

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

FINANCIAL STATEMENTS

**Year Ended December 31, 2022
with
Independent Auditors' Report**

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

FINANCIAL STATEMENTS

December 31, 2022

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 – 4
Financial Statements:	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows.....	8
Notes to the Financial Statements.....	9 – 21
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	22 – 23
Notes to the Schedule of Expenditures of Federal Awards	24
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 <i>Government Auditing Standards</i>	24 – 25
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	26 – 28
Schedule of Findings and Questioned Costs.....	29 – 34
Schedule of Prior Audit Findings.....	35
Corrective Action Plan.....	36 – 37



Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Community Services League of Jackson County

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Community Services League of Jackson County**, which comprise the statement of financial position as of December 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 accompanying financial statements present fairly, in all material respects, the financial position of **Community Services League of Jackson County** as of December 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.

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 **Community Services League of Jackson County** and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, in 2022, **Community Services League of Jackson County** adopted Financial Accounting Standards Board Accounting Standards Updates 2016-02, *Leases (Topic 842)* and 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

Prior Period Restatements

The financial statements of **Community Services League of Jackson County** for the year ended December 31, 2021, before the restatement described in Note 14, were audited by another auditor whose report dated August 17, 2023, expressed an unmodified opinion on those statements. As part of our audit of the December 31, 2022, we also audited the adjustments described in Note 14 that were applied to restate the 2021 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2021 financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2021 financial statements as a whole.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 **Community Services League of Jackson County's** ability to continue as a going concern for 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 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 **Community Services League of Jackson County**'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 **Community Services League of Jackson County**'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards (“SEFA”), 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* (“Uniform Guidance”) is presented for 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 auditing standards generally accepted in the United States of America. In our opinion, the SEFA 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 September 29, 2023 on our consideration of **Community Services League of Jackson County**'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 solely 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 the effectiveness of **Community Services League of Jackson County**'s 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 **Community Services League of Jackson County**'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keller & Owen, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
September 29, 2023

**COMMUNITY SERVICES LEAGUE
OF JACKSON COUNTY**

STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

Cash and Cash Equivalents	\$	1,711,523
Restricted Cash		307,269
Certificates of Deposit		738,225
Beneficial Interests in Community Foundations		46,114
Contributions Receivable		760,123
Government Grants Receivable		1,890,626
Inventory		67,278
Prepaid Expenses and Other		106,497
Property and Equipment:		
Land		486,475
Building and improvements		4,144,788
Furniture, fixtures, and equipment		310,236
Computers and software		17,119
Vehicles		52,152
		5,010,770
Less accumulated depreciation		(1,577,129)
Property and Equipment, net		3,433,641
Total Assets	\$	9,061,296

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable		1,879,791
Accrued liabilities		357,896
Refundable advances		577,222
		2,814,909
Net Assets:		
Without donor restrictions:		
Undesignated		1,437,721
Net investment in property and equipment		3,433,641
Board-designated		30,713
Total without donor restrictions		4,902,075
With donor restrictions		1,344,312
Total Net Assets		6,246,387
Total Liabilities and Net Assets	\$	9,061,296

See accompanying notes

**COMMUNITY SERVICES LEAGUE
OF JACKSON COUNTY**

STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions of cash and private grants	\$ 992,708	\$ 1,894,267	\$ 2,886,975
Contributions of nonfinancial assets	2,147,537	-	2,147,537
Government grants	25,707,444	-	25,707,444
Special events	357,916	-	357,916
BlendWell café sales and rentals, net of \$61,890 cost of goods sold	179,118	-	179,118
Interest and other	57,333	-	57,333
Net assets released from restrictions	1,194,966	(1,194,966)	-
Total Support and Revenue	30,637,022	699,301	31,336,323
Expenses:			
Program services:			
Income support	3,345,750	-	3,345,750
Vocational rehabilitation	368,014	-	368,014
Housing counseling	1,844,723	-	1,844,723
Employment services	659,685	-	659,685
Financial coaching	876,035	-	876,035
BlendWell café	291,071	-	291,071
ERAP	22,735,170	-	22,735,170
Total program services	30,120,448	-	30,120,448
Supporting services:			
Management and general	785,600	-	785,600
Fundraising and development	609,878	-	609,878
Total supporting services	1,395,478	-	1,395,478
Total Expenses	31,515,926	-	31,515,926
Change in Net Assets	(878,904)	699,301	(179,603)
Net Assets, Beginning of Year:			
As previously stated	5,528,094	1,047,326	6,575,420
Prior period restatement	252,885	(402,315)	(149,430)
As restated	5,780,979	645,011	6,425,990
Net Assets, End of Year	\$ 4,902,075	\$ 1,344,312	\$ 6,246,387

