

**Mississippi Children's Home Services, Inc.  
and Affiliates**

Independent Auditor's Reports and  
Consolidated Financial Statements

December 31, 2020 and 2019

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## 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, 2020 and 2019, 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, 2020 and 2019, 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 May 14, 2021, 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

Board of Directors  
Mississippi Children's Home Services, Inc. and Affiliates  
D/B/A Canopy Children's Solutions  
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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  
May 14, 2021

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
AND AFFILIATES  
Consolidated Statements of Financial Position  
December 31, 2020 and 2019**

|   | <b>2020</b>          | <b>2019</b>          |
|---|----------------------|----------------------|
| <b><u>ASSETS</u></b>  |                      |                      |
| Cash and Cash Equivalents   | \$ 6,844,135         | \$ 1,862,506         |
| Restricted Cash   | 1,419,802            | 1,242,902            |
| Accounts Receivable, Net of Allowance for Doubtful Accounts<br>of \$194,809 in 2020 and \$218,820 in 2019 | 3,839,029            | 4,179,067            |
| Pledge Receivables, Net   | 105,854              | -                    |
| Prepaid Expenses and Other Assets   | 120,361              | 95,999               |
| Investments, at Fair Value  | 1,540,373            | 1,447,734            |
| Property, Plant, and Equipment, Net   | 18,797,831           | 18,881,047           |
| <b>Total Assets</b>   | <b>\$ 32,667,385</b> | <b>\$ 27,709,255</b> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>  |                      |                      |
| Accounts Payable and Accrued Expenses   | \$ 2,538,020         | \$ 2,166,425         |
| Notes Payable   | 13,105,358           | 9,780,884            |
| <b>Total Liabilities</b>  | <b>15,643,378</b>    | <b>11,947,309</b>    |
| Net Assets:   |                      |                      |
| Without Donor Restrictions  | 13,424,545           | 12,296,017           |
| With Donor Restrictions   | 3,599,462            | 3,465,929            |
| <b>Total Net Assets</b>   | <b>17,024,007</b>    | <b>15,761,946</b>    |
| <b>Total Liabilities and Net Assets</b>   | <b>\$ 32,667,385</b> | <b>\$ 27,709,255</b> |

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
AND AFFILIATES**  
**Consolidated Statements of Activities**  
**Years Ended December 31, 2020 and 2019**

|  | <u>2020</u>         | <u>2019</u>         |  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|--|---------------------|---------------------|
| Net Assets Without Donor Restrictions:   |                     |                     | Expenses:                              |                     |                     |
| Support and Revenue:                     |                     |                     | Support Services:                      |                     |                     |
| Government Agency Contracts              | \$21,638,425        | \$22,210,793        | Canopy Administrative                  | \$ 2,296,613        | \$ 976,864          |
| Program Fees                             | 1,365,902           | 1,444,905           | Development/Fundraising                | 988,619             | 638,162             |
| Special Events                           | 25,027              | 30,350              | Canopy Property Expense                | 1,169,683           | 1,603,399           |
| Federal Grants                           | 7,455,636           | 6,148,554           | <b>Total Support Services</b>          | <u>4,454,915</u>    | <u>3,218,425</u>    |
| State and Private Grants                 | 549,494             | 474,354             |  |                     |                     |
| Contributions                            | 2,621,316           | 3,441,775           | <b>Total Expenses</b>                  | <u>33,003,800</u>   | <u>32,036,265</u>   |
| Interest and Dividends                   | 32,777              | 54,733              |  |                     |                     |
| Rental Income                            | 267,087             | 252,247             | <b>Change in Net Assets Without</b>    |                     |                     |
| Net Assets Released from Restrictions    | -                   | 54,000              | <b>Donor Restrictions</b>              | <u>1,128,528</u>    | <u>2,173,481</u>    |
| Net Realized and Unrealized Gains        |                     |                     |  |                     |                     |
| on Investments                           | 1,270               | -                   | Net Assets With Donor Restrictions:    |                     |                     |
| Other                                    | 175,394             | 98,035              | Contributions and Special Events       | 13,500              | -                   |
| <b>Total Support and Revenue Without</b> |                     |                     | Net Assets Released from Restrictions  | -                   | (54,000)            |
| <b>Donor Restrictions</b>                | <u>34,132,328</u>   | <u>34,209,746</u>   | Interest and Dividends                 | 3,017               | 5,880               |
|  |                     |                     | Net Realized and Unrealized Gains      |                     |                     |
| Expenses:                                |                     |                     | on Investments                         | 119,815             | 135,701             |
| Program Services:                        |                     |                     | General and Administrative and         |                     |                     |
| Residential Solutions                    | 7,590,382           | 7,203,724           | Other (Expenses)                       | <u>(2,799)</u>      | <u>(5,437)</u>      |
| Education Solutions                      | 3,865,875           | 4,114,396           |  |                     |                     |
| Autism Solutions                         | 2,007,361           | 1,883,442           | <b>Change in Net Assets With</b>       |                     |                     |
| Family Permanency Solutions              | 5,435,425           | 6,000,747           | <b>Donor Restrictions</b>              | <u>133,533</u>      | <u>82,144</u>       |
| Intensive In-Home Solutions              | 4,834,096           | 5,576,784           |  |                     |                     |
| Crisis Centers                           | 1,636,168           | 1,343,368           | <b>Change in Net Assets</b>            | <u>1,262,061</u>    | <u>2,255,625</u>    |
| Outpatient Solutions                     | 2,487,208           | 2,695,379           |  |                     |                     |
| Family Dynamic Solutions                 | 692,370             | -                   | <b>Net Assets at Beginning of Year</b> | <u>15,761,946</u>   | <u>13,506,321</u>   |
| <b>Total Program Services</b>            | <u>\$28,548,885</u> | <u>\$28,817,840</u> |  |                     |                     |
|  |                     |                     | <b>Net Assets at End of Year</b>       | <u>\$17,024,007</u> | <u>\$15,761,946</u> |

