

**ROSE BROOKS CENTER, INC.
AND AFFILIATE**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

**ROSE BROOKS CENTER, INC. AND AFFILIATE
TABLE OF CONTENTS**

	Page
Independent Auditor's Report	1-2
Consolidated Financial Statements	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-13
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards	16
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	19-20
Schedule of Findings and Questioned Costs	21-22
Summary Schedule of Prior Audit Findings	23
Corrective Action Plan	24



EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

David Emerick • James Flanagan • Rick Hann • Kristy Helt

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rose Brooks Center, Inc. and Affiliate
Kansas City, Missouri

We have audited the accompanying consolidated financial statements of Rose Brooks Center, Inc. and Affiliate (a nonprofit organization) which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the 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 audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 financial position of Rose Brooks Center, Inc. and Affiliate as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Other Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for 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 have also issued our report dated December 10, 2020 on our consideration of the Rose Brooks Center, Inc. and Affiliate'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rose Brooks Center, Inc. and Affiliate's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Emerich + Company, P.C." in a cursive script.

Kansas City, Missouri
December 10, 2020

**ROSE BROOKS CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

Assets	
Cash and cash equivalents	\$ 4,892,885
Investments	4,003,819
Deferred compensation asset	402,964
Promises receivable, net	606,045
Government grants and contracts receivable	656,679
Beneficial interest in charitable lead annuity trust	315,743
Prepaid expenses	71,890
Property and equipment, net	<u>7,932,873</u>
Total Assets	<u>\$ 18,882,898</u>
Liabilities	
Accounts payable and accrued expenses	\$ 107,114
Accrued payroll expenses and withholdings	517,097
Deferred compensation liability	390,693
Deferred revenue	253,546
Note payable	<u>956,600</u>
Total Liabilities	<u>2,225,050</u>
Net Assets	
Net assets without donor restrictions	15,076,776
Net assets with donor restrictions	<u>1,581,072</u>
Total Net Assets	<u>16,657,848</u>
Total Liabilities and Net Assets	<u>\$ 18,882,898</u>

See Notes to Financial Statements

**ROSE BROOKS CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 1,863,297	\$ 1,282,864	\$ 3,146,161
Special event revenues, net of direct benefits to donors of \$251,089	633,667	-	633,667
United Way support	-	122,577	122,577
Federal grants	3,339,629	-	3,339,629
State grants	176,817	-	176,817
Jackson and Platte County grants	968,981	-	968,981
Municipal court fees	88,891	-	88,891
Other contracts and agreements	165,379	-	165,379
In-kind contributions	173,427	-	173,427
Investment income	200,019	-	200,019
Other	1,113	-	1,113
Net assets released from restrictions	1,813,654	(1,813,654)	-
	9,424,874	(408,213)	9,016,661
Expenses			
Program services	6,868,909	-	6,868,909
Management and general	392,348	-	392,348
Fundraising	890,554	-	890,554
	8,151,811	-	8,151,811
Change in Net Assets	1,273,063	(408,213)	864,850
Net Assets, Beginning of Year	13,803,713	1,989,285	15,792,998
Net Assets, End of Year	\$ 15,076,776	\$ 1,581,072	\$ 16,657,848

