Mississippi Children’s Home Services, Inc. and Affiliates

Independent Auditor’s Reports and
Consolidated Financial Statements

December 31, 2019 and 2018

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BKD
CPAs & Advisors

190 E. Capitol Street, Suite 500 | Jackson, MS 39201-2190
601.948.6700 | Fax 601.948.6000 | bkd.com

Independent Auditor's Report

Board of Directors
Mississippi Children's Home Services, Inc. and Affiliates
D/B/A Canopy Children's Solutions
Jackson, Mississippi

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mississippi Children's Home Services, Inc. and Affiliates D/B/A Canopy Children's Solutions, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mississippi Children's Home Services, Inc. and Affiliates D/B/A Canopy Children's Solutions as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated August 3, 2020, on our consideration of Mississippi Children's Home Services, Inc. and Affiliates D/B/A Canopy Children's Solutions' 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 Mississippi Children's Home Services, Inc. and Affiliates D/B/A Canopy Children's Solutions' 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 Mississippi Children's Home Services, Inc. and Affiliates D/B/A Canopy Children's Solutions' internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
August 3, 2020

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and Cash Equivalents	$ 1,862,506	$ 567,821
Restricted Cash	1,242,902	1,336,357
Accounts Receivable, Net of Allowance for Doubtful Accounts of $218,820 in 2019 and $194,244 in 2018	4,179,067	3,153,518
Prepaid Expenses and Other Assets	95,999	95,279
Investments, at Fair Value	1,447,734	1,305,622
Property, Plant, and Equipment, Net	18,881,047	19,845,488
Total Assets	$ 27,709,255	$ 26,304,085
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	$ 2,166,425	$ 2,208,098
Line of Credit	-	150,000
Notes Payable	9,780,884	10,439,666
Total Liabilities	11,947,309	12,797,764
Net Assets:		
Without Donor Restrictions	12,296,017	10,122,536
With Donor Restrictions	3,465,929	3,383,785
Total Net Assets	15,761,946	13,506,321
Total Liabilities and Net Assets	$ 27,709,255	$ 26,304,085

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Statements of Activities
Years Ended December 31, 2019 and 2018

	2019	2018
Net Assets Without Donor Restrictions:		
Support and Revenue:		
Government Agency Contracts	$ 22,210,793	$ 22,082,563
Program Fees	1,444,905	885,102
Special Events	30,350	19,975
Federal Grants	6,148,554	5,831,915
State and Private Grants	474,354	614,243
Contributions	3,441,775	1,151,484
Interest and Dividends	54,733	34,429
Rental Income	252,247	272,957
Net Assets Released from Restrictions	54,000	74,935
Other	98,035	80,617
Total Support and Revenue Without Donor Restrictions	34,209,746	31,048,220
Expenses:		
Program Services:		
CARES PRTF	7,203,724	7,791,325
CARES Schools	4,114,396	3,608,361
Autism Solutions	1,883,442	979,987
Treatment Foster Care & In-Home Service and Adoption	281,260	560,038
Mississippi Youth Programs Around the Clock	5,576,784	5,760,048
in-Circle	5,719,487	5,083,131
South MS Children's Center	-	597,109
Children's Advocacy Center	638,693	423,610
Warren County Children's Shelter	704,675	647,597
MCHS Outpatient Clinical Services	2,695,379	2,780,328
Total Program Services	$ 28,817,840	$ 28,231,534

	2019	2018
Expenses:		
Support Services:		
MCHS Administrative	$ 976,864	$ 643,661
Development/Fundraising	638,162	935,066
Canopy Property Expense	1,603,399	1,560,169
Total Support Services	3,218,425	3,138,896
Total Expenses	32,036,265	31,370,430
Change in Net Assets Without Donor Restrictions	2,173,481	(322,210)
Net Assets With Donor Restrictions:		
Contributions and Special Events	-	50,000
Net Assets Released from Restrictions	(54,000)	(74,935)
Interest and Dividends	5,880	7,366
Net Realized and Unrealized Gains (Losses) on Investments	135,701	(90,607)
General and Administrative and Other (Expenses)	(5,437)	(2,673)
Change in Net Assets With Donor Restrictions	82,144	(110,849)
Change in Net Assets	2,255,625	(433,059)
Net Assets at Beginning of Year	13,506,321	13,939,380
Net Assets at End of Year	$ 15,761,946	$ 13,506,321

See Accompanying Notes to Consolidated Financial Statements.

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services					
	CARES PRTF	**CARES Schools**	**Autism Solutions**	**Treatment Foster Care & In-Home Service and Adoption**	**Mississippi Youth Programs Around the Clock**	**in-CIRCLE (Formerly Comprehensive Family Support Center)**
Operating Fund:						
Salaries	$ 3,842,598	$ 2,330,915	$ 1,159,540	$ 113,357	$ 3,109,995	$ 3,048,697
Employee Benefits	682,237	456,688	213,818	22,582	576,266	615,668
Professional Fees	857,576	170,249	60,967	70,343	164,680	228,710
Supplies and Program	229,467	205,775	27,115	4,288	47,351	73,049
Telephone	17,972	11,881	8,646	3,346	91,538	101,502
Postage	2,271	787	789	22	8,929	604
Occupancy	356,626	219,625	45,318	21,126	197,721	205,757
Equipment Rental/ Maintenance	17,986	14,361	3,889	1,292	18,688	19,271
Depreciation and Amortization	47,517	26,427	6,080	668	31,054	49,626
Printing, Advertising, and Publications	1,135	137	183	51	1,826	36,988
Travel	7,766	9,056	21,495	4,009	454,814	423,235
Conferences and Meetings	1,857	1,392	747	674	1,168	716
Specific Assistance Individuals	443	8	-	4,640	2,724	2,570
Membership Dues	421	69	66	360	327	6,569
Bad Debts	(667)	-	(667)	-	37,951	-
Capital Expenditures	-	-	-	-	-	78,840
Interest Expense	8,727	3,042	1,259	217	4,783	4,953
Loss on Disposal	-	-	-	-	-	-
Insurance	95,600	43,441	14,022	2,237	37,233	34,622
Total Operating Fund Expenses Before Allocation	6,169,532	3,493,853	1,563,267	249,212	4,787,048	4,931,377
General and Administrative Expense Allocation	1,034,192	620,543	320,175	32,048	789,736	788,110
Total	$ 7,203,724	$ 4,114,396	$ 1,883,442	$ 281,260	$ 5,576,784	$ 5,719,487

