



Kid Net Foundation dba Jonathan's Place

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

August 31, 2022

(with Summarized Comparative Totals for August 31, 2021)

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

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kid Net Foundation dba Jonathan's Place and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kid Net Foundation dba Jonathan's Place's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kid Net Foundation dba Jonathan's Place's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kid Net Foundation dba Jonathan's Place's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Other Matters

Report on Summarized Comparative Information

We have previously audited Kid Net Foundation dba Jonathan's Place's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose 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 GAAS. In our opinion, such 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 February 24, 2023 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, 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
February 24, 2023

Kid Net Foundation dba Jonathan's Place
Statement of Financial Position
August 31, 2022
(with comparative totals for 2021)

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,281,128	\$ 3,851,596
Accounts receivable	448,133	540,735
Prepaid expense	67,364	48,279
Total current assets	4,796,625	4,440,610
Non-current assets:		
Property and equipment, net	5,693,877	5,787,621
Beneficial interest in assets held by others	248,100	273,916
Other assets	19,296	17,876
Total non-current assets	5,961,273	6,079,413
Total assets	\$ 10,757,898	\$ 10,520,023
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 192,046	\$ 149,740
Accrued wages	90,462	64,557
Total current liabilities	282,508	214,297
Net assets:		
Without donor restrictions	10,148,133	9,697,655
With donor restrictions	327,257	608,071
Total net assets	10,475,390	10,305,726
Total liabilities and net assets	\$ 10,757,898	\$ 10,520,023

See notes to financial statements.

Kid Net Foundation dba Jonathan's Place
Statement of Activities
Year Ended August 31, 2022
(with summarized comparative totals for 2021)

	2022			2021
	Without donor restrictions	With donor restrictions	Total	Total
Revenue and support:				
Contributions of cash and financial assets	\$ 1,143,581	\$ 21,434	\$ 1,165,015	\$ 1,289,718
Contributions of nonfinancial assets	153,103	-	153,103	256,290
Special events, net of direct costs of \$127,281 for 2022	298,479	-	298,479	-
Government grants	3,401,420	-	3,401,420	4,184,041
Investment income (loss), net	1,704	(25,240)	(23,536)	53,865
Other income	4,569	-	4,569	-
Net assets released from restrictions	277,008	(277,008)	-	-
Total revenue and support	5,279,864	(280,814)	4,999,050	5,783,914
Expenses:				
Program services	4,319,997	-	4,319,997	4,766,308
Management and general	295,413	-	295,413	309,792
Fundraising	211,720	-	211,720	349,979
Total expenses	4,827,130	-	4,827,130	5,426,079
Net operating income	452,734	(280,814)	171,920	357,835
Other expense				
Loss on disposal of asset	2,256	-	2,256	15,419
Change in net assets	450,478	(280,814)	169,664	342,416
Net assets at beginning of year	9,697,655	608,071	10,305,726	9,963,310
Net assets at end of year	\$ 10,148,133	\$ 327,257	\$ 10,475,390	\$ 10,305,726

See notes to financial statements.

Kid Net Foundation dba Jonathan's Place
Statement of Functional Expenses
Year Ended August 31, 2022
(with summarized comparative totals for 2021)

	2022			2021	
	Program Services	Management and General	Fundraising	Total	Total
Salaries and wages	\$ 2,492,816	\$ 236,977	\$ 163,543	\$ 2,893,336	\$ 2,945,672
Foster parent assistance	787,279	-	-	787,279	1,095,505
Bank fees	15,678	466	721	16,865	18,512
Donated facility services	2,471	-	-	2,471	772
Donated groceries and supplies	108,241	-	-	108,241	214,490
Donated professional services	42,391	-	-	42,391	39,730
Donated recreation	-	-	-	-	1,298
Dues and subscriptions	11,192	118	2,662	13,972	15,062
Equipment	17,363	737	2,247	20,347	37,754
Insurance	60,284	3,387	4,064	67,735	62,331
Marketing	1,740	51	127,878	129,669	53,381
Other	36,054	5,437	2,425	43,916	67,805
Printing	1,024	123	1,735	2,882	9,071
Professional services	135,291	12,894	7,012	155,197	147,042
Public relations	1,135	189	-	1,324	4,471
Recreation	25,728	-	-	25,728	17,463
Rent	-	-	-	-	15,825
Repairs and maintenance	93,039	12,958	3,033	109,030	136,228
Supplies	90,014	2,622	2,575	95,211	85,422
Telephone	44,245	2,593	2,468	49,306	49,397
Training	16,479	747	332	17,558	65,302
Travel	62,450	1,493	875	64,818	57,794
Utilities	78,360	4,078	4,822	87,260	72,578
Total expenses before depreciation	4,123,274	284,870	326,392	4,734,536	5,212,905
Depreciation	196,723	10,543	12,609	219,875	213,174
Total expenses with depreciation	\$ 4,319,997	\$ 295,413	\$ 339,001	\$ 4,954,411	\$ 5,426,079
Less expenses included with revenues on the statement of activities					
Direct costs of special event	-	-	127,281	127,281	-
Total functional expenses, net of direct costs of special event	\$ 4,319,997	\$ 295,413	\$ 211,720	\$ 4,827,130	\$ 5,426,079

See notes to financial statements.

