BERBERICH TRAHAN & CO., P.A.

Certified Public Accountants

KidsTLC, INC.

AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

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KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

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BT&Co.
BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

BERBERICH TRAHAN & CO., P.A. 3630 SW Burlingame Rd., Topeka, KS 66611-2050 t 785.234.3427 toll-free 800.530.5526 f 785.233.1768 btandcocpa.com

Board of Directors
KidsTLC, Inc. and its subsidiary
Olathe, Kansas

We have audited the accompanying consolidated statements of financial position of KidsTLC, Inc. and its subsidiary as of and for the years ended December 31, 2011 and 2010, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of KidsTLC, Inc. and its subsidiary's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KidsTLC, Inc. and its subsidiary as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2012 on our consideration of KidsTLC, Inc. and its subsidiary'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules listed under supplementary information in the accompanying table of contents, including the schedule of expenditures of federal awards as required by OMB Circular A-133, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Berberich Trahan & Co., P.A.

Topeka, Kansas
April 20, 2012

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2011

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Current assets:				
Cash and cash equivalents	$ 358,949	$ 1,313,920	$ 21,100	$ 1,693,969
Accounts receivable:				
Grants and contracts, net	566,663	-	-	566,663
Pledges - net	-	1,295,594	-	1,295,594
Other	8,793	-	-	8,793
Prepaid expenses	76,361	-	-	76,361
Inventory	46,725	-	-	46,725
Total current assets	1,057,491	2,609,514	21,100	3,688,105
Investments	2,889,421	44,259	530,557	3,464,237
Beneficial interest in Community Foundation	-	87,223	25,497	112,720
Property and equipment:				
Land	654,733	-	-	654,733
Construction in process	-	261,279	-	261,279
Buildings and improvements	4,263,963	6,699,517	-	10,963,480
Furniture and equipment	814,996	291,679	-	1,106,675
Automotive equipment	266,678	11,112	-	277,790
Total, at cost	6,000,370	7,263,587	-	13,263,957
Less: accumulated depreciation	1,085,820	800,294	-	1,886,114
Total property and equipment	4,914,550	6,463,293	-	11,377,843
Other assets:				
Deposits	4,277	-	-	4,277
Pledges receivable - net	-	745,296	-	745,296
Total other assets	4,277	745,296	-	749,573
Total assets	$ 8,865,739	$ 9,949,585	$ 577,154	$ 19,392,478

(Continued)

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 122,162	$ 86,113	$ -	$ 208,275
Accrued liabilities	495,298	-	-	495,298
Bonds payable - current portion	85,000	-	-	85,000
Notes payable - current portion	205,250	-	-	205,250
Capital lease - current portion	15,217	-	-	15,217
Total current liabilities	922,927	86,113	-	1,009,040
Long term liabilities:				
Bonds payable, less current portion	925,595	9,572	-	935,167
Notes payable, less current portion	6,067	-	-	6,067
Capital lease, less current portion	14,430	-	-	14,430
Total long term liabilities	946,092	9,572	-	955,664
Total liabilities	1,869,019	95,685	-	1,964,704
Net assets:				
Unrestricted:				
Undesignated	2,444,143	-	-	2,444,143
Board designated	4,552,577	-	-	4,552,577
Temporarily restricted	-	9,853,900	-	9,853,900
Permanently restricted	-	-	577,154	577,154
Total net assets	6,996,720	9,853,900	577,154	17,427,774
Total liabilities and net assets	$ 8,865,739	$ 9,949,585	$ 577,154	$ 19,392,478

See accompanying notes to consolidated financial statements.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 652,634	$ 583,476	$ 24,600	$ 1,260,710
Accounts receivable:				
Grants and contracts, net	711,066	1,431	-	712,497
Pledges - net	-	469,735	-	469,735
Other	10,852	1,250	-	12,102
Prepaid expenses	99,958	-	-	99,958
Inventory	41,999	-	-	41,999
Total current assets	1,516,509	1,055,892	24,600	2,597,001
Investments	2,821,927	29,448	527,057	3,378,432
Beneficial interest in Community Foundation	-	85,021	25,497	110,518
Asset held for sale	-	51,400	-	51,400
Property and equipment:				
Land	655,944	-	-	655,944
Buildings and improvements	4,160,608	6,699,517	-	10,860,125
Furniture and equipment	782,400	291,679	-	1,074,079
Automotive equipment	290,363	11,112	-	301,475
Total, at cost	5,889,315	7,002,308	-	12,891,623
Less: accumulated depreciation	786,090	564,515	-	1,350,605
Total property and equipment	5,103,225	6,437,793	-	11,541,018
Other assets:				
Deposits	4,276	-	-	4,276
Pledges receivable - net	-	842,737	-	842,737
Total other assets	4,276	842,737	-	847,013
Total assets	$ 9,445,937	$ 8,502,291	$ 577,154	$ 18,525,382

(Continued)

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 133,024	$ -	$ -	$ 133,024
Accrued liabilities	517,447	-	-	517,447
Bonds payable - current portion	85,000	-	-	85,000
Note payable - current portion	4,957	-	-	4,957
Capital lease - current portion	14,596	-	-	14,596
Total current liabilities	755,024	-	-	755,024
Long term liabilities:				
Bonds payable, less current portion	1,010,595	48,572	-	1,059,167
Note payable, less current portion	11,327	-	-	11,327
Capital lease, less current portion	29,647	-	-	29,647
Total long term liabilities	1,051,569	48,572	-	1,100,141
Total liabilities	1,806,593	48,572	-	1,855,165
Net assets:				
Unrestricted:				
Undesignated	3,011,024	-	-	3,011,024
Board designated	4,628,320	-	-	4,628,320
Temporarily restricted	-	8,453,719	-	8,453,719
Permanently restricted	-	-	577,154	577,154
Total net assets	7,639,344	8,453,719	577,154	16,670,217
Total liabilities and net assets	$ 9,445,937	$ 8,502,291	$ 577,154	$ 18,525,382

See accompanying notes to consolidated financial statements.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Support:				
Contributions:				
General	$ 181,269	$ 593,825	$ -	$ 775,094
Campaign	-	1,642,397	-	1,642,397
Gifts-in-kind	105,402	-	-	105,402
Gifts-in-kind capital campaign	-	5,648	-	5,648
United Way	223,225	-	-	223,225
Grants	626,801	-	-	626,801
Contract revenues	5,908,285	-	-	5,908,285
Fund raising events	660,887	-	-	660,887
Other revenues	224,322	-	-	224,322
Realized investment income	164,495	16,188	-	180,683
Unrealized investment loss	(37,633)	(8,843)	-	(46,476)
Gain (loss) on disposition of asset	1,602	(11,400)	-	(9,798)
Total revenues, gains, and support prior to transfers	8,058,655	2,237,815	-	10,296,470
Transfers:				
Satisfaction of time and purpose restrictions	837,634	(837,634)	-	-
Total revenues, gains, and support	8,896,289	1,400,181	-	10,296,470
Expenses:				
Program services	7,621,136	-	-	7,621,136
Supporting services:				
Management and general	1,008,335	-	-	1,008,335
Fund raising	909,442	-	-	909,442
Total expenses	9,538,913	-	-	9,538,913
Increase (decrease) in net assets	(642,624)	1,400,181	-	757,557
Net assets, beginning of year	7,639,344	8,453,719	577,154	16,670,217
Net assets, end of year	$ 6,996,720	$ 9,853,900	$ 577,154	$ 17,427,774

