Mississippi Children's Home Services, Inc. and Affiliates

Independent Auditor's Reports and
Consolidated Financial Statements

December 31, 2021 and 2020

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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 Audit of the Consolidated Financial Statements

Opinion

We have audited 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 statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements referred to above, present fairly, in all material respects, the consolidated financial position of the Organization as December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities and the 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* (supplementary information), as listed in the table of contents, are presented for purposes of additional analysis and are 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 supplementary 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 have also issued our report dated May 20, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BKD, LLP

Jackson, Mississippi
May 20, 2022

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Statements of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	$ 5,803,721	$ 6,844,135
Restricted Cash	1,349,531	1,419,802
Accounts Receivable, Net of Allowance for Doubtful Accounts of $143,116 in 2021 and $194,809 in 2020	4,360,805	3,839,029
Pledge Receivables, Net	92,301	105,854
Prepaid Expenses and Other Assets	305,402	120,361
Investments, at Fair Value	1,587,653	1,540,373
Assets Held for Sale	804,398	-
Property, Plant, and Equipment, Net	15,364,419	18,797,831
Total Assets	$ 29,668,230	$ 32,667,385
LIABILITIES AND NET ASSETS		
Accounts Payable and Accrued Expenses	$ 2,406,512	$ 2,538,020
Notes Payable	8,458,382	13,105,358
Total Liabilities	10,864,894	15,643,378
Net Assets:		
Without Donor Restrictions	15,088,387	13,424,545
With Donor Restrictions	3,714,949	3,599,462
Total Net Assets	18,803,336	17,024,007
Total Liabilities and Net Assets	$ 29,668,230	$ 32,667,385

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Statements of Activities
Years Ended December 31, 2021 and 2020

	2021	2020
Net Assets Without Donor Restrictions:		
Support and Revenue:		
Government Agency Contracts	$ 19,711,850	$ 21,638,425
Program Fees	1,749,265	1,365,902
Special Events	69,913	25,027
Federal Grants	8,450,202	7,455,636
State and Private Grants	523,778	549,494
Contributions	3,367,964	2,621,316
Interest and Dividends	36,348	32,777
Rental Income	262,271	267,087
Net Assets Released from Restrictions	14,164	-
Net Realized and Unrealized Gains on Investments	2,633	1,270
Other	103,007	175,394
Total Support and Revenue Without Donor Restrictions	34,291,395	34,132,328
Expenses:		
Program Services:		
Residential Solutions	8,188,178	7,590,382
Education Solutions	4,216,816	3,865,875
Autism Solutions	1,351,959	2,007,361
Family Permanency Solutions	5,877,555	5,435,425
Intensive In-Home Solutions	4,405,094	4,834,096
Crisis Centers	1,823,168	1,636,168
Outpatient Solutions	2,324,969	2,487,208
Family Dynamic Solutions	1,247,742	692,370
Total Program Services	29,435,481	28,548,885

	2021	2020
Expenses:		
Support Services:		
Canopy Administrative	$ 3,209,083	$ 2,296,613
Development/Fundraising	1,046,632	988,619
Canopy Property Expense	1,037,804	1,169,683
Total Support Services	5,293,519	4,454,915
Total Expenses	34,729,000	33,003,800
Other Non-operating Changes in Net Assets:		
Impairment of Asset Held for Sale	(1,767,297)	-
Gain from Forgiveness of Debt	3,868,744	-
Total Other Non-operating Changes in Net Assets	2,101,447	-
Change in Net Assets Without Donor Restrictions	1,663,842	1,128,528
Net Assets With Donor Restrictions:		
Contributions and Special Events	102,877	13,500
Net Assets Released from Restrictions	(14,164)	-
Interest and Dividends	434	3,017
Net Realized and Unrealized Gains on Investments	30,444	119,815
General and Administrative and Other (Expenses)	(4,104)	(2,799)
Change in Net Assets With Donor Restrictions	115,487	133,533
Change in Net Assets	1,779,329	1,262,061
Net Assets at Beginning of Year	17,024,007	15,761,946
Net Assets at End of Year	$ 18,803,336	$ 17,024,007

