# Kid Net Foundation dba Jonathan's Place

**Financial Statements**
**August 31, 2016**
**(with Summarized Comparative Totals for August 31, 2015)**

SFC Answers.

# Kid Net Foundation dba Jonathan's Place

## Contents

Sutton Frost Cary LLP
Certified Public Accountants

## Independent Auditors' Report

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

We have audited the accompanying financial statements of Kid Net Foundation dba Jonathan's Place (Organization) which comprise the statement of financial position as of August 31, 2016, 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 consider 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 the Organization as of August 31, 2016, 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.

***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* (CFR) 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 relates 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 April 6, 2017 on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

***Other Matter***

The financial statements of the Organization, as of and for the year ended August 31, 2015 were audited by other auditors whose report dated January 8, 2016 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year then ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
April 6, 2017

# Kid Net Foundation dba Jonathan's Place

## Statement of Financial Position

## August 31, 2016

## (with Comparative Totals for 2015)

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 2,116,562 | $ 1,428,463 |
| Accounts receivable | 272,707 | 220,498 |
| Pledges receivable | 15,000 | 3,927 |
| Prepaid expense | 25,013 | 23,969 |
| **Total current assets** | 2,429,282 | 1,676,857 |
| **Non-current assets:** | | |
| Property and equipment, net | 6,646,361 | 6,810,605 |
| Beneficial interests in assets held by others | 182,548 | 175,936 |
| Other assets | 16,580 | 16,809 |
| **Total non-current assets** | 6,845,489 | 7,003,350 |
| **Total assets** | $ 9,274,771 | $ 8,680,207 |
| **Liabilities and Net Assets** | | |
| **Current liabilities:** | | |
| Accounts payable and accrued expenses | $ 99,057 | $ 126,158 |
| Deferred revenue | 36,475 | 67,825 |
| **Total current liabilities** | 135,532 | 193,983 |
| **Net assets:** | | |
| Unrestricted | 8,743,943 | 8,172,511 |
| Temporarily restricted | 306,196 | 224,613 |
| Permanently restricted | 89,100 | 89,100 |
| **Total net assets** | 9,139,239 | 8,486,224 |
| **Total liabilities and net assets** | $ 9,274,771 | $ 8,680,207 |

See notes to financial statements.

# Kid Net Foundation dba Jonathan's Place
## Statement of Activities
## Year Ended August 31, 2016
## (with Comparative Totals for 2015)

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| **Revenue and support:** | | | | | |
| Contributions | $1,280,717 | $ 120,845 | $ - | $1,401,562 | $ 878,512 |
| Special events, net of direct costs of $77,433 | 213,501 | - | - | 213,501 | 195,321 |
| Government grant contracts | 2,029,519 | - | - | 2,029,519 | 1,787,209 |
| Investment income (loss), net | (523) | 7,135 | - | 6,612 | (8,385) |
| Other | 2,019 | - | - | 2,019 | 10,039 |
| Gain on sale of property and equipment | - | - | - | - | 31,917 |
| Net assets released from restrictions | 46,397 | (46,397) | - | - | - |
| **Total revenue and support** | 3,571,630 | 81,583 | - | 3,653,213 | 2,894,613 |
| **Expenses:** | | | | | |
| Program services | 2,614,774 | - | - | 2,614,774 | 2,458,308 |
| Management and general | 100,644 | - | - | 100,644 | 126,461 |
| Fundraising | 284,780 | - | - | 284,780 | 261,969 |
| **Total expenses** | 3,000,198 | - | - | 3,000,198 | 2,846,738 |
| **Change in net assets** | 571,432 | 81,583 | - | 653,015 | 47,875 |
| **Net assets at beginning of year** | 8,172,511 | 224,613 | 89,100 | 8,486,224 | 8,438,349 |
| **Net assets at end of year** | $8,743,943 | $ 306,196 | $ 89,100 | $9,139,239 | $8,486,224 |

See notes to financial statements.