See accompanying notes to consolidated financial statements.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Support:				
Contributions:				
General	$ 231,233	$ 445,332	$ -	$ 676,565
Campaign	-	1,351,883	-	1,351,883
Gifts-in-kind	235,168	-	-	235,168
Gifts-in-kind capital campaign	-	256,150	-	256,150
United Way	238,935	-	-	238,935
Grants	605,802	-	-	605,802
Contract revenues	6,313,169	-	-	6,313,169
Fund raising events	580,470	-	-	580,470
Other revenues	213,107	-	-	213,107
Realized investment income	108,050	28,525	-	136,575
Unrealized investment gain	184,019	15,143	-	199,162
Gain on disposition of asset	6,852	-	-	6,852
Total revenues, gains, and support prior to transfers	8,716,805	2,097,033	-	10,813,838
Transfers:				
Satisfaction of time and purpose restrictions	847,025	(847,025)	-	-
Total revenues, gains, and support	9,563,830	1,250,008	-	10,813,838
Expenses:				
Program services	7,368,803	-	-	7,368,803
Supporting services:				
Management and general	1,018,020	-	-	1,018,020
Fund raising	846,134	-	-	846,134
Total expenses	9,232,957	-	-	9,232,957
Increase in net assets	330,873	1,250,008	-	1,580,881
Net assets, beginning of year	7,308,471	7,203,711	577,154	15,089,336
Net assets, end of year	$ 7,639,344	$ 8,453,719	$ 577,154	$ 16,670,217

See accompanying notes to consolidated financial statements.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ 757,557	$ 1,580,881
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	572,530	525,519
Unrealized investment loss (gain)	46,476	(199,162)
Contribution of non-cash asset	-	(51,400)
Donated property	(103,787)	(80,900)
Loss on assets held for sale	11,400	-
Gain on disposal of property and equipment	(1,602)	(6,852)
Contributions restricted for long-term purposes:		
Capital campaign pledges	(1,697,284)	(1,486,157)
Capital campaign pledges - gifts in-kind	(5,648)	(204,750)
Discount on capital campaign pledges	81,842	142,825
Effects of changes in operating assets and liabilities:		
Accounts receivable - net	149,138	125,303
Prepaid expenses and deposits	23,596	46,321
Inventory	(4,726)	(3,853)
Accounts payable	(10,862)	(96,463)
Accrued liabilities	(22,149)	108,606
Net cash provided by (used in) operating activities	(203,519)	399,918
Cash flows from investing activities:		
Purchase of investments	(234,228)	(93,804)
Proceeds from sale of assets held for sale	40,000	-
Proceeds from maturity or sale of investments	99,745	87,425
Purchase of property and equipment	(219,587)	(310,080)
Cash received from sale of property and equipment	1,734	8,125
Net cash used in investing activities	(312,336)	(308,334)
Cash flows from financing activities:		
Capital campaign collections	892,678	331,800
Proceeds from notes payable	400,000	1,275,000
Payments on capital lease	(14,596)	(13,253)
Payments on bond payable	(124,000)	(130,833)
Payments on notes payable	(204,968)	(129,670)
Payments on mortgages payable	-	(1,035,665)
Net cash provided by financing activities	949,114	297,379
Net changes in cash and cash equivalents	433,259	388,963
Cash and cash equivalents, beginning of year	1,260,710	871,747
Cash and cash equivalents, end of year	$ 1,693,969	$ 1,260,710
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid during the year	$ 45,490	$ 55,521
Assets acquired through accounts payable	$ 86,113	$ 23,148

See accompanying notes to consolidated financial statements.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2011

	Emergency Shelter/YRCII	PRTF	Transitional Living Program	Community Based Services	Youth Crisis Services
Salaries	$ 185,707	$ 3,513,788	$ 410,524	$ 111,215	$ 101,451
Payroll taxes	17,065	318,306	40,274	8,085	9,671
Employee benefits	26,259	384,311	48,186	11,539	10,425
Temporary help	-	5,663	-	-	-
Staff development	17	6,847	175	185	7
Insurance	4,362	62,685	16,018	425	1,649
Utilities and janitorial	5,755	69,527	19,184	147	547
Depreciation	21,459	314,540	100,491	3,090	4,681
Repairs and maintenance	5,175	35,559	5,749	32	109
Rent expense	-	1,200	540	-	-
Communications	2,330	24,643	4,496	1,593	3,132
Professional services	2,635	350,467	8,302	1,156	1,164
Legal services	27	3,137	821	10	28
Accounting services	2,862	41,344	6,506	933	1,216
Consultant	-	19,449	410	2,761	-
Contract services	2,737	4,631	993	12	36
Placement payments	-	-	-	-	-
Equipment repairs	829	13,523	589	132	646
Small equipment	1,144	20,614	5,245	252	149
Travel/vehicle expenses	2,231	11,738	10,678	5,333	4,388
Printing	-	1,809	275	59	-
Supplies	1,216	37,137	3,818	626	206
Postage	44	996	45	89	50
Dues	3,855	3,066	380	65	45
Subscriptions	527	486	121	-	1,100
Advertising	4	1,608	215	2	2
Allowances	368	-	16	-	-
Food	7,062	102,647	26,326	-	-
Meals out	753	674	281	-	-
Other client expenses	1,592	36,715	7,826	5,239	-
Household supplies	805	10,925	2,496	-	-
Medical	23	7,878	107	-	-
Flex-plan	-	170	15,000	605	19,318
Fund raising events	-	-	-	-	-
Bad debt expense	2,186	15,878	3,780	-	-
Investment fees	16	1,863	494	6	17
Interest expense	156	19,385	4,533	126	544
Miscellaneous	456	4,266	1,013	104	66
Total expenses	$ 299,657	$ 5,447,475	$ 745,907	$ 153,821	$ 160,647

See accompanying notes to consolidated financial statements.

Street Outreach Services	Resource Family Services	Chaplaincy Services	Total Program Services	Management and General	Fundraising			Total
					Development	Foundation	Capital Campaign	
$ 111,852	$ 167,985	$ 46,484	$ 4,649,006	$ 646,226	$ 331,979	$ 51,293	$ 125,464	$ 5,803,968
8,999	14,064	3,484	419,948	49,552	27,684	3,356	7,673	508,213
18,153	13,128	8,701	520,702	59,025	41,245	2,798	8,528	632,298
-	-	-	5,663	1,556	-	-	-	7,219
464	4,404	438	12,537	1,592	156	19	92	14,396
2,213	3,784	613	91,749	13,047	3,474	211	447	108,928
809	2,240	848	99,057	17,054	4,791	284	558	121,744
8,504	6,601	6,410	465,776	78,186	21,002	1,288	3,101	569,353
232	215	153	47,224	2,322	572	29	56	50,203
-	-	-	1,740	2,919	-	-	315	4,974
2,337	2,186	880	41,597	6,856	2,936	396	729	52,514
1,434	2,936	502	368,596	15,575	9,844	2,415	261	396,691
41	612	36	4,712	17,498	453	-	229	22,892
1,172	1,571	379	55,983	8,343	2,802	1,165	195	68,488
54	135	18	22,827	12,312	12,738	6	33,035	80,918
48	766	44	9,267	3,295	543	33	63	13,201
-	311,633	-	311,633	-	-	-	-	311,633
94	3,767	11	19,591	3,134	5,983	18	373	29,099
117	119	1,039	28,679	9,459	352	7	13	38,510
7,491	3,932	802	46,593	9,618	7,477	694	3,961	68,343
331	102	21	2,597	1,628	5,136	8	706	10,075
508	2,111	1,185	46,807	11,490	7,242	104	327	65,970
8	574	3	1,809	1,981	3,971	15	241	8,017
77	210	25	7,723	990	3,175	13	40	11,941
1,850	-	147	4,231	915	74	27	87	5,334
1,895	698	1	4,425	1,306	24,198	-	177	30,106
-	-	-	384	-	-	-	-	384
458	452	10	136,955	377	2,456	-	-	139,788
-	-	-	1,708	-	-	-	-	1,708
1,407	13,701	-	66,480	270	247	-	-	66,997
-	-	-	14,226	124	-	-	-	14,350
23	-	-	8,031	177	-	-	-	8,208
307	9,322	-	44,722	-	-	-	-	44,722
1,800	25	-	1,825	122	94,756	-	-	96,703
-	(3,868)	-	17,976	-	2,950	-	4,700	25,626
24	343	22	2,785	15,599	6,977	21,136	33	46,530
266	3,367	198	28,575	13,505	2,873	198	537	45,688
205	771	116	6,997	2,282	758	28	3,116	13,181
$ 173,173	$ 567,886	$ 72,570	$ 7,621,136	$ 1,008,335	$ 628,844	$ 85,541	$ 195,057	$ 9,538,913

