



CHILDREN'S SERVICES FUND OF JACKSON COUNTY

FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Children's Services Fund of Jackson County
Kansas City, Missouri

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, 2024 and 2023, 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 the Organization as of December 31, 2024 and 2023, and the changes in its net assets and its 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 the Organization 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.

CBIZ CPAs P.C.

Kansas City, Missouri
June 26, 2025

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023

	2024	2023
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 3,951,731	\$ 3,088,754
Securities purchased under resale agreement, current	17,500,000	17,500,000
Taxes receivable	2,668,624	2,678,543
Interest receivable	382,741	355,775
Prepaid expenses and other assets	41,368	16,371
TOTAL CURRENT ASSETS	24,544,464	23,639,443
SECURITIES PURCHASED UNDER RESALE AGREEMENT, less current portion	5,000,000	-
SECURITY DEPOSIT	13,493	13,493
RIGHT OF USE ASSET - OPERATING LEASES	843,257	968,343
PROPERTY AND EQUIPMENT, at cost, less accumulated depreciation	141,312	171,335
TOTAL ASSETS	\$ 30,542,526	\$ 24,792,614
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 15,124	\$ 22,957
Accrued expenses	3,972,054	2,652,111
Current portion of operating lease liabilities	127,459	151,572
TOTAL CURRENT LIABILITIES	4,114,637	2,826,640
OPERATING LEASE LIABILITIES	761,522	844,550
TOTAL LIABILITIES	4,876,159	3,671,190
<u>NET ASSETS</u>		
NET ASSETS		
Without donor restrictions	25,666,367	21,121,424
TOTAL LIABILITIES AND NET ASSETS	\$ 30,542,526	\$ 24,792,614

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, 2024 and 2023

	2024	2023
<u>NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
REVENUES		
Jackson County taxes	\$ 33,565,974	\$ 26,766,025
Interest income	866,075	522,685
TOTAL REVENUES	34,432,049	27,288,710
EXPENSES		
Program services	29,059,973	20,631,519
Management and general	827,133	477,048
TOTAL EXPENSES	29,887,106	21,108,567
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	4,544,943	6,180,143
NET ASSETS, BEGINNING OF YEAR	21,121,424	14,941,281
NET ASSETS, END OF YEAR	\$ 25,666,367	\$ 21,121,424

See Notes to Financial Statements

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Grant expense	\$ 27,465,812	\$ -	\$ 27,465,812
Salaries and benefits	1,114,350	464,767	1,579,117
Professional fees	212,447	177,391	389,838
Amortization and other lease expense	128,941	64,293	193,234
Insurance	38,383	48,597	86,980
Miscellaneous - training and other expenses	23,788	41,032	64,820
Depreciation	32,116	10,160	42,276
Advertising and promotion	19,114	4,521	23,635
Utilities	8,643	7,076	15,719
Office supplies	10,519	3,732	14,251
Contracted services	3,388	2,193	5,581
Travel	2,472	294	2,766
Repairs and maintenance	-	1,918	1,918
Bank charges	-	973	973
Postage	-	186	186
TOTAL EXPENSES	<u><u>\$ 29,059,973</u></u>	<u><u>\$ 827,133</u></u>	<u><u>\$ 29,887,106</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

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Grant expense	\$ 19,714,342	\$ -	\$ 19,714,342
Salaries and 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
Utilities	12,519	5,235	17,754
Depreciation	12,504	3,848	16,352
Advertising and promotion	11,800	4,160	15,960
Office supplies	10,767	3,290	14,057
Travel	1,712	579	2,291
Postage	-	64	64
TOTAL EXPENSES	<u>\$ 20,631,519</u>	<u>\$ 477,048</u>	<u>\$ 21,108,567</u>

See Notes to Financial Statements

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 4,544,943	\$ 6,180,143
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	42,276	16,352
Amortization of right of use asset - operating leases	125,086	54,034
Changes in operating assets and liabilities:		
Taxes receivable	9,919	(1,284,382)
Security deposit	-	(13,493)
Interest receivable	(26,966)	(243,665)
Prepaid expenses and other assets	(24,997)	6,383
Accounts payable	(7,833)	16,493
Accrued expenses	1,319,943	172,979
Operating lease liabilities	(107,141)	(26,676)
NET CASH FLOWS FROM OPERATING ACTIVITIES	5,875,230	4,878,168
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities of securities under resale agreement	17,500,000	7,500,000
Purchases of securities under resale agreement	(22,500,000)	(12,500,000)
Investment in property and equipment	(12,253)	(169,198)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(5,012,253)	(5,169,198)
NET CHANGE IN CASH	862,977	(291,030)
CASH, BEGINNING OF YEAR	3,088,754	3,379,784
CASH, END OF YEAR	\$ 3,951,731	\$ 3,088,754

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 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. The Organization committed to providing \$22,271,103 in 2024 for core program support and \$500,000 to community projects. In addition, for 2025 and 2026, the Organization has committed \$56,632,588 to core funding and \$1,729,716 to a new funding category around cultivation.