# Kid Net Foundation dba Jonathan's Place
## Statement of Functional Expenses
## Year Ended August 31, 2016
## (with Comparative Totals for 2015)

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | Program Services | Management and General | Fundraising | Total | Total |
| Salaries and wages | $ 1,258,251 | $ 74,969 | $ 213,399 | $ 1,546,619 | $ 1,439,184 |
| Foster parent assistance | 543,434 | - | - | 543,434 | 517,648 |
| Supplies | 63,268 | 819 | 2,434 | 66,521 | 58,705 |
| Donated supplies | 100,149 | - | - | 100,149 | 109,708 |
| Insurance | 36,488 | 942 | 2,396 | 39,826 | 42,801 |
| Repairs and maintenance | 76,462 | 583 | 3,712 | 80,757 | 69,756 |
| Utilities | 59,177 | 700 | 4,269 | 64,146 | 65,198 |
| Rent | 11,505 | - | - | 11,505 | 7,345 |
| Professional services | 61,820 | 2,751 | 11,708 | 76,279 | 80,779 |
| Donated professional services | 39,177 | - | - | 39,177 | 34,829 |
| Training | 9,132 | 201 | 702 | 10,035 | 23,929 |
| Bank fees | 6,449 | 2,093 | 2,093 | 10,635 | 12,615 |
| Dues and subscriptions | 11,523 | 43 | 1,357 | 12,923 | 11,627 |
| Equipment | 27,262 | 728 | 2,434 | 30,424 | 16,456 |
| Marketing | 12,198 | - | 784 | 12,982 | 150 |
| Public relations | 36,718 | 2,270 | 12,530 | 51,518 | 10,235 |
| Printing | 11,387 | 348 | 1,236 | 12,971 | 14,882 |
| Telephone | 27,586 | 850 | 2,752 | 31,188 | 25,855 |
| Recreation | 10,600 | - | - | 10,600 | 15,292 |
| Donated recreation | 6,096 | - | - | 6,096 | - |
| Travel | 34,867 | 208 | 2,338 | 37,413 | 38,932 |
| Other | 11,993 | 3,772 | 1,903 | 17,668 | 34,231 |
| **Total before depreciation** | 2,455,542 | 91,277 | 266,047 | 2,812,866 | 2,630,157 |
| Depreciation | 159,232 | 9,367 | 18,733 | 187,332 | 216,581 |
| **Total expenses** | $ 2,614,774 | $ 100,644 | $ 284,780 | $ 3,000,198 | $ 2,846,738 |

See notes to financial statements.

# Kid Net Foundation dba Jonathan's Place

## Statement of Cash Flows

## Year Ended August 31, 2016

## (with Comparative Totals for 2015)

| | 2016 | 2015 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ 653,015 | $ 47,875 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 187,332 | 216,581 |
| Gain on sale of property and equipment | - | (31,917) |
| Net (gains) losses from beneficial interests in assets held by others | (6,612) | 8,385 |
| Changes in operating assets and liabilities: | | |
| Accounts and pledges receivable | (63,282) | 27,837 |
| Prepaid expense | (1,044) | (302) |
| Other assets | 229 | (16,384) |
| Accounts payable and accrued expenses | (27,101) | 25,523 |
| Deferred revenue | (31,350) | 33,908 |
| **Net cash provided by operating activities** | 711,187 | 311,506 |
| **Cash flows from investing activities:** | | |
| Purchases of property and equipment | (23,088) | - |
| Cash received from sale of property and equipment | - | 296,534 |
| **Net cash provided (used) by investing activities** | (23,088) | 296,534 |
| **Net increase in cash and cash equivalents** | 688,099 | 608,040 |
| **Cash and cash equivalents at beginning of year** | 1,428,463 | 820,423 |
| **Cash and cash equivalents at end of year** | $ 2,116,562 | $ 1,428,463 |

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, loving home and specialized services for children who have been abused, abandoned or neglected. 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. This is the only program 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. This program is the only licensed residential placement option of its kind in Dallas County.