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2010

	Emergency Shelter/YRCII	PRTF	Transitional Living Program	Community Based Services	Youth Crisis Services
Salaries	$ 235,212	$ 3,403,259	$ 516,664	$ 110,800	$ 124,751
Payroll taxes	22,800	298,444	45,974	9,480	10,866
Employee benefits	35,623	276,712	52,440	9,852	10,156
Temporary help	(141)	50,760	-	16,013	-
Staff development	671	6,510	568	66	721
Insurance	8,070	52,378	15,526	930	2,686
Utilities and janitorial	9,136	70,771	21,853	351	802
Depreciation	35,337	261,699	98,859	2,976	8,204
Repairs and maintenance	916	34,115	14,241	39	137
Rent expense	-	3,600	45	-	-
Communications	4,560	24,714	6,129	2,109	3,425
Professional services	2,721	189,446	6,281	725	909
Legal services	208	4,785	1,346	22	61
Accounting services	4,734	36,607	8,116	1,320	1,452
Consultant	38	8,937	66	1,675	11
Contract services	2,690	3,622	905	27	46
Placement payments	-	-	-	-	-
Equipment repairs	1,908	15,848	2,795	196	505
Small equipment	1,418	39,614	3,115	59	102
Travel/vehicle expenses	5,902	16,007	13,370	7,573	6,467
Printing	3	20	5	1	1
Supplies	2,718	43,098	4,518	265	708
Postage	56	1,403	29	57	31
Dues	7,507	51	12	100	-
Subscriptions	762	438	92	-	-
Advertising	1,280	5,041	1,390	-	618
Allowances	296	2,871	-	-	-
Food	13,864	102,331	33,340	-	-
Meals out	956	2,027	252	-	-
Other client expenses	5,397	41,613	21,434	4,463	379
Household supplies	1,432	17,278	3,245	-	-
Medical	258	8,863	552	-	-
Flex-plan	-	60	-	9,116	10,325
Fund raising events	-	-	-	-	-
Bad debt expense	460	6,463	-	-	-
Investment fees	89	1,624	477	9	21
Interest expense	2,028	22,652	6,304	230	601
Miscellaneous	73	4,454	932	248	317
Total expenses	$ 408,982	$ 5,058,115	$ 880,875	$ 178,702	$ 184,302

See accompanying notes to consolidated financial statements.

Street Outreach Services	Resource Family Services	Chaplaincy Services	Total Program Services	Management and General	Fundraising			Total
					Development	Foundation	Capital Campaign	
$ 61,673	$ 153,736	$ 50,447	$ 4,656,542	$ 603,731	$ 383,188	$ 43,641	$ 84,262	$ 5,771,364
5,431	13,543	3,575	410,113	46,405	31,404	2,994	4,859	495,775
7,217	10,126	8,377	410,503	45,274	31,454	1,839	3,685	492,755
-	-	-	66,632	2,615	-	-	-	69,247
136	1,405	558	10,635	2,501	132	-	-	13,268
844	3,296	635	84,365	13,920	3,575	141	299	102,300
774	1,912	980	106,579	18,350	4,475	222	379	130,005
3,575	5,998	6,213	422,861	78,127	18,138	872	2,303	522,301
128	221	263	50,060	3,110	899	42	72	54,183
-	-	-	3,645	3,129	1,200	-	165	8,139
2,324	2,007	893	46,161	8,170	3,021	297	400	58,049
614	2,679	412	203,787	21,690	15,709	54	74	241,314
56	815	62	7,355	19,491	629	-	75	27,550
735	1,539	579	55,082	4,426	2,759	987	75	63,329
6	545	555	11,833	48,423	22	1	36,178	96,457
35	1,688	44	9,057	2,467	573	30	51	12,178
-	253,159	-	253,159	-	-	-	-	253,159
272	375	154	22,053	5,358	6,218	31	377	34,037
1,465	2,705	490	48,968	21,768	2,167	65	317	73,285
3,367	3,264	282	56,232	11,513	9,313	465	2,157	79,680
-	1	-	31	1,084	5,710	-	609	7,434
177	1,314	3,702	56,500	17,678	5,534	59	491	80,262
3	550	2	2,131	3,486	4,571	9	157	10,354
395	-	-	8,065	526	2,465	-	-	11,056
1,125	-	1	2,418	347	75	14	80	2,934
1,194	915	575	11,013	1,920	8,702	1,000	425	23,060
-	-	-	3,167	-	-	-	-	3,167
14	90	60	149,699	448	943	-	-	151,090
-	-	8	3,243	-	-	-	-	3,243
762	17,480	8	91,536	-	155	-	-	91,691
-	-	-	21,955	371	-	-	-	22,326
111	-	-	9,784	-	-	-	-	9,784
60	1,141	-	20,702	-	-	-	-	20,702
-	-	34	34	316	74,554	-	-	74,904
-	-	-	6,923	-	7,675	-	7,550	22,148
19	248	22	2,509	11,316	5,738	13,377	57	32,997
383	3,867	285	36,350	16,003	2,659	157	509	55,678
138	866	93	7,121	4,057	557	8	9	11,752
$ 93,033	$ 485,485	$ 79,309	$ 7,368,803	$ 1,018,020	$ 634,214	$ 66,305	$ 145,615	$ 9,232,957

1 - Organization and Summary of Significant Accounting Policies

Organization

TLC for Children and Families, Inc. was formed in 1970 as a not-for-profit 501(c)(3) organization in the state of Kansas. Its mission is to provide opportunities that encourage positive growth and change for children, youth, and families while ensuring a safe environment. In July of 2011, TLC for Children and Families, Inc. changed its name to KidsTLC, Inc. (TLC).

TLC Charities Foundation (Foundation) was formed in 2003 to encourage private philanthropy to further the vision, values and goals of TLC. Planned gifts to TLC Charities Foundation enable TLC to continue its long tradition of providing social services to children and youth who are facing abuse, neglect or family disruption.

Principles of Consolidation

The consolidated financial statements include the accounts of TLC and the Foundation. All significant intercompany transactions and accounts have been eliminated. TLC has a controlling interest in the Foundation through board membership.

Program Services

Emergency Shelter/Youth Residential Center II:

TLC's Emergency Shelter/Youth Residential Center II facility provided emergency and temporary shelter, residential care and social services to adolescents, ages 11 – 18. These services strived to enhance each youth's ability to achieve a higher level of functioning while avoiding future placement in a more highly structured treatment facility. Youth Residential Center II services were discontinued as of June 30, 2010. Emergency Shelter services were discontinued as of September 30, 2011.

Psychiatric Residential Treatment Facility:

TLC provides behavior management and residential and therapeutic treatment services, which include individual and family counseling, educational and vocational training, life skills, mentoring, and organized recreation to youth ages 6 to 18. On June 15, 2010, TLC added a Psychiatric Residential Treatment program (Phoenix) for youth with more acute issues needing more intensive treatment and supervision.

1 - Organization and Summary of Significant Accounting Policies (Continued)

Program Services (Continued)

Transitional Living Program:

TLC's Transitional Living Program was designed to empower youth to achieve self-sufficiency while providing safe and supportive housing, basic needs, independent living skills, and comprehensive services in a supervised setting. This program was discontinued as of December 30, 2011 due to loss of funding.