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
AND AFFILIATES**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2020**

|   | <b>Program Services</b>          |                                |                             |  |  |                           |
|---|----------------------------------|--------------------------------|-----------------------------|--|--|---------------------------|
|   | <b>Residential<br/>Solutions</b> | <b>Education<br/>Solutions</b> | <b>Autism<br/>Solutions</b> | <b>Family<br/>Permanency<br/>Solutions</b> | <b>Intensive<br/>In-Home<br/>Solutions</b> | <b>Crisis<br/>Centers</b> |
| Operating Fund:                                     |                                  |                                |                             |  |  |                           |
| Salaries  | \$ 4,040,448                     | \$ 2,310,299                   | \$ 1,041,802                | \$ 3,155,604                               | \$ 2,999,101                               | \$ 960,854                |
| Employee Benefits                                   | 749,543                          | 449,803                        | 197,290                     | 688,754                                    | 609,108                                    | 210,658                   |
| Professional Fees                                   | 856,999                          | 139,068                        | 391,737                     | 275,855                                    | 155,404                                    | 80,521                    |
| Supplies and Program                                | 258,551                          | 170,083                        | 32,092                      | 58,425                                     | 46,276                                     | 86,269                    |
| Telephone   | 22,070                           | 14,609                         | 11,670                      | 110,296                                    | 99,785                                     | 21,909                    |
| Postage   | 1,431                            | 1,915                          | 404                         | 435  | 2,640                                      | 731                       |
| Occupancy   | 407,493                          | 225,186                        | 38,669                      | 175,014                                    | 147,261                                    | 61,765                    |
| Equipment Rental/<br>Maintenance                    | 21,147                           | 16,318                         | 7,800                       | 14,840                                     | 14,138                                     | 12,524                    |
| Depreciation and Amortization                       | 385,483                          | 84,208                         | 49,073                      | 358  | 27,126                                     | 23,290                    |
| Printing, Advertising, and<br>Publications          | 113                              | 45                             | 25                          | 823  | 620  | 2,311                     |
| Travel  | 8,658                            | 1,394                          | 10,433                      | 423,398                                    | 206,999                                    | 13,597                    |
| Conferences and<br>Meetings                         | 2,767                            | 774                            | 145                         | 1,311                                      | 814  | 4,361                     |
| Specific Assistance                                 |                                  |                                |                             |  |  |                           |
| Individuals   | 113                              | -                              | -                           | 27,759                                     | 1,661                                      | 1,259                     |
| Membership Dues                                     | 3,540                            | 1,452                          | 1,064                       | 2,478                                      | 1,846                                      | 2,337                     |
| Miscellaneous                                       | -                                | -                              | -                           | -  | -  | -                         |
| Bad Debts   | -                                | 10,399                         | 19,978                      | -  | 47,398                                     | -                         |
| Interest Expense                                    | 113,432                          | 37,811                         | 32,136                      | -  | -  | -                         |
| Insurance   | 138,324                          | 63,148                         | 25,854                      | 45,215                                     | 40,746                                     | 30,763                    |
| <b>Total Operating Fund</b>                         |                                  |                                |                             |  |  |                           |
| <b>Expenses Before Allocation</b>                   | 7,010,112                        | 3,526,512                      | 1,860,172                   | 4,980,565                                  | 4,400,923                                  | 1,513,149                 |
| General and<br>Administrative<br>Expense Allocation | 580,270                          | 339,363                        | 147,189                     | 454,860                                    | 433,173                                    | 123,019                   |
| <b>Total</b>  | <u>\$ 7,590,382</u>              | <u>\$ 3,865,875</u>            | <u>\$ 2,007,361</u>         | <u>\$ 5,435,425</u>                        | <u>\$ 4,834,096</u>                        | <u>\$ 1,636,168</u>       |



**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.**  
**AND AFFILIATES**  
**Consolidated Statement of Functional Expenses**  
**Year Ended December 31, 2020**

|   | Program Services        |                                | Support Services         |                               |                             |                                       | Total                |
|---|-------------------------|--------------------------------|--------------------------|-------------------------------|-----------------------------|---------------------------------------|----------------------|
|   | Outpatient<br>Solutions | Family<br>Dynamic<br>Solutions | Canopy<br>Administrative | Canopy<br>Property<br>Expense | Development/<br>Fundraising | MSO<br>Management &<br>Administrative |                      |
| Operating Fund:                                     |                         |                                |                          |                               |                             |                                       |                      |
| Salaries  | \$ 1,440,543            | \$ 393,984                     | \$ -                     | \$ 37,164                     | \$ 442,403                  | \$ 3,525,465                          | \$ 20,347,667        |
| Employee Benefits                                   | 240,366                 | 78,913                         | (103,692)                | -                             | 71,887                      | 479,221                               | 3,671,851            |
| Professional Fees                                   | 163,045                 | 35,551                         | 241,416                  | -                             | 127,637                     | 245,152                               | 2,712,385            |
| Supplies and Program                                | 25,049                  | 32,983                         | 42,303                   | -                             | 109,439                     | 68,576                                | 930,046              |
| Telephone   | 19,812                  | 22,024                         | 41,710                   | -                             | 5,140                       | 47,173                                | 416,198              |
| Postage   | 1,479                   | 857                            | -                        | -                             | 8,210                       | 6,620                                 | 24,722               |
| Occupancy   | 64,778                  | 20,529                         | -                        | 145,169                       | 9,707                       | 86,342                                | 1,381,913            |
| Equipment Rental/<br>Maintenance                    | 5,033                   | 1,591                          | 36,387                   | -                             | 219                         | 23,906                                | 153,903              |
| Depreciation and Amortization                       | 44,874                  | 19,269                         | -                        | 682,307                       | 5,283                       | -                                     | 1,321,271            |
| Printing, Advertising, and<br>Publications          | 460                     | 1,234                          | 47                       | -                             | 3,200                       | 542                                   | 9,420                |
| Travel  | 3,785                   | 36,897                         | 4,581                    | -                             | 1,488                       | 79,281                                | 790,511              |
| Conferences and<br>Meetings                         | 1,742                   | -                              | 4,259                    | -                             | 357                         | 1,311                                 | 17,841               |
| Specific Assistance                                 |                         |                                |                          |                               |                             |                                       |                      |
| Individuals   | -                       | 674                            | -                        | -                             | -                           | -                                     | 31,466               |
| Membership Dues                                     | 1,515                   | 12                             | 1,049                    | -                             | 8,249                       | 15,860                                | 39,402               |
| Miscellaneous                                       | -                       | -                              | -                        | -                             | 140                         | 800                                   | 940                  |
| Bad Debts   | 221,020                 | -                              | -                        | -                             | -                           | -                                     | 298,795              |
| Interest Expense                                    | 32,136                  | -                              | -                        | 195,373                       | -                           | -                                     | 410,888              |
| Insurance   | 20,198                  | 4,468                          | -                        | 36,781                        | 4,562                       | 34,522                                | 444,581              |
| <b>Total Operating Fund</b>                         |                         |                                |                          |                               |                             |                                       |                      |
| <b>Expenses Before Allocation</b>                   | <u>2,285,835</u>        | <u>648,986</u>                 | <u>268,060</u>           | <u>1,096,794</u>              | <u>797,921</u>              | <u>4,614,771</u>                      | <u>33,003,800</u>    |
| General and<br>Administrative<br>Expense Allocation | 201,373                 | 43,384                         | 2,028,553                | 72,889                        | 190,698                     | (4,614,771)                           | -                    |
| <b>Total</b>  | <u>\$ 2,487,208</u>     | <u>\$ 692,370</u>              | <u>\$ 2,296,613</u>      | <u>\$ 1,169,683</u>           | <u>\$ 988,619</u>           | <u>\$ -</u>                           | <u>\$ 33,003,800</u> |