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 increased to one-fourth of one cent and 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 ("U.S. GAAP") 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, 2024 and 2023, cash balances in excess of the \$250,000 insurance provided by the Federal Deposit Insurance Corporation amounted to \$3,705,290 and \$3,194,312, 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, 2023 interest was earned at rates between 2.56% and 3.80%, with maturity dates ranging from February 2024 to November 2024. At December 31, 2024 interest is earned at rates between 2.86% and 3.77%, with maturity dates ranging from February 2025 to June 2026.

Subsequent to December 31, 2024, \$10,000,000 of the securities matured and \$10,000,000 of funds were invested in new securities under resale agreements at interest rates between 3.00% and 3.63%.

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 receivables 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 amount is considered uncollectible when all efforts to collect the amount have been exhausted. The allowance for doubtful receivables was \$0 at December 31, 2024 and 2023.

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. Property and equipment are 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, 2024 and 2023.

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, 2024 and 2023. 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 2021.

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.

Leases - The Organization accounts for leases in accordance with Accounting Standards Update ("ASU") 2016-02, *Leases* ("Topic 842"). The Organization applies 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 uses the practical expedient to not separate non-lease components from lease components. The practical expedient allows the Organization to utilize the risk-free rate to determine the present value of future lease payments. The Organization determines whether an arrangement is a lease at lease inception.

(2) Concentrations

During the years ended December 31, 2024 and 2023, 97% 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Property and equipment	\$ 230,434	218,181
Less accumulated depreciation	<u>(89,122)</u>	<u>(46,846)</u>
Property and equipment, net of accumulated depreciation	<u>\$ 141,312</u>	<u>\$ 171,335</u>

Depreciation expense was \$46,276 and \$16,352 for the years ended December 31, 2024 and 2023, 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, which was the end of the lease term.

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 October 2030. Per the lease agreement, the Organization has the option to renew for two additional terms of five years each. The likelihood of exercising the renewals is not considered to be reasonably certain.

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, 2024 and 2023, the Organization was charged an additional rent of \$3,144 and \$13,095, respectively. Total rent expense totaled \$180,751 and \$59,534 for the years ended December 31, 2024 and 2023, respectively.

In addition, Topic 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, 2024 and 2023. The Organization had a non-cash investing and financing activity in the amount of \$989,806 related to right-of-use assets resulting from operating lease liabilities, during the year ended December 31, 2023.

The components of these costs are as follows:

Other information

	2024	2023
Supplemental cash flow information:		
Operating cash flows from operating leases	\$ 17,945	\$ 26,676
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 989,806
Weighted-average remaining lease term		
Operating leases (years)	5.83	6.82
Weighted-average discount rate		
Operating leases (percentage)	4.75%	4.74%
Operating lease cost (cost resulting from lease payments)	\$ 169,498	\$ 59,534

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

Years ended December 31,	
2025	\$ 166,107
2026	169,705
2027	173,304
2028	176,902
2029	180,500
Thereafter	152,915
Total future undiscounted lease payments	1,019,433
Less present value discount	(130,452)
Operating lease liability ending balance	\$ 888,981

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.

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 statements 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, 2024 and 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 years ended December 31, 2024 and 2023, the rate utilized matched the risk-free rate as of November 1, 2023 for the remaining term of the office space lease.

The Organization has elected not to record leases for an initial term of 12 months or less on the statements 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, 2024 and 2023, the following financial assets could be made available within one year of the statements of financial position date to meet general obligations:

	2024	2023
Cash	\$ 3,951,731	\$ 3,088,754
Taxes receivable	2,668,624	2,678,543
Interest receivable	382,741	355,775
Other assets	1,560	-
Securities purchased under resale agreement	17,500,000	17,500,000
Financial assets available for general expenditures	\$ 24,504,656	\$ 23,623,072

CHILDREN'S SERVICES FUND OF JACKSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

(6) Subsequent events

The Organization has evaluated subsequent events through June 26, 2025, 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.