



Kid Net Foundation dba Jonathan's Place

**Financial Statements
with Supplementary Schedule and Compliance Reports
August 31, 2020
(with Summarized Comparative Totals for August 31, 2019)**

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 29, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2021 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

May 14, 2021

Kid Net Foundation dba Jonathan's Place
Statement of Financial Position
August 31, 2020
(with comparative totals for 2019)

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,272,119	\$ 2,148,022
Investments	19,526	1,075,778
Accounts receivable	507,367	400,673
Pledges receivable	21,001	45,120
Prepaid expense	35,365	40,732
Total current assets	3,855,378	3,710,325
Non-current assets:		
Property and equipment, net	6,007,231	6,207,065
Beneficial interest in assets held by others	222,737	204,892
Other assets	16,753	24,273
Total non-current assets	6,246,721	6,436,230
Total assets	\$ 10,102,099	\$ 10,146,555
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 138,789	\$ 113,429
Accrued wages	-	89,884
Total current liabilities	138,789	203,313
Net assets:		
Without donor restrictions	9,438,007	9,472,059
With donor restrictions	525,303	471,183
Total net assets	9,963,310	9,943,242
Total liabilities and net assets	\$ 10,102,099	\$ 10,146,555

See notes to financial statements.

Kid Net Foundation dba Jonathan's Place
Statement of Activities
Year Ended August 31, 2020
(with summarized comparative totals for 2019)

	2020			2019
	Without donor restrictions	With donor restrictions	Total	Total
Revenue and support:				
Contributions	\$ 1,136,846	\$ 92,413	\$ 1,229,259	\$ 1,411,745
Special events, net of direct costs of \$78,665 for 2019	-	-	-	236,674
Government grants	3,599,637	-	3,599,637	2,769,776
Investment income, net	28,955	18,054	47,009	33,796
Other	-	-	-	2,377
Net assets released from restrictions	56,347	(56,347)	-	-
Total revenue and support	4,821,785	54,120	4,875,905	4,454,368
Expenses:				
Program services	4,200,548	-	4,200,548	3,571,592
Management and general	342,091	-	342,091	273,131
Fundraising	313,198	-	313,198	252,517
Total expenses	4,855,837	-	4,855,837	4,097,240
Change in net assets	(34,052)	54,120	20,068	357,128
Net assets at beginning of year	9,472,059	471,183	9,943,242	9,586,114
Net assets at end of year	\$ 9,438,007	\$ 525,303	\$ 9,963,310	\$ 9,943,242

See notes to financial statements.

Kid Net Foundation dba Jonathan's Place
Statement of Functional Expenses
Year Ended August 31, 2020
(with summarized comparative totals for 2019)

	2020			2019	
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 2,175,938	\$ 153,169	\$ 254,893	\$ 2,584,000	\$ 2,046,434
Foster parent assistance	1,001,388	-	-	1,001,388	968,430
Supplies	90,829	2,022	1,633	94,484	76,770
Donated groceries and supplies	165,406	-	-	165,406	158,641
Insurance	52,816	2,107	1,264	56,187	50,189
Repairs and maintenance	57,556	3,797	2,121	63,474	76,566
Utilities	63,414	3,094	2,775	69,283	60,462
Rent	14,490	-	-	14,490	15,224
Professional services	79,644	105,890	4,681	190,215	119,961
Donated professional services	34,518	-	-	34,518	23,422
Training	19,260	222	444	19,926	22,527
Bank fees	9,713	517	593	10,823	9,085
Dues and subscriptions	9,293	105	3,113	12,511	15,333
Equipment	48,371	2,116	1,651	52,138	24,220
Marketing	8,598	-	12,237	20,835	3,678
Public relations	3,286	211	483	3,980	4,630
Printing	7,981	610	4,230	12,821	4,076
Telephone	44,696	1,963	2,341	49,000	47,537
Recreation	14,114	-	-	14,114	15,590
Donated recreation	3,515	-	-	3,515	6,676
Donated facility services	1,545	-	-	1,545	24,961
Travel	47,907	1,643	2,372	51,922	67,284
Special event	-	-	-	-	78,665
Other	58,109	52,803	5,517	116,429	40,801
Total expenses before depreciation	4,012,387	330,269	300,348	4,643,004	3,961,162
Depreciation	188,161	11,822	12,850	212,833	214,743
Total expenses with depreciation	4,200,548	342,091	313,198	4,855,837	4,175,905
Less expenses included with revenues on the statement of activities					
Direct costs of special event	-	-	-	-	78,665
Total functional expenses, net of direct costs of the special event	\$ 4,200,548	\$ 342,091	\$ 313,198	\$ 4,855,837	\$ 4,097,240

See notes to financial statements.