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

|  | <b>Program Services</b>          |                                |                             |  |  |                           |
|--|----------------------------------|--------------------------------|-----------------------------|--|--|---------------------------|
|  | <b>Residential<br/>Solutions</b> | <b>Education<br/>Solutions</b> | <b>Autism<br/>Solutions</b> | <b>Family<br/>Permanency<br/>Solutions</b> | <b>Intensive<br/>In-Home<br/>Solutions</b> | <b>Crisis<br/>Centers</b> |
| Operating Fund:  |                                  |                                |                             |  |  |                           |
| Salaries   | \$ 3,842,598                     | \$ 2,330,915                   | \$ 1,159,540                | \$ 3,162,054                               | \$ 3,109,995                               | \$ 719,163                |
| Employee Benefits  | 682,237                          | 456,688                        | 213,818                     | 638,250                                    | 576,266                                    | 139,434                   |
| Professional Fees  | 857,576                          | 170,249                        | 60,967                      | 299,053                                    | 164,680                                    | 54,640                    |
| Supplies and Program                                       | 229,467                          | 205,775                        | 27,115                      | 77,337                                     | 47,351                                     | 78,790                    |
| Telephone  | 17,972                           | 11,881                         | 8,646                       | 104,848                                    | 91,538                                     | 19,113                    |
| Postage  | 2,271                            | 787                            | 789                         | 626  | 8,929                                      | 1,165                     |
| Occupancy  | 356,626                          | 219,625                        | 45,318                      | 226,883                                    | 197,721                                    | 48,207                    |
| Equipment Rental/<br>Maintenance                           | 17,986                           | 14,361                         | 3,889                       | 20,563                                     | 18,688                                     | 12,731                    |
| Depreciation and Amortization                              | 47,517                           | 26,427                         | 6,080                       | 50,294                                     | 31,054                                     | 9,567                     |
| Printing, Advertising, and<br>Publications                 | 1,135                            | 137                            | 183                         | 37,039                                     | 1,826                                      | 383                       |
| Travel   | 7,766                            | 9,056                          | 21,495                      | 427,244                                    | 454,814                                    | 35,059                    |
| Conferences and<br>Meetings                                | 1,857                            | 1,392                          | 747                         | 1,390                                      | 1,168                                      | 13,945                    |
| Specific Assistance<br>Individuals                         | 443                              | 8                              | -                           | 7,210                                      | 2,724                                      | 2,750                     |
| Membership Dues  | 421                              | 69                             | 66                          | 6,929                                      | 327  | 34                        |
| Bad Debts  | (667)                            | -                              | (667)                       | -  | 37,951                                     | -                         |
| Capital Expenditures                                       | -                                | -                              | -                           | 78,840                                     | -  | 10,666                    |
| Interest Expense   | 8,727                            | 3,042                          | 1,259                       | 5,170                                      | 4,783                                      | 1,613                     |
| Loss on Disposal   | -                                | -                              | -                           | -  | -  | -                         |
| Insurance  | 95,600                           | 43,441                         | 14,022                      | 36,859                                     | 37,233                                     | 21,433                    |
| <b>Total Operating Fund<br/>Expenses Before Allocation</b> | <b>6,169,532</b>                 | <b>3,493,853</b>               | <b>1,563,267</b>            | <b>5,180,589</b>                           | <b>4,787,048</b>                           | <b>1,168,693</b>          |
| General and<br>Administrative<br>Expense Allocation        | 1,034,192                        | 620,543                        | 320,175                     | 820,158                                    | 789,736                                    | 174,675                   |
| <b>Total</b>   | <b>\$ 7,203,724</b>              | <b>\$ 4,114,396</b>            | <b>\$ 1,883,442</b>         | <b>\$ 6,000,747</b>                        | <b>\$ 5,576,784</b>                        | <b>\$ 1,343,368</b>       |

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**

|  | <u>Program Services</u>     |                              | <u>Support Services</u>        |                                |  | <u>Total</u>         |
|--|-----------------------------|------------------------------|--------------------------------|--------------------------------|--|----------------------|
|  | <u>Outpatient Solutions</u> | <u>Canopy Administrative</u> | <u>Canopy Property Expense</u> | <u>Development/Fundraising</u> | <u>MSO Management &amp; Administrative</u> |                      |
| Operating Fund:  |                             |                              |                                |                                |  |                      |
| Salaries   | \$ 1,564,508                | \$ 165,474                   | \$ -                           | \$ 246,898                     | \$ 3,236,369                               | \$ 19,537,514        |
| Employee Benefits  | 258,604                     | 203,702                      | -                              | 44,539                         | 435,575                                    | 3,649,113            |
| Professional Fees  | 98,379                      | 349,251                      | -                              | 112,804                        | 202,842                                    | 2,370,441            |
| Supplies and Program                                       | 27,097                      | 137,278                      | -                              | 95,448                         | 68,395                                     | 994,053              |
| Telephone  | 17,629                      | 32,658                       | -                              | 4,188                          | 40,501                                     | 348,974              |
| Postage  | 2,997                       | (1,556)                      | -                              | 8,359                          | 3,864                                      | 28,231               |
| Occupancy  | 129,347                     | 122,171                      | -                              | 7,140                          | 91,683                                     | 1,444,721            |
| Equipment Rental/<br>Maintenance                           | 18,178                      | 21,302                       | -                              | 1,564                          | 12,488                                     | 141,750              |
| Depreciation and Amortization                              | 13,245                      | -                            | 1,100,974                      | 3,923                          | -  | 1,289,081            |
| Printing, Advertising, and<br>Publications                 | 3,353                       | 602                          | -                              | 23,009                         | 930  | 68,597               |
| Travel   | 11,703                      | 8,057                        | -                              | 12,122                         | 111,278                                    | 1,098,594            |
| Conferences and<br>Meetings                                | 1,962                       | 9,450                        | -                              | 3,517                          | 14,599                                     | 50,027               |
| Specific Assistance  |                             |                              |                                |                                |  |                      |
| Individuals  | -                           | -                            | -                              | -                              | -  | 13,135               |
| Membership Dues  | 459                         | -                            | -                              | 1,873                          | 4,430                                      | 14,608               |
| Bad Debts  | 114,673                     | -                            | -                              | -                              | -  | 151,290              |
| Capital Expenditures                                       | -                           | (89,506)                     | -                              | -                              | -  | -                    |
| Interest Expense   | 2,508                       | -                            | 455,603                        | 430                            | 39   | 483,174              |
| Loss on Disposal   | -                           | 209                          | -                              | -                              | -  | 209                  |
| Insurance  | 26,517                      | -                            | 46,822                         | 2,592                          | 28,234                                     | 352,753              |
| <b>Total Operating Fund<br/>Expenses Before Allocation</b> | <b>2,291,159</b>            | <b>959,092</b>               | <b>1,603,399</b>               | <b>568,406</b>                 | <b>4,251,227</b>                           | <b>32,036,265</b>    |
| General and<br>Administrative<br>Expense Allocation        | 404,220                     | 17,772                       | -                              | 69,756                         | (4,251,227)                                | -                    |
| <b>Total</b>   | <b>\$ 2,695,379</b>         | <b>\$ 976,864</b>            | <b>\$ 1,603,399</b>            | <b>\$ 638,162</b>              | <b>\$ -</b>                                | <b>\$ 32,036,265</b> |

