



**The Children's Place, Inc.**

**Financial Statements**

**For the Year Ended**

**December 31, 2022**

**The Children's Place, Inc.**  
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**Independent Auditor's Report**

Board of Directors  
The Children's Place, Inc.  
Kansas City, Missouri

***Opinion***

We have audited the accompanying financial statements of The Children's Place, Inc., which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Children's Place, Inc. as of December 31, 2022, 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.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Children's Place, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Children's Place, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Children's Place, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

*Bergan KDV, LLC*

Omaha, Nebraska  
October 12, 2023

**The Children's Place, Inc.**  
**Statement of Financial Position**  
**December 31, 2022**

**Assets**

Cash and cash equivalents	\$ 1,342,626
Receivables:	
Governmental agencies	464,252
Grants and contributions	735,157
Prepaid expenses	14,170
Unconditional promises to give	381,141
Investments, board-designated endowment	13,755,056
Property and equipment, net	<u>11,221,001</u>
 Total assets	 <u><u>\$ 27,913,403</u></u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable	\$ 101,084
Advances	177,814
Accrued payroll and related liabilities	164,194
Note payable	<u>406,025</u>
 Total liabilities	 <u>849,117</u>

**Net assets**

Without donor restrictions	
Undesignated	2,013,342
Invested in property and equipment, net	10,814,976
Board-designated endowment	<u>13,755,056</u>
Total net assets without donor restrictions	<u>26,583,374</u>
 With donor restrictions	 <u>480,912</u>
 Total net assets	 <u>27,064,286</u>
 Total liabilities and net assets	 <u><u>\$ 27,913,403</u></u>

**The Children's Place, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions and grants	\$ 17,003,760	\$ 619,809	\$ 17,623,569
Program services	722,740	-	722,740
Special events, less direct expenses	426,722	-	426,722
Miscellaneous	18,604	-	18,604
Investment returns, net	(975,367)	-	(975,367)
Total support and revenue	17,196,459	619,809	17,816,268
Net assets released from restrictions	387,951	(387,951)	-
Expenses			
Program expenses	3,215,464	-	3,215,464
Management and general	616,610	-	616,610
Fundraising	447,039	-	447,039
Total expenses	4,279,113	-	4,279,113
Change in net assets	13,305,297	231,858	13,537,155
Net assets - beginning of year	13,278,077	249,054	13,527,131
Net assets - end of year	\$ 26,583,374	\$ 480,912	\$ 27,064,286

**The Children's Place, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2022**

	Program Services				Supporting Services		Total Expenses
	Day Treatment Services	Family Support Services	Counseling Center	Total	Management and General	Fundraising	
Payroll and employee benefits	\$ 1,639,493	\$ 125,132	\$ 478,490	\$ 2,243,115	\$ 248,182	\$ 375,241	\$ 2,866,538
Purchased services	384,923	8,518	78,784	472,225	184,149	22,546	678,920
Supplies	44,573	742	11,131	56,446	18,361	12,334	87,141
Professional fees	66,840	4,680	15,843	87,363	33,916	13,101	134,380
Interest and finance charges	-	-	-	-	35,092	-	35,092
Insurance	38,459	1,990	7,571	48,020	8,506	5,913	62,439
Equipment rental and repair	11,624	228	681	12,533	7,426	4,261	24,220
Depreciation	197,980	11,204	33,548	242,732	70,659	12,477	325,868
Other expenses	46,252	548	6,230	53,030	10,319	1,166	64,515
<b>Total expenses</b>	<b>\$ 2,430,144</b>	<b>\$ 153,042</b>	<b>\$ 632,278</b>	<b>\$ 3,215,464</b>	<b>\$ 616,610</b>	<b>\$ 447,039</b>	<b>\$ 4,279,113</b>

See notes to financial statements.

