



CHILDREN'S SERVICES FUND OF JACKSON COUNTY
FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022





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, 2023 and 2022, 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, 2023 and 2022, 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 audits.

Mayer Hoffman McCann P.C.

Kansas City, Missouri
May 16, 2024

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 3,088,754	\$ 3,379,784
Securities purchased under resale agreement	17,500,000	12,500,000
Taxes receivable	2,678,543	1,394,161
Interest receivable	355,775	112,110
Prepaid expenses	<u>16,371</u>	<u>22,754</u>
TOTAL CURRENT ASSETS	23,639,443	17,408,809
SECURITY DEPOSIT	13,493	-
RIGHT OF USE ASSET - OPERATING LEASES	968,343	32,571
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	<u>171,335</u>	<u>18,489</u>
TOTAL ASSETS	<u><u>\$ 24,792,614</u></u>	<u><u>\$ 17,459,869</u></u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 22,957	\$ 6,464
Accrued expenses	2,652,111	2,479,132
Current portion of operating lease liabilities	<u>151,572</u>	<u>28,656</u>
TOTAL CURRENT LIABILITIES	2,826,640	2,514,252
OPERATING LEASE LIABILITIES	<u>844,550</u>	<u>4,336</u>
TOTAL LIABILITIES	3,671,190	2,518,588
<u>NET ASSETS</u>		
NET ASSETS		
Without donor restrictions	<u>21,121,424</u>	<u>14,941,281</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 24,792,614</u></u>	<u><u>\$ 17,459,869</u></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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
REVENUES		
Jackson County taxes	\$ 26,766,025	\$ 16,082,729
Interest income	522,685	154,968
TOTAL REVENUES	<u>27,288,710</u>	<u>16,237,697</u>
EXPENSES		
Program services	20,631,519	19,473,542
Management and general	477,048	697,409
TOTAL EXPENSES	<u>21,108,567</u>	<u>20,170,951</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	6,180,143	(3,933,254)
NET ASSETS, BEGINNING OF YEAR	<u>14,941,281</u>	<u>18,874,535</u>
NET ASSETS, END OF YEAR	<u><u>\$ 21,121,424</u></u>	<u><u>\$ 14,941,281</u></u>

See Notes to Financial Statements

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2023

	Program Services	Management and General	Total Expenses
Grant expense	\$ 19,714,342	\$ -	\$ 19,714,342
Salaries & benefits	647,986	295,394	943,380
Professional fees	107,314	58,950	166,264
Amortization and other lease expense	56,664	16,646	73,310
Contracted services	3,918	47,371	51,289
Miscellaneous - training and other expenses	27,897	21,152	49,049
Insurance	24,096	20,359	44,455
Depreciation	12,504	3,848	16,352
Advertising & promotion	11,800	4,160	15,960
Office supplies	10,767	3,290	14,057
Utilities	12,519	5,235	17,754
Travel	1,712	579	2,291
Postage	-	64	64
TOTAL EXPENSES	\$ 20,631,519	\$ 477,048	\$ 21,108,567

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
Amortization and other lease expense	23,664	9,978	33,642
Contracted services	1,978	22,931	24,909
Miscellaneous - training and other expenses	7,619	12,767	20,386
Insurance	13,852	22,908	36,760
Depreciation	6,446	3,033	9,479
Advertising & promotion	7,956	57,063	65,019
Office supplies	4,309	1,924	6,233
Utilities	3,277	2,561	5,838
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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 6,180,143	\$ (3,933,254)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	16,352	9,479
Amortization of right of use asset - operating leases	54,034	29,826
Changes in operating assets and liabilities:		
Taxes receivable	(1,284,382)	(275,885)
Security deposit	(13,493)	-
Interest receivable	(243,665)	(105,726)
Prepaid expenses	6,383	(1,592)
Accounts payable	16,493	3,301
Accrued expenses	172,979	(977,970)
Operating lease liabilities	(26,676)	(29,405)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>4,878,168</u>	<u>(5,281,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of securities under resale agreement	7,500,000	12,000,000
Purchases of securities under resale agreement	(12,500,000)	(12,500,000)
Investment in property and equipment	(169,198)	(5,981)
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>(5,169,198)</u>	<u>(505,981)</u>
NET CHANGE IN CASH	(291,030)	(5,787,207)
CASH, BEGINNING OF YEAR	<u>3,379,784</u>	<u>9,166,991</u>
CASH, END OF YEAR	<u><u>\$ 3,088,754</u></u>	<u><u>\$ 3,379,784</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 (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, which was put into effect through County Ordinance 5722. 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 "Investing in Children. Strengthening Community." The goal 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, with a focus on mental health, social-emotional well-being, and prevention. The Organization provides funding to partner organizations that provide services as outlined in the enabling state statute, including:

- i. Crisis Intervention
- ii. Home & Community Based Intervention
- iii. Individual, Group and Family Counseling
- iv. Outpatient Psychiatric Treatment
- v. Outpatient Substance Abuse
- vi. Prevention
- vii. Respite Care
- viii. Services to Teen Parents
- ix. Temporary Shelter
- x. Transitional Living

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. In December of 2022, the Organization committed to providing \$16,400,000 in 2023 for core program support. The Organization also provisionally earmarked an additional \$9,000,000 for capacity building with a plan to expend \$3,000,000 annually in 2023, 2024, and 2025. An additional funding category around collaboration was also created, with another \$9,000,000 provisionally allocated against planned expenditures of \$3,000,000 annually in 2023, 2024, and 2025. In October of 2023, the Organization funded a cash match to its partners in the amount of \$4,135,140 for 2023 and 2024. In October of 2023 the Organization also allocated \$2,000,000 for technology support.