See Accompanying Notes to Consolidated Financial Statements

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
AND AFFILIATES**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2020 and 2019**

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| Cash Flows From Operating Activities:   |                     |                     |
| Change in Net Assets  | \$ 1,262,061        | \$ 2,255,625        |
| Adjustment to Reconcile Change in Net Assets<br>to Net Cash Provided by Operating Activities: |                     |                     |
| Depreciation and Amortization   | 1,321,271           | 1,289,081           |
| Bad Debts   | 298,795             | 151,290             |
| Net Realized and Unrealized (Gains) on Investments  | (121,085)           | (135,701)           |
| Changes in Assets and Liabilities:  |                     |                     |
| Receivables   | 41,243              | (1,176,839)         |
| Pledge Receivables  | (105,854)           | -                   |
| Prepaid Expenses and Other Assets   | (24,362)            | (720)               |
| Accounts Payable and Accrued Expenses   | 371,595             | 140,008             |
| <b>Net Cash Provided By Operating Activities</b>  | <u>3,043,664</u>    | <u>2,522,744</u>    |
| Cash Flows From Investing Activities:   |                     |                     |
| Acquisition of Property, Plant, and Equipment   | (1,234,124)         | (320,710)           |
| Purchase of Investments   | (130,718)           | (195,650)           |
| Proceeds from Sale of Investments   | 159,163             | 189,239             |
| <b>Net Cash Used In Investing Activities</b>  | <u>(1,205,679)</u>  | <u>(327,121)</u>    |
| Cash Flows From Financing Activities:   |                     |                     |
| Payments on Notes Payable   | (548,200)           | (844,393)           |
| Payments on Lines of Credit   | -                   | (150,000)           |
| Proceeds from Notes Payable   | 3,868,744           | -                   |
| <b>Net Cash Provided by (Used In) Financing Activities</b>                                    | <u>3,320,544</u>    | <u>(994,393)</u>    |
| <b>Change in Cash, Cash Equivalents and<br/>Restricted Cash</b>                               | 5,158,529           | 1,201,230           |
| <b>Cash, Cash Equivalents and Restricted Cash, Beginning of Year</b>                          | <u>3,105,408</u>    | <u>1,904,178</u>    |
| <b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>                                | <u>\$ 8,263,937</u> | <u>\$ 3,105,408</u> |
| Supplemental Cash Flow Information:   |                     |                     |
| Cash Paid for Interest  | <u>\$ 410,888</u>   | <u>\$ 468,767</u>   |
| Non-cash Financing Activities:  |                     |                     |
| Accounts Payable Refinanced with Long-Term Debt   | <u>\$ -</u>         | <u>\$ 181,681</u>   |
| Reconciliation of Cash, Cash Equivalents, and Restricted Cash:                                |                     |                     |
| Cash and Cash Equivalents   | \$ 6,844,135        | \$ 1,862,506        |
| Restricted Cash   | 1,419,802           | 1,242,902           |
| <b>Total Cash, Cash Equivalents and Restricted Cash</b>                                       | <u>\$ 8,263,937</u> | <u>\$ 3,105,408</u> |

**MISSISSIPPI CHILDREN’S HOME SERVICES, INC.  
AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2020 and 2019**

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**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 behavioral health and social service organization committed to developing, implementing and evaluating behavioral health, crisis, and family support 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 behavioral healthcare and educational services. Its purpose is to develop behavioral health and early intervention services for children, youth and families, which include psychiatric residential treatment, school day treatment, clinical counseling/diagnostic services, and applied behavior analytic solutions.

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.

Net Assets

In accordance with Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, 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 accounting principles generally accepted in the United States of America (“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.

**MISSISSIPPI CHILDREN’S HOME SERVICES, INC.  
AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2020 and 2019**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Net Assets (Continued)

**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.

Estimates that are particularly susceptible to change in the near term are those related to amounts that will ultimately be collected from various payors for accounts receivable and revenues recognized under various third-party payor programs, including Mississippi Medicaid. It is at least reasonably possible that a change in these estimates will occur in the near term; however, the effect of any such change cannot be reasonably determined.

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.

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.**  
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**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2020 and 2019**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 2020 and 2019 were \$50,000 and \$60,000, 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, 2020 and 2019, amounts in excess of Federal Deposit Insurance Corporation ("FDIC") insured limits were \$7,156,953 and \$1,883,737, respectively. The banks have a right of offset of all cash deposits against the outstanding lines of credit and notes payable totaling \$13,105,358 at December 31, 2020. The Organization manages this risk by maintaining its deposit accounts with well-established, highly rated financial institutions.

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 consolidated statements 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.

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2020 and 2019**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 years 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, 2020 or 2019.

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 its 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 net realizable value. There were no asset impairments recorded for the years ended December 31, 2020 or 2019.

Functional Allocation of Expenses

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



**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.**  
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**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2020 and 2019**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2020, filings of such form for fiscal years 2017 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.

All of the Organization's 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.

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
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**Notes to Consolidated Financial Statements**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“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. 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 CONTRIBUTIONS RECEIVABLE**

Contributions receivable consists of the following at December 31, 2020:

|   | <u>With Donor<br/>Restrictions</u> |
|---|------------------------------------|
| Due within one year                       | \$ 53,000                          |
| Due within five years                     | 53,000                             |
| Less                                      | <u>106,000</u>                     |
| Allowance for uncollectible contributions | -                                  |
| Unamortized discount                      | <u>146</u>                         |
| Total                                     | <u>\$ 105,854</u>                  |

Discount rates ranged from 0.13% to 0.17%.