*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, 2015, 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 Risk Concentrations*

Financial instruments which are potentially subject to concentrations of credit 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, 2016, the Organization's uninsured balances totaled $1,850,134.

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.

For the years ending August 31, 2016 and 2015, approximately 94% and 95%, respectively, of total receivables due to the Organization are from the Texas Department of Family and Protective Services (TDFPS).

The Organization received funding from the TDFPS during the years ended August 31, 2016 and 2015 totaling approximately 56% and 62% of total revenue, respectively.

Beneficial interests in assets held by others are exposed to a variety or 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.

***Accounts and Pledges Receivable***

Accounts receivable represent contract and government grant receivables due at August 31, 2016 and 2015. 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, 2016 and 2015.

### *Property and Equipment*

Property and equipment are recorded at cost or if acquired by gift, at fair market value at the date of the gift. 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.

### *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 contributions 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, 2016, 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, 2016 and 2015 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, 2015 have been reclassified to be consistent with the 2016 presentation.

## 3. 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.

## 4. Beneficial Interests in Assets Held by Others

The Organization has beneficial interests in assets held by a local community foundation valued at $182,548 and $175,936 as of August 31, 2016 and 2015, respectively. These consist 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 interests 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 years ending August 31:

| | 2016 | 2015 |
|---|---|---|
| Beginning balance | $ 175,936 | $ 184,321 |
| Total net gains (losses) (realized/unrealized) included in change in net assets | 6,612 | (8,385) |
| Ending balance | $ 182,548 | $ 175,936 |
| The amount of total gains or losses for the period included in change in net assets attributable to the change in unrealized gains or losses relating to investments still held at the reporting date | $ 7,628 | $ (25,373) |

The beneficial interests in assets held by others includes endowment funds of $140,192 and $133,057 as of August 31, 2016 and 2015, respectively.

Total net income from beneficial interests in assets held by others for the years ended August 31, 2016 and 2015 consists of the following:

| | 2016 | 2015 |
|---|---|---|
| Interest and dividend income | $ 998 | $ 19,069 |
| Net realized and unrealized gains (losses) | 7,628 | (25,373) |
| Less investment expenses | (2,014) | (2,081) |
| | $ 6,612 | $ (8,385) |

## 5. Property and Equipment

Property and equipment consist of the following at August 31:

| | 2016 | 2015 |
|---|---|---|
| Land | $ 354,047 | $ 354,047 |
| Building and improvements | 7,801,829 | 7,801,829 |
| Furniture and equipment | 814,004 | 790,916 |
| Vehicles | 54,865 | 54,865 |
| | 9,024,745 | 9,001,657 |
| Less accumulated depreciation | (2,378,384) | (2,191,052) |
| | $ 6,646,361 | $ 6,810,605 |

Depreciation expense totaled $187,332 and $216,581 for the years ended August 31, 2016 and 2015, respectively.

## 6. Restricted Net Assets

Temporarily restricted net assets at August 31, 2016 and 2015 were available for the following purposes:

| | 2016 | 2015 |
|---|---|---|
| Play therapy | $ 61,836 | $ 61,376 |
| Security project | 31,726 | 53,105 |
| Vehicle replacement | 31,500 | 21,500 |
| Theraputic recreation | 3,126 | 6,908 |
| Katie's Corner | 9,620 | 10,825 |
| Endownment earnings | 51,092 | 43,957 |
| Rosanne's garden | 1,736 | 1,856 |
| Water park shades | 6,000 | 6,000 |
| Campus improvements | 449 | 7,777 |
| Doc's Corner Library | 5,000 | 5,000 |
| Summer recreation | 854 | 2,958 |
| Transitional Living Program professional development | 100,253 | - |
| Other | 3,004 | 3,351 |
| | $ 306,196 | $ 224,613 |

Net assets permanently restricted for endowment purposes for the years ended August 31, 2016 and 2015 totaled $89,100.