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. From inception through March 31, 2023, funding was through a sales tax levy of one-eighth of one cent. Funding increases to one-fourth of one cent was approved by Jackson County voters on November 8, 2022. The increased funding went into effect on April 1, 2023.

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.

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

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 December 31, 2023 and 2022, cash balances in excess of the \$250,000 insurance provided by the Federal Deposit Insurance Corporation amounted to \$3,194,312 and \$3,473,155, 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), which approximates fair value. These securities are collateralized by pledged securities with a value in excess of the securities. 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. At December 31, 2023 interest is earned at rates between 2.56% and 3.80%, with maturity dates ranging from February 2024 to November 2024.

Subsequent to December 31, 2023, \$7,500,000 of the securities matured and \$7,500,000 of funds were invested in new securities under resale agreements at interest rates between 3.77% and 4.00%.

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, 2023 and 2022.

Interest receivable - Interest receivable consists of amounts owed for interest under securities purchased under resale agreements.

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, 2023 and 2022.

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

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, 2023 and 2022. 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 2020.

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

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.

Reclassifications - Certain reclassifications have been made to the 2022 balances to conform to the 2023 presentation. There was no impact on the change in net assets or net assets balances.

(2) Concentrations

During the years ended December 31, 2023 and 2022, 98% and 99% of the Organization's revenue came from Jackson County, Missouri, respectively.

(3) Property and equipment

Property and equipment, net of accumulated depreciation, consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Property and equipment	\$ 218,181	56,087
Less accumulated depreciation	(46,846)	(37,598)
Property and equipment, net of accumulated depreciation	<u>\$ 171,335</u>	<u>\$ 18,489</u>

Depreciation expense was \$16,352 and \$9,479 for the years ended December 31, 2023 and 2022, respectively.

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(4) Lease commitments

The Organization leases office space under long-term operating leases. The Organization entered into a 62 month lease agreement commencing on December 1, 2018, with escalating rent payments averaging \$2,388 per month through January 2024.

During the year ended December 31, 2023, the Organization entered into a new seven year office space lease agreement, commencing on November 1, 2023, with escalating rent payments averaging \$13,910 per month through December 2030.

During the term of the leases, 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, 2023 and 2022, the Organization was charged an additional rent of \$13,095 and \$0, respectively. Total rent expense totaled \$59,534 and \$31,602 for the years ended December 31, 2023 and 2022, respectively.

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 years ended December 31, 2023 and 2022. The Organization had a non-cash investing and financing activity in the amount of \$989,806 and \$62,397 related to right-of-use assets resulting from operating lease liabilities, during the years ended December 31, 2023 and 2022, respectively.

The components of these costs are as follows:

	<u>2023</u>	<u>2022</u>
Supplemental cash flow information:		
Operating cash flows from operating leases	\$ 26,676	\$ 29,405
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 989,806	\$ 62,397
Weighted-average remaining lease term		
Operating leases (years)	6.82	1.08
Weighted-average discount rate		
Operating leases (percentage)	4.74%	0.78%
Operating lease cost (cost resulting from lease payments)	\$ 59,534	\$ 31,602

Future minimum lease payments under the operating leases are as follows:

<u>Years ended December 31,</u>	
2024	\$ 151,572
2025	166,107
2026	169,706
2027	173,304
2028	176,902
Thereafter	<u>333,395</u>
Total future undiscounted lease payments	1,170,986
Less present value discount	<u>(174,864)</u>
Operating lease liability ending balance	<u><u>\$ 996,122</u></u>

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(4) Lease commitments (continued)

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, 2023.

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. During the year ended December 31, 2023, the rate utilized matched the risk-free rate as of November 1, 2023 for the remaining term of the lease new office space 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.

(5) Liquidity disclosure

The Organization has various sources of liquidity at its disposal, including cash, securities purchased under resale agreements, 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, 2023 and 2022, the following financial assets could be made available within one year of the statements of financial position date to meet general obligations:

	2023	2022
Cash	\$ 3,088,754	\$ 3,379,784
Taxes receivable	2,678,543	1,394,161
Interest receivable	355,775	112,110
Securities purchased under resale agreement	17,500,000	12,500,000
Financial assets available for general expenditures	<u>\$ 23,623,072</u>	<u>\$ 17,386,055</u>

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(8) Subsequent events

The Organization has evaluated subsequent events through May 16, 2024, 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 reinvestment in securities purchased under resale agreements described in Note 1.