**NOTE 3 INVESTMENTS**

Investments consisted of the following at December 31, 2020:

|                              | <u>Cost</u>         | <u>Market</u>       | <u>Unrealized</u>   |                       |
|------------------------------|---------------------|---------------------|---------------------|-----------------------|
|                              |                     |                     | <u>Appreciation</u> | <u>(Depreciation)</u> |
| Fixed Income Mutual Funds    | \$ 1,048,809        | \$ 1,125,637        | \$ 76,828           | \$ -                  |
| Stock - Common and Preferred | 133,011             | 223,722             | 93,454              | (2,743)               |
| Equity Mutual Funds          | 131,331             | 191,014             | 59,683              | -                     |
| Total                        | <u>\$ 1,313,151</u> | <u>\$ 1,540,373</u> | <u>\$ 229,965</u>   | <u>\$ (2,743)</u>     |

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
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**Years Ended December 31, 2020 and 2019**

**NOTE 3 INVESTMENTS (CONTINUED)**

Investment return for 2020 is summarized as follows:

|   | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>      |
|---|---|------------------------------------|-------------------|
| Interest and Dividend Income from<br>Marketable Securities, Cash and<br>Cash Equivalents                            | \$ 32,777                                 | \$ 3,017                           | \$ 35,794         |
| Realized and Unrealized Gains (Losses)<br>from Marketable Securities, Cash and<br>Cash Equivalents, Net of Expenses | <u>1,270</u>                              | <u>119,815</u>                     | <u>121,085</u>    |
| Total Investment Income   | <u>\$ 34,047</u>                          | <u>\$ 122,832</u>                  | <u>\$ 156,879</u> |

Investments consisted of the following at December 31, 2019:

|                              | <u>Cost</u>         | <u>Market</u>       | <u>Unrealized</u>   |                       |
|------------------------------|---------------------|---------------------|---------------------|-----------------------|
|                              |                     |                     | <u>Appreciation</u> | <u>(Depreciation)</u> |
| 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          | <u>152,797</u>      | <u>184,603</u>      | <u>31,817</u>       | <u>(11)</u>           |
| Total                        | <u>\$ 1,313,550</u> | <u>\$ 1,447,734</u> | <u>\$ 135,584</u>   | <u>\$ (1,400)</u>     |

Investment return for 2019 is summarized as follows:

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

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2020 and 2019**

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**NOTE 4 PROPERTY, PLANT, AND EQUIPMENT**

Property, plant, and equipment are summarized below:

|                                    | <u>2020</u>          | <u>2019</u>          |
|------------------------------------|----------------------|----------------------|
| Land                               | \$ 3,466,422         | \$ 3,466,422         |
| Building and Improvements          | 24,527,272           | 25,669,102           |
| Automobiles                        | 348,323              | 219,312              |
| Furniture, Fixtures, and Equipment | 6,525,982            | 4,308,261            |
|                                    | <u>34,867,999</u>    | <u>33,663,097</u>    |
| Less Accumulated Depreciation      | <u>(16,070,168)</u>  | <u>(14,782,050)</u>  |
| Total                              | <u>\$ 18,797,831</u> | <u>\$ 18,881,047</u> |

Depreciation expense was \$1,317,340 and \$1,285,151 for the years ended December 31, 2020 and 2019, respectively.

**NOTE 5 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% 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 2020. The Organization made a discretionary contribution of approximately \$200,000 for 2019.

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
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**Notes to Consolidated Financial Statements**  
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**NOTE 6**    **NOTES PAYABLE AND LINES OF CREDIT**

Following is a summary of notes payable at December 31, 2020 and 2019:

|   | <b>2020</b>          | <b>2019</b>         |
|---|----------------------|---------------------|
| Note payable to bank at 4.95%, payable in monthly installments of \$4,348 until February 2025, when unpaid balance and accrued interest shall be due, collateralized by real estate | \$ 198,387           | \$ 239,497          |
| Note payable to bank at \$19,369 per month, including interest at 4.10%, due December 2029, collateralized by building  | 1,770,036            | 1,868,389           |
| Note payable to bank at \$19,506 per month, including interest at 4.25%, due September 2028, collateralized by building   | 2,951,083            | 2,998,093           |
| Note payable to bank at \$40,792 per month, including interest at 4.25%, due January 2029, collateralized by real estate  | 3,374,483            | 3,590,367           |
| Note payable to bank at \$13,014 per month, including interest at 4.25%, due September 2027, collateralized by building   | 962,842              | 1,036,632           |
| Note payable to vendor at \$10,000 per month, including interest at 0%, due July 2020, for payment of outstanding invoices  | -                    | 72,054              |
| PPP loans payable to bank at \$217,760 per month, including interest at 1%, due April 2022  | 3,868,744            | -                   |
| Total Notes Payable   | 13,125,575           | 9,805,032           |
| Less Deferred Financing Costs,<br>Net of Accumulated Amortization   | 20,217               | 24,148              |
|   | <b>\$ 13,105,358</b> | <b>\$ 9,780,884</b> |

**MISSISSIPPI CHILDREN’S HOME SERVICES, INC.  
AND AFFILIATES  
Notes to Consolidated Financial Statements  
Years Ended December 31, 2020 and 2019**

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**NOTE 6 NOTES PAYABLE AND LINES OF CREDIT (CONTINUED)**

Maturities of notes payable are as follows:

| <u>Year</u> | <u>Amount</u>               |
|-------------|-----------------------------|
| 2021        | \$ 4,621,320                |
| 2022        | 814,476                     |
| 2023        | 851,267                     |
| 2024        | 887,925                     |
| 2025        | 886,076                     |
| Thereafter  | <u>5,064,511</u>            |
| Total       | <u><u>\$ 13,125,575</u></u> |

Interest expense related to notes payable was \$410,888 and \$483,174 for the years ended December 31, 2020 and 2019, respectively. Amortization expense for deferred financing costs was \$3,930 for both years ended December 31, 2020 and 2019.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. In April 2020, the Organization received three 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 received notification in February 2021 that two of the three loans totaling \$2,353,144 have been forgiven by the Small Business Administration. The Organization believes that the remaining loan in the name of CARES Center, Inc. will be forgiven as well.

The Organization had an available line of credit with a bank totaling \$850,000, at a variable interest rate equal to the prime rate, which was 3.25% at December 31, 2020, with a minimum interest rate of 4.5%. The line of credit was renewed on August 21, 2020, and will mature on August 21, 2021. On December 31, 2020 and 2019, there were no borrowings against the line of credit.

The Organization had an available line of credit with a bank totaling \$600,000, at a variable interest rate equal to the prime rate plus 0.25%, which was 3.25% at December 31, 2020. This line of credit matured and was renewed on January 16, 2021, with a maturity date of January 15, 2022. At December 31, 2020 and 2019, there were no borrowings against the line of credit.

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 plus 1.0%, which was 3.25% at December 31, 2020, with a minimum interest rate of 4.25%. This line of credit matures on August 9, 2021. At December 31, 2020 and 2019, there were no borrowings against the line of credit.

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
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**Notes to Consolidated Financial Statements**  
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**NOTE 7 LIQUIDITY AND AVAILABILITY OF RESOURCES**

The table that follows presents the Organization's financial assets at December 31, 2020 and 2019, which are available to meet obligations for general expenditures that may arise within one year of the consolidated statements of financial position date.