Community Based Services:

The Community Based Services Programs are for youth and families who are referred by the Johnson County District Attorney's Office, schools, or law enforcement officials. In July of 2010, the truancy portion of this program was discontinued. The family case management program is designed for families experiencing co-occurring domestic violence/child in need of care issues. This program allows clients the opportunity to set goals and build on strengths they already possess in order to make positive changes in their lives with the objective of preventing further involvement in the child welfare system.

Youth Crisis Services:

TLC provided 24-hour crisis intervention/mediation, emergency shelter, resource referral and follow-up to youth who had run away, were experiencing family conflict, or were otherwise homeless. This program was discontinued September 30, 2011.

Street Outreach Services:

The Street Outreach Services Program takes essential services to the streets of Johnson County, Kansas and Jackson County, Missouri by providing food, personal hygiene supplies, educational materials, emergency shelter, situational counseling, crisis intervention, and referrals to youth who have run away, been forced out of their homes or are otherwise homeless. This program is aimed at moving these youth from the dangerous streets into a safe, stable environment.

1 - Organization and Summary of Significant Accounting Policies (Continued)

Program Services (Continued)

Resource Family Services:

TLC's Resource Family Services Program provides safe, quality foster care to children ages infant through 17 years when they cannot remain in their homes because of abuse, neglect or family disruption.

Chaplaincy Services:

TLC's Chaplaincy Program is available to clients and staff who seek spiritual guidance. The Chaplaincy Program provides youth group activities and assists youth who need transportation and/or supervision in order to attend church services at their chosen faith based organization.

Basis of Presentation

Financial statement presentation follows the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. Under this topic TLC and the Foundation are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted

Unrestricted net assets include all net assets which are neither temporarily nor permanently restricted. Unrestricted net assets include board designated funds that are not restricted by the donor.

Temporarily Restricted

Temporarily restricted net assets include contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

1 - Organization and Summary of Significant Accounting Policies (Continued)

Permanently Restricted

Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Restricted Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support and increase those net asset classes. When a donor restriction expires, that is, when a time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of time and purpose restrictions.

Cash and Cash Equivalents

TLC and the Foundation consider all investments purchased with original maturities of three months or less to be cash equivalents.

Investments

TLC and the Foundation's investments are reported at 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. Unrealized and realized gains and losses on investments are reported as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets based upon donor imposed restrictions. Investment income is reported in the statement of activities as unrestricted or temporarily restricted revenue based upon donor and board imposed restrictions.

1 - Organization and Summary of Significant Accounting Policies (Continued)

Gifts-In-Kind

Donated property and equipment is recorded at fair value as of the date of donation. Fair value is estimated based on quoted market prices for similar materials.

TLC recognizes donated services which create or enhance non-financial 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. The value of contributed time not meeting the criteria outlined above is not reflected in these statements. Unpaid volunteers have made significant contributions of their time to TLC's program activities that have not, accordingly, been valued.

Donated merchandise consists of food, clothing, household items, medical supplies, and miscellaneous items used in the operation of TLC's programs. All such gifts are recorded at their estimated fair value at the date of donation.

Inventories

Inventory consists of gift cards, donated clothing and other miscellaneous donated goods. The inventory is valued at its estimated fair value at the date of donation.

Grant/Contract Revenue Recognition

Revenue is recognized when grant or contract funds are expended according to the contract terms. Cash received under grants or contracts, but not yet expended, is classified as unearned revenue.

Accounts Receivable – Grants and Contracts

These receivables are for allowed grant and contract expenditures that have been incurred by TLC and generally require payment within thirty days from the invoice date. Accounts receivable are stated at the invoice amount.

1 - Organization and Summary of Significant Accounting Policies (Continued)

Accounts Receivable – Grants and Contracts (Continued)

Account balances with invoices over 30 days old are considered delinquent. Payments of accounts receivable are applied to the specific grants and contracts. Because these receivables are generally for services funded by government entities, generally no portions thereof are deemed to be uncollectible or to require excessive collections cost and therefore no valuation allowance is required. Finance charges are not assessed on past due balances.

TLC has accounts receivable for services provided under its Psychiatric Residential Treatment Facility (PRTF), which require payment first by third party liability insurance carriers or parents/guardians, then by Medicaid. TLC has established an allowance for doubtful receivables based upon an estimate of TLC's ability to collect on certain receivables, for which claims processing issues have arisen, and payment has been inordinately delayed.

Pledges Receivable

Annual campaign contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Pledges are considered to be temporarily restricted until received.

In 2008, TLC concluded a capital campaign (Bringing Our Children Home) for the specific purpose of renovation of an existing residential treatment center, constructing a new dining hall and commons, constructing a new residential treatment center, increasing the administrative center, program services, paying for the related fundraising professional services, and development of an endowment fund for future operations. Funds raised under this campaign are generally considered to be temporarily restricted. Certain unrestricted contributions have been designated by the board to be used for the purposes of the capital campaign. Campaign pledges extend into the year 2011.

1 - Organization and Summary of Significant Accounting Policies (Continued)

Pledges Receivable (Continued)

In 2010, TLC launched a new capital campaign (Bringing Our Children Home: Continuing Our Journey) for the purpose of acquiring and developing property to provide an array of new services, specifically the establishment of the Children and Families Institute to provide autism services and outpatient counseling, a wellness center, outside exercise area, maintenance building, program services, paying for the related fundraising professional services, and development of an endowment fund for future operations. Funds raised under this campaign are generally considered to be temporarily restricted. Certain unrestricted contributions have been designated by the board to be used for the purposes of the capital campaign. Campaign pledges extend into the year 2016.

An allowance for uncollectible pledges is provided based upon management's evaluation of potential uncollectible pledges receivable at year end. Management's estimate is based on an overall assessment of outstanding receivables and risk, given the characteristics of the donor base, and specific evaluation of all past due pledges receivable.

Pledges receivable, to be received after one year, are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions.

Impairment of Long-Lived Assets

TLC reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

1 - Organization and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment generally with a cost greater than $ 1,500 and life of greater than one year are capitalized at cost and are depreciated on the straight-line basis over the estimated useful lives of the assets as follows:

Building and improvements	25-40 years
Office furniture and fixtures	5-7 years
Equipment	3-5 years
Automotive equipment	3-5 years

Donated property and equipment are recorded at fair value at the time of donation. The assets acquired by use of grant funds issued by certain government agencies contain a reversionary interest to those agencies. The net balance of such assets totals $ 665,917 and $ 692,737 at December 31, 2011 and 2010, respectively.

All long-lived assets either constructed or acquired through funds contributed to the capital campaign are uniformly considered subject to a time restriction that will expire ratably over the useful lives of those assets. Similarly, all long-lived assets either constructed or acquired through funds designated by the Board of Directors as being for fulfillment of the funding requirements of the capital campaign are also uniformly considered subject to a time restriction that will expire ratably over the useful lives of those assets.

Income Tax Matters

TLC and the Foundation are exempt from income taxes under section 501(c)(3) of the U.S. Internal Revenue code and have been determined not to qualify as private foundations.

TLC and the Foundation's policy is to evaluate uncertain tax positions annually. Management evaluated the tax positions and concluded that TLC and the Foundation have taken no uncertain tax positions that require adjustment to the financial statements.

Forms 990 and 990T filed by TLC and the Foundation are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990T filed by TLC and the Foundation are no longer subject to examination for the fiscal years ended December 31, 2007 and prior.

1 - Organization and Summary of Significant Accounting Policies (Continued)

Functional Expenses

Many of the costs of providing the various programs and activities of TLC are shared to provide optimum operating efficiency. Accordingly, certain costs have been allocated among the programs and supporting services benefited, according to management's best estimate of the effort or cost expended.

Use of Estimates in Preparing Financial Statements

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Significant estimates incorporated into TLC's financial statements include the timing and collectibility of grants, contracts and pledges receivable, the donation value of gifts-in-kind and the resulting carrying value of donated inventories, the estimated useful lives of depreciable assets, and allocations for the functional allocation reports. Actual results could differ from those estimates.