See accompanying notes

**COMMUNITY SERVICES LEAGUE
OF JACKSON COUNTY**

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services							Supporting Services			Total
	Income Support	Vocational Rehabilitation	Housing Counseling	Employment Services	Financial Coaching	BlendWell Café	ERAP	Total Program Services	Management and General	Fundraising and Development	
Salaries and wages	\$ 138,989	\$ 252,516	\$ 817,124	\$ 257,128	\$ 577,140	\$ 150,719	\$ 1,008,831	\$ 3,202,447	\$ 469,762	\$ 209,365	\$ 3,881,574
Payroll taxes	10,258	15,683	55,799	21,443	38,385	12,007	84,373	237,948	80,757	13,681	332,386
Employee benefits	8,511	25,794	74,568	22,270	49,296	6,871	77,408	264,718	150,313	16,209	431,240
Cost of goods sold	-	-	-	-	-	61,890	-	61,890	-	-	61,890
Direct assistance	142,909	17,573	757,480	202,626	28,771	-	19,982,231	21,131,590	-	-	21,131,590
In-kind assistance	2,720,114	-	-	-	-	-	-	2,720,114	-	5,853	2,725,967
Special events expense	85,434	-	-	318	303	7,748	-	93,803	-	145,044	238,847
Development expense	466	-	-	2,308	2,175	1,322	37,478	43,749	35	33,651	77,435
Occupancy	101,846	14,877	15,976	45,384	22,341	24,380	94,776	319,580	14,121	11,577	345,278
Technology support	36,133	7,601	16,578	29,618	31,380	20,039	158,612	299,961	9,562	12,723	322,246
Office expense	22,237	5,696	34,914	7,723	34,375	21,780	30,154	156,879	5,822	76,699	239,400
Professional fees	34,506	22,939	51,873	18,786	79,066	16,431	1,241,689	1,465,290	46,693	79,741	1,591,724
Depreciation	44,347	5,335	7,468	52,081	12,803	29,774	19,618	171,426	8,535	5,335	185,296
Miscellaneous	-	-	12,943	-	-	-	-	12,943	-	-	12,943
Total Expenses	3,345,750	368,014	1,844,723	659,685	876,035	352,961	22,735,170	30,182,338	785,600	609,878	31,577,816
Less: expenses included with revenues on the statement of activities											
BlendWell Café cost of goods sold	-	-	-	-	-	(61,890)	-	(61,890)	-	-	(61,890)
Total expenses included in the expense section on the statement of activities	\$ 3,345,750	\$ 368,014	\$ 1,844,723	\$ 659,685	\$ 876,035	\$ 291,071	\$ 22,735,170	\$ 30,120,448	\$ 785,600	\$ 609,878	\$ 31,515,926

See accompanying notes

**COMMUNITY SERVICES LEAGUE
OF JACKSON COUNTY**

STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

Cash Flows from Operating Activities:	
Change in net assets	\$ (179,603)
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation expense	185,296
(Increase) decrease in:	
Contributions receivable	(430,237)
Government grants receivable	(1,311,795)
Inventory	2,696
Prepaid expenses and other	(30,676)
Increase (decrease) in:	
Accounts payable	1,723,605
Accrued liabilities	160,595
Refundable advances	<u>(2,884,506)</u>
Net Cash Used by Operating Activities	(2,764,625)
 Cash Flows from Investing Activities:	
Purchases of certificates of deposit	(738,225)
Proceeds from sales of beneficial interests in community foundations	(1,767)
Purchases of property and equipment	<u>(110,208)</u>
Net Cash Used by Investing Activities	<u>(850,200)</u>
 Net Decrease in Cash, Cash Equivalents, and Restricted Cash	<u>(3,614,825)</u>
 Cash, Cash Equivalents, and Restricted Cash Beginning of Year	<u>5,633,617</u>
 Cash, Cash Equivalents, and Restricted Cash End of Year	<u>\$ 2,018,792</u>

See accompanying notes

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

1. NATURE OF THE ORGANIZATION (continued)

Community Services League of Jackson County (the “Organization”) (“CSL”), a not-for-profit organization, was established in 1916 by former First Lady Bess Wallace Truman and other women and provides basic human needs (food, clothing, and shelter), comprehensive employment counseling and training, housing services, and financial coaching to clients in Eastern Jackson County. **Community Services League of Jackson County**’s mission is to assist communities in reaching their potential by providing immediate relief to people in need, assessing their situations, and providing solutions that lead to economic stability.