As discussed more fully in Note 8, 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.

|   | <u>2020</u>          | <u>2019</u>         |
|---|----------------------|---------------------|
| Cash and Cash Equivalents               | \$ 6,844,135         | \$ 1,862,506        |
| Accounts Receivable, Net                | 3,839,029            | 4,179,067           |
| Pledge Receivables, Due Within One Year | <u>53,000</u>        | <u>-</u>            |
| Total                                   | <u>\$ 10,736,164</u> | <u>\$ 6,041,573</u> |

In addition to the assets shown above, at December 31, 2020 and 2019, the Organization had approximately \$672,000 and \$543,000 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 consolidated statements of financial position 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 6) 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 8 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2020 and 2019:

|   | <u>2020</u>         | <u>2019</u>         |
|---|---------------------|---------------------|
| <b>Subject to Expenditure for Specific Purpose:</b> |                     |                     |
| Butterfly Ball                                      | \$ 13,500           | \$ -                |
| Other   | <u>664</u>          | <u>664</u>          |
|   | 14,164              | 664                 |
| <b>Not Subject to Appropriation or Expenditure:</b> |                     |                     |
| Endowment Assets for which Only                     |                     |                     |
| Income May be Expended                              | <u>3,585,298</u>    | <u>3,465,265</u>    |
| Total Net Assets with Donor                         |                     |                     |
| Restrictions  | <u>\$ 3,599,462</u> | <u>\$ 3,465,929</u> |

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
AND AFFILIATES  
Notes to Consolidated Financial Statements  
Years Ended December 31, 2020 and 2019**

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**NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

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

Donations were received to hold the annual Butterfly Ball in October 2021. These donations are reported as net assets with donor restrictions at December 31, 2020, and the restrictions will be released in 2021 once the event is held.

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% 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 assets.

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, 2018              | \$ 3,329,121               |
| Investment Return:  |                            |
| Interest and Dividends                                    | 5,880                      |
| Net Realized and Unrealized Gains (Losses) on Investments | 135,701                    |
| Total Investment Return                                   | <u>141,581</u>             |
| General and Administrative and Other Expenses             | <u>(5,437)</u>             |
| Endowment Net Assets as of December 31, 2019              | 3,465,265                  |
| Investment Return:  |                            |
| Interest and Dividends                                    | 3,017                      |
| Net Realized and Unrealized Gains (Losses) on Investments | 119,815                    |
| Total Investment Return                                   | <u>122,832</u>             |
| General and Administrative and Other Expenses             | <u>(2,799)</u>             |
| Endowment Net Assets as of December 31, 2020              | <u><u>\$ 3,585,298</u></u> |

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



**MISSISSIPPI CHILDREN’S HOME SERVICES, INC.  
AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2020 and 2019**

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**NOTE 9 REVENUE FROM CONTRACTS WITH CUSTOMERS**

The Organization’s 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.

|   | <u>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| <b>Services Transferred at a Point in Time:</b>   |                      |                      |
| Payment for Performance of Services               | \$ 23,001,999        | \$ 23,655,698        |
| Special Event Direct Benefit                      | 25,027               | 30,350               |
| Total Services Transferred at a Point in Time     | <u>\$ 23,027,026</u> | <u>\$ 23,686,048</u> |
|   | <u>2020</u>          | <u>2019</u>          |
| <b>Receivables from Contracts with Customers:</b> |                      |                      |
| Beginning of Year                                 | \$ 2,714,866         | \$ 2,643,949         |
| End of Year                                       | \$ 2,088,770         | \$ 2,714,866         |

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 wraparound services to children and families.

The Organization received 51% of its total support and revenue from Medicaid for both 2020 and 2019. Total support received for 2020 and 2019 from Medicaid was \$17,369,824 and \$17,608,258, respectively, which is included in Support and Revenue under the caption Government Agency Contracts in the consolidated statements of activities.

**MISSISSIPPI CHILDREN’S HOME SERVICES, INC.  
AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2020 and 2019**

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**NOTE 9 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)**

Laws and regulations governing the Medicaid program are extremely complex and subject to interpretation. Because of the uncertainty associated with various factors that may influence the Organization’s future Medicaid payments, including future legislative, legal or regulatory actions, or changes in volumes and case mix, there is a risk that the Organization’s estimates of the impact of the aforementioned payment and policy changes will be incorrect, and that actual payments received under, or the ultimate impact of, these programs may differ materially from the Organization’s expectations.

**NOTE 10 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, 2020, have been recorded as receivables. Following are the grant commitments that extend beyond December 31, 2020.

| <u>Grants</u>                                       | <u>Terms</u>   | <u>Grant<br/>Amounts</u> | <u>Earned<br/>Through<br/>December 31,<br/>2020</u> | <u>Funding<br/>Available</u> |
|---|--|--------------------------|---|------------------------------|
| Federal, State,<br>and Local<br>Government<br>Grant | Various Terms<br>from July 1,<br>2020 through<br>June 30, 2024 | \$ 11,084,826            | \$ 2,109,409  | \$ 8,975,417                 |

**NOTE 11 OPERATING LEASES**

The Organization leases equipment and office space under various noncancelable agreements, which require various minimum annual rentals. Rent expense paid for the years ended December 31, 2020 and 2019, was \$488,130 and \$563,642, respectively.

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

| <u>Year Ended</u> | <u>Amount</u>     |
|-------------------|-------------------|
| 2021              | \$ 135,878        |
| 2022              | 24,288            |
| 2023              | 15,000            |
| 2024              | 6,250             |
| 2025              | -                 |
| Total             | <u>\$ 181,416</u> |

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.**  
**AND AFFILIATES**  
**Notes to Consolidated Financial Statements**  
**Years Ended December 31, 2020 and 2019**

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**NOTE 12 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 statements of financial position as an accrued liability. This liability totaled \$150,000 and \$200,000 at December 31, 2020 and 2019, respectively. Total expense under the program was approximately \$1,347,278 and \$1,475,340 in 2020 and 2019, respectively.

**NOTE 13 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 75% and 77% of the accounts receivable balance as of December 31, 2020 and 2019, respectively.

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 14 SUBSEQUENT EVENTS**

The Organization has evaluated, for consideration of recognition or disclosure, subsequent events through May 14, 2021, the date that the consolidated financial statements were available to be issued.

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
AND AFFILIATES**  
**Consolidated Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2020**