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services			Support Services				
	Children's Advocacy Center	**Warren County Children's Shelter**	**Canopy Outpatient Clinical Services**	**MCHS Administrative**	**Canopy Property Expense**	**Development/ Fundraising**	**MSO Management & Administrative**	**Total**
Operating Fund:								
Salaries	$ 365,034	$ 354,129	$ 1,564,508	$ 165,474	$ -	$ 246,898	$ 3,236,369	$ 19,537,514
Employee Benefits	68,907	70,527	258,604	203,702	-	44,539	435,575	3,649,113
Professional Fees	19,069	35,571	98,379	349,251	-	112,804	202,842	2,370,441
Supplies and Program	28,008	50,782	27,097	137,278	-	95,448	68,395	994,053
Telephone	6,600	12,513	17,629	32,658	-	4,188	40,501	348,974
Postage	46	1,119	2,997	(1,556)	-	8,359	3,864	168,239
Occupancy	7,901	40,306	129,347	122,171	-	7,140	91,683	1,444,721
Equipment Rental/ Maintenance	4,168	8,563	18,178	21,302	-	1,564	12,488	141,750
Depreciation and Amortization	4,248	5,319	13,245	-	1,100,974	3,923	-	1,289,081
Printing, Advertising, and Publications	79	304	3,353	602	-	23,009	930	68,597
Travel	29,272	5,787	11,703	8,057	-	12,122	111,278	1,098,594
Conferences and Meetings	11,623	2,322	1,962	9,450	-	3,517	14,599	50,027
Specific Assistance Individuals	-	2,750	-	-	-	-	-	13,135
Membership Dues	13	21	459	-	-	1,873	4,430	14,608
Bad Debts	-	-	114,673	-	-	-	-	151,290
Capital Expense	10,666	-	-	(89,506)	-	-	-	-
Interest Expense	442	1,171	2,508	-	455,603	430	39	483,174
Loss on Disposal	-	-	-	209	-	-	-	209
Insurance	4,715	16,718	26,517	-	46,822	2,592	28,234	352,753
Total Operating Before Allocation	560,791	607,902	2,291,159	959,092	1,603,399	568,406	4,251,227	32,036,265
General and Administrative Expense Allocation	77,902	96,773	404,220	17,772	-	69,756	(4,251,227)	-
Total	$ 638,693	$ 704,675	$ 2,695,379	$ 976,864	$ 1,603,399	$ 638,162	$ -	$ 32,036,265

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services							
	CARES PRTF	**CARES Schools**	**Clinical Best Practice**	**Autism Solutions**	**Treatment Foster Care & In-Home Service and Adoption**	**Mississippi Youth Programs Around the Clock**	**Comprehensive Family Support Center**	**South MS Children's Center**
Operating Fund:								
Salaries	$ 3,993,594	$ 1,942,886	$ 777,249	$ 558,923	$ 203,566	$ 3,180,329	$ 2,872,915	$ 292,130
Employee Benefits	585,218	344,560	142,690	87,199	34,827	382,521	542,819	72,646
Professional Fees	860,473	118,895	60,980	34,952	175,270	236,032	128,932	28,387
Supplies and Program	281,063	187,696	23,642	14,284	11,142	71,126	52,820	19,299
Telephone	11,832	10,685	10,916	4,540	5,276	78,539	83,037	12,557
Postage	2,455	1,101	204	117	45	10,107	817	393
Occupancy	348,561	163,731	99,177	60,089	29,728	110,754	242,241	31,290
Equipment Rental/ Maintenance	20,462	14,996	9,566	3,792	1,542	21,048	19,407	6,400
Depreciation and Amortization	53,659	22,396	6,732	2,972	1,906	23,411	52,130	13,830
Printing, Advertising, and Publications	609	238	192	129	90	1,696	1,749	65
Travel	17,990	9,191	10,577	22,061	5,502	439,516	310,540	7,621
Conferences and Meetings	5,008	1,488	4,276	579	343	3,506	3,424	1,021
Specific Assistance Individuals	820	-	-	-	10,387	5,288	2,449	353
Membership Dues	26	1,296	326	(1,283)	-	-	-	-
Miscellaneous	-	-	-	-	-	-	15,590	-
Bad Debts	15,401	-	-	-	-	(25,671)	-	-
Interest Expense	9,001	3,342	546	713	193	2,895	2,833	642
Loss on Disposal	-	-	-	-	-	2,812	-	-
Insurance	90,075	28,640	8,965	3,080	3,048	27,399	22,060	18,034
Total Operating Expenses Before Allocation	6,296,247	2,851,141	1,156,038	792,147	482,865	4,571,308	4,353,763	504,668
General and Administrative Expense Allocation	1,495,078	757,220	(1,156,038)	187,840	77,173	1,188,740	729,368	92,441
Total	$ 7,791,325	$ 3,608,361	$ -	$ 979,987	$ 560,038	$ 5,760,048	$ 5,083,131	$ 597,109