**The Children's Place, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2022**

Cash flows - operating activities	
Change in net assets	<u>\$ 13,537,155</u>
Adjustments to reconcile change in net assets to net cash flows - operating activities:	
Depreciation	325,868
Donated investment securities	(13,127,815)
Net unrealized loss on investments	1,075,922
Net realized gain on investments	(100,555)
Fees paid from investments	24,263
(Increase) decrease in operating assets	
Accounts receivable	(248,222)
Unconditional promises to give	189,504
Prepaid expenses	57,652
Increase (decrease) in operating liabilities	
Accounts payable	(1,132)
Accrued payroll and related liabilities	107,751
Advances	(25,580)
Total adjustments	<u>(11,722,344)</u>
Net cash flows - operating activities	<u>1,814,811</u>
Cash flows - investing activities	
Purchases of property and equipment	(226,901)
Proceeds from sale of investments	12,695
Net cash flows - investing activities	<u>(214,206)</u>
Cash flows - financing activities	
Payments on notes payable	<u>(687,677)</u>
Net change in cash and cash equivalents	912,928
Cash and cash equivalents - beginning of year	<u>429,698</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,342,626</u></u>



**The Children's Place, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

The Children's Place, Inc. (the Organization) is a Missouri not-for-profit corporation. The Organization provides continuum of trauma-responsive services for young children and families and is supported primarily through fees from government and other agencies, donor contributions, and the United Way. The Organization's current programs are as follows:

- **Day Treatment Services** – provides comprehensive, multi-disciplinary therapeutic services to children ages one to five years in order to remediate severe development delays or behavior/emotional problems typically resulting from abuse, neglect, or prenatal substance abuse.
- **Family Support Services** – provides educational opportunities to enhance adults' parenting skills by offering knowledge and support to create a healthy, safe, and nurturing environment for children in their care.
- **Counseling Center** – provides quality, comprehensive mental health treatment services to children eight years and younger and their families in order to improve individual and/or family functioning.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash Equivalents**

Cash equivalents include highly liquid investments, with original maturities of three months or less, that are recorded at cost plus accrued interest, which approximates market.

**Investments**

Investments are reported at fair value in the statement of financial position, and donated investments are recorded at fair value on the date of donation. Net investment return is reported in the statement of activities and consists of interest and dividend income, and realized and unrealized gains and losses, net of investment fees.

**Receivables**

Receivables are recorded at net realizable value at the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change.

**The Children’s Place, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Unconditional Promises to Give**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. The discount on these amounts is computed using a risk-free interest rate applicable to the year in which the contribution is made. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. As of December 31, 2022, no allowance for uncollectible pledges or discount to net present value was considered necessary.

**Concentrations of Credit Risk**

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash, investments, accounts receivable, and promises to give. The Organization places its cash and investments with financial institutions believed by us to be creditworthy. Credit risk associated with accounts receivable and promises to give is considered to be limited due to historical collection rates and a substantial portion of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of our mission.

**Property and Equipment**

Property and equipment are carried at cost, or fair value if donated, with depreciation computed primarily under the straight-line method over the economic useful lives of the assets. The Organization follows the policy of capitalizing all property and equipment expenditures over \$2,500 with an estimated useful life of greater than one year unless general contract conditions call for a lower amount. The following estimated useful lives are used to compute depreciation:

Building and improvements	15-50 years
Furnishings and equipment	5-20 years
Motor vehicles	5-10 years

**Advances**

Advances consist of unspent amounts received on conditional contributions and governmental grants.

**Compensated Absences**

Annual vacation time earned is based on the length of employment and ranges from 15 to 20 days. Depending on their length of service, employees can accumulate 80 to 120 hours of vacation which may be carried over into the following year. The liability for earned but unused vacation time at December 31, 2022 is recorded in the financial statements. Sick leave does not accumulate, and no accrual is required.

**Income Taxes**

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes pursuant to Section 501(a) of the Code.

