



**Kid Net Foundation dba Jonathan's Place**

**Financial Statements with Supplementary Information  
and Compliance Reports**

**August 31, 2021**

**(with Summarized Comparative Totals for August 31, 2020)**

# Kid Net Foundation dba Jonathan's Place

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## **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, 2021, 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.

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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020 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 March 9, 2022 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.



A Limited Liability Partnership

Arlington, Texas  
March 9, 2022

**Kid Net Foundation dba Jonathan's Place**  
**Statement of Financial Position**  
**August 31, 2021**  
**(with comparative totals for 2020)**

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,851,596	\$ 3,272,119
Investments	-	19,526
Accounts receivable	540,735	507,367
Pledges receivable	-	21,001
Prepaid expense	48,279	35,365
<b>Total current assets</b>	<u>4,440,610</u>	<u>3,855,378</u>
<b>Non-current assets:</b>		
Property and equipment, net	5,787,621	6,007,231
Beneficial interest in assets held by others	273,916	222,737
Other assets	17,876	16,753
<b>Total non-current assets</b>	<u>6,079,413</u>	<u>6,246,721</u>
<b>Total assets</b>	<u>\$ 10,520,023</u>	<u>\$ 10,102,099</u>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 149,740	\$ 138,789
Accrued wages	64,557	-
<b>Total current liabilities</b>	<u>214,297</u>	<u>138,789</u>
<b>Net assets:</b>		
Without donor restrictions	9,697,655	9,438,007
With donor restrictions	608,071	525,303
<b>Total net assets</b>	<u>10,305,726</u>	<u>9,963,310</u>
<b>Total liabilities and net assets</b>	<u>\$ 10,520,023</u>	<u>\$ 10,102,099</u>

See notes to financial statements.

**Kid Net Foundation dba Jonathan's Place**  
**Statement of Activities**  
**Year Ended August 31, 2021**  
**(with summarized comparative totals for 2020)**

	2021		2020	
	Without donor restrictions	With donor restrictions	Total	Total
<b>Revenue and support:</b>				
Contributions	\$ 1,173,113	\$ 116,605	\$ 1,289,718	\$ 1,024,275
In-kind revenue	256,290	-	256,290	204,984
Government grants	4,184,041	-	4,184,041	3,599,637
Investment income, net	2,031	51,834	53,865	47,009
Net assets released from restrictions	85,671	(85,671)	-	-
<b>Total revenue and support</b>	<b>5,701,146</b>	<b>82,768</b>	<b>5,783,914</b>	<b>4,875,905</b>
<b>Expenses:</b>				
Program services	4,766,308	-	4,766,308	4,200,548
Management and general	309,792	-	309,792	342,091
Fundraising	349,979	-	349,979	313,198
<b>Total expenses</b>	<b>5,426,079</b>	<b>-</b>	<b>5,426,079</b>	<b>4,855,837</b>
<b>Net operating income</b>	<b>275,067</b>	<b>82,768</b>	<b>357,835</b>	<b>20,068</b>
<b>Other expense</b>				
Loss on disposal of asset	15,419	-	15,419	-
<b>Change in net assets</b>	<b>259,648</b>	<b>82,768</b>	<b>342,416</b>	<b>20,068</b>
<b>Net assets at beginning of year</b>	<b>9,438,007</b>	<b>525,303</b>	<b>9,963,310</b>	<b>9,943,242</b>
<b>Net assets at end of year</b>	<b>\$ 9,697,655</b>	<b>\$ 608,071</b>	<b>\$ 10,305,726</b>	<b>\$ 9,963,310</b>

See notes to financial statements.

**Kid Net Foundation dba Jonathan's Place**  
**Statement of Functional Expenses**  
**Year Ended August 31, 2021**  
**(with summarized comparative totals for 2020)**