See Notes to Financial Statements

**ROSE BROOKS CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services								Supporting Services		Total Expenses	
	Shelter	Court	Children's	Outreach	Advocacy	Bridge	Project SAFE	Housing and Economic Advocacy	Total	Management and General		Fundraising
Bank service charges	\$ 39	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39	\$ 4,272	\$ 25,276	\$ 29,587
Client assistance	284,234	1,379	1,367	273	12,691	11,912	-	302,821	614,677	-	-	614,677
Communications	19,484	3,120	1,583	4,731	1,822	12,697	4,720	2,958	51,115	3,706	3,003	57,824
Computer	4,034	461	203	521	542	940	919	584	8,204	48	853	9,105
Depreciation	263,144	12,428	33,982	37,278	6,974	34,566	20,655	13,279	422,306	15,756	12,686	450,748
Direct marketing and advertising costs	100	-	-	-	-	160	-	-	260	-	173,699	173,959
Dues and subscriptions	13,546	1,879	995	2,496	1,193	4,410	3,456	1,939	29,914	1,493	19,996	51,403
Equipment rental	9,500	1,001	598	1,759	667	2,645	1,625	887	18,682	538	1,030	20,250
Food	61,509	346	157	462	306	935	537	763	65,015	6,640	417	72,072
In-kind client assistance	119,452	-	3,180	-	-	-	-	-	122,632	-	50,795	173,427
Insurance	45,716	2,676	3,925	5,203	1,413	6,359	4,886	2,841	73,019	2,082	2,723	77,824
Maintenance	166,086	2,552	16,760	13,547	1,010	7,930	4,332	3,561	215,778	5,030	2,588	223,396
Other	6,487	505	200	504	207	919	779	327	9,928	1,836	3,995	15,759
Postage	436	26	38	114	7	36	-	79	736	922	3,367	5,025
Printing	1,896	855	255	768	184	1,242	957	424	6,581	1,497	8,648	16,726
Professional fees	20,578	3,956	2,096	4,948	2,102	8,645	7,192	3,502	53,019	2,232	3,879	59,130
Recruitment advertising	5,291	649	335	2,491	196	1,086	950	886	11,884	342	642	12,868
Salaries and related expenses	1,754,154	355,624	219,655	565,367	195,490	776,881	646,832	456,884	4,970,887	335,141	573,169	5,879,197
Security	672	-	-	-	-	-	-	-	672	-	-	672
Supplies	28,686	1,734	2,074	4,796	587	5,262	1,418	2,163	46,720	6,229	1,638	54,587
Utilities	105,565	2,119	13,921	11,253	839	6,587	3,599	2,958	146,841	4,584	2,150	153,575
Total Expenses	\$ 2,910,609	\$ 391,310	\$ 301,324	\$ 656,511	\$ 226,230	\$ 883,212	\$ 702,857	\$ 796,856	\$ 6,868,909	\$ 392,348	\$ 890,554	\$ 8,151,811

See Notes to Financial Statements

**ROSE BROOKS CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

Cash flows from operating activities	
Change in net assets	\$ 864,850
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation expense	450,748
Realized gains on investments	(6,209)
Unrealized gains on investments	(56,700)
Changes in:	
Deferred compensation asset	(42,432)
Promises receivable	(225,625)
Government grants and contracts receivable	(189,270)
Beneficial interest in charitable lead annuity trust	105,825
Prepaid expenses	(6,472)
Accounts payable and accrued expenses	(54,574)
Accrued payroll expenses and withholdings	109,442
Deferred compensation liability	45,752
Deferred revenue	212,940
	<u>1,208,275</u>
Net cash provided by operating activities	
Cash flows from investing activities	
Sales of investments, net	2,712,023
Purchase of property and equipment	(562,131)
	<u>2,149,892</u>
Net cash used in investing activities	
Cash flows from financing activities	
Note payable proceeds	956,600
	<u>956,600</u>
Net cash provided by financing activities	
Increase in cash and cash equivalents	4,314,767
Cash and Equivalents, Beginning of Year	<u>578,118</u>
Cash and Equivalents, End of Year	<u><u>\$ 4,892,885</u></u>

See Notes to Financial Statements

**ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Rose Brooks Center, Inc. (the Center), a nonprofit corporation, operates to provide sanctuary and services for women and children who are victims of domestic violence. The Center's principal sources of revenue are grants from federal, state and local agencies and contributions from various sources.

Rose Harbor, LLC owns and operates a residence donated by the City of Kansas City, Missouri to be used as a shelter for victims of domestic violence. The Center is the single-member and Rose Harbor, LLC is treated as a disregarded entity for tax purposes.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Rose Brooks Center, Inc. and its affiliate, Rose Harbor, LLC ("Rose Brooks Center, Inc. and Affiliate" or "Organization") as described above. All intercompany balances have been eliminated.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the information regarding its financial position and activities is reported according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2020, there were no funds held in perpetuity.

Contributions

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Government Contracts

Contracts with governmental entities are generally recorded as revenue when the related costs are incurred or when the Organization has performed the service and is allowed to bill under the terms of the related agreement.