Current Programs and Services - Community Services League of Jackson County provides assistance in 13 facilities, including nine food pantries, and offers the following programs and services:

Income Support (Formerly referred to as Emergency Assistance) – Provides families with basic needs such as food, rent and utility assistance, personal care items, and seasonal support. In nine food pantries – 2.5 million items are distributed annually, including 150 monthly Hispanic food boxes. Assistance with medicine, vision, and dental needs is provided via AccessKC. Transportation Assistance, including bus passes and limited auto repair, is provided when funding is available. A weekly meal for neighbors is held every Wednesday evening at the Community of Christ Stone Church in Independence. Back-to-School fairs are held annually to provide backpacks, supplies, new shoes, and access to school and community resources. Holiday assistance is provided via Christmas stores, Shop with a Cop, and individual case management at offices not offering a full Christmas store experience.

Housing Counseling – Assists families who are homeless or at risk of homelessness to stabilize and secure or maintain housing. Housing Counseling or Coaching is provided to assist neighbors in assessing their current housing situation and exploring and analyzing housing options. In order to prevent imminent homelessness, this assistance sometimes includes rent and utilities help. Homeless Outreach services are provided where, in coordination with the Kansas City Continuum of Care, CSL Housing Case Managers identify and engage with people living in unsheltered locations, such as in known encampments, at bus stops, in cars and at community meal locations, to ensure that their basic needs are met, connect them to immediately needed resources, such as food, water, clothing, blankets, book bags, and other necessities, and work with them toward housing stability. The Family Stability Program (“FSP”) is a component of Housing Services in that CSL Family Stability Coaches work with local school districts to identify students at risk of homelessness and help stabilize the household so that students remain in their neighborhood school, advancing academically.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

1. NATURE OF THE ORGANIZATION (continued)

Employment Services – Helps individuals obtain and retain employment. Career Services Coaches work with neighbors in skill identification, online job search training, resume writing and interview preparation, with the goal of securing or improving employment to increase household income and build wealth and assets. The Bridges to Career Opportunities Training Program provides interested and qualified neighbors with tuition paid, certificated job training in high-demand fields that pay livable wages.

Vocational Rehabilitation – CSL is a CARF (Council on Accreditation for Rehabilitation Facilities) Certified State of Missouri Vocational Rehabilitation Program provider and helps neighbors with disabilities obtain and retain employment.

Financial Coaching – CSL assists neighbors with long-term financial health by providing coaching in budgeting, credit improvement tools, and asset building. Assistance includes New Home Buyer Education; Digital Skills, helping neighbors learn basic computer and internet navigation technical skills; access to NextStepKC financing through Holy Rosary Credit Union (“HRCU”) micro-branches; Family Self Sufficiency program at Hawthorne Place Apartments for families to escrow rent increases and save towards home ownership, advanced education, transportation, debt reduction, etc.; and the Wealth and Asset Building program. Modeled on the Family Self Sufficiency (“FSS”) program, but funded through private philanthropy, the Wealth and Asset Building program is a new program to match northwest Independence Financial Coaching clients’ savings dollars to be used towards home ownership, advanced education, transportation, debt reduction, etc.

BlendWell Community Café – is a Community Development Enterprise located in a former bank building remodeled as a coffee shop. Its intention is to serve as a catalyst to neighborhood revitalization in northwest Independence. It serves as a Community Development and Meeting place and also houses the CSL WorkLife Center for Career Development. It is a great location for CSL Coaches to meet with neighbors in a relaxed and informal environment.

Emergency Rental Assistance Program (“ERAP”) – The Emergency Rental Assistance Program supports housing stability and eviction prevention by providing rental and utility support to community members affected by the COVID-19 pandemic. Community Services League of Jackson County has served as the conduit for distributing \$41M in federal recovery support via Jackson County that essentially phases out in 2023.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES

Advertising – Advertising costs are expensed when incurred. Advertising expense was \$35,487 for the year ended December 31, 2022.

Basis of Accounting – The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Cash, Cash Equivalents, and Restricted Cash – For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents. Restricted cash consists primarily of deposit amounts restricted for ERAP and a loan program.

Certificate of Deposit – Certificates of deposit are recorded initially at cost, and subsequently at lower of cost or fair value.

Concentrations of Credit Risk – The Organization maintains its cash in bank accounts in amounts that may exceed federally insured limits at times. The Organization has not experienced any losses in these accounts in the past, and management believes the Organization is not exposed to significant credit risks as it periodically evaluates the strength of the financial institutions in which it deposits funds. At December 31, 2022, the Organization had approximately \$520,000 in deposits that exceeded federally-insured limits.

Contributions Receivable – Unconditional promises to give in future periods are recognized as support in the period the promises are received. Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows, less an allowance for uncollectible promises. The discounts on those amounts are computed using risk-free interest rates applicable to the year in which the promise is received. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities.

Management provides an allowance for unconditional promises to give, which is based upon a review of outstanding amounts, historical collection, and existing economic conditions. Management writes off promises to give when it determines they will not be collected. There was no allowance at December 31, 2022.