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services			Support Services				
	Children's Advocacy Center	Warren County Children's Shelter	Canopy Clinical Services	MCHS Administrative	Development/ Fundraising	Canopy Property Expense	MSO Management & Administrative	Total
Operating Fund:								
Salaries	$ 250,270	$ 340,473	$ 1,662,986	$ 97,567	$ 320,511	$ -	$ 3,136,540	$ 19,629,939
Employee Benefits	45,584	49,912	133,681	11,055	25,648	-	390,861	2,849,221
Professional Fees	14,220	35,348	181,785	117,433	349,997	-	219,240	2,561,944
Supplies and Program	8,200	34,624	44,626	93,140	66,132	-	64,576	972,370
Telephone	4,502	11,966	19,052	40,760	3,823	-	44,793	342,278
Postage	68	411	4,237	2,547	16,498	-	5,850	44,850
Occupancy	1,590	34,250	172,006	227,205	13,377	-	63,293	1,597,292
Equipment Rental/ Maintenance	2,572	2,409	14,551	23,032	1,157	-	10,212	151,146
Depreciation and Amortization	1,430	4,632	12,743	-	3,485	1,056,430	-	1,255,756
Printing, Advertising, and Publications	128	206	1,380	-	4,597	64	799	11,942
Travel	21,957	4,539	18,656	6,735	34,264	-	136,661	1,045,810
Conferences and Meetings	11,693	672	5,106	6,769	6,276	-	36,365	86,526
Specific Assistance Individuals	-	1,520	-	-	-	-	-	20,817
Membership Dues	-	-	-	-	10,500	-	173	11,038
Miscellaneous	-	-	-	-	-	(15,590)	-	-
Bad Debts	-	-	-	-	-	-	-	(10,270)
Interest Expense	203	730	1,379	-	162	468,752	-	491,391
Loss on Disposal	-	-	-	-	-	234	-	3,046
Insurance	2,785	10,953	15,316	-	1,214	50,279	23,486	305,334
Total Operating Expenses Before Allocation	365,202	532,645	2,287,504	626,243	857,641	1,560,169	4,132,849	31,370,430
General and Administrative Expense Allocation	58,408	114,952	492,824	17,418	77,425	-	(4,132,849)	-
Total	$ 423,610	$ 647,597	$ 2,780,328	$ 643,661	$ 935,066	$ 1,560,169	$ -	$ 31,370,430

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in Net Assets	$ 2,255,625	$ (433,059)
Adjustment to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,289,081	1,255,756
Bad Debts	151,290	(10,270)
Net Realized and Unrealized Losses (Gains) on Investments	(135,701)	90,607
Changes in Assets and Liabilities:		
Receivables	(1,176,839)	327,036
Prepaid and Other Assets	(720)	43,394
Accounts Payable and Accrued Expenses	140,008	226,027
Net Cash Provided By Operating Activities	2,522,744	1,499,491
Cash Flows From Investing Activities:		
Acquisition of Property, Plant and Equipment	(320,710)	(1,324,022)
Purchase of Investments	(195,650)	(928,631)
Proceeds from Sale of Investments	189,239	947,380
Net Cash Used In Investing Activities	(327,121)	(1,305,273)
Cash Flows From Financing Activities:		
Payments on Notes Payable	(844,393)	(666,771)
Payments on Lines of Credit	(150,000)	-
Line of Credit Borrowings	-	150,000
Net Cash Used In Financing Activities	(994,393)	(516,771)
Change in Cash, Cash Equivalents and Restricted Cash	1,201,230	(322,553)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	1,904,178	2,226,731
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 3,105,408	$ 1,904,178
Supplemental Cash Flow Information:		
Cash Paid for Interest	$ 468,767	$ 476,984
Non-cash Financing Activities:		
Accounts Payable refinanced with Long-Term Debt	$ 181,681	$ -
Reconciliation of Cash, Cash Equivalents, and Restricted Cash:		
Cash and Cash Equivalents	$ 1,862,506	$ 567,821
Restricted Cash	1,242,902	1,336,357
Total Cash, Cash Equivalents and Restricted Cash	$ 3,105,408	$ 1,904,178

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Mississippi Children's Home Services, Inc. d/b/a Canopy Children's Solutions, organized under the laws of Mississippi in January 2003, is a nonprofit management service corporation, created to serve as the parent company of the Mississippi Children's Home Society and CARES Center, Inc. (the "Corporations"). The articles of incorporation of the Corporations were amended to declare Mississippi Children's Home Services, Inc. as their sole member. The purpose of the restructuring was to segregate management services from program services.

Mississippi Children's Home Society d/b/a Canopy Children's Solutions, organized under the laws of Mississippi in 1912, is a nonprofit comprehensive multi-service child and family service agency committed to developing, implementing and evaluating programs that respond to actual needs in the community throughout Mississippi.

CARES Center, Inc. d/b/a Canopy Children's Solutions, organized under the laws of Mississippi in February 1993, is a nonprofit corporation which operates a facility in Mississippi to provide healthcare and educational services. Its purpose is to develop mental health and rehabilitation services for children, youth and families. These services include providing psychiatric residential treatment services, therapeutic family foster care service, day treatment services and clinical counseling/diagnostic services.

Principles of Consolidation and Basis of Presentation

The consolidated financial statements of Mississippi Children's Home Services, Inc. include the financial statements of Mississippi Children's Home Services, Inc., Mississippi Children's Home Society and CARES Center, Inc., (collectively, the "Organization"), and have been prepared on the accrual basis of accounting. All material intercompany balances and transactions have been eliminated upon consolidation. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

Adoption of Accounting Pronouncements

During the year ended December 31, 2019, the Organization adopted Accounting Standards Update 2014-09 (ASU), Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, as amended, which supersedes or replaces nearly all GAAP revenue recognition guidance. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. As required by this standard, the Organization has adjusted the presentation in the consolidated financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Also, during the year ended December 31, 2019, the Organization adopted the ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASC Topic 605). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying consolidated financial statements under a modified prospective basis to all agreements with grantors that either were not completed as of January 1, 2019 or were entered into after that date. There is no effect on net assets in connection with the implementation of ASU 2018-08. Adoption of ASU 2018-08 resulted in classification of certain grant agreements as contributions, not exchange transactions, thereby requiring disclosure of conditional grants (*i.e.* grant funds that are available to the Organization upon the satisfaction of certain conditions and related invoice submission to the grantor). See Note 9 for additional information.

Net Assets

In accordance with ASU 2016-14, net assets are reported in two categories as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs are generally not considered "restricted" under GAAP, though for internal reporting the Organization tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board, if any, are reported as net assets without donor restrictions, board designated.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that are more restrictive than the Organization's mission and purpose. 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. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

Estimates

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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization recognizes contributions when it receives cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return or release - are not recognized until the conditions on which they depend have been met. The Organization has elected to report donor-restricted support for which restrictions are met in the same reporting period as net assets without donor restrictions.

A significant portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, the receipt of which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Revenue is recognized as receivable when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The required analysis under the provisions of Topic 606 resulted in no significant changes to the ways the Organization recognizes revenue, and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Contributed Services

Contributed services and materials are recognized as in-kind revenue on the consolidated statements of activities when they are received or unconditionally pledged. Contributions of assets and services are measured at their fair values when received and are reported as an increase in net assets. Total contributed services and materials for 2019 and 2018 were $60,000 and $0, respectively.