Property and Equipment

Property and equipment are recorded at cost, if acquired, or market value if donated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. The lives range from five to 40 years.

ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

Rose Brooks Center, Inc. and Affiliate is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is no longer subject to examinations by tax authorities for years before 2017.

In-Kind Contributions

Rose Brooks Center, Inc. and Affiliate recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Unpaid volunteers have donated significant amounts of time to the Organization's programs and supporting services, although these services did not meet the criteria for recognition in the consolidated financial statements. Donated supplies for the shelter received from individuals are recorded at fair value.

Functional Expense Allocation

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statement of activities. Costs that can be directly attributed to a specific program or supporting service are charged to that program or supporting function. Expenses that relate to more than one program or supporting service are allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Client expenses	Time and effort
Communications	Full time equivalent
Computer	Full time equivalent
Depreciation	Square footage or full time equivalent
Insurance	Square footage
Maintenance	Square footage
Professional fees	Full time equivalent
Supplies	Time and effort
Salaries and related expenses	Time and effort
Utilities	Square footage

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, Rose Brooks Center, Inc. and Affiliate consider highly liquid investments with an initial maturity of less than three months to be cash equivalents.

The Organization's cash deposits exceeded Federal Deposit Insurance Corporation limits at various times during the fiscal year ended June 30, 2020.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Subsequent events have been evaluated through December 10, 2020, which is the date the consolidated financial statements were available to be issued.

Change in Accounting Principle

The Organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The amendments in the ASU clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction. Additionally, the amendments in this ASU require that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of the assets transferred or a right of release of the promisor's obligation to transfer assets. Management's analysis of the ASU resulted in a decrease in contributions of approximately \$200,000 for the year ended June 30, 2020.

NOTE 2: AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets:

Financial assets as of June 30, 2020	
Cash and cash equivalents	\$ 4,892,885
Investments	4,003,819
Promises receivable, net	606,045
Government grants and contracts receivable	656,679
Beneficial interest in charitable lead annuity trust, current portion	<u>123,000</u>
Total financial assets	10,282,428
Less amounts not available for use within one year:	
Net assets with donor restrictions	<u>1,581,072</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 8,701,356</u>

The Organization's goal is to maintain financial assets to meet 90 to 180 days of operating expenses (approximately \$1.8 to \$3.6 million). As part of its liquidity plan, excess cash above 30 to 45 days of operating expenses is invested in short-term investments, including money market accounts and certificates of deposit. In addition, the Organization has a \$500,000 line of credit available to meet cash flow needs.

ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3: INVESTMENTS

Investments are reported at fair value and consist of the following as of June 30, 2020:

	<u>Investments</u>	<u>457(b)Plan</u>	<u>Total</u>
Money market funds	\$ 110,289	\$ -	\$ 110,289
Equity securities	2,612,783	-	2,612,783
Mutual funds	-	402,964	402,964
Fixed income funds	<u>1,280,747</u>	<u>-</u>	<u>1,280,747</u>
	<u>\$ 4,003,819</u>	<u>\$ 402,964</u>	<u>\$ 4,406,783</u>

Investment income comprises the following:

Interest and dividends	\$ 161,715
Realized gains	6,209
Unrealized gains	56,700
Investment expenses	<u>(24,605)</u>
	<u>\$ 200,019</u>

NOTE 4: PROMISES RECEIVABLE

Promises receivable consist of the following at June 30, 2020:

Due in less than one year	\$ 605,666
Due in one to five years	<u>1,684</u>
	607,350
Less:	
Allowance for uncollectible promises receivable	<u>1,305</u>
	<u>\$ 606,045</u>

NOTE 5: BENEFICIAL INTEREST IN CHARITABLE LEAD ANNUITY TRUST

Rose Brooks Center, Inc. is the sole beneficiary of a charitable lead annuity trust. Under the terms of the trust, the Center will receive 12.3% of the initial fair market value of the assets in trust for a period of 10 years. The annuity shall be paid annually at the end of each calendar year.

