



BERBERICH TRAHAN & CO., P.A.

*Certified Public Accountants*

**KidsTLC, INC.**  
**AND ITS SUBSIDIARY**

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**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2012 AND 2011**

KidsTLC, INC. AND ITS SUBSIDIARY  
CONSOLIDATED FINANCIAL STATEMENTS  
Years Ended December 31, 2012 and 2011

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

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of KidsTLC, Inc. and its subsidiary, which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KidsTLC, Inc. and its subsidiary as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Supplementary Information*

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 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 23, 2013

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2012

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 315,345	\$ 882,204	\$ 13,674	\$ 1,211,223
Accounts receivable:				
Grants and contracts, net	618,934	3,095	-	622,029
Pledges - net	-	1,165,210	-	1,165,210
Employee	1,069	-	-	1,069
Other	41,810	-	-	41,810
Prepaid expenses	89,064	-	-	89,064
Inventory	47,468	-	-	47,468
Total current assets	<u>1,113,690</u>	<u>2,050,509</u>	<u>13,674</u>	<u>3,177,873</u>
Investments	<u>3,155,243</u>	<u>133,887</u>	<u>537,983</u>	<u>3,827,113</u>
Beneficial interest in Community Foundation	<u>-</u>	<u>95,952</u>	<u>25,497</u>	<u>121,449</u>
Property and equipment:				
Land	662,300	101,030	-	763,330
Construction in process	-	3,317,495	-	3,317,495
Buildings and improvements	4,137,479	6,928,794	-	11,066,273
Furniture and equipment	740,044	291,679	-	1,031,723
Automotive equipment	222,454	11,112	-	233,566
Total, at cost	<u>5,762,277</u>	<u>10,650,110</u>	<u>-</u>	<u>16,412,387</u>
Less: accumulated depreciation	<u>1,222,191</u>	<u>1,049,846</u>	<u>-</u>	<u>2,272,037</u>
Total property and equipment	<u>4,540,086</u>	<u>9,600,264</u>	<u>-</u>	<u>14,140,350</u>
Other assets:				
Deposits	4,600	-	-	4,600
Pledges receivable - net	-	1,245,641	-	1,245,641
Total other assets	<u>4,600</u>	<u>1,245,641</u>	<u>-</u>	<u>1,250,241</u>
Total assets	<u>\$ 8,813,619</u>	<u>\$ 13,126,253</u>	<u>\$ 577,154</u>	<u>\$ 22,517,026</u>

(Continued)

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 117,053	\$ 532,447	\$ -	\$ 649,500
Accrued liabilities	622,046	-	-	622,046
Bonds payable - current portion	85,325	-	-	85,325
Notes payable - current portion	6,280	-	-	6,280
Capital lease - current portion	11,301	-	-	11,301
Total current liabilities	<u>842,005</u>	<u>532,447</u>	<u>-</u>	<u>1,374,452</u>
Long term liabilities:				
Bonds payable, less current portion	809,570	8,597	-	818,167
Notes payable, less current portion	20,934	-	-	20,934
Capital lease, less current portion	29,823	-	-	29,823
Total long term liabilities	<u>860,327</u>	<u>8,597</u>	<u>-</u>	<u>868,924</u>
Total liabilities	<u>1,702,332</u>	<u>541,044</u>	<u>-</u>	<u>2,243,376</u>
Net assets:				
Unrestricted:				
Undesignated	2,564,227	-	-	2,564,227
Board designated	4,547,060	-	-	4,547,060
Temporarily restricted	-	12,585,209	-	12,585,209
Permanently restricted	-	-	577,154	577,154
Total net assets	<u>7,111,287</u>	<u>12,585,209</u>	<u>577,154</u>	<u>20,273,650</u>
Total liabilities and net assets	<u>\$ 8,813,619</u>	<u>\$ 13,126,253</u>	<u>\$ 577,154</u>	<u>\$ 22,517,026</u>

See accompanying notes to consolidated financial statements.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
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	<u>1,057,491</u>	<u>2,609,514</u>	<u>21,100</u>	<u>3,688,105</u>
Investments	<u>2,889,421</u>	<u>44,259</u>	<u>530,557</u>	<u>3,464,237</u>
Beneficial interest in Community Foundation	<u>-</u>	<u>87,223</u>	<u>25,497</u>	<u>112,720</u>
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	<u>6,000,370</u>	<u>7,263,587</u>	<u>-</u>	<u>13,263,957</u>
Less: accumulated depreciation	<u>1,085,820</u>	<u>800,294</u>	<u>-</u>	<u>1,886,114</u>
Total property and equipment	<u>4,914,550</u>	<u>6,463,293</u>	<u>-</u>	<u>11,377,843</u>
Other assets:				
Deposits	4,277	-	-	4,277
Pledges receivable - net	-	745,296	-	745,296
Total other assets	<u>4,277</u>	<u>745,296</u>	<u>-</u>	<u>749,573</u>
Total assets	<u>\$ 8,865,739</u>	<u>\$ 9,949,585</u>	<u>\$ 577,154</u>	<u>\$ 19,392,478</u>