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services					
	Residential Solutions	Education Solutions	Autism Solutions	Family Permanency Solutions	Intensive In-Home Solutions	Crisis Centers
Operating Fund:						
Salaries	$ 4,598,908	$ 2,465,373	$ 739,199	$ 3,353,437	$ 2,827,869	$ 1,064,753
Employee Benefits	666,372	446,815	129,681	717,472	502,659	215,760
Professional Fees	887,294	154,336	104,980	375,972	157,804	122,485
Supplies and Program	274,752	269,075	17,618	71,563	30,960	90,437
Telephone	16,726	17,454	8,411	129,916	95,458	28,174
Postage	553	741	181	613	927	355
Occupancy	364,274	291,393	30,567	192,480	125,436	62,414
Equipment Rental/ Maintenance	23,982	16,687	6,382	9,848	7,928	10,539
Depreciation and Amortization	384,746	83,706	65,367	984	21,507	33,657
Printing, Advertising, and Publications	-	-	-	-	-	695
Travel	36,272	7,436	904	459,099	184,338	9,721
Conferences and Meetings	2,386	1,169	433	484	1,714	12,159
Specific Assistance Individuals	290	-	-	22,677	1,199	222
Membership Dues	17,349	7,597	2,436	11,245	8,122	6,588
Bad Debts	-	8,463	83,243	1,226	20,938	-
Interest Expense	103,377	34,494	31,299	-	-	-
Loss on Disposal	-	-	-	-	-	1,256
Insurance	168,107	57,015	24,037	48,035	32,817	32,924
Total Operating Fund Expenses Before Allocation	7,545,388	3,861,754	1,244,738	5,395,051	4,019,676	1,692,139
General and Administrative Expense Allocation	642,790	355,062	107,221	482,504	385,418	131,029
Total	$ 8,188,178	$ 4,216,816	$ 1,351,959	$ 5,877,555	$ 4,405,094	$ 1,823,168

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services		Support Services				
	Outpatient Solutions	**Family Dynamic Solutions**	**Canopy Administrative**	**Canopy Property Expense**	**Development/ Fundraising**	**MSO Management & Administrative**	**Total**
Operating Fund:							
Salaries	$ 1,401,487	$ 655,748	$ 140,853	$ 31,282	$ 452,521	$ 3,812,796	$ 21,544,226
Employee Benefits	225,549	112,826	160,818	-	69,785	461,812	3,709,549
Professional Fees	189,480	76,110	577,646	-	71,278	185,276	2,902,661
Supplies and Program	31,157	63,999	59,892	-	222,222	64,673	1,196,348
Telephone	27,779	53,150	65,380	-	6,237	59,657	508,342
Postage	388	219	3,230	-	3,696	3,051	13,954
Occupancy	75,900	44,712	-	216,176	9,608	86,444	1,499,404
Equipment Rental/ Maintenance	4,017	1,343	42,054	-	(719)	12,991	135,052
Depreciation and Amortization	83,179	25,565	-	478,973	5,838	-	1,183,522
Printing, Advertising, and Publications	90	4,276	900	-	8,405	50	14,416
Travel	7,620	100,406	8,544	-	9	65,264	879,613
Conferences and Meetings	1,232	682	5,480	-	3,212	12,195	41,146
Specific Assistance Individuals	-	2,105	-	-	-	-	26,493
Membership Dues	4,248	1,216	2,293	-	6,061	6,337	73,492
Bad Debts	24,856	-	-	-	-	-	138,726
Interest Expense	31,255	-	-	181,151	-	-	381,576
Loss on Disposal	-	-	7,133	-	-	-	8,389
Insurance	16,515	14,634	-	38,045	4,859	35,103	472,091
Total Operating Fund Expenses Before Allocation	2,124,752	1,156,991	1,074,223	945,627	863,012	4,805,649	34,729,000
General and Administrative Expense Allocation	200,217	90,751	2,134,860	92,177	183,620	(4,805,649)	-
Total	$ 2,324,969	$ 1,247,742	$ 3,209,083	$ 1,037,804	$ 1,046,632	$ -	$ 34,729,000

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

	Program Services					
	Residential Solutions	**Education Solutions**	**Autism Solutions**	**Family Permanency Solutions**	**Intensive In-Home Solutions**	**Crisis Centers**
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/ 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 Publications	113	45	25	823	620	2,311
Travel	8,658	1,394	10,433	423,398	206,999	13,597
Conferences and 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
Total Operating Fund Expenses Before Allocation	7,010,112	3,526,512	1,860,172	4,980,565	4,400,923	1,513,149
General and Administrative Expense Allocation	580,270	339,363	147,189	454,860	433,173	123,019
Total	$ 7,590,382	$ 3,865,875	$ 2,007,361	$ 5,435,425	$ 4,834,096	$ 1,636,168

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

	Program Services		Support Services				
	Outpatient Solutions	**Family Dynamic Solutions**	**Canopy Administrative**	**Canopy Property Expense**	**Development/ Fundraising**	**MSO Management & Administrative**	**Total**
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/ 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 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 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
Total Operating Fund Expenses Before Allocation	2,285,835	648,986	268,060	1,096,794	797,921	4,614,771	33,003,800
General and Administrative Expense Allocation	201,373	43,384	2,028,553	72,889	190,698	(4,614,771)	-
Total	$ 2,487,208	$ 692,370	$ 2,296,613	$ 1,169,683	$ 988,619	$ -	$ 33,003,800