Risks and Uncertainties

TLC and the Foundation maintain a significant portion of their total assets in a combination of stocks, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect investments and the amounts reported in the statement of financial position. TLC and the Foundation have investment policies. Compliance with those policies is monitored by their respective Boards.

2 - Deposits

At December 31, 2011 the carrying amount of TLC's and the Foundation's deposits was $ 1,693,969 and the bank balances were $ 1,770,604. Of the bank balances, $ 784,670 was covered by federal depository insurance. The remaining $ 985,934 was unsecured.

3 - Grants and Contracts Receivable

	2011	2010
Total grants and contracts receivable, short term	$ 586,663	$ 732,497
Less: allowance for doubtful accounts	20,000	20,000
Grants and contracts receivable, short term	$ 566,663	$ 712,497

4 - Pledges Receivable

Pledges receivable contains the following components:

	2011	2010
Total pledges receivable	$ 2,247,359	$ 1,467,006
Less: unamortized discount	99,632	87,341
Less: allowance for doubtful accounts	106,837	67,193
Net pledges receivable	2,040,890	1,312,472
Less: current portion	1,295,594	469,735
Pledges receivable, long-term	$ 745,296	$ 842,737

4 - Pledges Receivable (Continued)

Total pledges receivable are aged as follows:

	2011	2010
2011	$ -	$ 489,029
2012	1,357,961	658,390
2013	436,237	128,610
2014	273,702	120,942
2015	157,835	50,035
2016	21,624	20,000
Total	$ 2,247,359	$ 1,467,006

Interest was imputed at a rate of 4 % for 2011 in discounting long-term general pledges to give.

The Foundation has been notified that it is designated as a beneficiary of various revocable trusts. The present value of trust amounts are recognized as income and reflected as receivables when they become irrevocable and the amounts are determined.

5 - Conditional Promises to Give

In July 2011, TLC received a conditional promise to give of $ 500,000 toward its capital campaign. The conditions of this pledge require that TLC raise the remaining balance of its capital campaign by July 13, 2012 and that TLC's tax exempt status is still in full force and effect at the time of payment by the donor.

6 - Investments

Investments are stated at their fair market values. The change in unrealized gains and losses is included in the statement of activities. A majority of these investments are managed by the trust department of a bank. Stocks are generally held by an investment broker. The components of these investments, by type of investment, consist of the following:

	December 31, 2011		December 31, 2010	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds - Bonds	$ 2,539,548	$ 2,559,167	$ 2,474,019	$ 2,575,120
Mutual Funds - Equities	974,030	905,070	674,061	802,735
Stocks	-	-	1,012	577
Total	$ 3,513,578	$ 3,464,237	$ 3,149,092	$ 3,378,432

Investment returns related to these investments and cash and cash equivalents for the years ended December 31, 2011 and 2010 consist of the following:

	2011	2010
Investment income	$ 138,406	$ 127,922
Net realized gains	38,159	790
Net unrealized gains (losses)	(45,868)	197,236
Total investment return	$ 130,697	$ 325,948

7 - Beneficial Interest in Community Foundation

During 2004, TLC contributed funds to the Greater Kansas City Community Foundation (GKCCF). At December 31, 2011 the Foundation has a beneficiary interest in $ 118,521 of the assets held by GKCCF, of which $ 112,720 was held in fixed income and equity mutual funds. Except for $ 25,497 of permanently restricted funds, the invested funds may be distributed to the Foundation, upon request, for approved uses.

7 - Beneficial Interest in Community Foundation (Continued)

The totals of these investments, by type of investment, consist of the following:

	December 31, 2011		December 31, 2010	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds - Fixed Income	$ 37,788	$ 89,282	$ 39,774	$ 85,888
Mutual Funds - Equities	97,713	23,438	92,916	24,630
Total	$ 135,501	$ 112,720	$ 132,690	$ 110,518

Investment returns credited to the Foundation's beneficiary interest include the following:

	2011	2010
Investment income	$ 3,597	$ 3,275
Net realized gains	521	4,588
Net unrealized gains (losses)	(608)	1,926
Total investment return	$ 3,510	$ 9,789

8 - Fair Value Measurements

The disclosure provisions of the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 820) establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

8 - Fair Value Measurements (Continued)

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 below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2011 and 2010.

Mutual funds: based on quoted market prices for those or similar investments.

Stocks: based on quoted market prices for those or similar investments.

Pooled shares: the fair value is based on quoted market prices or at estimated fair value as reported by the fund manager. The fair value of the Foundation's position is the same as the pool value of the shares as reported by the fund manager.

Assets held for sale: based on the appraised value of the asset at the time of donation.

8 - Fair Value Measurements (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although TLC and the Foundation believe 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.

Fair values of assets measured on a recurring basis at December 31, 2011 are as follows:

		Fair Value Measurements at Reporting Date		
Description	Fair Value	Level 1	Level 2	Level 3
Mutual Funds:				
Fixed income	$ 2,559,167	$ 2,559,167	$ -	$ -
Equities:				
Large growth	403,497	403,497	-	-
Growth	45,028	45,028	-	-
Large value	406,665	406,665	-	-
Small cap value	49,880	49,880	-	-
Pooled shares	112,720	-	-	112,720
Total	$ 3,576,957	$ 3,464,237	$ -	$ 112,720

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Investments Held in Trust at Greater Kansas City Community Foundation	
January 1, 2011	$ 110,518
Contributions	-
Realized and unrealized gains and losses and interest and dividends	3,510
Disbursements	(124)
Administration fees	(1,184)
December 31, 2011	$ 112,720

8 - Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at December 31, 2010 are as follows:

Description	Fair Value	Fair Value Measurements at Reporting Date		
		Level 1	Level 2	Level 3
Mutual Funds:				
Fixed income	$ 2,575,120	$ 2,575,120	$ -	$ -
Equities:				
U.S. large cap	480,753	480,753	-	-
U.S. mid cap	85,387	85,387	-	-
U.S. small cap	71,541	71,541	-	-
International developed	165,054	165,054	-	-
Stocks	577	577	-	-
Pooled shares	110,518	-	-	110,518
Total	$ 3,488,950	$ 3,378,432	$ -	$ 110,518

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Investments Held in Trust at Greater Kansas City Community Foundation	
January 1, 2010	$ 102,204
Contributions	-
Realized and unrealized gains and losses and interest and dividends	9,789
Disbursements	(358)
Administration fees	(1,117)
December 31, 2010	$ 110,518

There were no transfers between the levels during the year. TLC and the Foundation's policy is to only recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the fair value inputs are not recognized.

The asset held for sale, which consisted of a house with a fair value of $ 51,400, was measured at fair value on a non-recurring basis using significant other observable inputs (Level 2).

9 - Assets Held For Sale

During 2010, TLC received a gift-in-kind of residential property with a fair market value of $ 51,400 which was recorded as an asset held for sale. The donor requested that the property be sold with the proceeds to benefit the capital campaign that started in 2010. This asset was sold in June of 2011.

10 - Notes Payable and Line-of-Credit

During 2009, TLC entered into a 60 month note payable with a commercial bank to finance the purchase of a vehicle. The note requires monthly payments of $ 483. The interest rate is 5.9%. The note principal balance as of December 31, 2011 and 2010 was $ 11,327 and $ 16,284, respectively. Future minimum payments are $ 5,797 for each of the remaining years 2012 – 2013, and $ 483 for year 2014, with total future payments of $ 12,077, of which $ 750 represents interest values.

TLC had a revolving line-of-credit in the amount of $ 600,000, which was retired on March 1, 2010 with the issuance of Industrial Revenue Bonds. A new revolving line-of-credit was put in place with an investment company on July 6, 2011 with a maximum available limit of $ 746,700. The line-of-credit has no maturity date; however, the investment company can call for the payment of the line-of-credit upon certain conditions. The line is collateralized by investments held with the investment company. As of December 31, 2011, the outstanding amount borrowed was $ 199,990. The variable interest rate at December 31, 2011 was 2.669%.