(Continued)

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

December 31, 2011

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

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, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Support:				
Contributions:				
General	\$ 197,007	\$ 350,195	\$ -	\$ 547,202
Campaign	-	2,889,844	-	2,889,844
Gifts-in-kind	206,610	-	-	206,610
Gifts-in-kind capital campaign	-	340,520	-	340,520
United Way	230,876	-	-	230,876
Grants	209,356	-	-	209,356
Contract revenues	7,713,266	-	-	7,713,266
Fund raising events	656,089	-	-	656,089
Other revenues	216,490	-	-	216,490
Realized investment income	151,374	34,445	-	185,819
Unrealized investment gain	174,256	41,699	-	215,955
Loss on disposition of asset	(186,344)	-	-	(186,344)
	<u>9,568,980</u>	<u>3,656,703</u>	<u>-</u>	<u>13,225,683</u>
Total revenues, gains, and support prior to transfers				
Transfers:				
Satisfaction of time and purpose restrictions	925,394	(925,394)	-	-
	<u>10,494,374</u>	<u>2,731,309</u>	<u>-</u>	<u>13,225,683</u>
Total revenues, gains, and support				
Expenses:				
Program services	8,111,939	-	-	8,111,939
Supporting services:				
Management and general	1,201,398	-	-	1,201,398
Fund raising	1,066,470	-	-	1,066,470
	<u>10,379,807</u>	<u>-</u>	<u>-</u>	<u>10,379,807</u>
Total expenses				
Increase in net assets	114,567	2,731,309	-	2,845,876
Net assets, beginning of year	6,996,720	9,853,900	577,154	17,427,774
Net assets, end of year	<u>\$ 7,111,287</u>	<u>\$ 12,585,209</u>	<u>\$ 577,154</u>	<u>\$ 20,273,650</u>

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	<u>8,058,655</u>	<u>2,237,815</u>	<u>-</u>	<u>10,296,470</u>
Transfers:				
Satisfaction of time and purpose restrictions	837,634	(837,634)	-	-
Total revenues, gains, and support	<u>8,896,289</u>	<u>1,400,181</u>	<u>-</u>	<u>10,296,470</u>
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	<u>9,538,913</u>	<u>-</u>	<u>-</u>	<u>9,538,913</u>
Increase (decrease) in net assets	(642,624)	1,400,181	-	757,557
Net assets, beginning of year	<u>7,639,344</u>	<u>8,453,719</u>	<u>577,154</u>	<u>16,670,217</u>
Net assets, end of year	<u>\$ 6,996,720</u>	<u>\$ 9,853,900</u>	<u>\$ 577,154</u>	<u>\$ 17,427,774</u>

See accompanying notes to consolidated financial statements.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 2,845,876	\$ 757,557
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	571,346	572,530
Unrealized investment loss (gain)	(215,955)	46,476
Donated property	(231,638)	(103,787)
Donated stock	(45,240)	-
Loss on assets held for sale	-	11,400
(Gain) loss on disposal of property and equipment	186,344	(1,602)
Contributions restricted for long-term purposes:		
Capital campaign pledges	(2,999,995)	(1,697,284)
Capital campaign pledges - gifts in-kind	(340,520)	(5,648)
Discount on capital campaign pledges	179,287	81,842
Effects of changes in operating assets and liabilities:		
Accounts receivable - net	(89,452)	149,138
Prepaid expenses and deposits	(13,026)	23,596
Inventory	(743)	(4,726)
Accounts payable	(92,752)	(10,862)
Accrued liabilities	126,748	(22,149)
Net cash used in operating activities	<u>(119,720)</u>	<u>(203,519)</u>
Cash flows from investing activities:		
Purchase of investments	(203,993)	(234,228)
Proceeds from sale of assets held for sale	-	40,000
Proceeds from maturity or sale of investments	93,583	99,745
Purchase of property and equipment	(2,702,057)	(219,587)
Cash received from sale of property and equipment	5,440	1,734
Net cash used in investing activities	<u>(2,807,027)</u>	<u>(312,336)</u>
Cash flows from financing activities:		
Capital campaign collections	2,791,267	892,678
Proceeds from notes payable	635,000	400,000
Payments on capital lease	(15,569)	(14,596)
Payments on bond payable	(116,675)	(124,000)
Payments on notes payable	(850,022)	(204,968)
Net cash provided by financing activities	<u>2,444,001</u>	<u>949,114</u>
Net changes in cash and cash equivalents	(482,746)	433,259
Cash and cash equivalents, beginning of year	1,693,969	1,260,710
Cash and cash equivalents, end of year	<u>\$ 1,211,223</u>	<u>\$ 1,693,969</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid during the year	\$ 41,155	\$ 45,490
Assets acquired through accounts payable	<u>\$ 533,977</u>	<u>\$ 86,113</u>
Assets acquired through assumption of capital lease	<u>\$ 27,046</u>	<u>\$ -</u>
Assets acquired through notes payable	<u>\$ 30,919</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