Cash and Cash Equivalents

The Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less, as cash and cash equivalents on the accompanying consolidated statements of financial position.

Cash and cash equivalents received with donor-imposed restrictions that limit their use to long-term purposes, and cash and cash equivalents restricted for the Organization's group health plan are classified as restricted and are not included with cash and cash equivalents that are available for current use.

The Organization maintains its cash in bank deposit accounts, which at times may exceed federally insured limits of $250,000. At December 31, 2019 and 2018, amounts in excess of FDIC insured limits were $1,883,737 and $1,037,271, respectively. The banks have a right of offset of all cash deposits against the outstanding lines of credit and notes payable totaling $9,780,884 at December 31, 2019. The Organization manages this risk by maintaining its deposit accounts with well-established, highly rated financial institutions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Organization reports receivables at estimated net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables, and once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against revenues. Receivables from contracts with customers are reported as accounts receivable, net in the accompanying consolidated statements of financial position.

Investments

Investments in all debt and equity securities with readily determined fair values are recorded at fair value. Fair values are determined based on quoted market prices. Realized and unrealized gains and losses are included in the change in net assets. Investment income is recorded in the statement of activities based on the classification of the investment from which it is derived. Investment related expenses are offset against investment earnings. For purposes of determining realized gains and losses, the cost of securities sold is based on specific identification.

Property, Plant, and Equipment

Property, plant and equipment purchases are stated at cost, while assets donated are stated at fair value at the time of acquisition. Maintenance and repairs are expensed as incurred. Upon the retirement of property sold or otherwise disposed of, its cost and related accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in income of the current period. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years for buildings and improvements, 4 to 8 years for vehicles, and 2 to 25 for furniture, fixtures and equipment.

Interest cost on borrowed funds during periods of construction of capital assets is capitalized as a component cost of acquiring these assets. There was no capitalized interest for the years ended December 31, 2019 and 2018.

Properties purchased with resources from grants are capitalized and depreciated even though the grant may specify that title remains with or reverts to the grantor. In practice, these properties are not normally reclaimed, the provision for reversion being primarily a device for insuring compliance.

Asset Impairments

In accordance with ASC Topic 360, *Property, Plant and Equipment,* the Organization evaluates whether current facts or circumstances indicate that the carrying value of its depreciable assets to be held and used may not be recoverable. If such circumstances are determined to exist, an estimate of undiscounted future cash flows produced by the long-lived asset or the appropriate grouping of assets, is compared to the carrying value to determine whether impairment exists. If an asset is determined to be impaired, the loss is measured based on the difference between the asset's fair value and it's carrying value.

An estimate of the asset's fair value is based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including a discounted value of estimated future cash flows. The Organization reports an asset to be disposed of at the lower of its carrying value or its estimated

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Impairments (Continued)

net realizable value. There were no asset impairments recorded for the years ended December 31, 2019 and 2018.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the consolidated statement of activities. Certain costs are allocated among the programs proportional to salary expenses for each program.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is required to file Form 990, Return of Organization Exempt from Income Tax, annually with the Internal Revenue Service. As of December 31, 2019, filings of such form for fiscal years 2016 and later are open to examination by taxing authorities.

Fair Value Measurements

As defined in ASC Topic 820, *Fair Value Measurements*, fair value is 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. ASC Topic 820 requires that the quality and reliability of the information used to determine fair value be ranked via a three-level hierarchy (Level 1 – the highest, Level 2, Level 3 – the lowest).

The ordering of the priority reflects the degree to which objective prices in external active markets are available to measure fair value.

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments or derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimates.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

All of the Organizations' assets that are measured at fair value (principally, investments) are valued based on inputs which are valued using quoted active market prices (Level 1).

The preceding methods described may produce a fair value determination that may not be indicative of net realizable value or reflective future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. This standard will be effective for the Organization's fiscal year beginning January 1, 2022. The Organization is in the process of evaluating the impact of this new guidance.

NOTE 2 INVESTMENTS

Investments consisted of the following at December 31, 2019:

			Unrealized	
	Cost	Market	Appreciation	(Depreciation)
Fixed Income Mutual Funds	$ 1,016,166	$ 1,059,438	$ 43,272	$ -
Stock - Common and Preferred	144,587	203,693	60,495	(1,389)
Equity Mutual Funds	152,797	184,603	31,817	(11)
Total	$ 1,313,550	$ 1,447,734	$ 135,584	$ (1,400)

NOTE 2 INVESTMENTS (CONTINUED)

Investment return for 2019 is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividend Income from Marketable Securities, Cash and Cash Equivalents	$ 54,733	$ 5,880	$ 60,613
Realized and Unrealized Gains (Losses) from Marketable Securities, Cash and Cash Equivalents, Net of Expenses	-	135,701	135,701
Total Investment Income	$ 54,733	$ 141,581	$ 196,314

Investments consisted of the following at December 31, 2018:

	Cost	Market	Unrealized Appreciation	Unrealized (Depreciation)
Fixed Income Mutual Funds	$ 925,805	$ 910,638	$ 5,480	$ (20,647)
Stock - Common and Preferred	161,413	178,517	23,464	(6,360)
Equity Mutual Funds	230,798	216,467	9,476	(23,807)
Total	$ 1,318,016	$ 1,305,622	$ 38,420	$ (50,814)

Investment return for 2018 is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividend Income from Marketable Securities, Cash and Cash Equivalents	$ 34,429	$ 7,366	$ 41,795
Realized and Unrealized Gains (Losses) from Marketable Securities, Cash and Cash Equivalents, Net of Expenses	-	(90,607)	(90,607)
Total Investment Income	$ 34,429	$ (83,241)	$ (48,812)

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are summarized below:

	2019	2018
Land	$ 3,466,422	$ 3,466,422
Building and Improvements	25,669,102	25,646,753
Automobiles	219,312	323,323
Furniture, Fixtures, and Equipment	4,308,261	4,216,419
	33,663,097	33,652,917
Less Accumulated Depreciation	(14,782,050)	(13,807,429)
Total	$ 18,881,047	$ 19,845,488

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense was $1,285,151 and $1,251,826 for the years ended December 31, 2019 and 2018, respectively.