11 - Bonds Payable

Effective March 1, 2010, the City of Olathe, KS issued its Industrial Revenue Bonds, Series 2010 (KidsTLC, Inc.), in an aggregate principal amount of $ 1,275,000, for the purpose of acquiring, purchasing, constructing, furnishing and equipping a project on TLC's campus, primarily consisting of an administration building and dormitories, and for paying certain costs associated with the issuance of the bonds. The City of Olathe simultaneously entered into a net lease agreement with TLC in consideration of rentals which will be sufficient to pay the principal of and interest on the bonds. Lease payments are the sum of principal payments of $ 7,083 monthly for 15 years plus accrued interest on the outstanding balance at an annual interest rate of 3.75%. The interest rate will vary every three years based on the Treasury 3 year Swap Rate Index and the applicable spread which may vary based upon credit worthiness. The bonds are collateralized by TLC's main campus property.

11 - Bonds Payable (Continued)

Future minimum payments for each of the remaining years and in aggregate are as follows:

	Principal	Interest	Total
2012	$ 85,000	$ 37,223	$ 122,223
2013	85,000	33,992	118,992
2014	85,000	30,760	115,760
2015	85,000	27,528	112,528
2016	85,000	24,296	109,296
Thereafter	595,167	79,584	674,751
	$ 1,020,167	$ 233,383	$ 1,253,550

12 - Capital Leases

On October 29, 2007, TLC entered into a 60-month capital lease for 2 copiers and a fax board requiring lease payments of $ 860 monthly. Interest has been imputed at a rate of 9.37% annually. On December 9, 2009, TLC entered into a 60-month capital lease for an additional copier requiring lease payments of $ 667 monthly. A prior lease was cancelled and the copiers were in effect "traded in" in conjunction with the new lease agreement. Interest has been imputed at a rate of 10.2% annually. Future minimum lease payments under capital leases for each of the remaining years and in aggregate are:

2012	$ 17,472
2013	8,010
2014	8,010
	33,492
Less: amount representing interest values	3,845
Total	$ 29,647

12 - Capital Leases (Continued)

At December 31, 2011 and 2010, respectively, the carrying value of the property and equipment being leased was $ 22,998 and $ 36,517. The depreciation charges to 2011 and 2010 operations were $ 13,519 each year.

13 - Board Designated Funds

The Board of Directors has designated certain funds as endowment funds as a means of future support for TLC programs. Certain other reserves have been established by the Board as operating or program reserves. These endowment and operating reserve funds are managed by the trust department of a bank and consist of a portion of the investments described in Note 6, plus money market funds included in the category of cash and cash equivalents on the consolidated statement of financial position. Absent some other annual direction by the Board of Directors, earnings on these endowment and operating reserve funds are added to the endowment or operating reserve respectively.

In prior years unrestricted funds from an anonymous contributor were designated to be used for the fulfillment of the funding requirements of a capital campaign, along with associated earnings on the assets. At December 31, 2011, the value of these assets consisted of the net book value of the property and equipment acquired with these funds.

In 2007 and 2008, TLC sold community homes received from Keys Youth Services, Inc. and Optimist Youth Homes, Inc., and earmarked the proceeds of the sales to acquire property for future expansion. In 2008, the Board released $ 16,970 of these assets to upgrade the security system in the Mabee Administration Building and designated another portion of the assets as an additional operating reserve, invested in interest bearing cash equivalents. The Board designated the remainder of the assets to be used to fulfill funding requirements of TLC's Bringing Our Children Home: Continuing Our Journey Capital Campaign. The Bringing Our Children Home: Continuing Our Journey Capital Campaign assets have been largely used toward the acquisition of property adjacent to TLC's campus; the remainder is invested in interest bearing cash equivalents. Interest earnings on both the additional operating reserve and the cash equivalents designated for the Bringing Our Children Home: Continuing Our Journey Capital Campaign remain unrestricted in accordance with the Board's original instructions.

13 - Board Designated Funds (Continued)

The amounts of these board designated net assets are as follows:

	2011	2010
Endowment reserve	$ 460,193	$ 461,618
Operating reserve	648,542	629,522
Program reserve	586,895	571,197
Capital Campaign assets	2,323,147	2,432,182
Operating reserve - established in 2008	365,178	365,179
Bringing Our Children Home: Continuing Our Journey Capital Campaign	168,622	168,622
Total	$ 4,552,577	$ 4,628,320

14 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2011	2010
Capital Campaign	$ 6,194,416	$ 6,430,240
Bringing Our Children Home: Continuing Our Journey Capital Campaign	3,273,817	1,694,432
Designated contributions	260,913	206,541
Beneficial interest in Community Foundation	93,024	90,699
Chaplaincy endowment	28,730	30,557
Annual Fund-time restricted	3,000	1,250
Total	$ 9,853,900	$ 8,453,719

At December 31, 2011 and December 31, 2010, the value of the Capital Campaign assets consisted of the net book value of the property and equipment acquired with these funds.

14 - Temporarily Restricted Net Assets (Continued)

The portion of perpetual endowment funds subject to a time restriction under the State Prudent Management of Institutional Funds Act (SPMIFA), included above:

	2011	2010
Beneficial interest in Community Foundation	$ 9,961	$ 9,321

15 - Permanently Restricted Net Assets

Permanently restricted net assets are for endowments which must be invested in perpetuity, the income from which is expendable to support programs. The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA:

	2011	2010
Chaplaincy endowment	$ 546,919	$ 546,919
Beneficial interest in Community Foundation	25,497	25,497
Other endowment funds	4,738	4,738
Total	$ 577,154	$ 577,154

16 - Endowment

TLC and the Foundation's endowments consist of multiple funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the Boards to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Boards to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

16 - Endowment (Continued)

Interpretation of Relevant Law

The Management of TLC and the Foundation have interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, TLC and the Foundation classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

16 - Endowment (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 38,690	$ 577,154	$ 615,844
Board-designated endowment funds	460,193	-	-	460,193
Total funds	$ 460,193	$ 38,690	$ 577,154	$ 1,076,037

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 461,618	$ 39,878	$ 577,154	$ 1,078,650
Investment return:				
Investment income	12,852	20,433	-	33,285
Net appreciation (depreciation) (realized and unrealized)	58,563	(21,621)	-	36,942
Total investment return	71,415	(1,188)	-	70,227
Appropriation of endowment assets for expenditure	(72,840)	-	-	(72,840)
Endowment net assets, end of year	$ 460,193	$ 38,690	$ 577,154	$ 1,076,037

Endowment Net Asset Composition by Type of Fund as of December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 39,878	$ 577,154	$ 617,032
Board-designated endowment funds	461,618	-	-	461,618
Total funds	$ 461,618	$ 39,878	$ 577,154	$ 1,078,650

16 - Endowment (Continued)

Change in Endowment Net Assets for the Fiscal Year Ended December 31, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 462,752	$ 6,936	$ 577,154	$ 1,046,842
Investment return:				
Investment income	31,937	593	-	32,530
Net appreciation (depreciation) (realized and unrealized)	29,936	32,349	-	62,285
Total investment return	61,873	32,942	-	94,815
Appropriation of endowment assets for expenditure	(63,007)	-	-	(63,007)
Endowment net assets, end of year	$ 461,618	$ 39,878	$ 577,154	$ 1,078,650

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires TLC and the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature for the years ended December 31, 2011 and December 31, 2010.