	2021			2020	
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 2,493,467	\$ 198,243	\$ 253,962	\$ 2,945,672	\$ 2,584,000
Foster parent assistance	1,095,505	-	-	1,095,505	1,001,388
Supplies	81,554	1,199	2,669	85,422	94,484
Donated groceries and supplies	214,490	-	-	214,490	165,406
Insurance	58,591	2,338	1,402	62,331	56,187
Repairs and maintenance	126,837	6,985	2,406	136,228	63,474
Utilities	68,473	2,566	1,539	72,578	69,283
Rent	15,825	-	-	15,825	14,490
Professional services	88,830	53,225	4,987	147,042	190,215
Donated professional services	39,730	-	-	39,730	34,518
Training	57,838	4,185	3,279	65,302	19,926
Bank fees	16,426	764	1,322	18,512	10,823
Dues and subscriptions	11,451	245	3,366	15,062	12,511
Equipment	35,982	350	1,422	37,754	52,138
Marketing	1,037	46	52,298	53,381	20,835
Public relations	2,287	864	1,320	4,471	3,980
Printing	6,894	288	1,889	9,071	12,821
Telephone	46,060	1,648	1,689	49,397	49,000
Recreation	17,414	-	49	17,463	14,114
Donated recreation	1,298	-	-	1,298	3,515
Donated facility services	772	-	-	772	1,545
Travel	56,557	723	514	57,794	51,922
Other	40,529	24,281	2,995	67,805	116,429
<b>Total expenses before depreciation</b>	<b>4,577,847</b>	<b>297,950</b>	<b>337,108</b>	<b>5,212,905</b>	<b>4,643,004</b>
Depreciation	188,461	11,842	12,871	213,174	212,833
<b>Total expenses with depreciation</b>	<b>\$ 4,766,308</b>	<b>\$ 309,792</b>	<b>\$ 349,979</b>	<b>\$ 5,426,079</b>	<b>\$ 4,855,837</b>

See notes to financial statements.



**Kid Net Foundation dba Jonathan's Place**  
**Statement of Cash Flows**  
**Year Ended August 31, 2021**  
**(with summarized comparative totals for 2020)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 342,416	\$ 20,068
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	213,174	212,833
Donated stock	-	(19,663)
Unrealized loss on investments	-	137
Loss on disposal of property and equipment	15,419	-
Net gains from beneficial interests in assets held by others	(51,179)	(17,845)
Changes in operating assets and liabilities:		
Accounts receivable	(33,368)	(106,694)
Pledges receivable	21,001	24,119
Prepaid expense	(12,914)	5,367
Other assets	(1,123)	7,520
Accounts payable	10,951	25,360
Accrued wages	64,557	(89,884)
<b>Net cash provided by operating activities</b>	<u>568,934</u>	<u>61,318</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(8,983)	(12,999)
Proceeds from redemption of certificates of deposit	-	1,075,778
Proceeds from sale of investments	19,526	-
<b>Net cash provided by investing activities</b>	<u>10,543</u>	<u>1,062,779</u>
<b>Net increase in cash and cash equivalents</b>	579,477	1,124,097
<b>Cash and cash equivalents at beginning of year</b>	<u>3,272,119</u>	<u>2,148,022</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 3,851,596</u></u>	<u><u>\$ 3,272,119</u></u>

See notes to financial statements.

# Kid Net Foundation dba Jonathan's Place

## Notes to Financial Statements

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### 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 or voluntarily placed in the sex trafficking program by a relative or advocate. 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.

*Restoring and Educating Survivors to Empowerment and Transformation* – provides emergency shelter and long-term therapeutic foster home placement opportunities for victims of sex trafficking.

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.

# Kid Net Foundation dba Jonathan's Place

## Notes to Financial Statements

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### 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, 2020, 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:

*Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

*Net assets with donor restrictions* - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time. Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a board of directors approved spending policy.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor 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. The Organization chooses to show contributions with donor restrictions whose restrictions are met in the same reporting period as contributions without donor restrictions.

# Kid Net Foundation dba Jonathan's Place

## Notes to Financial Statements

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### ***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, accounts receivable, pledges receivable, and beneficial interest in assets held by others.

The Organization places cash and cash equivalents, 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, 2021, the Organization's uninsured balances totaled \$3,578,081. 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, 2021 approximately 71% 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, 2021 was approximately 50% 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.

# Kid Net Foundation dba Jonathan's Place

## Notes to Financial Statements

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### ***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. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Beneficial Interest in Assets Held by Others: valued based on underlying assets in the community foundation trust determined by third party trustees

### ***Accounts and Pledges Receivable***

Accounts receivable represent contract and government grant receivables due at August 31, 2021. 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, 2021.

# Kid Net Foundation dba Jonathan's Place

## Notes to Financial Statements

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### ***Property and Equipment***

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of the donation. Property and equipment in excess of \$5,000 is capitalized at cost or estimated fair market value of donated assets at date of donation. 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, 2021.

### ***Revenue Recognition***

The Organization recognizes contributions when cash, securities, other assets or an unconditional promise to give is received. Unconditional promise to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization was awarded cost reimbursable grants of \$363,882 that have not been recognized as revenue at August 31, 2021, because qualifying expenditures have not yet been incurred. The Organization's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of the Organization.

