

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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021

**ROSE BROOKS CENTER, INC. AND AFFILIATE
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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, 2021, 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, 2021, 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 14, 2021 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.

Ernst & Company, P.C.

Kansas City, Missouri
December 14, 2021

ROSE BROOKS CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

Assets	
Cash and cash equivalents	\$ 4,504,691
Investments	5,849,104
Deferred compensation asset	572,307
Promises receivable	526,645
Government grants and contracts receivable	832,774
Beneficial interest in charitable lead annuity trust	205,609
Prepaid expenses	61,418
Property and equipment, net	<u>8,346,961</u>
Total Assets	<u><u>\$ 20,899,509</u></u>
Liabilities	
Accounts payable and accrued expenses	\$ 270,470
Accrued payroll expenses and withholdings	855,685
Deferred compensation liability	554,660
Deferred revenue	<u>22,873</u>
Total Liabilities	<u>1,703,688</u>
Net Assets	
Net assets without donor restrictions	17,423,944
Net assets with donor restrictions	<u>1,771,877</u>
Total Net Assets	<u>19,195,821</u>
Total Liabilities and Net Assets	<u><u>\$ 20,899,509</u></u>

See Notes to Financial Statements

**ROSE BROOKS CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support and Revenues			
Contributions	\$ 2,048,792	889,226	\$ 2,938,018
Special event revenues, net of direct benefits to donors of \$32,759	543,260	25,000	568,260
United Way support	-	112,647	112,647
Federal grants	4,750,704	-	4,750,704
State grants	31,516	-	31,516
Jackson and Platte County grants	800,927	-	800,927
Municipal court fees	101,593	-	101,593
Other contracts and agreements	147,325	-	147,325
In-kind contributions	141,299	-	141,299
Investment income	1,207,073	-	1,207,073
Gain on extinguishment of debt	956,600	-	956,600
Other	1,888	-	1,888
Net assets released from restrictions	836,068	(836,068)	-
Total Support and Revenues	11,567,045	190,805	11,757,850
Expenses			
Program services	7,742,615	-	7,742,615
Management and general	520,122	-	520,122
Fundraising	957,140	-	957,140
Total Expenses	9,219,877	-	9,219,877
Change in Net Assets	2,347,168	190,805	2,537,973
Net Assets, Beginning of Year	15,076,776	1,581,072	16,657,848
Net Assets, End of Year	\$ 17,423,944	\$ 1,771,877	\$ 19,195,821

See Notes to Financial Statements

ROSE BROOKS CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	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	\$ 4,365	\$ 23,500	\$ 27,904
Client assistance	347,607	2,819	11	21	24,034	75,488	-	308,675	758,655	-	-	758,655
Communications	24,676	4,379	2,202	6,723	2,447	13,278	6,846	5,861	66,412	5,040	5,157	76,609
Computer	2,877	417	117	2,354	167	820	1,939	909	9,600	551	673	10,824
Depreciation	286,581	14,815	36,721	41,468	8,063	38,664	27,134	21,208	474,654	18,353	16,485	509,492
Direct marketing and advertising costs	16,809	2,880	1,801	4,775	1,806	7,254	5,660	4,063	45,048	2,190	197,545	244,783
Dues and subscriptions	28,416	4,246	2,609	10,926	2,892	9,827	6,076	6,350	71,342	5,528	23,226	100,096
Equipment rental	10,347	1,014	624	1,639	626	2,469	1,978	1,375	20,072	639	1,154	21,865
Food	58,853	-	106	-	-	-	125	82	59,166	97	-	59,263
In-kind client assistance	141,199	-	100	-	-	-	-	-	141,299	-	-	141,299
Insurance	47,431	2,761	4,219	6,125	1,580	6,798	5,059	5,299	79,272	2,337	3,132	84,741
Maintenance	168,415	2,975	19,105	15,528	1,189	9,173	5,047	4,165	225,597	5,768	3,029	234,394
Other	8,797	924	303	938	354	1,939	3,733	961	17,949	4,269	5,759	27,977
Postage	315	11	12	153	-	70	70	101	732	926	3,214	4,872
Printing	53	766	6	10	3	1,156	98	670	2,762	381	3,413	6,556
Professional fees	18,504	3,199	2,002	5,308	1,994	7,815	6,226	4,545	49,593	2,432	3,700	55,725
Recruitment advertising	9,083	843	405	1,123	539	3,140	940	1,453	17,526	755	490	18,771
Salaries and related expenses	1,898,135	338,020	252,290	664,026	220,373	863,155	654,503	621,347	5,511,849	456,969	664,393	6,633,211
Security	636	2	10	8	1	5	3	2	667	3	2	672
Supplies	46,029	1,854	4,901	3,339	573	5,777	1,340	7,693	71,506	6,141	530	78,177
Utilities	85,086	1,713	11,255	9,097	678	5,325	2,909	2,812	118,875	3,378	1,738	123,991
Total Expenses	\$ 3,199,849	\$ 383,677	\$ 338,799	\$ 773,561	\$ 267,319	\$ 1,052,153	\$ 729,686	\$ 997,571	\$ 7,742,615	\$ 520,122	\$ 957,140	\$ 9,219,877