Kid Net Foundation dba Jonathan's Place
Statement of Cash Flows
Year Ended August 31, 2022
(with summarized comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 169,664	\$ 342,416
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	219,875	213,174
Loss on disposal of property and equipment	2,256	15,419
Net (gains) losses from beneficial interests in assets held by others	25,816	(51,179)
Changes in operating assets and liabilities:		
Accounts receivable	92,602	(33,368)
Pledges receivable	-	21,001
Prepaid expense	(19,085)	(12,914)
Other assets	(1,420)	(1,123)
Accounts payable	42,306	10,951
Accrued wages	25,905	64,557
Net cash provided by operating activities	<u>557,919</u>	<u>568,934</u>
Cash flows from investing activities:		
Purchases of property and equipment	(128,387)	(8,983)
Proceeds from sale of investments	-	19,526
Net cash provided (used) by investing activities	<u>(128,387)</u>	<u>10,543</u>
Net increase in cash and cash equivalents	429,532	579,477
Cash and cash equivalents at beginning of year	<u>3,851,596</u>	<u>3,272,119</u>
Cash and cash equivalents at end of year	<u>\$ 4,281,128</u>	<u>\$ 3,851,596</u>

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 accounting principles generally accepted in the United States of America (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, 2021, 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, accounts 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, 2022, the Organization's uninsured balances totaled \$4,007,875. The Organization has not experienced any losses on such assets.

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

At August 31, 2022, 100% of total receivables due to the Organization was from two government agencies.

The Organization's funding from two government agencies during the year ended August 31, 2022 was approximately 67% 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

Fair Value Measurements

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

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

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

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Beneficial Interest in Assets Held by Others: valued based on underlying assets in the community foundation trust determined by third party trustees. See Note 3.

Accounts Receivable

Accounts receivable represent contract and government grant receivables due at August 31, 2022. Accounts receivable are recorded based on the reimbursable amount incurred and are due within the next year. No allowance for doubtful accounts was considered necessary at August 31, 2022.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair market value at the date of the donation. Property and equipment in excess of \$5,000 is capitalized at cost or estimated fair market value of donated assets at date of donation. Depreciation is calculated using the straight-line method based upon the estimated useful lives of the assets ranging from 5 to 39 years. Repair and maintenance costs are expensed as incurred.

Kid Net Foundation dba Jonathan's Place

Notes to Financial Statements

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, 2022.

Revenue Recognition

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

A portion of the Organization's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization was awarded cost reimbursable grants of \$163,778 that have not been recognized as revenue at August 31, 2022, because qualifying expenditures have not yet been incurred. The Organization's costs incurred under its government grants and contracts are subject to audit by government agencies. Management believes that disallowance of costs, if any, would not be material to the financial position or changes in net assets of the Organization.

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

Kid Net Foundation dba Jonathan's Place

Notes to Financial Statements

Functional Allocation of Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various functions. The expenses that are allocated include repairs and maintenance, utilities, rent, equipment and depreciation, which are allocated on a square footage basis, as well as salaries and wages, insurance, training, bank fees, dues and subscriptions, marketing, public relations, printing, telephone, travel and other, which are allocated on the basis of estimates of time and effort. All other expenses are directly attributable to the program services or supporting activities benefited.

Reclassification

Certain items in the 2021 summarized comparative financial statements have been reclassified for comparative purposes to conform with the presentation of the 2022 financial statements.

Federal Income Taxes

The Organization is a nonprofit publicly supported organization, as defined in Section 501(c)(3) of the Internal Revenue Code (Code) that is exempt from federal income taxes under Section 501(a) of the Code. For the year ended August 31, 2022, 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, 2022 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.

Accounting Pronouncement Adopted

The Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 increases transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in ASU 2020-07 address stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. ASU 2020-07 requires NFPs to present contributed nonfinancial assets (gifts-in-kind) as a separate line item in the statement of activities. The Organization has adopted this ASU on the retrospective basis as of and for the year ended August 31, 2022.

Kid Net Foundation dba Jonathan's Place

Notes to Financial Statements

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes gifts-in-kind, and therefore, no changes were required to net assets as of September 1, 2020. The presentation and disclosures of gifts-in-kind have been enhanced in accordance with the standard.

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.