## 7. In-Kind Contributions

In-kind contributions consisted of the following for the years ended August 31:

| | 2016 | 2015 |
|---|---|---|
| Donated professional services | $ 39,177 | $ 102,710 |
| Groceries and supplies | 100,149 | 109,708 |
| Other | 6,096 | 8,525 |
| | $ 145,422 | $ 220,943 |

## 8. 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 years ended August 31, 2016 and 2015 are summarized as follows:

| | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|
| Balance on August 31, 2014 | $ 51,856 | $ 89,100 | $ 140,956 |
| Investment loss | (7,899) | - | (7,899) |
| Balance on August 31, 2015 | 43,957 | 89,100 | 133,057 |
| Investment income | 7,135 | - | 7,135 |
| Balance on August 31, 2016 | $ 51,092 | $ 89,100 | $ 140,192 |

## 9. Employee Benefits

The Organization has a contributory retirement plan for all employees 21 years and older who have completed 1,000 hours of service. The Organization may make discretionary contributions. The Organization made no discretionary contributions during the years ended August 31, 2016 and 2015. Employees are 100% vested in their contribution amount and are 100% vested in the Organizations contributions after 3 years.

## 10. Contingencies

The Organization participates in federal and state grant programs that are governed by various federal and state rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, if and to the extent the Organization has not complied with the rules and regulations governing their grant contracts, they may be required to refund money previously received, or the collectability of any related receivable at August 31, 2016 and 2015, may be impaired.

## 12. Subsequent Events

The Organization evaluated subsequent events after the statement of financial position date of August 31, 2016 through April 6, 2017, which was 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

## For the year ended August 31, 2016

| 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 | $ 173,484 | $ 112,693 | $ 286,177 |
| | 93.558 | 23372999 | 290,196 | 107,867 | 398,063 |
| | 93.558 | 23220408 | 152,498 | 298,567 | 451,065 |
| Texas Department of Family and Protective Services via Our Community. Our Kids: | | | | | |
| Temporary Assistance for Needy Families | 93.558 | - | 126,091 | - | 126,091 |
| | | | 742,269 | 519,127 | 1,261,396 |
| Texas Department of Family and Protective Services: | | | | | |
| Foster Care Title IV-E | 93.658 | 23903085 | 27,715 | - | 27,715 |
| | 93.658 | 23372999 | 302,823 | - | 302,823 |
| | 93.658 | 23220408 | 31,605 | - | 31,605 |
| Texas Department of Family and Protective Services via Our Community. Our Kids: | | | | | |
| Foster Care Title IV-E | 93.658 | - | 133,174 | - | 133,174 |
| | | | 495,317 | - | 495,317 |
| Texas Department of Family and Protective Services: | | | | | |
| Promoting Safe and Stable Families | 93.556 | 24254391 | 23,250 | 7,750 | 31,000 |
| Texas Department of Family and Protective Services via Our Community. Our Kids | State | - | - | 157,426 | 157,426 |
| **Total federal and state expenditures** | | | $ 1,260,836 | $ 684,303 | $ 1,945,139 |

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 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

## 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 (nonprofit organization), which comprise the statement of financial position as of August 31, 2016, 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 April 6, 2017.

***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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
April 6, 2017

## 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, 2016. The Organization's major federal programs are identified in the summary of auditor's 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, 2016.

***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.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
April 6, 2017

# Kid Net Foundation dba Jonathan's Place
## Schedule of Findings and Questioned Costs
## Year Ended August 31, 2016

**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 |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $750,000 | |
| Auditee qualified as low-risk auditee? | _____ yes | X no[1] |

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

[1] In order to meet the criteria for a low-risk auditee in the current year, the prior two years' audits must have met the requirements of the Uniform Guidance, including report submission to the federal audit clearinghouse by the due date. Kid Net Foundation dba Jonathan's Place did not meet the criteria to qualify as a low-risk auditee because the data collection form and the reporting package for fiscal year ended August 31, 2015 was not submitted to the federal audit clearinghouse by the due date.

# Kid Net Foundation dba Jonathan's Place
## Summary Schedule of Prior Audit Findings
## Year Ended August 31, 2016

None