The fair value of that distribution is determined using the present value of expected cash flows, discounted at 4% using market rate assumptions. Changes in the fair value of the beneficial interest in the charitable lead annuity trust are shown as gains or losses in the consolidated statement of activities. For the year ended June 30, 2020, the Center received \$123,000 from the charitable lead annuity trust. There was no change in the fair value of the beneficial interest in the charitable lead annuity trust for the year ended June 30, 2020.

Expected future payments of the charitable lead annuity trust as of June 30, 2020 follow:

Year ending	
<u>June 30,</u>	
2021	\$ 123,000
2022	123,000
2023	<u>94,693</u>
	340,693
Less: discount	<u>24,950</u>
	<u>\$ 315,743</u>

ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6: FAIR VALUE MEASUREMENTS

GAAP defines fair value and establishes a consistent framework for measuring fair value. 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. These provisions establish a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- 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.

Assets measured at fair value on a recurring basis as of June 30, 2020 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 110,289	\$ -	\$ -
Equity securities	2,612,783	-	-
Mutual funds	402,964	-	-
Fixed income funds	1,280,747	-	-
Promises receivable	-	606,045	-
Beneficial interest in charitable lead annuity trust	-	315,743	-
	<u>\$ 4,406,783</u>	<u>\$ 921,788</u>	<u>\$ -</u>

Money market funds, equity securities, mutual funds and fixed income funds

The fair value of money market funds, equity securities, mutual funds and fixed income funds is determined using quoted market prices in active markets.

Promises receivable and beneficial interest in charitable lead annuity trust

The fair value of promises receivable and beneficial interest in charitable lead annuity trust is determined using the present value of expected cash flows, discounted using market rate assumptions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2020:

Land	\$ 605,817
Buildings and improvements	10,457,159
Construction in progress	104,709
Furniture	847,557
Equipment	<u>1,703,453</u>
	13,718,695
Less: accumulated depreciation	<u>5,785,822</u>
	\$ <u>7,932,873</u>

Depreciation expense for the year ended June 30, 2020 was \$450,748.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 are restricted for the following purposes:

Time restricted for programs	\$ 448,510
Time restricted for special events	3,676
Capital improvements	853,091
Programs	<u>275,795</u>
	\$ <u>1,581,072</u>

NOTE 9: JACKSON COUNTY MENTAL HEALTH

Funds for the Jackson County Mental Health program during fiscal year 2020 were received and expended in accordance with the Jackson County Mental Health guidelines. All shelter clients are considered Jackson County residents when such clients are taking shelter after becoming homeless.

NOTE 10: EMPLOYEE BENEFIT PLANS

The Organization has a 403(b) retirement plan covering all eligible employees. Participants may make voluntary contributions to the Plan up to 50% of their annual compensation. The Organization matches 25% of participant contributions up to a maximum of 5% of the employee's annual compensation. Retirement plan contribution expense for the year ended June 30, 2020 was \$47,368.

The Organization also has a 457(b) deferred compensation plan covering certain employees. Participants can make voluntary contributions to the Plan up to Internal Revenue Service limits. The Organization can make a discretionary matching contribution. Participants become vested in annual discretionary matching contributions at 50% per year of service until three years of service, after which they are fully vested in subsequent annual matching contributions. Only vested amounts are included in the deferred compensation liability. Deferred compensation plan expense for the year ended June 30, 2020 was \$33,444.

NOTE 11: EQUIPMENT RENTAL

The Organization leases office equipment under non-cancelable operating leases with terms through fiscal year 2021. Future minimum lease payments for the year ending June 30, 2021 are \$14,926.

Rent expense under these and other month-to-month agreements, including usage charges, was \$20,250 for the year ended June 30, 2020.

**ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 12: NOTE PAYABLE

In April 2020, the Organization qualified for a loan program under the Coronavirus Aid, Relief and Economic Securities (CARES) Act and entered into a debt agreement for \$956,600. The proceeds were utilized to fund payroll and other operating expenses. The loan bears interest at 1% and requires monthly payments of \$53,844 beginning August 1, 2021. The balance of the loan is due April 16, 2022. Portions of the loan may be forgiven, provided certain requirements of the U.S. Small Business Administration Paycheck Protection Program, including provisions of the CARES Act, are met. Future minimum principal payments as of June 30, 2020 are:

For the year ending June 30,	
2021	\$ -
2022	<u>956,600</u>
	\$ <u>956,600</u>

NOTE 13: LINE OF CREDIT

The Organization has available a bank line of credit of \$500,000 collateralized by certain real estate, due December 13, 2020, with interest payable monthly at prime minus 0.75% (2.50% at June 30, 2020). There was no outstanding balance at June 30, 2020.

