Kid Net Foundation dba Jonathan's Place

Financial Statements
with Supplementary Schedule and Compliance Reports
August 31, 2018
(with Summarized Comparative Totals for August 31, 2017)

Sutton Frost Cary LLP
Certified Public Accountants

Kid Net Foundation dba Jonathan's Place

Contents

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8
Supplementary Schedule:	
Schedule of Expenditures of Federal and State Awards	19
Notes to Schedule of Expenditures of Federal and State Awards	20
Compliance Reports:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	21
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	23
Schedule of Findings and Questioned Costs	25

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Sutton Frost Cary LLP
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Kid Net Foundation dba Jonathan's Place

Report on Financial Statements

We have audited the accompanying financial statements of Kid Net Foundation dba Jonathan's Place (a nonprofit organization) which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kid Net Foundation dba Jonathan's Place as of August 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Report on Summarized Comparative Information

We have previously audited Kid Net Foundation dba Jonathan's Place's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2019 on our consideration of Kid Net Foundation dba Jonathan's Place's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kid Net Foundation dba Jonathan's Place's internal control over financial reporting and compliance.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
May 29, 2019

Kid Net Foundation dba Jonathan's Place
Statement of Financial Position
August 31, 2018
(with comparative totals for 2017)

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	$ 2,614,262	$ 2,199,940
Investments - other	166,921	-
Accounts receivable	292,628	360,248
Pledges receivable	26,303	11,500
Prepaid expense	28,425	24,811
Total current assets	3,128,539	2,596,499
Non-current assets:		
Property and equipment, net	6,440,468	6,466,297
Beneficial interest in assets held by others	205,097	194,736
Other assets	19,693	20,890
Total non-current assets	6,665,258	6,681,923
Total assets	$ 9,793,797	$ 9,278,422
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 134,612	$ 49,909
Accrued wages	68,071	6,332
Deferred revenue	5,000	5,550
Total current liabilities	207,683	61,791
Net assets:		
Unrestricted	9,272,926	8,828,985
Temporarily restricted	224,088	298,546
Permanently restricted	89,100	89,100
Total net assets	9,586,114	9,216,631
Total liabilities and net assets	$ 9,793,797	$ 9,278,422

See notes to financial statements.

Kid Net Foundation dba Jonathan's Place

Statement of Activities

Year Ended August 31, 2018

(with summarized comparative totals for 2017)

	2018				2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and support:					
Contributions	$ 962,718	$ 147,738	$ -	$ 1,110,456	$ 1,012,415
Special events, net of direct costs of $104,822	380,186	-	-	380,186	230,578
Government grant contracts	2,354,371	-	-	2,354,371	1,826,268
Investment income, net	19,121	10,397	-	29,518	12,188
Other	-	-	-	-	2,957
Net assets released from restrictions	232,593	(232,593)	-	-	-
Total revenue and support	3,948,989	(74,458)	-	3,874,531	3,084,406
Expenses:					
Program services	3,238,991	-	-	3,238,991	2,762,237
Management and general	62,031	-	-	62,031	62,517
Fundraising	204,026	-	-	204,026	182,260
Total expenses	3,505,048	-	-	3,505,048	3,007,014
Change in net assets	443,941	(74,458)	-	369,483	77,392
Net assets at beginning of year	8,828,985	298,546	89,100	9,216,631	9,139,239
Net assets at end of year	$ 9,272,926	$ 224,088	$ 89,100	$ 9,586,114	$ 9,216,631

See notes to financial statements.

Kid Net Foundation dba Jonathan's Place
Statement of Functional Expenses
Year Ended August 31, 2018
(with summarized comparative totals for 2017)

	2018				2017
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	$ 1,602,868	$ 44,963	$ 152,786	$ 1,800,617	$ 1,622,055
Foster parent assistance	653,709	-	-	653,709	414,159
Supplies	69,810	866	1,290	71,966	76,584
Donated groceries and supplies	113,270	-	-	113,270	125,603
Insurance	41,067	347	2,632	44,046	42,193
Repairs and maintenance	87,206	2,352	4,241	93,799	68,583
Utilities	63,572	650	4,391	68,613	67,771
Rent	17,205	-	-	17,205	18,167
Professional services	98,288	3,740	5,715	107,743	81,985
Donated professional services	11,266	-	-	11,266	5,598
Training	9,542	143	441	10,126	8,358
Bank fees	10,556	1,054	705	12,315	10,786
Dues and subscriptions	12,130	94	2,672	14,896	10,982
Equipment	53,962	2,496	2,746	59,204	41,393
Marketing	1,477	75	1,318	2,870	574
Public relations	5,502	236	2,945	8,683	13,564
Printing	6,558	288	448	7,294	8,992
Telephone	40,290	442	3,099	43,831	37,350
Recreation	18,186	-	-	18,186	9,812
Donated recreation	824	-	-	824	14,602
Donated facility services	51,702	-	-	51,702	52,796
Travel	56,250	1,399	1,790	59,439	44,116
Special event	-	-	104,822	104,822	158,038
Other	30,034	967	3,854	34,855	48,893
Total expenses before depreciation	3,055,274	60,112	295,895	3,411,281	2,982,954
Depreciation	183,717	1,919	12,953	198,589	182,098
Total expenses with depreciation	3,238,991	62,031	308,848	3,609,870	3,165,052
Less expenses included with revenues on the statement of activities					
Direct costs of special event	-	-	104,822	104,822	158,038
Total functional expenses, net of direct costs of the special event	$ 3,238,991	$ 62,031	$ 204,026	$ 3,505,048	$ 3,007,014