	PRTF	Community Based Services	Behavioral Health	Autism
Salaries	\$ 4,482,988	\$ 92,516	\$ 66,468	\$ 53,244
Payroll taxes	405,575	7,965	5,136	3,983
Employee benefits	490,784	13,877	7,779	5,042
Temporary help	2,180	-	-	-
Staff development	9,083	220	298	54
Insurance	86,136	420	1,410	147
Utilities and janitorial	84,072	96	1,414	223
Depreciation	378,608	2,824	7,027	452
Repairs and maintenance	40,399	28	394	65
Rent expense	4,845	-	-	-
Communications	32,505	956	1,412	-
Professional services	335,523	1,826	4,857	45
Legal services	9,552	9	119	8
Accounting services	54,548	1,103	1,986	-
Consultant	14,677	680	12	12,220
Contract services	4,989	12	154	10
Placement payments	1,059	-	-	-
Equipment repairs	17,394	11	693	2
Small equipment	32,756	148	303	179
Travel/vehicle expenses	21,593	4,477	296	802
Printing	2,733	184	93	-
Supplies	40,378	622	1,212	775
Postage	1,112	25	34	-
Dues	6,162	113	203	-
Subscriptions	1,102	188	1	1
Advertising	5,728	1	2	-
Food	159,658	-	-	-
Meals out	91	-	-	-
Other client expenses	51,350	1,154	-	-
Household supplies	11,934	-	-	-
Medical	20,950	4	7	-
Flex-plan	322	5,374	-	-
Fund raising events	-	-	-	-
Bad debt expense	21,704	-	-	-
Investment fees	2,241	6	74	15
Interest expense	18,988	40	799	38
Miscellaneous	8,187	217	627	-
Total expenses	\$ 6,861,906	\$ 135,096	\$ 102,810	\$ 77,305

See accompanying notes to consolidated financial statements.

Street Outreach Services	Resource Family Services	Chaplaincy Services	Total Program Services	Management and General	Fundraising			Total
					Fundraising	Foundation	Capital Campaign	
\$ 115,834	\$ 181,848	\$ 53,039	\$ 5,045,937	\$ 673,877	\$ 390,469	\$ 52,897	\$ 137,500	\$ 6,300,680
9,059	15,443	3,751	450,912	51,741	33,492	3,544	8,990	548,679
22,534	17,194	10,007	567,217	72,406	41,685	3,107	11,888	696,303
-	-	-	2,180	1,306	-	-	-	3,486
664	6,955	383	17,657	2,199	2,037	114	342	22,349
3,215	5,702	785	97,815	25,893	4,878	284	779	129,649
1,855	4,162	807	92,629	28,660	4,414	260	696	126,659
11,796	15,153	6,148	422,008	119,707	20,689	1,415	4,307	568,126
575	1,237	398	43,096	7,151	1,158	68	187	51,660
-	-	-	4,845	2,869	-	-	-	7,714
3,574	8,489	866	47,802	8,051	4,717	484	1,286	62,340
3,767	6,709	1,162	353,889	34,008	18,228	3,384	1,021	410,530
19	67	38	9,812	70,255	428	-	69	80,564
1,611	2,728	507	62,483	6,508	3,714	254	669	73,628
10	1,269	3	28,871	712	31,703	1	21,004	82,291
1,215	2,831	41	9,252	4,223	537	32	89	14,133
-	352,108	-	353,167	-	-	-	-	353,167
703	879	360	20,042	7,244	5,892	5	427	33,610
678	1,690	4,602	40,356	7,159	1,416	61	561	49,553
6,760	6,048	839	40,815	14,826	8,730	894	4,549	69,814
340	397	24	3,771	1,223	6,625	11	151	11,781
789	1,785	1,543	47,104	15,866	4,666	144	1,162	68,942
9	454	3	1,637	1,642	3,278	48	481	7,086
164	378	52	7,072	2,160	2,785	115	345	12,477
829	1,371	-	3,492	961	638	74	221	5,386
2,118	702	-	8,551	3,075	19,810	-	2,201	33,637
100	182	-	159,940	522	350	-	-	160,812
-	7	-	98	-	-	-	-	98
2,143	11,469	-	66,116	-	316	-	-	66,432
-	-	-	11,934	50	-	-	-	11,984
6	9	2	20,978	22	13	-	2	21,015
4,587	5,092	-	15,375	-	-	-	-	15,375
-	75	-	75	621	126,364	5,334	1,655	134,049
-	-	-	21,704	(230)	3,000	-	18,280	42,754
13	43	23	2,415	16,221	9,877	19,374	135	48,022
212	344	183	20,604	17,747	2,230	150	423	41,154
86	796	375	10,288	2,723	583	99	175	13,868
<u>\$ 195,265</u>	<u>\$ 653,616</u>	<u>\$ 85,941</u>	<u>\$ 8,111,939</u>	<u>\$ 1,201,398</u>	<u>\$ 754,722</u>	<u>\$ 92,153</u>	<u>\$ 219,595</u>	<u>\$ 10,379,807</u>