NOTE 4 RETIREMENT PLAN

In 2009, the Organization adopted a 403(b) Thrift Plan. Under the plan, all employees are eligible to make salary reduction contributions within guidelines permitted by the Internal Revenue Code. Employees who meet certain eligibility requirements may contribute up to 3 percent of their salary and receive an employer matching contribution of the same amount.

The Plan also allows for a discretionary contribution for all eligible employees. The Organization accrued a $200,000 discretionary contribution for 2019. The Organization did not make a discretionary contribution for 2018.

NOTE 5 NOTES PAYABLE AND LINES OF CREDIT

Following is a summary of notes payable at December 31, 2019 and 2018:

	2019	2018
Note payable to bank at 4.95 percent, payable in monthly installments of $4,348 until February 2025 when unpaid balance and accrued interest shall be due, collateralized by real estate	$ 239,497	$ 278,629
Note payable to bank at $19,369 per month, including interest at 4.10 percent, due March 2029, collateralized by building	1,868,389	2,019,721
Note payable to bank at $19,506 per month, including interest at 4.25 percent, due June 2028, collateralized by building	2,998,093	3,100,575
Note payable to bank at $40,623 per month, including interest at 4.25 percent, due October 2028, collateralized by real estate	3,590,367	3,917,487
Note payable to bank at $13,014 per month, including interest at 4.25 percent, due June 2027, collateralized by building	1,036,632	1,145,570
Note payable to vendor at $10,000 per month, including interest at 0.00 percent, due July 2020 for payment of outstanding invoices	72,054	-
Note payable to bank at $1,475 per month, including interest at 2.87 percent, due April 2019, collateralized by automobile	-	5,762
Total Notes Payable	9,805,032	10,467,744
Less Deferred Financing Costs, Net of Accumulated Amortization	24,148	28,078
	$ 9,780,884	$ 10,439,666

NOTE 5 NOTES PAYABLE AND LINES OF CREDIT (CONTINUED)

Maturities of notes payable are as follows:

Year	Amount
2020	$ 836,930
2021	798,277
2022	832,932
2023	868,895
2024	906,827
Thereafter	5,561,171
Total	$ 9,805,032

Interest expense related to notes payable was $483,174 and $491,391 for the years ended December 31, 2019 and 2018, respectively. Amortization expense for deferred financing costs was $3,930 for the years ended December 31, 2019 and 2018.

The Organization had an available line of credit with a bank totaling $500,000, at a variable interest rate equal to the Prime rate plus 0.2%, which was 4.75% at December 31, 2019. The line of credit was renewed on August 26, 2019 and will mature on August 26, 2020. On March 2, 2020, the credit limit was increased to $850,000. On December 31, 2019 and 2018 borrowings against the line of credit were $0 and $150,000, respectively.

The Organization had an available line of credit with a bank totaling $350,000 at a variable interest rate equal to the Prime rate plus 0.25%, which was 4.75% at December 31, 2019. This line of credit matured and was renewed on January 16, 2019 with a maturity date of January 16, 2020. At December 31, 2019 and 2018, there were no borrowings on the line of credit. Upon renewal on January 16, 2020, the credit limit was increased to $600,000, and now matures on January 16, 2021.

The Organization had an available line of credit renewed with a bank totaling $250,000 at a variable interest rate equal to the Prime rate which was 5.5% at December 31, 2019. This line of credit matures in July 2021. At December 31, 2019 and 2018, there were no borrowings on the line of credit.

NOTE 6 LIQUIDITY AND AVAILABILITY OF RESOURCES

The table that follows presents the Organization's financial assets at December 31, 2019 and 2018, which are available to meet obligations for general expenditure that may arise within one year of the balance sheet date.

	2019	2018
Cash and Cash Equivalents	$ 1,862,506	$ 567,821
Accounts Receivable, Net	4,179,067	3,153,518
Total	$ 6,041,573	$ 3,721,339

As discussed more fully in Note 7, the Organization's endowment funds are donor-restricted; however, the income derived from these endowment funds is not donor-restricted and may be used to cover general expenditures.

NOTE 6 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

In addition to the assets shown above, at December 31, 2019 and 2018, the Organization had approximately $543,000 and $652,000 of cash that is restricted as to its use. These funds may not be used to cover general expenditures of the Organization; however, the Organization may use these funds to cover expenditures that arise in the 12 months following the balance sheet date, provided that the nature of these expenditures is consistent with the restrictions placed upon these funds.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization's working capital and cash flows vary throughout the year due to the timing of receipt of grant funds, collection of program fees, and contributions from donors. To assist in managing liquidity, the Organization maintains lines of credit (see Note 5) with commercial banks with borrowing limits of $1.7 million in the aggregate that can be drawn upon as needed to manage cash flow.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2019 and 2018:

	2019	2018
Subject to Expenditure for Specific Purpose:		
Hattiesburg Playground	$ -	$ 34,000
Psychiatric Residential Treatment Facility	-	5,000
Warren County Pavilion	-	15,000
Other	664	664
	664	54,664
Not Subject to Appropriation or Expenditure:		
Endowment Assets for which Only Income May be Expended	3,465,265	3,329,121
Total Net Assets with Donor Restrictions	$ 3,465,929	$ 3,383,785

The paragraphs that follow provide a description of the programs shown in the table above.

Donations were received to construct a playground for the CARES School in Hattiesburg, MS. These donations are reported as net assets with donor restrictions at December 31, 2018 and the restrictions were released in 2019.

Donations were received to purchase a karaoke machine along with additional recreational equipment for the CARES Psychiatric Residential Treatment Facility in Jackson, MS. These donations are reported as net assets with donor restrictions at December 31, 2018 and the restrictions were released in 2019.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Donations were received to construct a pavilion for the Warren County Children's Shelter in Vicksburg, MS. These donations are reported as net assets with donor restrictions at December 31, 2018 and the restrictions were released when in 2019.

The other assets with donor restrictions shown above include assets received from United Way and various other agencies or individuals.

Certain other donor restricted net assets consist of cash and investments, including land, and are held by the endowment fund. These assets are invested in perpetuity and the interest and dividends generated by the investments are considered unrestricted as to use and are paid directly into the net assets without donor restrictions. Expenses related to administration of the endowment fund may be paid from endowment fund assets. Investment income in the amount of expenses paid out is retained in the endowment fund to offset the expense.