NOTE 14: UNCERTAINTIES

In March 2020, the World Health Organization declared coronavirus (COVID-19) a global pandemic. The COVID-19 outbreak in the United States and the work related restrictions has impacted the Organization. While the disruption is currently expected to be temporary, the related financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTAL INFORMATION

ROSE BROOKS CENTER, INC. AND AFFILIATE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-through Grantor Program or Cluster Title	Pass-Through Entity or Other Identifying Number	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Continuum of Care Program	Contract #MO0193L7P041704 Contract #MO0193L7P041805 Contract #MO0279D7P041800	14.267	\$ 119,092 120,241 <u>52,777</u> 292,110
Emergency Solutions Grant Program Pass-through from City of Kansas City, Missouri	Contract #2019-032 Contract #2020-0005 Contract #2020-0065 COVID-19	14.231	\$ 147,560 13,874 <u>145,532</u> 306,966
Community Development Block Grant Pass-through from City of Kansas City, Missouri	Contract #2019-020 Contract #2020-0025 Contract #2018-0049	14.218	\$ 32,942 6,195 <u>44,500</u> 83,637
Total U.S. Department of Housing and Urban Development			<u>682,713</u>
<u>U.S. Department of Agriculture</u>			
Child and Adult Care Food Program Pass-through from State of Missouri Department of Health	ERS461100993	10.558	30,535
Emergency Food Assistance Program (Food Commodities) Pass-through from Harvesters Community Food Network	431208-665	10.569	<u>15,283</u>
Total U.S. Department of Agriculture			45,818
<u>U.S. Department of Justice</u>			
Transitional Housing for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	Contract #2017-WH-AX-0036	16.736	154,279
Crime Victim Assistance Pass-through from State of Missouri Department of Social Services	446000-987 446000-987	16.575	\$ 716,669 <u>1,511,144</u> 2,227,813
Violence Against Women Formula Grants Pass-through from State of Missouri Department of Public Safety	Contract #2018-VAWA-45 Contract #2020-VAWA-037	16.588	\$ 4,000 <u>4,593</u> 8,593
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program Pass-through from City of Kansas City, Missouri	Contract #2017-WE-AX-0024	16.590	<u>125,463</u>
Total U.S. Department of Justice			2,516,148
<u>U.S. Department of Health and Human Services</u>			
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services Pass-through from State of Missouri Department of Social Services	446000-987	93.671	58,719
Temporary Assistance for Needy Families Pass-through from State of Missouri Department of Social Services	446000-987	93.558	<u>15,626</u>
Total U.S. Department of Health and Human Services			74,345
<u>U.S. Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program	LRO ID: 525800-012	97.024	<u>20,605</u>
Total Federal Expenditures			\$ <u>3,339,629</u>

The accompanying notes are an integral part of this schedule.

**ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Rose Brooks Center, Inc. and Affiliate (the Organization) under programs of the federal government for the year ended June 30, 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 Rose Brooks Center, Inc. and Affiliate.

NOTE B: 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 to reimbursement.

NOTE C: INDIRECT COST RATES

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



EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

David Emerick • James Flanagan • Rick Hann • Kristy Helt

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Rose Brooks Center, Inc. and Affiliate
Kansas City, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Rose Brooks Center, Inc. and Affiliate (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related 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 December 10, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 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 over financial reporting 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 of 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 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.

Emerich + Company, P.C.

Kansas City, Missouri
December 10, 2020



EMERICK & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

David Emerick • James Flanagan • Rick Hann • Kristy Helt

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Rose Brooks Center, Inc. and Affiliate
Kansas City, Missouri

Report on Compliance for Each Major Federal Program

We have audited Rose Brooks Center, Inc. and Affiliate's (the Organization's) 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 June 30, 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 the Organization's major federal programs based on our audit of 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, Rose Brooks Center, Inc. and Affiliate 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 June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Requirements 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 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.