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in Net Assets	$ 1,779,329	$ 1,262,061
Adjustment to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,183,522	1,321,271
Forgiveness of Paycheck Protection Program (PPP) Notes Payable	(3,868,744)	-
Impairment Loss on Property Held for Sale	1,767,297	-
Donation of Stock	(26,386)	-
Bad Debts	138,726	298,795
Net Realized and Unrealized Gains on Investments	(33,077)	(121,085)
Changes in Assets and Liabilities:		
Receivables	(660,502)	41,243
Unconditional Promises to Give	13,553	(105,854)
Prepaid Expenses and Other Assets	(185,041)	(24,362)
Accounts Payable and Accrued Expenses	(131,508)	371,595
Net Cash Provided By (Used in) Operating Activities	(22,831)	3,043,664
Cash Flows From Investing Activities:		
Acquisition of Property, Plant and Equipment	(317,875)	(1,234,124)
Purchase of Investments	(92,982)	(130,718)
Proceeds from Sale of Investments	105,165	159,163
Net Cash Used In Investing Activities	(305,692)	(1,205,679)
Cash Flows From Financing Activities:		
Payments on Notes Payable	(782,162)	(548,200)
Proceeds from Notes Payable	-	3,868,744
Net Cash Provided by (Used In) Financing Activities	(782,162)	3,320,544
Change in Cash, Cash Equivalents and Restricted Cash	(1,110,685)	5,158,529
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	8,263,937	3,105,408
Cash, Cash Equivalents and Restricted Cash, End of Year	$ 7,153,252	$ 8,263,937
Supplemental Cash Flow Information:		
Cash Paid for Interest	$ 381,576	$ 410,888
Reconciliation of Cash, Cash Equivalents, and Restricted Cash:		
Cash and Cash Equivalents	$ 5,803,721	$ 6,844,135
Restricted Cash	1,349,531	1,419,802
Total Cash, Cash Equivalents and Restricted Cash	$ 7,153,252	$ 8,263,937

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

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

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

Principles of Consolidation and Basis of Presentation

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

Net Assets

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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.

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.

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.

The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

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. Conditional contributions and grants having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

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.

Contributed Services and In-kind Contributions

Contributed services and materials are recognized as contributions 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 2021 and 2020 were $52,500 and $50,000, 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, 2021 and 2020, amounts in excess of Federal Deposit Insurance Corporation (FDIC) insured limits were $6,091,807 and $7,156,953, respectively. The banks have a right of offset of all cash deposits against the outstanding lines of credit and notes payable totaling $8,458,382 and $13,105,358 at December 31, 2021 and 2020, respectively. The Organization manages this risk by maintaining its deposit accounts with well-established, highly rated financial institutions.

Accounts Receivable

The Organization reports receivables at the amount of consideration for goods and services performed. Management determines the allowance for doubtful accounts based on historical

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

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.

Property, Plant, and Equipment

Property, plant and equipment purchases greater than $5,000 with a useful life greater than one year are stated at cost, while assets donated are stated at fair value at the time of acquisition. Maintenance and repairs are expensed as incurred. Upon the retirement of property sold or otherwise disposed of, its cost and related accumulated depreciation are removed from the respective accounts, and any gain or loss is reflected in income of the current period. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years for buildings and improvements, 4 to 8 years for vehicles, and 2 to 25 for furniture, fixtures and equipment.

Interest cost on borrowed funds during periods of construction of capital assets is capitalized as a component cost of acquiring these assets. There was no capitalized interest for the years ended December 31, 2021 and 2020.

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 Accounting Standards Codification ("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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Impairments (Continued)

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. An impairment loss of $1,767,297 was recognized in 2021 to write-down the carrying value of a property in Saucier, Mississippi to its fair value, which was determined from its book value, less the cost to sell. See *Note 4* for details. There were no asset impairments recorded for the year ended December 31, 2020.

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.

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, 2021, filings of such form for fiscal years 2018 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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 investments assets that are measured at fair value are valued based on inputs which are valued using quoted active market prices (Level 1).

Long-lived assets are valued at fair value on a nonrecurring measurement at March 16, 2021, due to an impairment recorded. The long-lived asset is included in the accompanying consolidated statements of financial position as assets held for sale. The fair value is estimated using recent market transactions on similar assets that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

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.