See notes to financial statements.

Kid Net Foundation dba Jonathan's Place

Statement of Cash Flows

Year Ended August 31, 2018

(with summarized comparative totals for 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 369,483	$ 77,392
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	198,589	182,098
Net gains from beneficial interests in assets held by others	(10,361)	(12,188)
Changes in operating assets and liabilities:		
Accounts receivable	67,620	(87,541)
Pledges receivable	(14,803)	3,500
Prepaid expense	(3,614)	202
Other assets	1,197	(4,310)
Accounts payable	84,703	(49,148)
Accrued wages	61,739	6,332
Deferred revenue	(550)	(30,925)
Net cash provided by operating activities	754,003	85,412
Cash flows from investing activities:		
Purchases of property and equipment	(172,760)	(2,034)
Purchase of certificate of deposit	(166,921)	-
Net cash used by investing activities	(339,681)	(2,034)
Net increase in cash and cash equivalents	414,322	83,378
Cash and cash equivalents at beginning of year	2,199,940	2,116,562
Cash and cash equivalents at end of year	$ 2,614,262	$ 2,199,940

See notes to financial statements.

1. Organization

Kid Net Foundation dba Jonathan's Place (Organization) was established in 1991. The mission of the Organization is to provide a safe place, loving homes and promising futures for abused and neglected children, teens and young adults. These are children age newborn to 23 years that have been removed from their home by Child Protective Services. The Organization's mission is fulfilled through delivery and implementation of the following programs:

Emergency Shelter - Provides residential care and specialized services to newborns and children up to 18 years old. This is one of the few programs in Dallas County that provides residential services to children under the age of 5. Each child receives medical and dental exams, developmental, psychological assessments, weekly individual and group therapy and is enrolled in school.

Foster and Adoptive Family Program - Recruits, trains and supports foster and adoptive parents.

Girls Therapeutic Program - Provides a home for girls between the ages of 10 to 18, who are in need of therapeutic residential care and specialized professional services.

Safe Place Program - A national outreach and runaway prevention program designed to educate middle and high school aged children about abuses and provides immediate help and safety to youth in crisis.

Transitional Living Program - Provides safe housing and services for mental and physical health, education and improved well-being for young women aging out of foster care ranging in age from 17-23.

These programs give each child the ability to receive a continuum of care without disruption in services.

The Organization receives funding from their board of directors, employees, volunteers, individual donors, corporations, civic groups, foundations, community events and daily reimbursement contracts with the state of Texas.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares the financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Summarized Comparative Totals

The financial statements include certain prior year summarized comparative information that does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2017, from which the summarized information was derived.

Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
>
> *Temporarily restricted net assets* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.
>
> *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that will never lapse, thus requiring the funds to be maintained permanently by the Organization.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Temporarily restricted contributions whose restrictions are met in the same year the contributions are received are reported as unrestricted net assets.

Financial Instruments and Credit and Market Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit and market risk consist principally of cash and cash equivalents, certificates of deposit, accounts receivable, pledges receivable, and beneficial interest in assets held by others.

The Organization places cash, cash equivalents and certificates of deposit, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to $250,000. At August 31, 2018, the Organization's uninsured balances totaled $2,550,018. The Organization has not experienced any losses on such assets.

Accounts receivable are unsecured and are due from government agencies. Pledges receivable are unsecured and are due from donors. The Organization periodically evaluates the collectability of accounts and pledges receivable and maintains allowances as considered necessary.

At August 31, 2018 approximately 92% of total receivables due to the Organization was from the Texas Department of Family and Protective Services (TDFPS).

The Organization's funding from the TDFPS during the year ended August 31, 2018 was approximately 57% of total revenue.

The Organization's beneficial interest in assets held by others is exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these instruments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Organization.