16 - Endowment (Continued)

Return Objectives and Risk Parameters

TLC and the Foundation have adopted investment policies for certain endowment assets, managed by the trust department of a bank, that attempt to provide a predictable stream of funding to programs supported by the endowments while seeking to maintain the purchasing power of the endowment assets. These endowment assets include those assets of donor-restricted funds that TLC and the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under these policies, as approved by their Boards, these endowment assets are invested in a manner that is intended to provide diversification among classes of investments and management strategies in a prudent approach and measured against an appropriate comparative benchmark. These assets total $ 1,035,842 as of December 31, 2011 and $ 1,039,094 as of December 31, 2010.

Additionally, the Foundation has donor-restricted endowment assets of $ 35,458 invested with the Greater Kansas City Community Foundation and $ 4,738 invested in another interest bearing account as of December 31, 2011. These assets were $ 34,818 and $ 4,738, respectively, as of December 31, 2010.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, TLC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). During 2010, the Board of Directors revised their asset allocation policies with optimum Equity/Fixed Investment allocations of 20% and 80%, respectively, for the assets managed by the trust department of a bank.

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). During 2010, the Board of Trustees revised their asset allocation policies with optimum Equity/Fixed Investment allocations of 20% and 80%, respectively, for the assets managed by the trust department of a bank. During 2011, the Board of Trustees revised their asset allocation policies with optimum Equity/Fixed Investment allocations of 27% and 73%, respectively, for the assets managed by the trust department of a bank.

16 - Endowment (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

TLC and the Foundation have formal spending policies which were officially approved by their Boards on March 31, 2010. No appropriations have been made from its donor-restricted endowment assets, managed by the trust department of a bank, as of December 31, 2011. The policies limit distributions each year up to 5% of the aggregate market value of the portfolio for the 5 years average balance as of December 31 of the previous year. In establishing these policies, the long-term expected return on the endowments was considered. Accordingly, over the long term, TLC and the Foundation expect such spending strategies to allow their endowments to grow. This is consistent with the organizations' objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Distributions from the Foundation's board-restricted endowment fund, also managed by the trust department of a bank, are made to cover operating expenses of the Foundation and require board approval.

Distributions from the earnings on the Foundation's endowment assets invested with the Greater Kansas City Community Foundation are allowed, upon request, for approved uses.

17 - Retirement Plan

TLC provides a 401(k) plan, under which all employees who have attained the age of 21 and have completed thirty days of service are eligible to participate. Eligible employees may elect to defer up to 20 percent of their wages, subject to statutory limitations. TLC matches 100 percent of employee contributions up to 3 percent of employee wages and 50% of contributions over 3% up to 5% of employee wages. In 2010 the Board of Directors of TLC suspended the company match from March 7, 2010 through July 11, 2010 as a cost saving measure. The employer contribution expense totaled $ 127,518 in 2011 and $ 63,736 in 2010.

18 - Allocation of Joint Costs

TLC conducts activities that are directly related to requests for contributions, including: direct mail campaigns; special events; and miscellaneous fundraising appeals. These costs are considered to be specifically for fundraising and the audience to be the donor. TLC also conducts activities which incur joint costs not specifically related to any one component of its activities. These costs have been specifically identified by function and the portion deemed to relate to fundraising has been presented in the Statement of Functional Expense as fundraising. Total joint costs were $ 965,515 of which $ 796,677 was for program and administration and $ 168,838 was for fund raising for the year ending December 31, 2011. Total joint costs were $ 993,163 of which $ 835,611 was for program and administration and $ 157,552 was for fund raising for the year ending December 31, 2010.

19 - Commitments and Contingencies

TLC receives a substantial amount of its support from governmental programs, grants and contracts, and is economically dependent upon these revenues to fund its operations. A significant reduction in the level of these governmental revenues would have a corresponding detrimental effect on TLC's programs and activities.

As of December 31, 2011, TLC was in the process of executing a commitment for construction on a storage and mechanical building of approximately $ 500,000. As of December 31, 2011, no payments had been paid on this commitment.

20 - Subsequent Events

TLC and the Foundation have evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

KidsTLC, INC. AND ITS SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title/Project Title	Federal CFDA Number	Program Award	Expenditures
U.S. Department of Health and Human Services:			
Direct program:			
Basic Center Grant - 2011	93.623	$ 159,778	$ 124,703
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth - 2010	93.557	100,000	85,871
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth - 2011	93.557	100,000	23,532
Transitional Living Program	93.647	200,000	200,000
Passed through Children's Alliance of Kansas:			
Affordable Care Act (ACA) Abstinence Education Program - 2011	93.235	10,789	6,150
Affordable Care Act (ACA) Abstinence Education Program - 2012	93.235	6,096	3,475
Total U.S. Department of Health and Human Services			443,731
U.S. Department of Agriculture:			
Passed through State of Kansas Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	26,196	26,196
National School Lunch Program	10.555	52,712	52,712
Total U.S. Department of Agriculture			78,908
Total federal expenditures			$ 522,639

See notes to schedule of expenditures of federal awards.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2011

1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal programs of TLC. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

3 - Difference in Presentation of Property and Equipment

The accompanying schedule of expenditures of federal awards presents property and equipment acquisitions as expenditures under the definition of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations.* The financial statements present property and equipment acquisitions as assets in accordance with accounting principles generally accepted in the United States of America.

4 - Relationship to Financial Statements

Federal awards received are included in TLC's financial statements as grants on the consolidated statement of activities and changes in net assets except for National School Lunch and Breakfast program reimbursements which are included as other revenue.

KidsTLC, INC. AND ITS SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted:	None

Federal Awards

Type of auditors' report issued on compliance:	Unqualified
Internal control over major programs:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133:	None

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.623	Basic Center Grant
93.647	Transitional Living Program

Dollar threshold used to distinguish between Between Type A and Type B programs:	$ 300,000
Auditee qualified as a low-risk auditee:	No

KidsTLC, INC. AND ITS SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II - Financial Statement Findings

None

Section III - Findings and Questioned Costs for Federal Awards

None

KidsTLC, INC. AND ITS SUBSIDIARY

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2011

None.

BT&Co.
BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

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*

BERBERICH TRAHAN & CO., P.A. 3630 SW Burlingame Rd., Topeka, KS 66611-2050 t 785.234.3427 toll-free 800.530.5526 f 785.233.1768 btandccpa.com

Board of Directors
KidsTLC, Inc. and its subsidiary
Olathe, Kansas

We have audited the consolidated financial statements of KidsTLC, Inc. and its subsidiary as of and for the year ended December 31, 2011, and have issued our report thereon dated April 20, 2012. 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.

Internal Control Over Financial Reporting

Management of KidsTLC, Inc. and its subsidiary is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered KidsTLC, Inc. and its subsidiary's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KidsTLC, Inc. and its subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of KidsTLC, Inc. and its subsidiary's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether KidsTLC, Inc. and it subsidiary'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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berberich Trahan & Co., P.A.

April 20, 2012

BT&Co.
BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

BERBERICH TRAHAN & CO., P.A. 3630 SW Burlingame Rd., Topeka, KS 66611-2050 t 785.234.3427 toll-free 800.530.5526 f 785.233.1768 btandcopa.

The Board of Directors
KidsTLC, Inc. and its subsidiary
Olathe, Kansas

Compliance

We have audited KidsTLC, Inc. and its subsidiary's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of KidsTLC, Inc. and its subsidiary's major federal programs for the year ended December 31, 2011. KidsTLC, Inc. and its subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of KidsTLC, Inc. and its subsidiary's management. Our responsibility is to express an opinion on KidsTLC, Inc. and its subsidiary's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about KidsTLC, Inc. and its subsidiary'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. Our audit does not provide a legal determination on KidsTLC, Inc. and its subsidiary's compliance with those requirements.

In our opinion, KidsTLC, Inc. and its subsidiary complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2011.

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Internal Control Over Compliance

Management of KidsTLC, Inc. and its subsidiary is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered KidsTLC, Inc. and its subsidiary's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 KidsTLC, Inc. and its subsidiary'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berberich Trahan & Co., P.A.