Non-operating Activities

The consolidated statements of activities include both operating and non-operating activities. Changes in net assets without donor restrictions which are excluded from operating activities, consistent with industry practice, include impairment of assets held for sale and gain from forgiveness of debt.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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. 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 on the consolidated statements of activities and consolidated statements of cash flows 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 PLEDGE RECEIVABLES

Pledge receivables consist of the following at December 31:

	2021	2020
Due Within One Year	$ 53,000	$ 53,000
Due Within Five Years	40,000	53,000
Less	93,000	106,000
Allowance for Uncollectible Contributions	-	-
Unamortized Discount	699	146
Total	$ 92,301	$ 105,854

Discount rates ranged from 0.73% to 1.115%.

NOTE 3 INVESTMENTS

Investments consisted of the following at December 31, 2021:

			Unrealized	
	Cost	Market	Appreciation	(Depreciation)
Fixed Income Mutual Funds	$1,048,809	$ 1,092,686	$ 45,745	$ (1,868)
Stock - Common and Preferred	148,447	261,636	114,782	(1,593)
Equity Mutual Funds	169,657	233,331	63,674	-
Total	$1,366,913	$ 1,587,653	$ 224,201	$ (3,461)

Investment return for 2021 is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividend Income from Marketable Securities, Cash and Cash Equivalents	$ 36,348	$ 434	$ 36,782
Realized and Unrealized Gains from Marketable Securities, Cash and Cash Equivalents, Net of Expenses	2,633	30,444	33,077
Total Investment Income	$ 38,981	$ 30,878	$ 69,859

NOTE 3 INVESTMENTS (CONTINUED)

Investments consisted of the following at December 31, 2020:

	Cost	Market	Unrealized Appreciation	Unrealized (Depreciation)
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	$1,313,151	$1,540,373	$ 229,965	$ (2,743)

Investment return for 2020 is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividend Income from Marketable Securities, Cash and Cash Equivalents	$ 32,777	$ 3,017	$ 35,794
Realized and Unrealized Gains from Marketable Securities, Cash and Cash Equivalents, Net of Expenses	1,270	119,815	121,085
Total Investment Income	$ 34,047	$ 122,832	$ 156,879

NOTE 4 ASSET HELD FOR SALE

In February 2021, management executed a sales agreement with a broker related to a property located in Saucier, Mississippi. The operations previously conducted at this property were transferred to another location of the Organization. The Organization determined that its best course of action was to sell the property and the criteria to classify the property as held for sale were met in July 2021. As the sale is expected to be completed within one year, it qualifies to be classified as held for sale under FASB ASC 360-10-45. An impairment loss of $1,767,297 was recorded during 2021 to write-down the property in Saucier, Mississippi to its fair value, less the cost to sell. The fair value was determined based on an appraisal of the property dated April 2021, less anticipated cost to sell.

NOTE 5 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are summarized below:

	2021	2020
Land	$ 3,197,422	$ 3,466,422
Building and Improvements	20,338,473	24,527,272
Automobiles	326,407	348,323
Furniture, Fixtures, and Equipment	6,685,250	6,525,982
	30,547,552	34,867,999
Less Accumulated Depreciation	(15,183,133)	(16,070,168)
Total	$ 15,364,419	$ 18,797,831

Depreciation and amortization expense was $1,179,592 and $1,317,340 for the years ended December 31, 2021 and 2020, respectively.

NOTE 6 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 employer match was $279,058 and $306,220 for the years ended December 31, 2021 and 2020, respectively.

The Plan also allows for a discretionary contribution for all eligible employees. The Organization accrued a $100,000 discretionary contribution for 2021. The Organization made a discretionary contribution for 2020 of $200,000.

NOTE 7 NOTES PAYABLE AND LINES OF CREDIT

Following is a summary of notes payable at December 31, 2021 and 2020:

	2021	2020
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.	$ 155,141	$ 198,387
Note payable to bank at $19,369 per month, including interest at 4.10%, due December 2029, collateralized by building.	1,608,125	1,770,036
Note payable to bank at $19,506 per month, including interest at 4.25%, due September 2028, collateralized by building.	2,842,032	2,951,083
Note payable to bank at $40,792 per month, including interest at 4.25%, due January 2029, collateralized by real estate.	3,023,498	3,374,483
Note payable to bank at $13,014 per month, including interest at 4.25%, due September 2027, collateralized by building.	845,873	962,842
Note payable to bank at $217,760 per month, including interest at 1.00%, due April 2022.	-	3,868,744
Total Notes Payable	8,474,669	13,125,575
Less Deferred Financing Costs, Net of Accumulated Amortization	16,287	20,217
	$ 8,458,382	$ 13,105,358

Subsequent to year-end, the Organization received rate modifications for the last four notes listed in the table above. The rates of these notes were changed to the fixed rate of 3.85%; however, all of the other terms for the notes remained the same. Maturities of the notes payable with the modified rates incorporated are as follows:

Year	Amount
2022	$ 846,815
2023	891,962
2024	927,465
2025	922,817
2026	947,225
Thereafter	3,938,385
Total	$ 8,474,669

NOTE 7 NOTES PAYABLE AND LINES OF CREDIT (CONTINUED)

Interest expense related to notes payable was $381,576 and $410,888 for the years ended December 31, 2021 and 2020, respectively. Amortization expense for deferred financing costs was $3,930 for both years ended December 31, 2021 and 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (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 has received notification that all three loans totaling $3,868,744 have been forgiven by the Small Business Administration. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to any gain recognized.