Contributions of Nonfinancial Assets – Donated services and materials are reflected as contributions at their estimated fair values at date of donation. Volunteer services do not meet the criteria for recognition under U.S. GAAP and thus are not reflected in the accompanying financial statements.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expense Allocation – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits, payroll taxes, occupancy, technology support, office expense, professional fees, and depreciation, which are allocated on the basis of estimates of time and effort and personnel.

Government Grants Receivable – Government grants receivable consists of amounts due from government grant agencies and is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. There was no allowance at December 31, 2022.

Income Taxes – CSL is a Missouri non-profit corporation and has been recognized by the IRS as exempt from Federal income taxes, except on unrelated income, under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction, and has been determined not to be a private foundation.

The Organization's policy is to record a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not that the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2022, and accordingly, no liability has been accrued.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. They also include any designations by the governing board. There were no board-designated net assets at December 31, 2022.

Net assets with donor restrictions – Net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period.

Property and Equipment – Purchased property and equipment is stated at cost. Donated property and equipment is recorded at fair value on the date of donation. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Buildings	40 years
Building improvements	5 – 15 years
Leasehold improvements	Length of lease
Furniture, fixtures, and equipment	7 years
Vehicles	7 years
Computer equipment	3 years

Depreciation amounted to \$185,296 in 2022.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Pronouncements – During 2022, the Organization adopted the new lease accounting guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)* using the modified retrospective transition approach and electing the effective date option. The Organization has elected the package of practical expedients permitted in Accounting Standards Codification (“ASC”) Topic 842. Accordingly, the Organization accounted for any existing occupancy leases as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments as of December 31, 2021 would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. The Organization also elected the short-term exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases, to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. No changes were made to net assets from applying the amendment.

During 2022, the Organization adopted the provisions of FASB ASU 2020-07 *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendment improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The Organization’s notes to the financial statements reflect the application of the guidance for the fiscal year ending December 31, 2022. The standard is applied on a retrospective basis. No changes were made to net assets from applying the amendment.

Revenue Recognition – The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest 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 substantially met. Government grant revenues are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At December 31, 2022, conditional promises to give totaling \$1,523,889, for which \$557,222 has been received in advance, had not been recognized in the accompanying financial statements.

Program revenues are recognized at the points in time when the underlying services occur. Rental revenues are recognized in the period for which the underlying rental payment applies.

Subsequent Events – Management has evaluated events and transactions that have occurred since December 31, 2022 and reflected their effects, if any, in these financial statements through September 29, 2023, the date the financial statements were available to be issued.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

3. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows at December 31, 2022:

Cash and cash equivalents	\$ 1,711,523
Restricted cash	<u>307,269</u>
 Total Cash, Cash Equivalents, and Restricted Cash	 <u>\$ 2,018,792</u>

Restricted cash consists primarily of deposit amounts for ERAP and a loan program.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following represents the Organization's financial assets available for general expenditures within one year as of December 31, 2022:

Cash and cash equivalents	\$ 1,711,523
Beneficial interests in community foundation	46,114
Contributions receivable	760,123
Government grants receivable	<u>1,890,626</u>
Total financial assets at year-end	4,408,386
 Less: donor restrictions for specific programs	 (1,266,936)
Less: Board-designated	<u>(30,713)</u>
 Total Financial Assets Available for General Expenditures within One Year	 <u>\$ 3,110,737</u>

At December 31, 2022, the Organization collected sufficient revenue to cover general expenditures not covered by donor-restricted sources and is continually evaluating its programs to ensure they have the funds necessary to operate effectively.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at December 31, 2022:

Due in less than one year	\$ 460,123
Due in one to five years	<u>300,000</u>
Total Contributions Receivable	<u>\$ 760,123</u>

6. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 – inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 – inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means;
- Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity.

The following table sets forth information about the level within the fair value hierarchy at which the Organization’s financial assets and liabilities are measured on a recurring basis at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Money market fund	\$ 42,995	\$ -	\$ -	\$ 42,995
U.S. Treasury bills	-	773,306	-	773,306
Certificates of deposit	-	738,225	-	738,225
Beneficial interests in community foundation	-	46,114	-	46,114
Total Assets	<u>\$ 42,995</u>	<u>\$1,557,645</u>	<u>\$ -</u>	<u>\$1,600,640</u>

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

6. FAIR VALUE MEASUREMENTS (continued)

Fair values for Level 2 assets are based on the following valuation methodologies.

U.S. Treasury bills and certificates of deposit – Fair value is determined by the custodians of the securities using pricing models based on credit quality, time of maturity, stated interest rates, and market-rate assumptions. Certificates of deposit are classified within Level 2.