Estimates and Assumptions

The preparation of financial statements in conformity with 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 the financial statements and the reported amounts of support and expenses during the reporting period. Actual results could differ from those estimated.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less when purchased, excluding cash and cash equivalents in investment accounts or held for long-term purposes. At August 31, 2018, cash and cash equivalents includes five certificates of deposit with original maturities of three months or less totaling $1,658,091.

Investments – Other

Certificates of deposit with a maturity of more than three months when purchased are included in investments – other. The Organization has one certificate of deposit with an interest rate of 2.25% maturing in July 2019. Investment in the certificate of deposit totals $166,921 at August 31, 2018.

Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

Level 1 — Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 — Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies;

Level 3 — Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates or assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Accounts and Pledges Receivable

Accounts receivable represent contract and government grant receivables due at August 31, 2018. Accounts receivable are recorded based on the reimbursable amount incurred and are due within the next year. Pledges are recorded at the estimated fair value when an unconditional promise to give is made. No allowance for doubtful accounts was considered necessary at August 31, 2018.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of the donation. The fair value of donated property and equipment is capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of the assets ranging from 5 to 39 years. Repair and maintenance costs are expensed as incurred.

Impairment of Long-Lived Assets

The Organization regularly evaluates its long-lived assets for indicators of possible impairment. Should impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset's fair value. No impairment losses were recognized for the year ended August 31, 2018.

Revenue Recognition

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected.

Government grant contracts are recognized as contract terms are fulfilled. Cost reimbursement grants are recognized as revenue when the allowable costs are incurred. Fees for contract services are recognized as revenue when the contracted services are performed.

Donated supplies and goods are reflected as contributions at their estimated fair values at date of receipt. Donated use of facilities is reflected as a contribution at the estimated fair value of the rent. The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Special event revenue is recognized at the time of the event. If funds are received before the event occurs, the amounts received are accounted for as deferred revenue.

Functional Allocation of Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various functions.

Federal Income Taxes

The Organization is a nonprofit publicly supported organization, as defined in Section 501(c)(3) of the Internal Revenue Code (Code) that is exempt from federal income taxes under Section 501(a) of the Code. For the year ended August 31, 2018, the Organization did not conduct any unrelated business activities that would be subject to federal income taxes. Therefore, no tax provision or liability has been reported in the accompanying financial statements.

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax return and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of August 31, 2018 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Reclassification

Certain amounts in the financial statements as of and for the year ended August 31, 2017 have been reclassified to be consistent with the 2018 presentation.

New Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board (FASB) in the form of accounting standards updates (ASUs) to the FASB's Accounting Standards Codification.

The Organization considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Organization's financial position and changes in net assets.

In 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* to improve the presentation of financial statements of not-for-profit entities. The key qualitative and quantitative changes in the ASU address the following: net asset classification, information presented about a not-for-profit entity's liquidity and availability of resources, investment return presentation, expense allocation methodology, disclosure and presentation in the financial statements, and the presentation of the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The effective date of ASU 2014-09 is for annual periods beginning after December 15, 2018 for the majority of not-for-profit organizations.

In 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) Subject to Topic 958, *Not-for-Profit Entities* or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is *not a factor* for determining whether an agreement is within the scope of that guidance. The standard is effective for annual periods beginning after December 15, 2018 for the majority of not-for-profit entities. The changes in this standard should generally be applied on a retrospective basis in the year that it is first applied.

In 2016, the FASB issued its leasing standard in ASU 2016-02*, Leases* for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use assets and related lease liabilities on the statement of financial position for all lease arrangements with terms longer than 12 months. The pattern of expense recognition in the statement of activities will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2019.

The Organization is currently assessing the impact that adopting this new guidance will have on the financial statements.

3. Beneficial Interest in Assets Held by Others

The Organization has a beneficial interest in assets held by a local community foundation valued at $205,097 as of August 31, 2018. This consists of funds contributed by the Organization or donors and includes earnings thereon, net of distributions received. Distributions of the income earned from beneficial interests and principal amounts thereof are received at various times throughout the year based on the spending policy adopted by the board of directors of the community foundation.

Fair value of the Organization's beneficial interest in assets held by others is determined by third party trustees and is based on the underlying assets in the community foundation trust. Since these values are based on unobservable inputs, they are considered Level 3 investments.

The following table presents a rollforward of activity for assets held by the community foundation at fair value for the year ended August 31, 2018:

Beginning balance	$ 194,736
Interest and dividend income	1,033
Unrealized and realized gains	11,593
Less investment expenses	(2,265)
Ending balance	$ 205,097
The amount of total gains or losses for the period included in change in net assets attributable to the change in unrealized and realized gains or losses relating to investments still held at the reporting date	$ 11,593

The beneficial interest in assets held by others includes endowment funds of $163,053 as of August 31, 2018.