**The Children's Place, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

Net assets, revenues, gains, and other support are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or grantor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Revenue Recognition**

The Organization recognizes revenues from program fees when services are provided. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. The performance obligations are satisfied over time as the client simultaneously receives and consumes the benefits of the services.

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There were no conditional promises to give as of December 31, 2022.

**Donated Materials and Services**

Donated materials and services are reflected as contributions in the accompanying statements at their estimated fair value at date of receipt. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations.

**The Children's Place, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements**

In accordance with US GAAP, the Organization determines the fair value of investments and other assets using FASB ASC 820, Fair Value Measurements and Disclosures, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

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

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities, and depreciation, which are allocated based on square footage, supplies, equipment rental and repairs and other expenses, which are allocated based on the number of employees, and payroll and employee benefits, and purchased services, which are allocated on the basis of estimates of time and effort.

**Recently Adopted Accounting Pronouncement**

Effective January 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, Leases (Topic 842), utilizing the modified retrospective optional method, where the cumulative catch-up adjustment is recorded at the date of adoption. Operating leases with a duration greater than one year, are included in right-of-use asset operating leases, current portion of leases payable operating leases, and long-term portion of leases payable operating leases in the statement of financial position. There were no operating leases that met the criteria to be shown on the statement of financial position as of December 31, 2022.

The Organization has elected the package of practical expedients permitted in Topic 842. Accordingly, the Organization did not reassess at adoption (a) whether the contract contains a lease under Topic 842, (b) whether classification of the operating lease would be different in accordance with Topic 842, or (c) initial direct costs for existing leases. The Organization also elected the practical expedients (1) to discount the lease liability using the risk-free rate, (2) to use hindsight for assessing the lease term and impairment of the ROU asset, and (3) to not separate lease and non-lease components. As a result of the adoption of the new accounting standard, there was no significant impact on the financial statements.

**The Children's Place, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

Management has evaluated subsequent events through October 12, 2023, the date which the financial statements were available for issue.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets at year end	
Cash and cash equivalents	\$ 1,342,626
Accounts receivable	1,199,409
Unconditional promises to give	381,141
Investments	13,755,056
Total financial assets	<u>16,678,232</u>
Less amounts unavailable for general expenditures within one year, due to	
Promises to give due in more than one year	(49,387)
Net assets with donor imposed restrictions	(480,912)
Board-designated endowment funds	(13,755,056)
Total financial assets available for general expenditure within one year	<u><u>\$ 2,392,877</u></u>

As part of its liquidity management practices, the Organization structures the timing of its fundraising activities to supplement revenue received from program activities to ensure that sufficient cash is available to meet its normal operating expense needs during the year. Excess cash is invested in short term investments, including money market accounts and certificates of deposit. In its annual budget, the Organization anticipates needing no appropriation of financial assets from the board-designated endowment fund discussed in Note 10 beyond the current year's expected investment return. However, amounts from the fund could be made available for general operating expenses, if necessary, in the event of an unanticipated liquidity needs. Also, the Organization can draw on the \$200,000 bank line of credit discussed in Note 7.

**The Children's Place, Inc.**  
**Notes to Financial Statements**

**NOTE 3 – INVESTMENTS**

The following table sets forth information about the level within the fair value hierarchy at which the Organization's financial assets are measured on a recurring basis at December 31, 2022:

	Fair Value	Level 1 Inputs	Level 2 Inputs
Equity securities and mutual funds	\$ 11,637,700	\$ 11,637,700	\$ -
Government and corporate bonds	649,652	-	649,652
Cash and money market funds	1,467,704	1,467,704	-
	<u>\$ 13,755,056</u>	<u>\$ 13,105,404</u>	<u>\$ 649,652</u>

At December 31, 2022, all invested funds were included in the board-designated endowment.