7. LINE OF CREDIT

The Organization has in place a \$300,000 line of credit with a financial institution, with a variable rate of interest equal to the prime rate plus 0.50%, with a floor of 5.50%. The variable rate was 8.00% at December 31, 2022. All principal and any outstanding interest is due upon maturity on July 28, 2023. The line of credit is secured by all the business assets. There was no outstanding balance as of December 31, 2022.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2022:

Time restrictions:	
Promises to give	\$ 77,376
Time and purpose restrictions:	
Case management and training	150,000
Rental assistance and utilities	400,000
Family empowerment initiative	125,000
Bridges to career	15,000
Purpose-restrictions – other purposes:	
Rental assistance and utilities	116,227
Bridges to career	84,973
Utility assistance	84,588
Facilities and maintenance	83,425
Family empowerment initiative	75,000
Loan loss program	50,000
Housing programs	50,000
Food pantry	20,000
Other	<u>12,723</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,344,312</u>

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

8. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of the passage of time or other events specified by donors as follows for the year ended December 31, 2022:

Time restrictions:	
Expiration of time restrictions	\$ 38,703
Purpose-restrictions – other purposes:	
Career services – job skills	350,470
Family stability initiative	191,437
Client assistance	186,258
Facilities and maintenance	110,207
Bridges to career	100,027
Rental assistance and utilities	83,774
Family empowerment initiative	55,208
Utility assistance	27,061
Loan loss program	22,323
Other	<u>29,498</u>
 Total Net Assets Released from Restrictions	 <u>\$ 1,194,966</u>

9. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributed goods, materials, and equipment are stated at the values described in Note 2 and include the following at December 31, 2022:

Household items	\$ 1,963,438
Food	169,613
Other	<u>14,486</u>
 Total Contributed Nonfinancial Assets	 <u>\$ 2,147,537</u>

Contributed food and household items are valued using third party costs or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Contributed food and household items are used in program services and fundraising. These items were donated without restrictions.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

10. CONCENTRATIONS

Amounts from federal government sources represented approximately 80% of total support and revenue in 2022.

Two private grantors comprised approximately 65% and 20% of total contributions receivable at December 31, 2022.

11. CONTINGENCIES

The Organization is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Organization. Events could occur that would change this estimate materially in the future.

12. RETIREMENT PLAN

The Organization sponsors a Saving Incentive Match Plan for Employees of Small Employers (“SIMPLE”) with limited eligibility. Employees who are reasonably expected to receive at least \$500 in compensation for the calendar year and employees who have received at least \$500 in compensation during any one year are eligible. The amount by which the employee agrees to reduce his or her compensation will be contributed by the employer to the employee’s SIMPLE Individual Retirement Account. The Organization matches the employee’s contribution in an amount equal to 3% of the employee contribution. For the year ended December 31, 2022, total employer contribution expense was \$67,617.

13. JOINT COST ALLOCATIONS

The Organization hosts fundraising events that includes programmatic information together with a request for contributions in support of its mission. Costs have been allocated among the functional expense categories accordingly:

Income support	\$ 85,434
Employment services	318
Financial coaching	303
BlendWell Cafe	7,748
Fundraising and development	<u>145,044</u>
Total Joint Costs Allocated	<u>\$ 238,847</u>

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

14. PRIOR PERIOD RESTATEMENTS

At and prior to December 31, 2021, certain amounts pertaining to the application of FASB ASC 958-605 were applied inconsistently to contributions received at the time the financial statements were prepared. Additionally, other amounts were improperly reflected as released from restrictions. Therefore, those amounts as of December 31, 2021 have been restated. The effects of this restatement on the financial statements at December 31, 2021 are as follows.

	As Reported, <u>December 31, 2021</u>	<u>Adjustments</u>	As Restated, <u>December 31, 2021</u>
Liabilities:			
Refundable advances	\$ 3,312,293	\$ 149,430	\$ 3,461,728
Net Assets:			
Without donor restrictions	5,528,094	252,885	5,780,979
With donor restrictions	1,047,326	(402,315)	645,011
Change in Net Assets:			
Without donor restrictions	265,726	252,885	518,611
With donor restrictions	19,499	(402,315)	(382,816)

15. NEW ACCOUNTING PRONOUNCEMENTS

ASU 2016-13, Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard requires application of the current expected credit loss (“CECL”) methodology for the measurement of credit losses on financial assets measured at amortized cost. The CECL methodology replaces the previous incurred loss methodology. It also modifies the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis. This standard is effective for annual reporting periods beginning after December 15, 2020. The standard is applied on a modified retrospective approach.

In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which deferred the effective date of the new CECL standard. The new standard is effective for fiscal years beginning after December 15, 2022.