3. Beneficial Interest in Assets Held by Others

The Organization has a beneficial interest in assets held by a local community foundation valued at \$248,100 as of August 31, 2022. 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, 2022:

Beginning balance	\$ 273,916
Unrealized and realized gains	(22,865)
Less investment expenses	<u>(2,951)</u>
Ending balance	<u>\$ 248,100</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>\$ (22,865)</u>
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The beneficial interest in assets held by others includes endowment funds totaling \$207,459 as of August 31, 2022.

4. Property and Equipment

Property and equipment consist of the following at August 31, 2022:

Land	\$ 354,047
Building and improvements	7,810,826
Furniture and equipment	916,290
Vehicles	<u>133,371</u>
	9,214,534
Less accumulated depreciation	<u>(3,520,657)</u>
	<u>\$ 5,693,877</u>

Depreciation expense totaled \$219,875 for the year ended August 31, 2022.

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, 2022:

Campus improvements	\$ 24,832
Capital for Kids	15,939
Cottage renovations	9,204
Education	28,375
Endowment earnings	118,312
Endowment restricted in perpetuity	89,100
Tranquility room	10,000
Aging out gift cards	4,342
Recreation	5,775
Supplies and equipment	10,617
Spring trip	5,000
Employee benevolence	2,100
Other	3,661
	<u>3,661</u>
	<u>\$ 327,257</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:

Kid Net Foundation dba Jonathan's Place

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, 2022.

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	\$ 143,552	\$ 89,100	\$ 232,652
Investment loss, net	(25,193)	-	(25,193)
Endowment net assets, end of year	<u>\$ 118,359</u>	<u>\$ 89,100</u>	<u>\$ 207,459</u>

7. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets, included in the financial statements, consist of the following for the year ended August 31, 2022:

	Program Services
Groceries and supplies	\$ 108,241
Professional services	42,391
Facility services	2,471
	<u>\$ 153,103</u>

Groceries and Supplies

Groceries and supplies are valued based on receipts. In the absence of receipts, value is based on the fair market value of similar goods for sale online.

Professional Services

Professional services are valued based on a reduced invoice amount, where the reduction is specific to the Organization and is noted on the invoice.

Facility Services

Facility services are valued at the fair market value of similar goods for sale online.

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, 2022, the Organization matched up to 4% of employee contributions totaling \$9,342. 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, 2022:

Cash and cash equivalents	\$ 4,281,128
Accounts receivable	<u>448,133</u>
Total financial assets	4,729,261
Less amounts not available for general expenditures within one year:	
Donor restricted net assets for specified purpose	120,068
Donor restricted endowment earnings	118,312
Endowment restricted in perpetuity	<u>89,100</u>
Financial assets not available for general expenditures	<u>327,480</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,401,781</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. During the year ended August 31, 2022, the level of liquidity was managed within the Organization's expectations.

10. Subsequent Events

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

Kid Net Foundation dba Jonathan's Place
Schedule of Expenditures of Federal Awards
Year Ended August 31, 2022

Agency/Pass-Through Grantor/Program Title	Assistance Listing Number	Grant Number	Federal Expenditures
U.S Department of Health and Human Resources:			
Texas Department of Family and Protective Services:			
Temporary Assistance for Needy Families	93.558	23372999	\$ 170,546
Temporary Assistance for Needy Families	93.558	23220408	116,931
Temporary Assistance for Needy Families	93.558	23903085	<u>124,501</u>
			411,978
Foster Care Title IV-E	93.658	23372999	283,043
Foster Care Title IV-E	93.658	23220408	7,508
Foster Care Title IV-E	93.658	23903085	<u>28,199</u>
			<u>318,750</u>
Total U.S. Department of Health and Human Services			730,728
U.S. Department of Justice:			
Texas Office of the Governor - Criminal Justice Division:			
Crime Victim Assistance - Emergency Shelter	16.575	3733002	46,523
Crime Victim Assistance - Long Term Foster Care	16.575	3863502	32,505
Crime Victim Assistance - Emergency Shelter	16.575	3863503	558,045
Crime Victim Assistance - Long Term Foster Care	16.575	3863503	<u>228,346</u>
Total U.S. Department of Justice			<u>865,419</u>
Total federal expenditures			<u>\$ 1,596,147</u>

See notes to schedule of expenditures of federal awards.

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

1. Basis of Presentation

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America 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 (Organization) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, 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 February 24, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

Report on 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
February 24, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on 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, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



A Limited Liability Partnership

Arlington, Texas
February 24, 2023

Kid Net Foundation dba Jonathan's Place
Schedule of Findings and Questioned Costs
Year Ended August 31, 2022

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None reported

Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance?	No

Identification of major federal programs:

Name of Federal Program/ Assistance Listing Number:

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

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Federal Award Findings and Questioned Costs

None