to finance leases as of December 31, 2022.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the risk-free rate for the term of the lease based on the information available at the commencement date to determine the present value of lease payments. The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. During the year ended December 31, 2022, the year of adoption, the rate utilized matched the risk-free rate as of January 1, 2022 for the remaining term of the lease.

The Organization has elected not to record leases for an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

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, 2022 and 2021, the following financial assets could be made available within one year of the statements of financial position date to meet general obligations:

	<u>2022</u>	<u>2021</u>
Cash	\$ 3,379,784	\$ 9,166,991
Taxes receivable	1,394,161	1,118,276
Interest receivable	112,110	6,384
Securities purchased under resale agreement	<u>12,500,000</u>	<u>12,000,000</u>
Financial assets available for general expenditures	<u>\$ 17,386,055</u>	<u>\$ 22,291,651</u>

(8) Subsequent events

The Organization has evaluated subsequent events through August 17, 2023, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation, except for the new lease agreement described in Note 4.