| Federal Grantor/Pass Through<br>Grantor/Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Total Federal<br>Expenditures |
|--|---------------------------|--|-------------------------------|
| Direct Programs:   |                           |  |                               |
| U.S. Department of Health and Human Services:                    |                           |  |                               |
| Basic Center Grant - Warren County Children's Shelter            | 93.623                    |  | \$ 68,536                     |
| Basic Center Grant - Warren County Children's Shelter            | 93.623                    |  | 36,449                        |
|  |                           |  | 104,985                       |
| COVID-19 - Provider Relief Fund                                  | 93.498                    |  | 357,971                       |
| <b>Total U.S. Department of Health and Human Services</b>        |                           |  | <b>462,956</b>                |
| 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                                    | 101,856                       |
| Crime Victim Assistance - Warren County Children's Shelter       | 16.575                    | 2020-VA-005.2                                | 106,130                       |
| Crime Victim Assistance - Child Abuse Prevention Center          | 16.575                    | VA-17-025                                    | 340,159                       |
| Crime Victim Assistance - Child Abuse Prevention Center          | 16.575                    | 2020-VA-005.1                                | 224,555                       |
| The Children's Advocacy Center of Mississippi:                   |                           |  |                               |
| Crime Victim Assistance - MDT Enhancement Grant                  | 16.575                    | VA-GX-024                                    | 36,664                        |
| Crime Victim Assistance - MDT Enhancement Grant                  | 16.575                    | 2020-VA-012                                  | 41,214                        |
| <b>Total U.S. Department of Justice</b>                          |                           |  | <b>850,578</b>                |
| U.S. Department of Agriculture:                                  |                           |  |                               |
| Mississippi Department of Education:                             |                           |  |                               |
| Child Nutrition Cluster:   |                           |  |                               |
| School Breakfast Program   | 10.553                    | 195MS326N1099                                | 35,927                        |
| National School Lunch Program                                    | 10.555                    | 195MS326N1099                                | 68,746                        |
| <b>Total U.S. Department of Agriculture</b>                      |                           |  | <b>104,673</b>                |
| 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                                 | 3,095                         |
| The Children's Advocacy Center of Mississippi:                   |                           |  |                               |
| Children's Justice Act - Small Grant                             | 93.643                    | 2017G99CJ17                                  | 2,663                         |
| Mississippi Department of Human Services:                        |                           |  |                               |
| 477 Cluster  |                           |  |                               |
| Temporary Assistance for Needy Families (TANF)                   | 93.558                    | 6018479/6018501                              | 646,684                       |
| Mississippi Department of Child Protection Services:             |                           |  |                               |
| Stephanie Tubb Jones Child Welfare Services Program              | 93.645                    | G1801MSCWSS                                  | 3,983,902                     |
| Stephanie Tubb Jones Child Welfare Services Program              | 93.645                    | G1901MSCWSS                                  | 1,401,086                     |
| Total Stephanie Tubb Jones Child Welfare Services Program        |                           |  | 5,384,988                     |
| <b>Total U.S. Department of Health and Human Services</b>        |                           |  | <b>6,037,430</b>              |
|  |                           |  | <b>\$ 7,455,637</b>           |

**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, 2020. 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% 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, 2020.

**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, 2020, 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 May 14, 2021.

**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  
May 14, 2021

**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 Each 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 each of the Organization's major federal programs for the year ended December 31, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with 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 each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

### **Report on Internal Control over Compliance**

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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  
May 14, 2021



# Mississippi Children's Home Services, Inc. and Affiliates

## Schedule of Findings and Questioned Costs Year Ended December 31, 2020

### 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 major federal awards programs disclosed:

Significant deficiency(ies)?       **Yes**       **None Reported**

Material weakness(es)?       **Yes**       **No**

5. The opinion(s) expressed in the independent auditor's report on compliance for major federal award program(s) 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 (Continued)  
Year Ended December 31, 2020**

7. The Organization’s major programs were:

| <b>Cluster/Program</b>                               | <b>Assistance Listing Number</b> |
|--|----------------------------------|
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645                           |
| Crime Victim Assistance                              | 16.575                           |

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, 2020**

No matters are reportable.

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
AND AFFILIATES**  
Consolidating Statement of Financial Position  
December 31, 2020

|   | <b>Mississippi<br/>Children's<br/>Home<br/>Society</b> | <b>CARES<br/>Center, Inc.</b> | <b>Mississippi<br/>Children's<br/>Home<br/>Services, Inc.</b> | <b>Subtotal</b>      | <b>Eliminating<br/>Entries</b> | <b>Total<br/>Consolidated</b> |
|---|--|-------------------------------|---|----------------------|--------------------------------|-------------------------------|
| <b><u>ASSETS</u></b>  |  |                               |   |                      |                                |                               |
| Cash and Cash Equivalents                                     | \$ 6,164,340   | \$ 630,840                    | \$ 48,955   | \$ 6,844,135         | \$ -                           | \$ 6,844,135                  |
| Restricted Cash   | 1,419,802  | -                             | -   | 1,419,802            | -                              | 1,419,802                     |
| Accounts Receivable, Net of Allowance<br>of \$194,809 in 2020 | 4,250,273  | 1,372,684                     | 744,077   | 6,367,034            | (2,528,005)                    | 3,839,029                     |
| Pledge Receivables, Net                                       | 105,854  | -                             | -   | 105,854              | -                              | 105,854                       |
| Prepaid Expenses and Other Assets                             | 104,532  | 15,829                        | -   | 120,361              | -                              | 120,361                       |
| Investments, at Fair Value                                    | 1,540,373  | -                             | -   | 1,540,373            | -                              | 1,540,373                     |
| Property, Plant, and Equipment, Net                           | 18,277,975   | 519,856                       | -   | 18,797,831           | -                              | 18,797,831                    |
| <b>Total Assets</b>   | <b>\$ 31,863,149</b>                                   | <b>\$ 2,539,209</b>           | <b>\$ 793,032</b>   | <b>\$ 35,195,390</b> | <b>\$ (2,528,005)</b>          | <b>\$ 32,667,385</b>          |
| <b><u>LIABILITIES AND NET ASSETS</u></b>                      |  |                               |   |                      |                                |                               |
| Accounts Payable and Accrued Expenses                         | \$ 1,898,759   | \$ 1,079,839                  | \$ 302,147  | \$ 3,280,745         | \$ (742,725)                   | \$ 2,538,020                  |
| Notes Payable   | 11,112,153   | 3,300,880                     | 477,605   | 14,890,638           | (1,785,280)                    | 13,105,358                    |
| <b>Total Liabilities</b>                                      | <b>13,010,912</b>                                      | <b>4,380,719</b>              | <b>779,752</b>  | <b>18,171,383</b>    | <b>(2,528,005)</b>             | <b>15,643,378</b>             |
| Net Assets (Deficit):   |  |                               |   |                      |                                |                               |
| Without Donor Restrictions                                    | 15,253,439   | (1,842,174)                   | 13,280  | 13,424,545           | -                              | 13,424,545                    |
| With Donor Restrictions                                       | 3,598,798  | 664                           | -   | 3,599,462            | -                              | 3,599,462                     |
| <b>Total Net Assets (Deficit)</b>                             | <b>18,852,237</b>                                      | <b>(1,841,510)</b>            | <b>13,280</b>   | <b>17,024,007</b>    | <b>-</b>                       | <b>17,024,007</b>             |
| <b>Total Liabilities and Net Assets</b>                       | <b>\$ 31,863,149</b>                                   | <b>\$ 2,539,209</b>           | <b>\$ 793,032</b>   | <b>\$ 35,195,390</b> | <b>\$ (2,528,005)</b>          | <b>\$ 32,667,385</b>          |