The Organization is evaluating the effect that these standards will have on its financial statements and related disclosures.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

16. SUBSEQUENT EVENTS

On February 22, 2023, the Organization entered into a lease agreement under which they will be renting approximately 7,545 rentable square feet. The fair market value has not been determined as of the audit report date.

On April 20, 2023, the Organization received a \$400,000 unconditional promise to give, restricted by the donor for the provision to enable CSL to expand capacity for the Bridges to Career Opportunities program.

SUPPLEMENTARY INFORMATION

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	AL Number	Pass-through Entity or Other Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Pass through from Harvesters Community Food Program:				
Emergency Food Assistance Program - Commodities	10.565	CSFP67, CSFP156	\$ -	\$ 15,138
Commodity Supplemental Food Program - Commodities	10.569	TEFAP111, TEFAP56, TEFAP77, TEFAP78, TEFAP79, TEFAP80, TEFAP81, TEFAP82	-	<u>577,091</u>
Total U.S. Department of Agriculture			-	592,229
U.S. Department of Homeland Security:				
Pass through from United Way of Greater Kansas City:				
Emergency Food and Shelter National Board Program	97.024	39-5258-00-003	-	<u>33,200</u>
			-	<u>33,200</u>
COVID-19 CARES Act - U.S. Department of Homeland Security:				
Pass through from United Way of Greater Kansas City:				
COVID-19 Emergency Food and Shelter National Board Program	97.024	ARPAR-5258-00-003	-	<u>17,547</u>
Total COVID-19 CARES ACT - U.S. Department of Homeland Security			-	<u>17,547</u>
Total U.S. Department of Homeland Security			-	50,747
U.S. Department of the Treasury:				
Pass through from Missouri Housing Development Commission				
Emergency Rental Assistance Program	21.023		-	13,000,856
Pass through from Jackson County, Missouri				
Emergency Rental Assistance Program	21.023		-	<u>9,465,764</u>
			-	<u>22,466,620</u>
COVID-19 CARES Act - U.S. Department of the Treasury				
Pass through from Jackson County, Missouri				
American Rescue Plan Act	21.027	R20927	-	<u>31,784</u>
Total COVID-19 CARES ACT - U.S. Department of the Treasury			-	<u>31,784</u>
Total U.S. Department of the Treasury			-	22,498,404

See accompanying notes to schedule of expenditures of federal awards

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

Year Ended December 31, 2022

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	AL Number	Pass-through Entity or Other Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Pass through from Independence, Missouri:				
Community Development Block Grant	14.218	CDBG FY 21-22; CDBG FY 22-23	-	10,308
Pass through from Blue Springs, Missouri:				
Community Development Block Grant	14.218	CDBG FY 21-22; CDBG FY 22-23	-	17,041
Pass through from Missouri Housing Development Commission:				
Emergency Solutions Grant	14.231	22-716-E; 23-714-C MO0256L7P042003; MO0256L7P042104; MO0161L7P042009; MO0161L7P042110; MO0222L7P042005; MO0222L7P042106	-	21,870
Continuum of Care - Direct Award	14.267		-	<u>778,741</u>
			-	827,960
COVID-19 CARES ACT - U.S. Department of Housing and Urban Development:				
Pass through from Missouri Housing Development Commission:				
COVID-19 Emergency Solutions Grant	14.231	CV-826	-	<u>37,677</u>
Total COVID-19 CARES ACT - U.S. Department of Housing and Urban Development			-	<u>37,677</u>
Total U.S. Department of Housing and Urban Development			-	<u>865,637</u>
Total Expenditures of Federal Awards			\$ -	<u>\$ 24,007,017</u>

See accompanying notes to schedule of expenditures of federal awards

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of **Community Services League of Jackson County** under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (“CFR”) 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 **Community Services League of Jackson County**, it is not intended to and does not present the financial position, changes in net assets, or cash flows of **Community Services League of Jackson County**.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

3. INDIRECT COST RATE

Community Services League of Jackson County has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



Keller & Owens, LLC

Certified Public Accountants

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 of
Community Services League of Jackson County

We have audited, in accordance with 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 **Community Services League of Jackson County**, which comprise the statement of financial position as of December 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 September 29, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Community Services League of Jackson County's** internal control over financial reporting (internal control) as a basis for designing 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 **Community Services League of Jackson County's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Community Services League of Jackson County's** internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2022-001 and 2022-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Community Services League of Jackson County'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 financial statements. 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*.

Community Services League of Jackson County's Response to Findings

Community Services League of Jackson County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **Community Services League of Jackson County's** response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Keller & Owen, LLC". The signature is written in a cursive, flowing style.