The Organization had an available line of credit with a bank totaling $850,000, at a variable interest rate equal to the Prime rate of 3.25% plus .70%, which was 3.95% at both December 31, 2021 and 2020. The line of credit was renewed on August 20, 2021, and will mature on August 21, 2022. On December 31, 2021 and 2020, 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 of 3.25% plus 0.25%, which was 3.50% at both December 31, 2021 and 2020. This line of credit matured and was renewed on January 16, 2021, with a maturity date of January 15, 2022. At December 31, 2021 and 2020, 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 of 3.25% plus 1.0% which was 4.25% at both December 31, 2021 and 2020, with a minimum interest rate of 4.25%. This line of credit matures on August 8, 2022. At December 31, 2021 and 2020, there were no borrowings against the line of credit.

At December 31, 2021, the Organization failed to meet one of its financial ratio requirements. The ratio request violation was waived by the bank.

NOTE 8 LIQUIDITY AND AVAILABILITY OF RESOURCES

The table that follows presents the Organization's financial assets at December 31, 2021 and 2020, which are available to meet obligations for general expenditure that may arise within one year of the consolidated statement of financial position date.

	2021	2020
Cash and Cash Equivalents	$ 5,803,721	$ 6,844,135
Accounts Receivable, Net	4,360,805	3,839,029
Pledge Receivables, Due Within One Year, Net	53,000	53,000
Total	$ 10,217,526	$ 10,736,164

NOTE 8 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

In addition to the assets shown above, at December 31, 2021 and 2020, the Organization had approximately $593,000 and $672,000 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 discussed more fully in *Note 9*, 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.

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 7*) 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 9 NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with donor restrictions are restricted for the following purposes or periods as of December 31, 2021 and 2020:

	2021	2020
Subject to Expenditure for Specific Purpose:		
Online Educational Software	$ 56,490	$ -
Behavioral School Curriculum Project	25,000	-
Canopy University	15,000	-
Equipment for Center for Excellence	6,387	-
Butterfly Ball	-	13,500
Other	-	664
	102,877	14,164
Not Subject to Appropriation or Expenditure:		
Endowment Assets for which Only Income May be Expended for General Operations	3,612,072	3,585,298
Total Net Assets with Donor Restrictions	$ 3,714,949	$3,599,462

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

During the year ended December 31, 2021, donations were received for the implementation of the AIM curriculum for CARES Schools in Jackson, Mississippi and Hattiesburg, Mississippi. Donations were also received to fund Canopy University's Life Space Crisis Intervention Training and Certification Program and to fund digital engagement therapy equipment for the Organization's Early Intervention Autism Clinic. These donations are reported as net assets

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

with donor restrictions as of December 31, 2021. These restrictions will be released in 2022 as they are used for these purposes.

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

Net assets were released from donor restrictions in 2021 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Certain other donor restricted net assets consist of cash and investments, including land, and are held by the endowment fund. In accordance with the gift agreement, 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 asset.

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

Endowment Net Assets as of December 31, 2019	$ 3,465,265
Investment Return:	
Interest and Dividends	3,017
Net Realized and Unrealized Gains on Investments	119,815
Total Investment Return	122,832
General and Administrative and Other Expenses	(2,799)
Endowment Net Assets as of December 31, 2020	3,585,298
Investment Return:	
Interest and Dividends	434
Net Realized and Unrealized Gains on Investments	30,444
Total Investment Return	30,878
General and Administrative and Other Expenses	(4,104)
Endowment Net Assets as of December 31, 2021	$ 3,612,072

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

NOTE 10 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Organization's contract revenue, which is accounted for pursuant to ASC 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 following is a summary of contracts with customers classified by those recognized at a point in time and over a period of time.