Emerich + Company, P.C.

Kansas City, Missouri
December 10, 2020

**ROSE BROOKS CENTER, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unmodified

Internal control over financial reporting:

Any material weakness(es) identified? No

Any deficiency(ies) in internal control not considered to be material weaknesses identified? None reported

Any noncompliance material to financial statements noted? No

Federal Awards

Type of auditor’s report issued on compliance for major programs: unmodified

Internal control over compliance:

Any material weakness(es) identified? No

Any deficiency(ies) in internal control not considered to be material weaknesses identified? None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major programs:

<u>CFDA Number:</u>	<u>Name of Federal Program or Cluster</u>
16.575	U.S. Department of Justice Crime Victim Assistance

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

Auditee qualified as low-risk auditee? Yes

**ROSE BROOKS CENTER, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings

Finding 2020-01

CFDA Title and Number: 16.575 Crime Victim Assistance

Name of Federal Agency: U.S. Department of Justice

Name of Pass-Through Agency: State of Missouri Department of Social Services

Criteria: Per the Missouri Department of Social Services, Division of Finance and Administrative Services, VOCA Unit, VOCA Financial and Administrative Guide for Subrecipient Agencies, Section VII. Accounting/Financial Records B. Accounting System Capabilities, 4. Source Documentation, the Organization is required to support accounting records with source documentation including properly signed time and attendance records.

Condition: We examined one timesheet that was not signed by an employee or a supervisor and five timesheets that were signed by the employee, but not signed by a supervisor.

Questioned Costs: \$0

Context: In six instances, the required signatures were not obtained on the timesheets for payroll billed to the grant.

Effect of Condition: The support for payroll billed to the grant was not obtained in compliance with the grant.

Cause of Condition: The required source documents were not obtained to support the payroll accounting records.

Recommendation: The Organization should verify that all employee and supervisor signatures are obtained for all timesheets in accordance with the grant requirements.

Views of Responsible Officials: See Corrective Action Plan prepared by the Organization.

**ROSE BROOKS CENTER, INC. AND AFFILIATE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

None.

ROSE BROOKS CENTER, INC. AND AFFILIATE
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2020



Breaking the cycle of domestic violence.

Finding Number: 2020-01

The organization has policies and procedures in place to verify all grant billing timesheets are signed by the employee and the supervisor. The grant billing timesheet form is in excel and google sheets. The process is for the employee to prepare the timesheet in excel or google sheets, print and sign and then deliver the timesheet to the supervisor by hand delivery, interoffice mail or email. The supervisor then reviews the timesheet, compares the timesheet to the payroll time for the pay period and then sign the timesheet if no exceptions are found. The completed and signed timesheets are then routed to finance. Every month, Finance collects and reviews 180+ timesheets for completeness and compares those times sheets to the payroll records. Exceptions, including missing signatures, are to be followed up on with the employee and supervisor before billing time to a grant. However, as noted in the audit findings there were instances of missing signatures. Of those instances, 50% occurred during the period March to June 2020.

Beginning in March 2020, the majority of staff began working remotely due to the pandemic. The new remote working environment contributed to some of the issues with missing signatures since most of the employees did not have printers or scanners in the first few months of working remotely.

After the recognition the pandemic impact would be a long-term change in our working environment, we began purchasing multifunction printer, scanner, copier equipment for our remote employees. In addition, we have reemphasized the importance to all staff that employee time sheets have a requirement to be completed and signed by the employee and then routed, reviewed and signed by their supervisor. Finance and program directors have placed additional steps in the review procedures to insure timesheets are turned in with the employee and supervisor's signature before the employees' time can be billed to a grant.

To help with document management we entered into an annual subscription with DocuSign in August 2020. This document management system with the ability to route and sign documents should improve the timesheet process and compliance. We have an internal task team researching and reviewing time tracking software and other payroll systems to see if there are opportunities that will improve the management of timesheets and grant billing.

Name of Person Responsible for Action Plan: Susan Miller, CEO

Anticipated completion date of the action plan: February 1, 2021