**NOTE 4 – RETIREMENT PLAN**

The Organization maintains a defined contribution retirement plan which covers substantially all employees. Contributions are made at the discretion of the Board of Directors. Retirement plan expense was \$15,165 in 2022 and consists of employer matching contributions.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2022:

Transportation equipment	163,435
Other equipment	849,084
Land	1,062,676
Building	9,914,814
Subtotal	<u>11,990,009</u>
Less: accumulated depreciation	(769,008)
Total	<u>\$ 11,221,001</u>

Depreciation expense in 2022 totaled \$325,868.

**NOTE 6 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give are due as follows at December 31, 2022:

Amounts due in less than one year	\$ 331,754
Amounts due in one to five years	<u>49,387</u>
Unconditional promises to give	<u>\$ 381,141</u>

**The Children's Place, Inc.**  
**Notes to Financial Statements**

**NOTE 7 – LINE OF CREDIT**

The Organization has a line of credit with UMB Bank. The agreement provides for a maximum line balance of \$200,000. Amounts borrowed under the agreement bear interest at the prime rate less .5% with a floor of 2.75%. At December 31, 2022 the interest rate was 7.00% and there were no borrowings. This note currently has a maturity date of June 30, 2024.

**NOTE 8 – CONSTRUCTION LOAN**

The Organization has received a \$6,000,000 first mortgage construction loan commitment dated September 26, 2019, from UMB Bank to finance the costs of improvements to the new building. The loan has an interest rate of 3.61% and matures on September 26, 2024. This loan is secured by the new building and the assignment of the capital campaign pledges. As of December 31, 2022, the outstanding balance is \$406,025. Interest expense for the year ended December 31, 2022 was \$35,092.

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes or periods at December 31, 2022:

Subject to expenditure for specified purpose:

Day treatment services	\$ 326,356
Family support services	1,908
Counseling center	64,598
Building purposes	29,717
Total subject to expenditure for specified purpose	<u>422,579</u>

Subject to the passage of time :

United Way allocation for 2023	25,000
Other grants for 2023	33,333
Total subject to the passage of time	<u>58,333</u>
Total net assets with donor restrictions	<u>\$ 480,912</u>

Net assets released from restrictions by satisfying the purpose or time restrictions specified by donors during the year ended December 31, 2022 were as follows:

Day treatment services	\$ 217,348
Family support services	9,526
Counseling center	88,583
Building purposes	10,772
Expiration of time restrictions	61,722
Total net assets released from restrictions	<u>\$ 387,951</u>

**The Children’s Place, Inc.**  
**Notes to Financial Statements**

**NOTE 10 – DESIGNATED ENDOWMENT FUND**

The Organization maintains board-designated endowment funds for the purpose of generating an investment return to support its programs and operations, and to maintain a reserve of approximately three to six months of normal operating expenses. The investment objectives are to provide a reasonable rate of return while prioritizing the preservation of capital consistent with a prudent level of risk. To accomplish these objectives, the Organization has established a range and maximum allocation for equity securities and mutual funds, fixed income investments, and cash equivalents. All assets of the board-designated endowment fund are invested in marketable securities that can readily be converted into cash.

The amount appropriated for spending is based on the amount budgeted and is subject to various guidelines, primarily a limitation of 100% of the investment return. These guidelines also provide for the utilization of up to 10% of the principal of the fund, subject to approval by two-thirds of the Board of Directors. However, all assets of the endowment fund could be made available for general operating expenses in the event of an unanticipated liquidity need.

The changes in the net assets of the fund for the year ended December 31, 2022 are as follows:

Net assets, beginning of year	\$ 1,626,871
Board designations	13,127,815
Realized gain	100,555
Unrealized loss	(1,075,922)
Fees paid from investments	(24,263)
Net assets, end of year	<u>\$ 13,755,056</u>

**NOTE 11 – EMPLOYEE RETENTION CREDITS**

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020, and the subsequent extension of the CARES Act, the Organization was eligible for a refundable employee retention credit subject to certain criteria. At December 31, 2022, \$283,978 of the credits are still outstanding and are reflected in the statement of financial position in accounts receivable from government agencies.