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.

# Kid Net Foundation dba Jonathan's Place

## Notes to Financial Statements

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### ***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. The expenses that are allocated include repairs and maintenance, utilities, rent, equipment and depreciation, which are allocated on a square footage basis, as well as salaries and wages, insurance, training, bank fees, dues and subscriptions, marketing, public relations, printing, telephone, travel and other, which are allocated on the basis of estimates of time and effort. All other expenses are directly attributable to the program services or supporting activities benefited.

### ***Reclassification***

Certain items in the 2020 summarized comparative financial statements have been reclassified for comparative purposes to conform with the presentation of the 2021 financial statements.

### ***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, 2021, 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, 2021 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.

### ***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.

In 2016, the FASB issued its leasing standard in ASU 2016-02, *Leases* (ASC Topic 842), for both lessees and lessors. Under its core principle, a lessee will recognize right-of-use (ROU) 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

# Kid Net Foundation dba Jonathan's Place

## Notes to Financial Statements

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will depend on a lease's classification. For not-for-profit organizations, the standard takes effect for fiscal years beginning after December 15, 2021.

In 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Organization will be required to present contributed nonfinancial assets as a separate line items in the statement of activities apart from contributions of cash or other financial assets, and additional quantitative and qualitative disclosures will be required. The standard takes effect for annual reporting periods beginning after June 15, 2021.

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 \$273,916 as of August 31, 2021. 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, 2021:

Beginning balance	\$ 222,737
Interest and dividend income	53,865
Unrealized and realized gains	40
Less investment expenses	<u>(2,726)</u>
Ending balance	<u>\$ 273,916</u>
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	
	<u>\$ 40</u>

The beneficial interest in assets held by others includes endowment funds of \$232,652 as of August 31, 2021.



# Kid Net Foundation dba Jonathan's Place

## Notes to Financial Statements

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### 4. Property and Equipment

Property and equipment consist of the following at August 31, 2021:

Land	\$ 354,047
Building and improvements	7,810,826
Furniture and equipment	857,813
Vehicles	<u>95,025</u>
	9,117,711
Less accumulated depreciation	<u>(3,330,090)</u>
	<u>\$ 5,787,621</u>

Depreciation expense totaled \$213,174 for the year ended August 31, 2021.

### 5. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of August 31, 2021:

Campus improvements	\$ 43,873
Capital for Kids	15,940
Cottage renovations	65,326
Dock's Corner Library	5,500
Emergency shelter	3,265
Endowment earnings	143,552
Endowment restricted in perpetuity	89,100
Foster care expansion	120,000
Aging out gift cards	6,100
Katie's Corner	2,000
Other	75,946
Prom Dresses	5,258
Special Event speaker	19,663
Special projects	3,759
Sports and outdoor equipment	3,789
Spring trip	<u>5,000</u>
	<u>\$ 608,071</u>

# Kid Net Foundation dba Jonathan's Place

## Notes to Financial Statements

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### 6. Endowment Funds

The Organization has donor-restricted endowment funds which are maintained in accordance with explicit donor stipulations. The board of directors of the Organization has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) 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 the original value of gifts donated to the permanent endowment as net assets with donor restrictions. The earnings from the original gift are classified as net asset with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Organization, in making a determination to appropriate or accumulate donor-restricted endowment funds acts in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and considers if relevant, the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowment. The Organization has a spending policy of appropriating for distribution each year an amount deemed prudent to carry out the program of the Organization and to provide scholarships. Distributions consist of net investment income and may, under certain conditions, include a portion of the cumulative realized and unrealized gains and losses.

#### ***Return Objectives and Risk Parameters***

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the principal of the endowment assets.

#### ***Strategies Employed for Achieving Objectives***

To achieve that objective, the Organization has adopted an investment policy that attempts to achieve an after-cost total real rate of return, including investment income as well as capital

# Kid Net Foundation dba Jonathan's Place

## Notes to Financial Statements

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appreciation, which exceeds the annual distributions with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds if possible.

### *Spending Policy*

Annual disbursements from the fund are determined by the board treasurer and the staff, subject to the approval of the board of directors. Annual amounts eligible for distribution that are not distributed in that fiscal year are classified as net assets without donor restriction. Net assets without donor restrictions remaining in the endowment fund will be excluded in the annual endowment distribution calculation for future years. Utilization of these net assets without donor restrictions will be governed by the approved annual budget. The board of directors has the authority to modify the distribution in any particular year for good cause. No amount was appropriated for distribution during the year ended August 31, 2021.