Kid Net Foundation dba Jonathan's Place
Statement of Cash Flows
Year Ended August 31, 2020
(with summarized comparative totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 20,068	\$ 357,128
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	212,833	214,743
Donated stock	(19,663)	-
Unrealized loss on investments	137	-
Gain on disposal of property and equipment	-	(2,377)
Net (gains) losses from beneficial interests in assets held by others	(17,845)	205
Changes in operating assets and liabilities:		
Accounts receivable	(106,694)	(108,045)
Pledges receivable	24,119	(18,817)
Prepaid expense	5,367	(12,307)
Other assets	7,520	(4,580)
Accounts payable	25,360	(21,183)
Accrued wages	(89,884)	21,813
Deferred revenue	-	(5,000)
Net cash provided by operating activities	61,318	421,580
Cash flows from investing activities:		
Purchases of property and equipment	(12,999)	(7,331)
Proceeds on sale of property and equipment	-	28,368
Purchases of certificates of deposit	-	(908,857)
Proceeds from redemption of certificates of deposit	1,075,778	-
Net cash provided (used) by investing activities	1,062,779	(887,820)
Net increase (decrease) in cash and cash equivalents	1,124,097	(466,240)
Cash and cash equivalents at beginning of year	2,148,022	2,614,262
Cash and cash equivalents at end of year	\$ 3,272,119	\$ 2,148,022

See notes to financial statements.

Kid Net Foundation dba Jonathan's Place

Notes to Financial Statements

1. Organization

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

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, 2019, 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

Financial Instruments and Credit and Market Risk Concentrations

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

The Organization places cash, cash equivalents and certificates of deposit, which at times may exceed the federally insured limits, with high credit quality financial institutions to minimize risk. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At August 31, 2020, the Organization's uninsured balances totaled \$3,122,209. 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, 2020 approximately 64% 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, 2020 was approximately 44% 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

Investments

Investments consist of common stock totaling \$19,526 at August 31, 2020.

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:

Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

The investments held by the Organization are measured using Level 1 inputs.

Accounts and Pledges Receivable

Accounts receivable represent contract and government grant receivables due at August 31, 2020. 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, 2020.

Kid Net Foundation dba Jonathan's Place

Notes to Financial Statements

Property and Equipment

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

Impairment of Long-Lived Assets

The Organization regularly evaluates its long-lived assets for indicators of possible impairment. Should impairment exist, the impairment loss would be measured based on the excess carrying value of the asset over the asset's fair value. No impairment losses were recognized for the year ended August 31, 2020.

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.

The Organization recognizes contributions when cash, securities or other assets; or an unconditional promise to give is received. Conditional promises to give - that is, 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.

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

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

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

Kid Net Foundation dba Jonathan's Place

Notes to Financial Statements

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.

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, 2020, 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, 2020 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 Pronouncement

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

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

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Notes to Financial Statements

Accounting Pronouncements Adopted

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The entity should recognize revenue when (or as) the entity satisfies a performance obligation. Not-for-profit entities must consider whether certain arrangements are fully or partially subject to Topic 606. Examples include, but are not limited to memberships, sponsorships, grants and contracts. Further, judgment is required to bifurcate transactions between contribution and exchange components. The Organization has adopted this ASU as of and for the year ended August 31, 2020.

In 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made* to address difficulty and diversity in practice among not-for-profit entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Topic 958, Not-for-Profit Entities or as exchanges (reciprocal transactions) subject to Topic 606 and (2) determining between conditional and unconditional contributions. This ASU applies to all entities that receive or make contributions. The term used in the presentation of financial statements to label revenue (for example, contribution, grant, donation) that is accounted for within Topic 958 is not a factor for determining whether an agreement is within the scope of that guidance. The Organization has adopted this ASU as of and for the year ended August 31, 2020.

Analysis of various provisions of the adopted ASUs resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the ASUs.

3. Beneficial Interest in Assets Held by Others

The Organization has a beneficial interest in assets held by a local community foundation valued at \$222,737 as of August 31, 2020. 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.

Kid Net Foundation dba Jonathan's Place

Notes to Financial Statements

The following table presents a rollforward of activity for assets held by the community foundation at fair value for the year ended August 31, 2020:

Beginning balance	\$ 204,892
Interest and dividend income	19,571
Unrealized and realized gains	625
Less investment expenses	<u>(2,351)</u>
Ending balance	<u><u>\$ 222,737</u></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><u>\$ 625</u></u>
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The beneficial interest in assets held by others includes endowment funds of \$180,818 as of August 31, 2020.

4. Property and Equipment

Property and equipment consist of the following at August 31, 2020:

Land	\$ 354,047
Building and improvements	7,826,579
Furniture and equipment	910,019
Vehicles	<u>95,025</u>
	9,185,670
Less accumulated depreciation	<u><u>(3,178,439)</u></u>
	<u><u>\$ 6,007,231</u></u>

Depreciation expense totaled \$212,833 for the year ended August 31, 2020.

Kid Net Foundation dba Jonathan's Place

Notes to Financial Statements

5. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of August 31, 2020:

Capital for Kids	\$	21,065
Christmas		4,087
Cottage renovations		65,326
Dock's Corner Library		5,500
Emergency shelter		30,702
Endowment earnings		91,718
Endowment restricted in perpetuity		89,100
Foster care expansion		120,000
Aging out gift cards		5,000
Katie's Corner		4,952
Office reconfiguration		6,052
Other		30,834
Prom dresses		5,258
Special event speaker		19,663
Special projects		4,261
Sports and outdoor equipment		6,675
Spring trip		5,000
Training room		10,110
		<hr/>
	\$	<u>525,303</u>

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:

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Notes to Financial Statements

- 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 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, 2020.