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	<u>\$ 299,657</u>	<u>\$ 5,447,475</u>	<u>\$ 745,907</u>	<u>\$ 153,821</u>	<u>\$ 160,647</u>

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
<u>\$ 173,173</u>	<u>\$ 567,886</u>	<u>\$ 72,570</u>	<u>\$ 7,621,136</u>	<u>\$ 1,008,335</u>	<u>\$ 628,844</u>	<u>\$ 85,541</u>	<u>\$ 195,057</u>	<u>\$ 9,538,913</u>

## KidsTLC, INC. AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 and 2011

#### 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. In July of 2011, TLC for Children and Families, Inc. changed its name to KidsTLC, Inc. (KidsTLC). KidsTLC's mission is to provide opportunities that encourage positive growth and change for children, youth, and families while ensuring a safe environment.

TLC Charities Foundation (Foundation) was formed in 2003 to encourage private philanthropy to further the vision, values and goals of KidsTLC. Planned gifts to TLC Charities Foundation enable KidsTLC 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 KidsTLC and the Foundation. All significant intercompany transactions and accounts have been eliminated. KidsTLC has a controlling interest in the Foundation through board membership.

##### Program Services

###### ***Emergency Shelter:***

KidsTLC's Emergency Shelter 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. Emergency Shelter services were discontinued as of September 30, 2011.

###### ***Psychiatric Residential Treatment Facility:***

KidsTLC 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. In June 2010, KidsTLC added a Psychiatric Residential Treatment program (PRTF - Phoenix) for youth with more acute issues needing more intensive treatment and supervision. Due to the success of this program, all PRTF services are using the Phoenix treatment model.



KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

Program Services (Continued)

***Transitional Living Program:***

KidsTLC'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 remaining program from the original group of community based services is Family Case Management. 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.

***Outpatient Behavioral Health Services***

The Outpatient Behavioral Health Services program began offering services in August, 2012. The program provides therapeutic and psychiatric services including individual therapy, family therapy, group therapy, medication evaluations and management, parental education and support groups.

***Autism Services***

KidsTLC's Autism services are currently being developed with programming to begin in 2013. The program will provide limited high quality services for children and autism spectrum disorders. Services will include clinical assessments, group and individual intervention programs and ongoing education and training opportunities for families with children on the autism spectrum.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

Program Services (Continued)

***Youth Crisis Services:***

KidsTLC 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.

***Resource Family Services:***

KidsTLC'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:***

KidsTLC'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 KidsTLC 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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

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.

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

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

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

Investments

KidsTLC 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.

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.

KidsTLC 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 KidsTLC'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 KidsTLC's programs. All such gifts are recorded at their estimated fair value at the date of donation.

Inventories

Inventory consists of donated 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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

Accounts Receivable – Grants and Contracts

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

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.

KidsTLC 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. KidsTLC has established an allowance for doubtful receivables based upon an estimate of KidsTLC'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, KidsTLC 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 extended into the year 2011.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

Pledges Receivable (Continued)

In 2010, KidsTLC 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 Kelly Family Foundation Behavioral Health, Autism, and Wellness Center 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 2017.

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

KidsTLC 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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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 \$ 635,722 and \$ 665,917 at December 31, 2012 and 2011, 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

KidsTLC 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.

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

Forms 990 and 990T filed by KidsTLC 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 KidsTLC and the Foundation are no longer subject to examination for the fiscal years ended December 31, 2008 and prior.