	2021	2020
Services Transferred at a Point in Time:		
Payment for Performance of Services	$ 21,959,873	$ 23,001,999
Special Event Direct Benefit	69,913	25,027
Total Services Transferred at a Point in Time	$ 22,029,786	$ 23,027,026
Receivables from Contracts with Customers:		
Beginning of Year	$ 2,088,770	$ 2,714,866
End of Year	1,899,375	2,088,770

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 Mississippi Youth Programs Around the Clock (MYPAC) Program. MYPAC is an innovative home and community-based alternative to psychiatric residential services for youth with serious emotional disturbances. It is funded through a program under a defined per diem arrangement for the array of clinical, case management and wrap around services to children and families.

NOTE 10 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

The Organization received 45% and 51% of its total support and revenue from Medicaid for 2021 and 2020, respectively. Total support received for 2021 and 2020 from Medicaid was $15,578,237 and $17,369,824, respectively, which is included in Support and Revenue under the caption Government Agency Contracts in the consolidated statements of activities.

NOTE 11 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, have been recorded as receivables. Following are the grant commitments that extend beyond December 31, 2021 and 2020.

Grants	Terms	Grant Amounts	Earned Through December 31, 2021	Funding Available
Federal, State, and Local Government Grant	Various Terms from July 1, 2021 through June 30, 2024	$ 18,255,053	$ 4,131,679	$ 4,123,374

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

NOTE 12 OPERATING LEASES

The Organization leases equipment and office space under various noncancellable agreements, which require various minimum annual rentals. Rent expense paid for the years ended December 31, 2021 and 2020, was $457,476 and $488,130, respectively.

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

Year Ended	Amount
2022	$ 434,633
2023	169,953
2024	79,930
2025	12,214
2026	2,229
Total	$ 698,959

NOTE 13 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 at both December 31, 2021 and 2020, respectively. Total expense under the program was approximately $1,532,856 and $1,347,278 in 2021 and 2020, respectively.

NOTE 14 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 63% and 75% of the accounts receivable balance as of December 31, 2021 and 2020, 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 15 SUBSEQUENT EVENTS

The Organization has evaluated, for consideration of recognition or disclosure, subsequent events through May 20, 2022, the date that the consolidated financial statements were available to be issued.

On March 7, 2022, the Organization announced the opening of its newest educational and social service solution, The Canopy School. The Canopy School is a nonprofit, accredited and individualized academic environment for children with an array of learning differences that will open the Fall of 2022.

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidated Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures
Direct Programs:			
U.S. Department of Health and Human Services:			
Basic Center Grant - Warren County Children's Shelter	93.623		$ 79,829
Basic Center Grant - Warren County Children's Shelter	93.623		32,594
			112,423
COVID-19 Provider Relief Fund	93.498		357,971
Pass-through Programs:			
U.S. Department of Health and Human Services:			
The Children's Advocacy Center of Mississippi:			
Children's Justice Act - Small Grant	93.643	2017G99CJ17	2,392
Mississippi Department of Human Services:			
477 Cluster Temporary Assistance for Needy Families (TANF) 2020 Family Dynamics	93.558	6021764/6021765	1,354,187
Mississippi Department of Child Protection Services:			
Stephanie Tubb Jones Child Welfare Services Program	93.645	G1901MSCWSS	4,227,078
Stephanie Tubb Jones Child Welfare Services Program	93.645	6020877	1,264,239
Total Stephanie Tubb Jones Child Welfare Services Program			5,491,317
Total U.S. Department of Heath and Human Services			7,318,290
Pass Through from State of Mississippi:			
Department of Education			
COVID-19 - Education Stabilization Fund	84.425C	GEER-Z005-0275R	395,217
Total Department of Education			395,217
U.S. Department of Justice:			
Mississippi State Department of Health:			
Crime Victim Assistance - Warren County Children's Shelter	16.575	VA-2021-005.2	143,269
Crime Victim Assistance - Warren County Children's Shelter	16.575	SG-1253-R3	28,772
Crime Victim Assistance - Child Abuse Prevention Center	16.575	VA-2021-005.1	441,474
Crime Victim Assistance - Child Abuse Prevention Center	16.575	SG-1253-R3	73,261
The Children's Advocacy Center of Mississippi:			
Crime Victim Assistance - MDT Enhancement Grant	16.575	2020-VA-012	88,701
Crime Victim Assistance - MDT Enhancement Grant	16.575	CALM-22-MAP-01	16,800
Total U.S. Department of Justice			792,277
U.S. Department of Agriculture:			
Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	215MS326N1099	43,567
National School Lunch Program	10.555	215MS326N1099	100,377
Total U.S. Department of Agriculture			143,944
			$ 8,649,728

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, 2021. 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, 2021.

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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, 2021 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 20, 2022.

Report on 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) as a basis for designing 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 Organization's consolidated 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 or significant deficiencies may exist that were not identified.