4. Property and Equipment

Property and equipment consist of the following at August 31, 2018:

Land	$ 354,047
Building and improvements	7,826,579
Furniture and equipment	889,689
Vehicles	129,224
	9,199,539
Less accumulated depreciation	(2,759,071)
	$ 6,440,468

Depreciation expense totaled $198,589 for the year ended August 31, 2018.

5. Restricted Net Assets

Temporarily restricted net assets at August 31, 2018 were available for the following purposes:

Play therapy	$	53,100
Security project		4,951
Therapeutic recreation		3,363
Katie's Corner		4,850
Endowment earnings		73,953
Water park shades		6,000
Dock's Corner Library		5,500
Capital for Kids		24,703
Training room		11,324
Time restricted		20,000
Other		16,344
	$	224,088

Net assets permanently restricted for endowment purposes at August 31, 2018 totaled $89,100.

6. Endowment Funds

As required by GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration of preservation of the fund, (2) the purpose of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policy.

Changes in donor-restricted endowment funds by net asset classifications for the year ended August 31, 2018 are summarized as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance on August 31, 2017	$ 63,556	$ 89,100	$ 152,656
Investment income, net	10,397	-	10,397
Balance on August 31, 2018	$ 73,953	$ 89,100	$ 163,053

7. In-Kind Contributions

In-kind contributions, included in the financial statements, consisted of the following for the year ended August 31, 2018:

Facility services	$ 51,702
Professional services	11,266
Groceries and supplies	113,270
Other	824
	$ 177,062

8. Employee Benefits

The Organization has a contributory retirement plan for all employees 21 years and older who have completed 1,000 hours of service. During the year ended August 31, 2018, the Organization matched up to 4% of employee contributions totaling $19,333. Employees are immediately vested in their contribution amount and in the Organization's matching contributions.

9. Leases

The Organization has non-cancelable operating lease agreements for its offices and copier. The leases expire through November 2020. The following is a schedule of future minimum lease payments under the lease agreements for the years ending August 31:

2019	$	5,160
2020		860

Rent expense totaled $22,731 for the year ended August 31, 2018.

10. Contract Compliance

The Organization is responsible for compliance with provisions of contracts and grant agreements. Noncompliance could result in the disallowance of expenditures and a request for reimbursement. In the opinion of the Organization's management, such disallowance, if any, would not be significant to the Organization's financial statements.

11. Subsequent Events

The Organization evaluated subsequent events through the date the financial statements were available to be issued and concluded that no additional disclosures are required.

Kid Net Foundation dba Jonathan's Place

Schedule of Expenditures of Federal and State Awards

Year Ended August 31, 2018

Federal or State Agency/Pass-Through Grantor/Program Title	CFDA #	Grant Number	Federal	State	Total
U.S Department of Health and Human Resources:					
Texas Department of Family and Protective Services:					
Temporary Assistance for Needy Families	93.558	23903085	$ 222,261	$ 323,670	$ 545,931
	93.558	23372999	211,118	106,822	317,940
	93.558	23220408	158,459	201,549	360,008
			591,838	632,041	1,223,879
Foster Care Title IV-E	93.658	23372999	509,200	-	509,200
	93.658	23220408	122,147	-	122,147
			631,347	-	631,347
Total federal and state expenditures			$ 1,223,185	$ 632,041	$ 1,855,226

See notes to schedule of expenditures of federal and state awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (Schedule) includes the federal and state grant activity of Kid Net Foundation dba Jonathan's Place (Organization). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has not elected to use the 10% de minimis indirect cost rate, and continues to use the cost allocation plan negotiated individually with its grantors, as applicable.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Kid Net Foundation dba Jonathan's Place

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kid Net Foundation dba Jonathan's Place (a nonprofit organization), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 29, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kid Net Foundation dba Jonathan's Place's (Organization) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A Limited Liability Partnership

Arlington, Texas
May 29, 2019

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Kid Net Foundation dba Jonathan's Place

Report on Compliance for Each Major Federal Program

We have audited Kid Net Foundation dba Jonathan's Place's (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A Limited Liability Partnership

Arlington, Texas
May 29, 2019

Kid Net Foundation dba Jonathan's Place
Schedule of Findings and Questioned Costs
Year Ended August 31, 2018

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness identified?	_____ yes	__x__ no
• Significant deficiency identified?	_____ yes	__x__ none reported
Noncompliance material to financial statements noted?	_____ yes	__x__ no

Federal Awards

Internal control over major programs:		
• Material weakness identified?	_____ yes	__x__ no
• Significant deficiency identified?	_____ yes	__x__ none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	_____ yes	__x__ no

Identification of major federal program:

CFDA Number	Name of Federal Program
93.558	Temporary Assistance for Needy Families
93.658	Foster Care – Title IV-E

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	__x__ yes	____ no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Federal Award Findings and Questioned Costs

None reported.