See Notes to Financial Statements

**ROSE BROOKS CENTER, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

Cash flows from operating activities	
Change in net assets	\$ 2,537,973
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	509,492
Realized gains on investments	(142,132)
Unrealized gains on investments	(971,407)
Gain on extinguishment of debt	(956,600)
Changes in:	
Deferred compensation asset	(169,343)
Promises receivable	79,400
Government grants and contracts receivable	(176,095)
Beneficial interest in charitable lead annuity trust	110,134
Prepaid expenses	10,472
Accounts payable and accrued expenses	163,356
Accrued payroll expenses and withholdings	338,588
Deferred compensation liability	163,967
Deferred revenue	<u>(230,673)</u>
Net cash provided by operating activities	<u>1,267,132</u>
Cash flows from investing activities	
Purchases of investments, net	(731,746)
Purchases of property and equipment	<u>(923,580)</u>
Net cash used in investing activities	<u>(1,655,326)</u>
Decrease in cash and cash equivalents	(388,194)
Cash and Cash Equivalents, Beginning of Year	<u>4,892,885</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,504,691</u></u>

See Notes to Financial Statements

**ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

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 - 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.

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.

Adoption of Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (ASC 606)* and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC 606 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASC 606 and all related amendments and concluded that the adoption of the new standard did not require an adjustment to the opening net assets balance.

**ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contributions are recorded as revenue at the earlier of the receipt of an unconditional promise to give or the receipt of cash or other assets. Conditional promises to give are recorded when the conditions have been substantially met. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

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 useful lives range from five to 40 years.

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 tax returns of the Organization remain open for examination for a period of three years after the filing deadlines.

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 assistance	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

ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2021.

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.

Subsequent Events

Subsequent events have been evaluated through December 14, 2021, which is the date the consolidated financial statements were available to be issued.

NOTE 2: AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets:

Financial assets as of June 30, 2021	
Cash and cash equivalents	\$ 4,504,691
Investments	5,849,104
Promises receivable, net	526,645
Government grants and contracts receivable	832,774
Beneficial interest in charitable lead annuity trust	<u>205,609</u>
Total financial assets	11,918,823
Less amounts not available for use within one year:	
Net assets with donor restrictions	<u>1,771,877</u>
Financial assets available to meet general expenditures over the next twelve months	\$ <u>10,146,946</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, 2021**

NOTE 3: INVESTMENTS

Investments are reported at fair value and consist of the following as of June 30, 2021:

	<u>Investments</u>	<u>457(b)Plan</u>	<u>Total</u>
Money market funds	\$ 183,530	\$ -	\$ 183,530
Equity securities	3,801,938	-	3,801,938
Mutual funds	-	572,307	572,307
Fixed income funds	<u>1,863,636</u>	<u>-</u>	<u>1,863,636</u>
	<u>\$ 5,849,104</u>	<u>\$ 572,307</u>	<u>\$ 6,421,411</u>

Investment income is comprised of the following:

Interest and dividends	\$ 121,168
Realized gains	142,132
Unrealized gains	971,407
Investment expenses	<u>(27,634)</u>
	<u>\$ 1,207,073</u>

NOTE 4: PROMISES RECEIVABLE

Promises receivable of \$526,645 as of June 30, 2021 are all due in less than one year. Management believes all receivables are fully collectible and no allowance for uncollectible receivables is necessary.

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, 2021, 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, 2021.

Expected future payments of the charitable lead annuity trust as of June 30, 2021 follow:

Year ending	
<u>June 30,</u>	
2022	\$ 123,000
2023	<u>94,693</u>
	217,693
Less: discount	<u>12,084</u>
	<u>\$ 205,609</u>

ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021 were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 183,530	\$ -	\$ -
Equity securities	3,801,938	-	-
Mutual funds	572,307	-	-
Fixed income funds	1,863,636	-	-
Promises receivable	-	526,645	-
Beneficial interest in charitable lead annuity trust	-	<u>205,609</u>	-
	<u>\$ 6,421,411</u>	<u>\$ 732,254</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, 2021

NOTE 7: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021:

Land	\$ 605,817
Buildings and improvements	10,753,202
Construction in progress	261,110
Furniture	864,390
Equipment	<u>2,108,686</u>
	14,593,205
Less: accumulated depreciation	<u>6,246,244</u>
	\$ <u>8,346,961</u>

Depreciation expense for the year ended June 30, 2021 was \$509,492.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2021 are restricted for the following purposes:

Time restricted for programs and operations	\$ 712,237
Special events	25,000
Capital improvements	694,783
Programs	<u>339,857</u>
	\$ <u>1,771,877</u>

NOTE 9: JACKSON COUNTY MENTAL HEALTH

Funds for the Jackson County Mental Health program during fiscal year ended June 30, 2021 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, 2021 was \$51,117.