Report on 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

BKD, LLP

Jackson, Mississippi
May 20, 2022

BKD
CPAs & Advisors

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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

Opinion on 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 identified as subject to audit 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, 2021. 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.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

BKD, LLP

Jackson, Mississippi
May 20, 2022

Mississippi Children's Home Services, Inc.
and Affiliates
Schedule of Findings and Questioned Costs
Year Ended December 31, 2021

Section I – Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

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

2. Internal control over financial reporting:

   Material weakness(es) identified? ☐ **Yes** ☒ **No**

   Significant deficiency(ies) identified? ☐ **Yes** ☒ **None Reported**

   Noncompliance material to the financial statements noted?

   ☐ **Yes** ☒ **No**

Federal Awards

3. Internal control over major federal awards programs:

   Material weakness(es) identified? ☐ **Yes** ☒ **No**

   Significant deficiency(ies) identified? ☐ **Yes** ☒ **None Reported**

4. Type of auditor's report issued on compliance for major federal award program(s):

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

5. Any audit findings disclosed that are required to be reported in accordance with 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, 2021

6. Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
93.558	Temporary Assistance for Needy Families (TANF)
93.498	COVID-19 - Provider Relief Fund

7. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

8. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

Mississippi Children's Home Services, Inc.
and Affiliates

Summary Schedule of Prior Year Audit Findings

Year Ended December 31, 2021

No matters are reportable.

Supplementary Information

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidating Statement of Financial Position
December 31, 2021

	Mississippi Children's Home Society			Mississippi			
	Operating Fund	Endowment Fund	CARES Center, Inc.	Children's Home Services, Inc.	Subtotal	Eliminating Entries	Total Consolidated
ASSETS							
Cash and Cash Equivalents	$ 5,371,132	$ -	$ 333,932	$ 98,657	$ 5,803,721	$ -	$ 5,803,721
Restricted Cash	593,591	755,940	-	-	1,349,531	-	1,349,531
Accounts Receivable, Net of Allowance for Doubtful Accounts of $143,116	3,571,031	1,375	1,640,728	722,406	5,935,540	(1,574,735)	4,360,805
Pledge Receivable, Net	92,301	-	-	-	92,301	-	92,301
Prepaid Expenses and Other Assets	286,880	-	18,522	-	305,402	-	305,402
Investments, at Fair Value	31,316	1,556,337	-	-	1,587,653	-	1,587,653
Assets Held for Sale	804,398	-	-	-	804,398	-	804,398
Property, Plant, and Equipment, Net	13,610,022	1,298,420	455,977	-	15,364,419	-	15,364,419
Total Assets	$ 24,360,671	$ 3,612,072	$ 2,449,159	$ 821,063	$ 31,242,965	$ (1,574,735)	$ 29,668,230
LIABILITIES AND NET ASSETS							
Accounts Payable and Accrued Expenses	$ 1,408,888	$ -	$ 1,388,801	$ 330,178	$ 3,127,867	$ (721,355)	$ 2,406,512
Notes Payable	8,458,382	-	853,380	-	9,311,762	(853,380)	8,458,382
Total Liabilities	9,867,270	-	2,242,181	330,178	12,439,629	(1,574,735)	10,864,894
Net Assets:							
Without Donor Restrictions	14,478,401	-	119,101	490,885	15,088,387	-	15,088,387
With Donor Restrictions	15,000	3,612,072	87,877	-	3,714,949	-	3,714,949
Total Net Assets	14,493,401	3,612,072	206,978	490,885	18,803,336	-	18,803,336
Total Liabilities and Net Assets	$ 24,360,671	$ 3,612,072	$ 2,449,159	$ 821,063	$ 31,242,965	$ (1,574,735)	$ 29,668,230

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidating Statement of Activities
Year Ended December 31, 2021