The Organization also obtained a legal opinion to enable them to lend up to a $1,000,000 of endowment assets to other internal funds as a line of credit. Such funds shall not exceed 90 percent of each internal agency's receivable balance.

The investments are managed to provide a reasonable rate of return that will offset the expenses related to the administration of the endowment and to provide a modest return to contribute to unrestricted expenses. The composition of investments can include notes receivable from internal agencies. These notes receivable are stated at a reasonable rate of return that approximates the current market rate of return. The Organization interprets the current state law regarding the treatment of endowed funds as the preservation of corpus and appropriate expenditure of the appreciation of the restricted net asset.

The following table presents the activity in the endowment funds, which are a component of net assets with donor restrictions.

Endowment Net Assets as of December 31, 2017	$ 3,415,035
Investment Return:	
Interest and Dividends	7,366
Net Realized and Unrealized Gains (Losses) on Investments	(90,607)
Total Investment Return	(83,241)
General and Administrative and Other Expenses	(2,673)
Endowment Net Assets as of December 31, 2018	3,329,121
Investment Return:	
Interest and Dividends	5,880
Net Realized and Unrealized Gains (Losses) on Investments	135,701
Total Investment Return	141,581
General and Administrative and Other Expenses	(5,437)
Endowment Net Assets as of December 31, 2019	$ 3,465,265

Endowed net assets consists of restricted cash, investments, real property, and receivables.

NOTE 8 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Organizations' contract revenue, which is accounted for pursuant to Topic 606, is primarily generated from services related to providing psychiatric residential treatment services, therapeutic family foster care service, day treatment services and clinical counseling/diagnostic services. Each of these revenue streams have unique performance obligations; however, no individual revenue stream contains more than one performance obligation. Revenue is recognized upon a point in time when the service performance obligations are completed. The Organization has analyzed factors regarding the types of customers and contracts and determined there is minimal impact to the amount, timing, and certainty of contract revenue. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore only changes to revenue classifications were required on a retrospective basis. The timing of revenue recognition is not materially impacted by the new standard.

The following is a summary of contracts with customers classified by those recognized at a point in time and over a period of time.

	2019	2018
Services Transferred at a Point in Time:		
Payment for Performance of Services	$ 23,655,698	$ 22,967,665
Special Event Direct Benefit	30,350	19,975
Total Services Transferred at a Point in Time	$ 23,686,048	$ 22,987,640

	2019	2018
Receivables from Contracts with Customers:		
Beginning of Year	$ 2,643,949	$ 1,785,326
End of Year	$ 2,714,866	$ 2,643,949

The majority of CARES Center, Inc.'s contract revenue is derived from services to Medicaid program beneficiaries. The psychiatric residential treatment facility services are reimbursed based upon a cost reimbursement methodology (per diem). CARES Center, Inc. is reimbursed at a prospective rate, which is adjusted annually based on annual cost reports submitted to and audited by the Medicaid intermediary. Revenue is reported net of the estimated discounts applicable to this cost reporting process.

Mississippi Children's Home Society also provides services to Medicaid program beneficiaries through its MYPAC program, Mississippi Youth Programs Around the Clock. MYPAC is an innovative home and community-based alternative to psychiatric residential services for youth with serious emotional disturbances. It is funded through a program under a defined per diem arrangement for the array of clinical, case management and wrap around services to children and families.

The Organization received 51 percent and 56 percent of its total support and revenue from Medicaid for 2019 and 2018, respectively. Total support received for 2019 and 2018 from Medicaid was $17,608,258 and $17,192,258, respectively, which is included in Support and Revenue under the caption Government Agency Contracts in the consolidated statements of activities.

NOTE 9 GRANT REIMBURSEMENTS RECEIVABLE AND FUTURE COMMITMENTS

The Organization receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of the Organization are prepared on the accrual basis, all earned portions of the grants not yet received as of December 31, 2019, have been recorded as receivables. Following are the grant commitments that extend beyond December 31, 2019.

Grants	Terms	Grant Amounts	Earned Through December 31, 2019	Funding Available
Federal, State, and Local Government Grant	from May 1, 2019 through September 30, 2020	$ 7,127,061	$ 1,909,213	$ 5,217,848

NOTE 10 OPERATING LEASES

The Organization leases equipment and office space under various noncancellable agreements, which require various minimum annual rentals. Rent expense paid for the years ended December 31, 2019 and 2018, was $563,642 and $692,120, respectively.

The future minimum rental payments required under these leases for the next five years are as follows:

Year Ended	Amount
2020	$ 369,380
2021	118,393
2022	24,288
2023	15,000
2024	6,250
Total	$ 533,311

NOTE 11 SELF-INSURANCE PROGRAM

The Organization's group health plan is partially self-insured, up to certain limits, for employee claims. The Organization has purchased stop-loss insurance, which will reimburse the Organization for claims in excess of $40,000 per covered individual and also reimburse the Organization in the event of an aggregate claim not to exceed $1,000,000 per policy contract year. Operations are charged with the cost of claims reported and an estimate of claims incurred but not reported. A liability for unpaid claims and the associated claim expenses, including incurred but not reported losses, is estimated based on known costs and historical lag times of payment and reflected on the consolidated statement of financial position as an accrued liability. This liability totaled $200,000 and $135,000 at December 31, 2019 and 2018, respectively. Total expense under the program was approximately $1,475,340 and $1,158,850 in 2019 and 2018, respectively.

NOTE 12 SIGNIFICANT ESTIMATES AND CONCENTRATIONS

GAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Accounts Receivable

Two payors accounted for approximately 77 percent of the accounts receivable balance as of December 31, 2019, the same two payors accounted for approximately 76 percent of the accounts receivable balance as of December 31, 2018.