Kid Net Foundation dba Jonathan's Place
Notes to Financial Statements

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	\$ 73,664	\$ 89,100	\$ 162,764
Investment gain	18,054	-	18,054
Endowment net assets, end of year	<u>\$ 91,718</u>	<u>\$ 89,100</u>	<u>\$ 180,818</u>

7. In-Kind Contributions

In-kind contributions, included in the financial statements, consist of the following for the year ended August 31, 2020:

Facility services	\$ 1,545
Professional services	34,518
Groceries and supplies	165,406
Recreation	3,515
	<u>\$ 204,984</u>

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, 2020, the Organization matched up to 4% of employee contributions totaling \$5,802. Employees are immediately vested in their contribution amount and in the Organization's matching contributions.

Kid Net Foundation dba Jonathan's Place
Notes to Financial Statements

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, 2020:

Cash and cash equivalents	\$ 3,272,119
Investments	19,526
Accounts receivable	507,367
Pledges receivable	<u>21,001</u>
Total financial assets	3,820,013
Less amounts not available for general expenditures within one year:	
Donor restricted net assets for specified purpose	344,485
Donor restricted endowment earnings	91,718
Endowment restricted in perpetuity	<u>89,100</u>
Financial assets not available for general expenditures	<u>525,303</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,294,710</u></u>

The Organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures within one year. 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, 2020, the level of liquidity was managed within the Organization's expectations.

10. Contract Compliance

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

Kid Net Foundation dba Jonathan's Place

Notes to Financial Statements

11. 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.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law. On April 9, 2020, the Organization received a forgivable loan in the amount of \$312,726 pursuant to the Paycheck Protection Program. The Organization used all of the proceeds to make eligible payments by August 31, 2020. The Organization has elected to account for the Paycheck Protection Program forgivable loan as a conditional grant in accordance with Topic 958 and expects all of the loan to be forgiven. Accordingly, the Organization has recognized \$312,726 as government grant revenue in the accompanying consolidated statement of activities for the year ended August 31, 2020.

12. Subsequent Events

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

Kid Net Foundation dba Jonathan's Place
Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2020

Agency/Pass-Through Grantor/Program Title	CFDA #	Grant Number	Federal Expenditures	State Expenditures
U.S Department of Health and Human Resources:				
Texas Department of Family and Protective Services:				
Temporary Assistance for Needy Families	93.558	23372999	\$ 373,990	\$ 254,196
	93.558	23220408	79,384	126,030
	93.558	23903085	114,628	108,954
			568,002	489,180
Foster Care Title IV-E	93.658	23372999	424,765	288,707
	93.658	23220408	49,365	78,371
	93.658	23903085	116,616	110,843
			590,746	477,921
Total U.S. Department of Health and Human Services			1,158,748	967,101
U.S. Department of Justice:				
Crime Victim Assistance	16.575	3733001	300,037	-
	16.575	3863501	196,791	-
			496,828	-
Total U.S. Department of Justice			496,828	-
Total federal and state expenditures			\$ 1,655,576	\$ 967,101

See notes to schedule of expenditures of federal awards.

Kid Net Foundation dba Jonathan's Place
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) and the State of Texas *Uniform Grant Management Standards* (UGMS). 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 or the UGMS, 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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



A Limited Liability Partnership

Arlington, Texas
May 14, 2021

Independent Auditors' Report on Compliance for Each Major Federal and State Program and on Internal Control over Compliance Required by the Uniform Guidance and State of Texas *Uniform Grant Management Standards*

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* and the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of the Organization's major federal and state programs for the year ended August 31, 2020. The Organization's major federal and state 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 and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal and state 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) and the State of Texas UGMS. Those standards, the Uniform Guidance and State of Texas UGMS, 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 or state 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 and state 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 and state programs for the year ended August 31, 2020.

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 and state 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 and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas UGMS, 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 or state 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 or state 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 or state 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 and State of Texas UGMS. Accordingly, this report is not suitable for any other purpose.

Sutton Frost Cary

A Limited Liability Partnership

Arlington, Texas
May 14, 2021

Kid Net Foundation dba Jonathan's Place
Schedule of Findings and Questioned Costs
Year Ended August 31, 2020

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 and State 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 or UGMS?	No

Identification of major federal and state programs:

Federal:

93.658	Foster Care Title IV-E
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State:

2337299,23220408,23903085	Foster Care Title IV-E
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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?	<u>Yes</u>
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Section II – Financial Statement Findings

None

Section III – Federal and State Award Findings and Questioned Costs

None

Kid Net Foundation dba Jonathan's Place
Schedule of Findings and Questioned Costs
Year Ended August 31, 2020

Section IV – Prior Federal and State Award Findings and Questioned Costs

None reported.