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
AND AFFILIATES**  
Consolidating Statement of Activities  
Year Ended December 31, 2020

|   | <b>Mississippi<br/>Children's<br/>Home<br/>Society</b> | <b>CARES<br/>Center, Inc.</b> | <b>Mississippi<br/>Children's<br/>Home<br/>Services, Inc.</b> | <b>Subtotal</b>   | <b>Eliminating<br/>Entries</b> | <b>Total<br/>Consolidated</b> |
|---|--|-------------------------------|---|-------------------|--------------------------------|-------------------------------|
| Net Assets Without Donor Restrictions:                          |  |                               |   |                   |                                |                               |
| Support and Revenue:  |  |                               |   |                   |                                |                               |
| Government Agency Contracts                                     | \$ 9,445,295   | \$ 12,193,130                 | \$ -  | \$ 21,638,425     | \$ -                           | \$ 21,638,425                 |
| Program Fees  | 705,020  | 660,882                       | -   | 1,365,902         | -                              | 1,365,902                     |
| Special Events  | 25,027   | -                             | -   | 25,027            | -                              | 25,027                        |
| Federal Grants  | 6,989,897  | 465,739                       | -   | 7,455,636         | -                              | 7,455,636                     |
| State and Private Grants  | 316,208  | 233,286                       | -   | 549,494           | -                              | 549,494                       |
| Contributions   | 2,621,316  | -                             | -   | 2,621,316         | -                              | 2,621,316                     |
| Interest and Dividends  | 32,357   | 420                           | -   | 32,777            | -                              | 32,777                        |
| Rental Income   | 1,444,124  | -                             | -   | 1,444,124         | (1,177,037)                    | 267,087                       |
| Net Realized and Unrealized Gains<br>on Investments             | 1,270  | -                             | -   | 1,270             | -                              | 1,270                         |
| Other   | 137,912  | 37,482                        | -   | 175,394           | -                              | 175,394                       |
| <b>Total Support and Revenue Without<br/>Donor Restrictions</b> | <b>21,718,426</b>                                      | <b>13,590,939</b>             | <b>-</b>  | <b>35,309,365</b> | <b>(1,177,037)</b>             | <b>34,132,328</b>             |
| Expenses:   |  |                               |   |                   |                                |                               |
| Program Services:   |  |                               |   |                   |                                |                               |
| Residential Solutions   | -  | 8,133,153                     | -   | 8,133,153         | (542,771)                      | 7,590,382                     |
| Education Solutions   | -  | 4,094,443                     | -   | 4,094,443         | (228,568)                      | 3,865,875                     |
| Autism Solutions  | -  | 1,982,385                     | -   | 1,982,385         | 24,976                         | 2,007,361                     |
| Family Permanency Solutions                                     | 5,488,058  | -                             | -   | 5,488,058         | (52,633)                       | 5,435,425                     |
| Intensive In-Home Solutions                                     | 4,883,616  | -                             | -   | 4,883,616         | (49,520)                       | 4,834,096                     |
| Crisis Centers  | 1,636,168  | -                             | -   | 1,636,168         | -                              | 1,636,168                     |
| Outpatient Solutions  | 2,539,900  | -                             | -   | 2,539,900         | (52,692)                       | 2,487,208                     |
| Family Dynamic Solutions  | 709,616  | -                             | -   | 709,616           | (17,246)                       | 692,370                       |
| <b>Total Program Services</b>                                   | <b>15,257,358</b>                                      | <b>14,209,981</b>             | <b>-</b>  | <b>29,467,339</b> | <b>(918,454)</b>               | <b>28,548,885</b>             |
| Support Services:   |  |                               |   |                   |                                |                               |
| Canopy Administrative   | 2,431,560  | -                             | -   | 2,431,560         | (134,947)                      | 2,296,613                     |
| Development/Fundraising   | 1,000,983  | -                             | -   | 1,000,983         | (12,364)                       | 988,619                       |
| Canopy Property Expense   | 1,280,955  | -                             | -   | 1,280,955         | (111,272)                      | 1,169,683                     |
| <b>Total Support Services</b>                                   | <b>4,713,498</b>                                       | <b>-</b>                      | <b>-</b>  | <b>4,713,498</b>  | <b>(258,583)</b>               | <b>4,454,915</b>              |
| <b>Total Expenses</b>   | <b>19,970,856</b>                                      | <b>14,209,981</b>             | <b>-</b>  | <b>34,180,837</b> | <b>(1,177,037)</b>             | <b>33,003,800</b>             |
| <b>Change in Net Assets Without<br/>Donor Restrictions</b>      | <b>1,747,570</b>                                       | <b>(619,042)</b>              | <b>-</b>  | <b>1,128,528</b>  | <b>-</b>                       | <b>1,128,528</b>              |

**MISSISSIPPI CHILDREN'S HOME SERVICES, INC.  
AND AFFILIATES**  
Consolidating Statement of Activities  
Year Ended December 31, 2020

|   | <b>Mississippi<br/>Children's<br/>Home<br/>Society</b> | <b>CARES<br/>Center, Inc.</b> | <b>Mississippi<br/>Children's<br/>Home<br/>Services, Inc.</b> | <b>Subtotal</b>      | <b>Eliminating<br/>Entries</b> | <b>Total<br/>Consolidated</b> |
|---|--|-------------------------------|---|----------------------|--------------------------------|-------------------------------|
| Net Assets With Donor Restrictions:                         |  |                               |   |                      |                                |                               |
| Contributions and Special Events                            | \$ 13,500  | \$ -                          | \$ -  | \$ 13,500            | \$ -                           | \$ 13,500                     |
| Interest and Dividends                                      | 3,017  | -                             | -   | 3,017                | -                              | 3,017                         |
| Net Realized and Unrealized Gains (Losses)                  |  |                               |   |                      |                                |                               |
| on Investments  | 119,815  | -                             | -   | 119,815              | -                              | 119,815                       |
| General and Administrative and Other (Expenses)             | (2,799)  | -                             | -   | (2,799)              | -                              | (2,799)                       |
| <b>Change in Net Assets With<br/>    Donor Restrictions</b> | <u>133,533</u>   | <u>-</u>                      | <u>-</u>  | <u>133,533</u>       | <u>-</u>                       | <u>133,533</u>                |
| <b>Change in Net Assets</b>                                 | <u>1,881,103</u>                                       | <u>(619,042)</u>              | <u>-</u>  | <u>1,262,061</u>     | <u>-</u>                       | <u>1,262,061</u>              |
| <b>Net Assets (Deficit) at Beginning of Year</b>            | <u>16,971,134</u>                                      | <u>(1,222,468)</u>            | <u>13,280</u>   | <u>15,761,946</u>    | <u>-</u>                       | <u>15,761,946</u>             |
| <b>Net Assets (Deficit) at End of Year</b>                  | <u>\$ 18,852,237</u>                                   | <u>\$ (1,841,510)</u>         | <u>\$ 13,280</u>  | <u>\$ 17,024,007</u> | <u>\$ -</u>                    | <u>\$ 17,024,007</u>          |