Litigation

The Organization is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. 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, changes in net assets, and cash flows of the Organization

NOTE 13 SUBSEQUENT EVENTS

The Organization has evaluated, for consideration of recognition or disclosure, subsequent events through August 3, 2020, the date that the financial statements were available to be issued. Based on this evaluation, the Organization has determined that as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen, and financial impact could occur though such potential impact is unknown at this time.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law. In April 2020, the Organization received 3 loans – one in the name of Mississippi Children's Home Services, Inc., one in the name of Mississippi Children's Home Society, and one in the name of CARES Center, Inc. – pursuant to the Paycheck Protection Program (PPP), a provision of the CARES Act of 2020. The aggregate amount of these loans was $3,868,744. Under the CARES Act of 2020, PPP loan proceeds that are used for certain qualifying expenditures during a specific covered period are eligible to be forgiven. The Organization anticipates using all of the proceeds to make qualifying payments and, therefore, expects substantially all of the loan amounts will be forgiven.

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Direct Programs:			
U.S. Department of Health and Human Services:			
Basic Center Grant - Warren County Children's Shelter	93.623	90CY6865-03-00	$ 49,289
Basic Center Grant - Warren County Children's Shelter	93.623	90CY7113-01-00	45,512
Total U.S. Department of Health and Human Services			94,801
Pass-through Programs:			
U.S. Department of Justice:			
Mississippi State Department of Health:			
Crime Victim Assistance - Warren County Children's Shelter	16.575	VA-17-046	92,305
Crime Victim Assistance - Warren County Children's Shelter	16.575	2020-VA-005.2	89,625
Crime Victim Assistance - Child Abuse Prevention Center	16.575	VA-17-025	122,424
Crime Victim Assistance - Child Abuse Prevention Center	16.575	2020-VA-005.1	198,897
The Childrens Advocacy Center of Mississippi:			
Crime Victim Assistance - MDT Enhancement Grant	16.575	VA-GX-024	22,546
Crime Victim Assistance - MDT Enhancement Grant	16.575	2020-VA-012	17,205
Total Crime Victim Assistance			543,002
The National Children's Alliance:			
Domestic Trafficking Victim Program	16.834	GULF-MS-TDTVF19	19,792
Total U.S. Department of Justice			562,794
U.S. Department of Agriculture:			
Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	195MS326N1099	35,908
National School Lunch Program	10.555	195MS326N1099	72,695
Total U.S. Department of Agriculture			108,603
U.S. Department of Health and Human Services:			
Mississippi Department of Mental Health:			
Developmental Disabilities Basic Support and Advocacy Grant	93.630	4700-DD18-ED	13,278
The Childrens Advocacy Center of Mississippi:			
Childrens Justice Act - Small Grant	93.643	2017G99CJ17	2,630
Mississippi Department of Child Protection Services:			
Stephanie Tubb Jones Child Welfare Services Program	93.645	G1801MSCWSS	3,950,146
Stephanie Tubb Jones Child Welfare Services Program	93.645	G1901MSCWSS	1,416,302
Total Stephanie Tubb Jones Child Welfare Services Program			5,366,448
Total U.S. Department of Health and Human Services			5,382,356
			$ 6,148,554

NOTE 1 **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2019. 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.

NOTE 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.

NOTE 3 **INDIRECT COST RATE**

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 **PASS THROUGH ENTITIES**

There were no funds passed through to subrecipients for the year ended December 31, 2019.

BKD
CPAs & Advisors

190 E. Capitol Street, Suite 500 | Jackson, MS 39201-2190
601.948.6700 | Fax 601.948.6000 | bkd.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
Mississippi Children's Home Services, Inc. and Affiliates
D/B/A Canopy Children's Solutions
Jackson, Mississippi

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 consolidated financial statements of Mississippi Children's Home Services, Inc. and Affiliates D/B/A Canopy Children's Solutions (the Organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 3, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
August 3, 2020

BKD
CPAs & Advisors
190 E. Capitol Street, Suite 500 | Jackson, MS 39201-2190
601.948.6700 | Fax 601.948.6000 | bkd.com

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
Mississippi Children's Home Services, Inc. and Affiliates
D/B/A Canopy Children's Solutions
Jackson, Mississippi

Report on Compliance for the Major Federal Program

We have audited Mississippi Children's Home Services, Inc. and Affiliates D/B/A Canopy Children's Solutions (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2019. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

BKD, LLP

Jackson, Mississippi
August 3, 2020

Mississippi Children's Home Services, Inc. and Affiliates

Schedule of Findings and Questioned Costs

Year Ended December 31, 2019

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ *Unmodified* ☐ *Qualified* ☐ *Adverse* ☐ *Disclaimer*

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	☐ *Yes*	☒ *None reported*
Material weakness(es)?	☐ *Yes*	☒ *No*

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ *Yes* ☒ *No*

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal awards program disclosed:

Significant deficiency(ies)?	☐ *Yes*	☒ *None reported*
Material weakness(es)?	☐ *Yes*	☒ *No*

5. The opinion expressed in the independent auditor's report on compliance for the major federal awards program was:

   ☒ *Unmodified* ☐ *Qualified* ☐ *Adverse* ☐ *Disclaimer*

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ *Yes* ☒ *No*

Mississippi Children's Home Services, Inc.
and Affiliates

Schedule of Findings and Questioned Costs

Year Ended December 31, 2019

7. The Organization's major program was:

Cluster/Program	CFDA Number
Stephanie Tubbs Jones Child Welfare Services Program	93.645

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The Organization qualified as a low-risk auditee? ☒ Yes ☐ No

Findings Required to be Reported by *Government Auditing Standards*

No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

No matters are reportable.

Mississippi Children's Home Services, Inc. and Affiliates

Summary Schedule of Prior Year Audit Findings

Year Ended December 31, 2019

No matters are reportable.