Changes in endowment funds with donor restrictions are as follows:

	Accumulated gains (losses) and other	Original gift amount	Total with donor restrictions
Endowment net assets, beginning of year	\$ 91,718	\$ 89,100	\$ 180,818
Investment gain	51,834	-	51,834
Endowment net assets, end of year	<u>\$ 143,552</u>	<u>\$ 89,100</u>	<u>\$ 232,652</u>

## 7. In-Kind Contributions

In-kind contributions, included in the financial statements, consist of the following for the year ended August 31, 2021:

Facility services	\$ 772
Groceries and supplies	214,490
Professional services	39,730
Recreation	1,298
	<u>\$ 256,290</u>

# Kid Net Foundation dba Jonathan's Place

## Notes to Financial Statements

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### 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, 2021, the Organization matched up to 4% of employee contributions totaling \$7,348. Employees are immediately vested in their contribution amount and in the Organization's matching contributions.

### 9. Liquidity and Availability of Resources

The following is a schedule of the Organization's financial assets available to meet cash need for general expenditures within one year at August 31, 2021:

Cash and cash equivalents	\$ 3,851,596
Accounts receivable	<u>540,735</u>
Total financial assets	4,392,331
Less amounts not available for general expenditures within one year:	
Donor restricted net assets for specified purpose	375,419
Donor restricted endowment earnings	143,552
Endowment restricted in perpetuity	<u>89,100</u>
Financial assets not available for general expenditures	<u>608,071</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,784,260</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. During the year ended August 31, 2021, the level of liquidity was managed within the Organization's expectations.

### 10. Coronavirus Aid, Relief, and Economic Security Act

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity around the world. Given the uncertainty of the spread of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

# Kid Net Foundation dba Jonathan's Place

## Notes to Financial Statements

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### **Paycheck Protection Program Loan**

On April 9, 2020, the Organization entered into an unsecured loan (PPP loan) in the aggregate amount of \$312,726 with a bank pursuant to the Paycheck Protection Program (PPP), which is sponsored by the Small Business Administration, and is part of the Coronavirus Aid, Relief and Economic Security Act, as amended by the Paycheck Protection Program Flexibility Act of 2020.

The Organization had met all requirements for forgiveness as of August 31, 2020 and elected to account for the PPP loan as a conditional grant in accordance with FASB ASC Topic 958. Accordingly, forgiveness of the PPP loan is shown as government grant revenue in the accompanying summarized statement of activities for the year ended August 31, 2020. The Organization received formal forgiveness on June 21, 2021.

On March 26, 2021, the Organization received \$312,725 under the second iteration of the PPP loan, which has similar terms as the original. The Organization has met all requirements for forgiveness as of August 31, 2021. Accordingly, forgiveness of the PPP loan is shown as government grant revenue in the accompanying statement of activities for the year ended August 31, 2021. The Organization received formal forgiveness on October 28, 2021.

### **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 Awards**  
**Year Ended August 31, 2021**

Agency/Pass-Through Grantor/Program Title	ALN #	Grant Number	Federal Expenditures
<b>U.S Department of Health and Human Resources:</b>			
Texas Department of Family and Protective Services			
Temporary Assistance for Needy Families	93.558	23372999	\$ 324,879
	93.558	23220408	67,646
	93.558	23903085	<u>66,228</u>
			458,753
Foster Care Title IV-E	93.658	23372999	391,891
	93.658	23220408	63,026
	93.658	23903085	<u>66,448</u>
			<u>521,365</u>
Total U.S. Department of Health and Human Services			980,118
<b>U.S. Department of Justice:</b>			
Texas Office of the Governor - Criminal Justice Division			
Crime Victim Assistance	16.575	3733002	536,969
	16.575	3863502	<u>411,326</u>
Total U.S. Department of Justice			<u>948,295</u>
<b>Total federal expenditures</b>			<u><u>\$ 1,928,413</u></u>

See notes to schedule of expenditures of federal awards.

**Kid Net Foundation dba Jonathan's Place**  
**Notes to Schedule of Expenditures of Federal Awards**

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**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal 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***

To the 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, 2021, 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 March 9, 2022.

***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  
March 9, 2022

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

To the 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, 2021. 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, 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, 2021.

## ***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  
March 9, 2022

**Kid Net Foundation dba Jonathan's Place**  
**Schedule of Findings and Questioned Costs**  
**Year Ended August 31, 2021**

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**Section I – Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	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?	No

***Identification of major federal programs:***

**Federal:**

16.575	Crime Victim Assistance
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Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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**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.