Overland Park, Kansas
September 29, 2023



Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors of
Community Services League of Jackson County

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Community Services League of Jackson County's** compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of **Community Services League of Jackson County's** major federal programs for the year ended December 31, 2022. **Community Services League of Jackson County'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, **Community Services League of Jackson County** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 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 (*Government Auditing Standards*); 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 and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **Community Services League of Jackson County** 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 **Community Services League of Jackson County'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 **Community Services League of Jackson County**'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 **Community Services League of Jackson County**'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 **Community Services League of Jackson County**'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 **Community Services League of Jackson County**'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 **Community Services League of Jackson County**'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 **Community Services League of Jackson County**'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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not 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 handwritten signature in cursive script that reads "Keller & Owen, LLC".

Overland Park, Kansas
September 29, 2023

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified? X Yes _____ No
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified? _____ Yes X None reported

Type of auditors’ report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.023	Emergency Rental Assistance Program
14.267	Continuum of Care

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes X No

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued) For the Year Ended December 31, 2022

Section II – Financial Statement Findings

FINDING 2022-001 – Documentation of Nonfinancial Contributions and Inventory

Condition Found:

The Organization did not record donated goods when they were received during the fiscal year. For nonfinancial contributions provided to recipients, the Organization recorded revenue when the item was either provided or used.

Criteria:

According to U.S. GAAP, nonfinancial contributions that can be used or sold shall be measured at fair value when they are received. In determining fair value, entities should consider the quality and quantity of the gifts, as well as any applicable discounts that would have been received by the entity, including discounts based on that quantity if the assets had been acquired in exchange transactions. Unused nonfinancial contributions, at year-end, should be recorded as inventory at year-end.

Cause:

There was turnover in the accounting and management team in late 2021. This in turn contributed to natural communication breakdowns with the transfer of executive and financial duties. In addition, the December 31, 2021 audit was not completed until August 2023. This did not allow management time to make any necessary changes to the accounting procedures before the 2022 audit began.

Possible Asserted Effect:

An adjusting journal entry of \$1.9 million was made to recognize donated household goods received by a single donor. In addition, there were household items, held as inventory, that were not valued by the Organization. Lastly, due to the Organization not recording revenue of nonfinancial contributions until used, there could be potentially additional unrecorded items.

Repeat Finding:

A similar finding was not reported in the prior year.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued) For the Year Ended December 31, 2022

Section II – Financial Statement Findings

FINDING 2022-001 – Documentation of Nonfinancial Contributions and Inventory (continued)

Recommendation:

When possible, the Organization should obtain documentation from donors pertaining to the quantity of donated goods received by type of good. The Organization should also obtain documentation (bill of lading, etc.) of worth or value from donors for donated goods as well, even if that documentation is separate from that pertaining to quantities. Or the Organization should use third party outlets (Salvation Army, Feeding America, Goodwill, etc.) to value the donated goods in which the information is not provided. The Organization could implement and issue prenumbered receiving reports of items received from donors. Using these, the Organization would perform its own counts via two-person teams to document quantities. As an evidence of control, both counters on the team should sign off on the count sheet or receiving report. Regardless, establishing quantities of donated items via dual-signed count sheets or other similar procedure would be crucial.

In addition, we recommend that the Organization formalize a written policy for recognizing nonfinancial contributions of goods. This policy should specify the method used to determine the fair market value of donated goods along with valuation of all goods held as inventory at year-end.

Management Response:

The Organization made the required adjustments to their accounting records. The Organization is reviewing their accounting policies and procedures and the recommendations above. The Organization will update their procedures during fiscal year 2023.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued) For the Year Ended December 31, 2022

Section II – Financial Statement Findings

FINDING 2022-002 – Promises to Give and Net Assets with Donor Restrictions

Condition Found:

Unconditional, outstanding promises to give nor donor-restricted net assets were not identified and recorded timely or accurately as of December 31, 2022. Revenue was recorded by the Organization when the underlying conditions were not substantially met.

Criteria:

According to U.S. GAAP, unconditional promises to give should be recorded when received, if both a right of release and barrier do not exist. Both UPMIFA and U.S. GAAP strictly require that contributions with donor restrictions be identified, prudently managed, and their spending activity tracked in an appropriate manner consistent with donor intent. Promises to give with donor purpose or time restrictions, or both, should be identified.

In addition, conditional promises to give should be recorded when the underlying conditions or barriers have been substantially met or achieved by the Organization.

Cause:

There was turnover in the accounting and management team in late 2021. This in turn contributed to natural communication breakdowns with the transfer of executive and financial duties. In addition, the December 31, 2021 audit was not completed until August 2023. This did not allow management time to make any necessary changes to the accounting procedures before the 2022 audit began.

Possible Asserted Effect:

A promise to give of approximately \$103,000 should have been recognized at December 31, 2022. There were other conditional promises to give that were improperly recognized at December 31, 2022 when the associated expenditures had not been incurred by the Organization, resulting in a reduction in revenue of approximately \$83,000.