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidating Statement of Financial Position
December 31, 2019

	Mississippi Children's Home Society			Mississippi Children's			
	Operating Fund	Endowment Fund	CARES Center, Inc.	Home Services, Inc.	Subtotal	Eliminating Entries	Total Consolidated
ASSETS							
Cash and Cash Equivalents	$ 931,083	$ -	$ 525,764	$ 405,659	$ 1,862,506	$ -	$ 1,862,506
Restricted Cash	543,930	698,972	-	-	1,242,902	-	1,242,902
Accounts Receivable, Net of Allowance of $218,820 in 2019	5,883,681	21,117	1,553,429	-	7,458,227	(3,279,160)	4,179,067
Prepaid Expenses and Other Assets	78,586	-	15,829	1,584	95,999	-	95,999
Investments, at Fair Value	978	1,446,756	-	-	1,447,734	-	1,447,734
Property, Plant and Equipment, Net	17,136,683	1,298,420	445,944	-	18,881,047	-	18,881,047
Total Assets	$ 24,574,941	$ 3,465,265	$ 2,540,966	$ 407,243	$ 30,988,415	$ (3,279,160)	$ 27,709,255
LIABILITIES AND NET ASSETS							
Accounts Payable and Accrued Expenses	$ 1,268,446	$ -	$ 3,763,434	$ 393,963	$ 5,425,843	$ (3,259,418)	$ 2,166,425
Notes Payable	9,800,626	-	-	-	9,800,626	(19,742)	9,780,884
Total Liabilities	11,069,072	-	3,763,434	393,963	15,226,469	(3,279,160)	11,947,309
Net Assets (Deficit):							
Without Donor Restrictions	13,505,869	-	(1,223,132)	13,280	12,296,017	-	12,296,017
With Donor Restrictions	-	3,465,265	664	-	3,465,929	-	3,465,929
Total Net Assets (Deficit)	13,505,869	3,465,265	(1,222,468)	13,280	15,761,946	-	15,761,946
Total Liabilities and Net Assets (Deficit)	$ 24,574,941	$ 3,465,265	$ 2,540,966	$ 407,243	$ 30,988,415	$ (3,279,160)	$ 27,709,255

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidating Statement of Activities
Year Ended December 31, 2019

	Mississippi Children's Home Society			CARES Center, Inc.					
	Operating Without Donor Restrictions	Operating With Donor Restrictions	Endowment With Donor Restrictions	Operating Without Donor Restrictions	Operating With Donor Restrictions	Mississippi Children's Home Services, Inc.	Subtotal	Eliminating Entries	Total Consolidated
Net Assets Without Donor Restrictions:									
Support and Revenue:									
Government Agency Contracts	$ 9,571,287	$ -	$ -	$ 12,639,506	$ -	$ -	$ 22,210,793	$ -	$ 22,210,793
Program Fees	461,636	-	-	983,269	-	-	1,444,905	-	1,444,905
Special Events	30,350	-	-	-	-	-	30,350	-	30,350
Federal Grants	6,026,672	-	-	121,882	-	-	6,148,554	-	6,148,554
State and Private Grants	331,438	-	-	142,916	-	-	474,354	-	474,354
Contributions	3,439,488	-	-	2,287	-	-	3,441,775	-	3,441,775
Interest and Dividends	47,750	-	-	6,983	-	-	54,733	-	54,733
Rental Income	1,434,383	-	-	-	-	-	1,434,383	(1,182,136)	252,247
Net Assets Released from Restrictions	54,000	-	-	-	-	-	54,000	-	54,000
Other	96,095	-	-	1,940	-	-	98,035	-	98,035
Total Support and Revenue Without Donor Restrictions	21,493,099	-	-	13,898,783	-	-	35,391,882	(1,182,136)	34,209,746
Expenses:									
Program Services:									
CARES PRTF	-	-	-	7,738,139	-	-	7,738,139	(534,415)	7,203,724
CARES Schools	-	-	-	4,343,076	-	-	4,343,076	(228,680)	4,114,396
Autism Solutions	-	-	-	1,936,607	-	-	1,936,607	(53,165)	1,883,442
Treatment Foster Care & In-Home Service and Adoption	332,411	-	-	-	-	-	332,411	(51,151)	281,260
Mississippi Youth Programs Around the Clock	5,644,970	-	-	-	-	-	5,644,970	(68,186)	5,576,784
in-Circle	5,771,240	-	-	-	-	-	5,771,240	(51,753)	5,719,487
Children's Advocacy Center	638,693	-	-	-	-	-	638,693	-	638,693
Warren County Children's Shelter	704,675	-	-	-	-	-	704,675	-	704,675
MCHS Outpatient Clinical Services	2,695,379	-	-	-	-	-	2,695,379	-	2,695,379
Total Program Services	15,787,368	-	-	14,017,822	-	-	29,805,190	(987,350)	28,817,840
Support Services:									
MCHS Administrative	1,077,099	-	-	-	-	-	1,077,099	(100,235)	976,864
Development/Fundraising	650,526	-	-	-	-	-	650,526	(12,364)	638,162
Canopy Property Expense	1,685,586	-	-	-	-	-	1,685,586	(82,187)	1,603,399
Total Support Services	3,413,211	-	-	-	-	-	3,413,211	(194,786)	3,218,425
Total Expenses	19,200,579	-	-	14,017,822	-	-	33,218,401	(1,182,136)	32,036,265
Change in Net Assets Without Donor Restrictions	2,292,520	-	-	(119,039)	-	-	2,173,481	-	2,173,481

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidating Statement of Activities
Year Ended December 31, 2019

	Mississippi Children's Home Society			CARES Center, Inc.					
	Operating Without Donor Restrictions	Operating With Donor Restrictions	Endowment With Donor Restrictions	Operating Without Donor Restrictions	Operating With Donor Restrictions	Mississippi Children's Home Services, Inc.	Subtotal	Eliminating Entries	Total Consolidated
Net Assets With Donor Restrictions:									
Net Assets Released from Restrictions	$ 29,580	$ (54,000)	$ -	$ (29,580)	$ -	$ -	$ (54,000)	$ -	$ (54,000)
Interest and Dividends	-	-	5,880	-	-	-	5,880	-	5,880
Net Realized and Unrealized Gains (Losses) on Investments	-	-	135,701	-	-	-	135,701	-	135,701
General and Administrative and Other (Expenses)	-	-	(5,437)	-	-	-	(5,437)	-	(5,437)
Change in Net Assets With Donor Restrictions	29,580	(54,000)	136,144	(29,580)	-	-	82,144	-	82,144
Change in Net Assets	2,322,100	(54,000)	136,144	(148,619)	-	-	2,255,625	-	2,255,625
Net Assets (Deficit) at Beginning of Year	11,183,769	54,000	3,329,121	(1,074,513)	664	13,280	13,506,321	-	13,506,321
Net Assets (Deficit) at End of Year	$ 13,505,869	$ -	$ 3,465,265	$ (1,223,132)	$ 664	$ 13,280	$ 15,761,946	$ -	$ 15,761,946