	Mississippi Children's Home Society			CARES Center, Inc.					
	Operating Without Donor Restrictions	**Operating With Donor Restrictions**	**Endowment With Donor Restrictions**	**Operating Without Donor Restrictions**	**Operating With Donor Restrictions**	**Mississippi Children's Home Services, Inc.**	**Subtotal**	**Eliminating Entries**	**Total Consolidated**
Net Assets Without Donor Restrictions:									
Support and Revenue:									
Government Agency Contracts	$ 7,407,409	$ -	$ -	$ 12,304,441	$ -	$ -	$ 19,711,850	$ -	$ 19,711,850
Program Fees	651,598	-	-	1,097,667	-	-	1,749,265	-	1,749,265
Special Events	69,913	-	-	-	-	-	69,913	-	69,913
Federal Grants	7,828,245	-	-	621,957	-	-	8,450,202	-	8,450,202
State and Private Grants	331,627	-	-	192,151	-	-	523,778	-	523,778
Contributions	2,116,164	-	-	1,251,800	-	-	3,367,964	-	3,367,964
Interest and Dividends	35,916	-	-	432	-	-	36,348	-	36,348
Rental Income	1,468,625	-	-	-	-	-	1,468,625	(1,206,354)	262,271
Net Assets Released from Restrictions	13,500	-	-	664	-	-	14,164	-	14,164
Net Realized and Unrealized Gains (Losses) on Investments	2,633	-	-	-	-	-	2,633	-	2,633
Other	60,248	-	-	42,759	-	-	103,007	-	103,007
Total Support and Revenue Without Donor Restrictions	19,985,878	-	-	15,511,871	-	-	35,497,749	(1,206,354)	34,291,395
					-				
Expenses:									
Program Services:									
Residential Solutions	-	-	-	8,717,435	-	-	8,717,435	(529,257)	8,188,178
Education Solutions	-	-	-	4,445,384	-	-	4,445,384	(228,568)	4,216,816
Autism Solutions	-	-	-	1,417,755	-	-	1,417,755	(65,796)	1,351,959
Family Permanency Solutions	5,915,771	-	-	-	-	-	5,915,771	(38,216)	5,877,555
Intensive In-Home Solutions	4,435,596	-	-	-	-	-	4,435,596	(30,502)	4,405,094
Crisis Centers	1,823,168	-	-	-	-	-	1,823,168	-	1,823,168
Outpatient Solutions	2,377,661	-	-	-	-	-	2,377,661	(52,692)	2,324,969
Family Dynamic Solutions	1,257,558	-	-	-	-	-	1,257,558	(9,816)	1,247,742
Total Program Services	15,809,754	-	-	14,580,574	-	-	30,390,328	(954,847)	29,435,481
Support Services:									
Canopy Administrative	3,307,236	-	-	-	-	-	3,307,236	(98,153)	3,209,083
Development/Fundraising	1,061,967	-	-	-	-	-	1,061,967	(15,335)	1,046,632
Canopy Property Expense	1,175,823	-	-	-	-	-	1,175,823	(138,019)	1,037,804
Total Support Services	5,545,026	-	-	-	-	-	5,545,026	(251,507)	5,293,519
Total Expenses	21,354,780	-	-	14,580,574	-	-	35,935,354	(1,206,354)	34,729,000
Transfers	485,622	-	-	(485,622)	-	-	-	-	-

MISSISSIPPI CHILDREN'S HOME SERVICES, INC.
AND AFFILIATES
Consolidating Statement of Activities
Year Ended December 31, 2021

	Mississippi Children's Home Society			CARES Center, Inc.					
	Operating Without Donor Restrictions	**Operating With Donor Restrictions**	**Endowment With Donor Restrictions**	**Operating Without Donor Restrictions**	**Operating With Donor Restrictions**	**Mississippi Children's Home Services, Inc.**	**Subtotal**	**Eliminating Entries**	**Total Consolidated**
Other Non-operating Changes in Net Assets									
Impairment of Asset Held for Sale	$ (1,767,297)	$ -	$ -	$ -	$ -	$ -	$ (1,767,297)	$ -	$ (1,767,297)
Gain from Forgiveness of Debt	1,875,539	-	-	1,515,600	-	477,605	3,868,744	-	3,868,744
Total Non-operating Changes in Net Assets	108,242	-	-	1,515,600	-	477,605	2,101,447	-	2,101,447
Change in Net Assets Without Donor Restrictions	(775,038)	-	-	1,961,275	-	477,605	1,663,842	-	1,663,842
Net Assets With Donor Restrictions:									
Contributions and Special Events	-	15,000	-	-	87,877	-	102,877	-	102,877
Net Assets Released from Restrictions	-	(13,500)	-	-	(664)	-	(14,164)	-	(14,164)
Interest and Dividends	-	-	434	-	-	-	434	-	434
Net Realized and Unrealized Gains (Losses) on Investments	-	-	30,444	-	-	-	30,444	-	30,444
General and Administrative and Other (Expenses)	-	-	(4,104)	-	-	-	(4,104)	-	(4,104)
Change in Net Assets With Donor Restrictions	-	1,500	26,774	-	87,213	-	115,487	-	115,487
Change in Net Assets	(775,038)	1,500	26,774	1,961,275	87,213	477,605	1,779,329	-	1,779,329
Net Assets (Deficit) at Beginning of Year	15,253,439	13,500	3,585,298	(1,842,174)	664	13,280	17,024,007	-	17,024,007
Net Assets (Deficit) at End of Year	$ 14,478,401	$ 15,000	$ 3,612,072	$ 119,101	$ 87,877	$ 490,885	$ 18,803,336	$ -	$ 18,803,336