Repeat Finding:

See Finding 2021-001 for a similar finding in the prior year.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued) For the Year Ended December 31, 2022

Section II – Financial Statement Findings

FINDING 2022-002 – Promises to Give and Net Assets with Donor Restrictions (continued)

Recommendation:

Every piece of donor correspondence, whether from an individual, corporation, foundation, or other entity, should be evaluated for whether a promise to give has been received. In the not-for-profit industry, “received” generally means “communicated” and is not necessarily synonymous with “collected.” A donee may receive a contribution well before it is ever actually collected and deposited into the bank account. For any such timing differences, a contribution should be recognized immediately for the total promised amount, instead of when collected.

Further, every piece of donor correspondence, whether it be an email, a letter, an award agreement, a check, or ACH remittance advice must be scrutinized for the potential existence of donor restrictions. Donor restrictions may come in the form of time restrictions or purpose restrictions. In addition to identifying these, we recommend that the Organization have a mechanism to track the outstanding, unspent balances of such donor-restricted funds, releasing the restrictions in the appropriate period. For the sake of simplicity of reporting at every fiscal year-end, the Organization may adopt a contribution policy in which donor-restricted funds received and spent in the same fiscal year are treated as net assets without donor restrictions. Even with this policy, it would not relieve the Organization from tracking the balance of unspent donor-restricted funds, nor from identifying specific expenditures to apply against the funds in enough detail to prove proper release of those funds.

Management Response:

The Organization made the required adjustments to their accounting records. The Organization is reviewing their accounting policies and procedures and the recommendations above. The Organization will update their procedures during fiscal year 2023.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued) For the Year Ended December 31, 2022

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings for the year ended December 31, 2022.

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2022

FINDING 2021-001 –Conditional Contributions

Condition

Certain grant agreements with donor-imposed conditions were recorded as contribution revenue, while others without conditions were recorded as refundable grant advances.

Recommendation

Procedures should be implemented requiring the review of grant agreements for donor-imposed conditions.

Current Status

The 2021 audit report and findings were not released to the Organization until August 2023. There was not enough time to make corrections to the 2022 accounting records before the 2022 audit began. See Current Year Finding 2022-002 for a similar finding in the current year.



Sharing Bess Truman's Legacy of Caring Since 1916

BOARD OF DIRECTORS

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

Jeff Benson
Chair

CORRECTIVE ACTION PLAN
Year Ended December 31, 2022

Kat Hnatyshyn
Vice Chair

FINDING 2022-001 – Documentation of Nonfinancial Contributions and Inventory

Jonathan Soper
Treasurer

Condition Found:

Tyrel Dawson
Vice-Treasurer

The Organization did not record donated Bombas socks when they were received during the fiscal year. For nonfinancial contributions provided to recipients, the Organization recorded revenue when the item was either provided or used.

Beth Silverstein
Secretary

Corrective Action Plan:

Jason Bergman
Beth Carrick
Cindy Cavanah
Emily Cross

The Organization agrees with this finding. The Organization made the required adjustments to their accounting records. The Organization is reviewing their accounting policies and procedures and the recommendations above. The Organization will update their procedures during fiscal year 2023.

Chelesy Hanes
Anita Jonas

Anticipated Completion Date:

Corey Long
Brandy Spearman

The corrective action will be completed by December 2023.

Michelle Sumstad
Jose "Pepe" Torres

Contact Person:

Eric Washington
Trevor Wescott
Ginger Williams

Donna Bradford, Chief Financial Officer
816-506- 5229

President & CEO

Doug Cowan

CORPORATE OFFICE

404 North Mainland Road
Independence, MO 64050
816.354.4100 (F)
816.252.9906 (F)

csicare.org

COMMUNITY SERVICES LEAGUE OF JACKSON COUNTY

CORRECTIVE ACTION PLAN (continued)
Year Ended December 31, 2022

FINDING 2022-002 – Promises to Give and Net Assets with Donor Restrictions

Condition Found:

Unconditional, outstanding promises to give nor donor-restricted net assets were not identified and recorded timely or accurately as of December 31, 2022. Revenue was recorded by the Organization when the underlying conditions were not substantially met.

Corrective Action Plan:

The Organization agrees with this finding. The Organization made the required adjustments to their accounting records. The Organization is reviewing their accounting policies and procedures and the recommendations above. The Organization will update their procedures during fiscal year 2023.

Anticipated Completion Date:

The corrective action will be completed by December 2023.

Contact Person:

Donna Bradford, Chief Financial Officer
816-506- 5229

Name: Donna L. Bradford
Title: CFO
Date: 9.29.2023