April 20, 2012

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2011

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	$ 1,612,005	$ 81,964	$ -	$ 1,693,969
Accounts receivable:				
Grants and contracts	566,663	-	-	566,663
Pledges - net	1,295,594	-	-	1,295,594
Inter-company	23,611	-	(23,611)	-
Other	8,793	-	-	8,793
Prepaid expenses	76,361	-	-	76,361
Inventory	46,725	-	-	46,725
Total current assets	3,629,752	81,964	(23,611)	3,688,105
Investments	1,210,696	2,253,541	-	3,464,237
Beneficial interest in Community Foundation	-	112,720	-	112,720
Property and equipment:				
Land	654,733	-	-	654,733
Construction in process	261,279	-	-	261,279
Buildings and improvements	10,963,480	-	-	10,963,480
Furniture and equipment	1,106,675	-	-	1,106,675
Automotive equipment	277,790	-	-	277,790
Total, at cost	13,263,957	-	-	13,263,957
Less: accumulated depreciation	1,886,114	-	-	1,886,114
Total property and equipment	11,377,843	-	-	11,377,843
Other assets:				
Deposits	4,277	-	-	4,277
Pledges receivable - net	745,296	-	-	745,296
Total other assets	749,573	-	-	749,573
Investment in subsidiary	2,424,614	-	(2,424,614)	-
Total assets	$ 19,392,478	$ 2,448,225	$ (2,448,225)	$ 19,392,478
Current liabilities:				
Accounts payable	$ 208,275	$ -	$ -	$ 208,275
Inter-company payable	-	23,611	(23,611)	-
Accrued liabilities	495,298	-	-	495,298
Bonds payable - current portion	85,000	-	-	85,000
Notes payable - current portion	205,250	-	-	205,250
Capital lease - current portion	15,217	-	-	15,217
Total current liabilities	1,009,040	23,611	(23,611)	1,009,040
Bonds payable, less current portion	935,167	-	-	935,167
Notes payable, less current portion	6,067	-	-	6,067
Capital lease, less current portion	14,430	-	-	14,430
Total liabilities	1,964,704	23,611	(23,611)	1,964,704
Net assets:				
Unrestricted:				
Undesignated	2,444,143	1,265,513	(1,265,513)	2,444,143
Board designated	4,552,577	460,193	(460,193)	4,552,577
Temporarily restricted	9,853,900	121,754	(121,754)	9,853,900
Permanently restricted	577,154	577,154	(577,154)	577,154
Total net assets	17,427,774	2,424,614	(2,424,614)	17,427,774
Total liabilities and net assets	$ 19,392,478	$ 2,448,225	$ (2,448,225)	$ 19,392,478

See independent auditor's report.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2010

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	$ 1,169,503	$ 91,207	$ -	$ 1,260,710
Accounts receivable:				
Grants and contracts	712,497	-	-	712,497
Pledges - net	469,735	-	-	469,735
Inter-company	32,031	-	(32,031)	-
Other	12,102	-	-	12,102
Prepaid expenses	99,958	-	-	99,958
Inventory	41,999	-	-	41,999
Total current assets	2,537,825	91,207	(32,031)	2,597,001
Investments	1,132,701	2,245,731	-	3,378,432
Beneficial interest in Community Foundation	110,518	-	-	110,518
Asset held for sale	51,400	-	-	51,400
Property and equipment:				
Land	655,944	-	-	655,944
Buildings and improvements	10,860,125	-	-	10,860,125
Furniture and equipment	1,074,079	-	-	1,074,079
Automotive equipment	301,475	-	-	301,475
Total, at cost	12,891,623	-	-	12,891,623
Less: accumulated depreciation	1,350,605	-	-	1,350,605
Total property and equipment	11,541,018	-	-	11,541,018
Other assets:				
Deposits	4,276	-	-	4,276
Pledges receivable - net	842,737	-	-	842,737
Total other assets	847,013	-	-	847,013
Investment in subsidiary	2,304,907	-	(2,304,907)	-
Total assets	$ 18,525,382	$ 2,336,938	$ (2,336,938)	$ 18,525,382
Current liabilities:				
Accounts payable	$ 133,024	$ -	$ -	$ 133,024
Inter-company payable	-	32,031	(32,031)	-
Accrued liabilities	517,447	-	-	517,447
Bonds payable - current portion	85,000	-	-	85,000
Note payable - current portion	4,957	-	-	4,957
Capital lease - current portion	14,596	-	-	14,596
Total current liabilities	755,024	32,031	(32,031)	755,024
Bonds payable, less current portion	1,059,167	-	-	1,059,167
Note payable, less current portion	11,327	-	-	11,327
Capital lease, less current portion	29,647	-	-	29,647
Total liabilities	1,855,165	32,031	(32,031)	1,855,165
Net assets:				
Unrestricted:				
Undesignated	3,011,024	1,261,075	(1,261,075)	3,011,024
Board designated	4,628,320	461,618	(461,618)	4,628,320
Temporarily restricted	8,453,719	30,557	(30,557)	8,453,719
Permanently restricted	577,154	551,657	(551,657)	577,154
Total net assets	16,670,217	2,304,907	(2,304,907)	16,670,217
Total liabilities and net assets	$ 18,525,382	$ 2,336,938	$ (2,336,938)	$ 18,525,382

See independent auditor's report.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2011

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Revenues, Gains and Support:				
Contributions:				
General	$ 775,006	$ 88	$ -	$ 775,094
Campaign	1,642,397	-	-	1,642,397
Gifts-in-kind	105,402	-	-	105,402
Gifts-in-kind capital campaign	5,648	-	-	5,648
United Way	223,225	-	-	223,225
Grants	626,801	-	-	626,801
Contract revenues	5,908,285	-	-	5,908,285
Fund raising events	660,887	-	-	660,887
Other revenues	224,322	-	-	224,322
Realized investment income	57,995	122,688	-	180,683
Unrealized investment loss	(12,751)	(33,725)	-	(46,476)
Gain on investment in subsidiary	119,707	-	(119,707)	-
Loss on disposition of assets	(9,798)	-	-	(9,798)
Total revenues, gains, and support	10,327,126	89,051	(119,707)	10,296,470
Expenses:				
Program services	7,621,136	-	-	7,621,136
Supporting services:				
Management and general	1,008,335	-	-	1,008,335
Fund raising	823,903	85,539	-	909,442
Total expenses	9,453,374	85,539	-	9,538,913
Transfer to (from) subsidiary	(116,195)	116,195	-	-
Increase in net assets	$ 757,557	$ 119,707	$ (119,707)	$ 757,557

See independent auditor's report.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2010

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Revenues, Gains and Support:				
Contributions:				
General	$ 676,445	$ 120	$ -	$ 676,565
Campaign	1,351,883	-	-	1,351,883
Gifts-in-kind	235,168	-	-	235,168
Gifts-in-kind capital campaign	256,150	-	-	256,150
United Way	238,935	-	-	238,935
Grants	605,802	-	-	605,802
Contract revenues	6,313,169	-	-	6,313,169
Fund raising events	580,470	-	-	580,470
Other revenues	213,107	-	-	213,107
Realized investment income	52,246	84,329	-	136,575
Unrealized investment gain	66,069	133,093	-	199,162
Gain on investment in subsidiary	151,237	-	(151,237)	-
Gain on disposition of assets	6,852	-	-	6,852
Total revenues, gains, and support	10,747,533	217,542	(151,237)	10,813,838
Expenses:				
Program services	7,368,803	-	-	7,368,803
Supporting services:				
Management and general	1,018,020	-	-	1,018,020
Fund raising	779,829	66,305	-	846,134
Total expenses	9,166,652	66,305	-	9,232,957
Increase in net assets	$ 1,580,881	$ 151,237	$ (151,237)	$ 1,580,881

See independent auditor's report.