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, 2021 was \$152,312.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The Organization was a party to an employment contract with an executive officer that was renewed and amended in December 2020. Pursuant to the terms of this employment, contract retirement benefits and related payroll taxes of \$284,417 are payable to this executive who retired after 25 years of service. Those benefits are accrued at June 30, 2021 and are payable in January 2022.

ROSE BROOKS CENTER, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12: EQUIPMENT RENTAL

The Organization leases office equipment under noncancelable leases with terms through the year ending June 30, 2026. Subsequent to June 30, 2021, the Organization entered into a lease agreement for copiers with terms through the year ending June 30, 2027, and the future minimum lease payments are included in the table below.

Future minimum lease payments are as follows:

Years Ending June 30,	
2022	\$ 15,076
2023	18,970
2024	16,308
2025	16,308
2026	16,308
Thereafter	<u>8,212</u>
Total	\$ <u>91,182</u>

Rent expense under these and other month-to-month agreements, including usage charges, was \$21,865 for the year ended June 30, 2021.

NOTE 13: EXTINGUISHMENT OF DEBT

In April 2020, the Organization qualified for a loan program under the Coronavirus Aid, Relief and Economic Security (CARES) Act and entered into a debt agreement for \$956,600. The proceeds were utilized to fund payroll and other operating expenses. The Organization received notification in April 2021 that the loan balance was forgiven in full, and it was recognized as income for the year ended June 30, 2021 and presented as a gain on extinguishment of debt in the consolidated statement of activities.

NOTE 14: LINE OF CREDIT

The Organization has available a bank line of credit of \$500,000 collateralized by certain real estate, with a due date of March 13, 2022, with interest payable monthly at prime minus 0.75% (2.5% as of June 30, 2021). There was no outstanding balance as of June 30, 2021.

NOTE 15: 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, 2021

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	\$ 105,540 108,269 268,715	482,524
Emergency Solutions Grant Program Pass-through from City of Kansas City, Missouri	Contract #2019-032 Contract #2020-0005	14.231	\$ 77,299 74,631	
COVID-19 Emergency Solutions Grant Program Pass-through from City of Kansas City, Missouri	Contract #2020-0065		54,116	206,046
Community Development Block Grants/Entitlement Grants Pass-through from City of Kansas City, Missouri	Contract #2019-020 Contract #2020-0025 Contract #2018-0049	14.218	\$ 31,104 7,249 402,239	
Total U.S. Department of Housing and Urban Development			440,592	1,129,162
<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		43,838
Emergency Food Assistance Program (Food Commodities) Pass-through from Harvesters Community Food Network	431208-665	10.569		16,808
Total U.S. Department of Agriculture				60,646
<u>U.S. Department of Justice</u>				
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	Contract #2017-WH-AX-0036	16.736		128,949
Crime Victim Assistance Pass-through from State of Missouri Department of Social Services	ER1302000083 ER13021DV44	16.575	\$ 2,716,675 70,058	2,786,733
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	\$ 9,327 7,956	17,283
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		154,918
Crime Victim Assistance/Discretionary Grants Pass-through from Office of Justice Program	Contract #2020-V3-GX-0146	16.582		63,103
Legal Assistance for Victims Pass-through from Legal Aid of Western Missouri	#2018-WL-AX-0018	16.524		14,625
Total U.S. Department of Justice				3,165,611
<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		83,870
Temporary Assistance for Needy Families Pass-through from State of Missouri Department of Social Services	446000-987	93.558		40,744
Total U.S. Department of Health and Human Services				124,614
<u>U.S. Department of Homeland Security</u>				
Emergency Food and Shelter National Board Program	LRO ID: 525800-012	97.024		12,871
<u>U.S. Department of Treasury</u>				
COVID-19 Coronavirus Relief Fund Pass-through from State of Missouri Department of Economic Development Pass-through from Jackson, County Missouri	50e1d37d-f117-43a6-9332-87ec9d9b4278 #0.5474	21.019	\$ 192,800 65,000	257,800
Total U.S. Department of Treasury				257,800
Total Federal Expenditures				\$ 4,750,704

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, 2021**

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, 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 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, 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 December 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) 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.

Emrich + Company, P.C.

Kansas City, Missouri
December 14, 2021



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, 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.

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, 2021.

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.

Erelich + Company, P.C.

Kansas City, Missouri
December 14, 2021

**ROSE BROOKS CENTER, INC. AND AFFILIATE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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> 16.575	<u>Name of Federal Program or Cluster</u> U.S. Department of Justice Crime Victim Assistance
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings

None

**ROSE BROOKS CENTER, INC. AND AFFILIATE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

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

Finding: One timesheet was not signed by an employee or a supervisor and five timesheets were signed by the employee, but not signed by a supervisor.

Questioned Costs: \$0

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

Status of Finding: All timesheets tested during the audit included appropriate employee and employer signatures. The Organization entered into an annual subscription with DocuSign in August 2020 in order to improve the timesheet process. In addition, an internal task team researched tracking software and payroll systems for opportunities for improvement in the management of timesheets and grant billing. The Organization plans to implement new timesheet procedures in the year ending June 30, 2022.

Views of Responsible Officials: Agrees with recommendation.