## KidsTLC, INC. AND ITS SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

##### Functional Expenses

Many of the costs of providing the various programs and activities of KidsTLC 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 KidsTLC's financial statements include the timing and collectability 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

KidsTLC 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. KidsTLC and the Foundation have investment policies. Compliance with those policies is monitored by their respective Boards.

##### Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*, (ASU 2011-04). ASU 2011-04 amended ASC 820, *Fair Value Measurements*. This update changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. See Note 7 for impact of adoption.



KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2 - Deposits

At December 31, 2012 the carrying amount of KidsTLC's and the Foundation's deposits was \$ 1,211,223 and the bank balances were \$ 1,319,391. Of the bank balances, \$ 1,215,609 was covered by federal depository insurance. The remaining \$ 103,782 was unsecured.

3 - Grants and Contracts Receivable

	<u>2012</u>	<u>2011</u>
Total grants and contracts receivable, short term	\$ 676,029	\$ 586,663
Less: allowance for doubtful accounts	<u>54,000</u>	<u>20,000</u>
Grants and contracts receivable, short term	<u>\$ 622,029</u>	<u>\$ 566,663</u>

4 - Pledges Receivable

Pledges receivable contains the following components:

	<u>2012</u>	<u>2011</u>
Total pledges receivable	\$ 2,727,472	\$ 2,247,359
Less: unamortized discount	191,963	99,632
Less: allowance for doubtful accounts	<u>124,658</u>	<u>106,837</u>
Net pledges receivable	2,410,851	2,040,890
Less: current portion	<u>1,165,210</u>	<u>1,295,594</u>
Pledges receivable, long-term	<u>\$ 1,245,641</u>	<u>\$ 745,296</u>

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

4 - Pledges Receivable (Continued)

Total pledges receivable are aged as follows:

	<u>2012</u>	<u>2011</u>
2012	\$ -	\$ 1,357,961
2013	1,214,204	436,237
2014	623,492	273,702
2015	532,627	157,835
2016	346,957	21,624
2017	10,192	-
Total	<u>\$ 2,727,472</u>	<u>\$ 2,247,359</u>

Interest was imputed at a rate of 5% for 2012 and 2011 in discounting long-term general pledges to give.

KidsTLC 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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

5 - Investments

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

	December 31, 2012		December 31, 2011	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds - Bonds	\$ 2,723,314	\$ 2,837,352	\$ 2,539,548	\$ 2,559,167
Mutual Funds - Equities	897,463	944,521	974,030	905,070
Common Stock	-	45,240	-	-
Total	<u>\$ 3,620,777</u>	<u>\$ 3,827,113</u>	<u>\$ 3,513,578</u>	<u>\$ 3,464,237</u>

Investment returns related to these investments and cash and cash equivalents for the years ended December 31, 2012 and 2011 consist of the following:

	2012	2011
Investment income	\$ 169,962	\$ 138,406
Net realized gains	10,953	38,159
Net unrealized gains (losses)	210,438	(45,868)
Total investment return	<u>\$ 391,353</u>	<u>\$ 130,697</u>

6 - Beneficial Interest in Community Foundation

During 2004, KidsTLC contributed funds to the Greater Kansas City Community Foundation (GKCCF). At December 31, 2012 KidsTLC has a beneficiary interest in \$ 127,701 of the assets held by GKCCF, of which \$ 121,449 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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

6 - Beneficial Interest in Community Foundation (Continued)

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

	December 31, 2012		December 31, 2011	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds - Fixed Income	\$ 38,509	\$ 95,604	\$ 37,788	\$ 89,282
Mutual Funds - Equities	100,204	25,845	97,713	23,438
Total	<u>\$ 138,713</u>	<u>\$ 121,449</u>	<u>\$ 135,501</u>	<u>\$ 112,720</u>

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

	2012	2011
Investment income	\$ 3,510	\$ 3,597
Net realized gains	1,394	521
Net unrealized gains (losses)	5,517	(608)
Total investment return	<u>\$ 10,421</u>	<u>\$ 3,510</u>

7 - 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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7 - 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, 2012 and 2011.

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

Common stock: 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 KidsTLC's position is the same as the pool value of the shares as reported by the fund manager.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

7 - 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 KidsTLC and the Foundation believe their 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.

In estimating fair value of the investments in Level 3, management may use third-party pricing sources or appraisers. In substantiating the reasonableness of the pricing data provided by third parties, management evaluates a variety of factors including review of methods and assumptions used by external sources, recently executed transactions, existing contracts, economic conditions, industry and market developments, and overall credit rating. The outside pricing service's valuation policies and procedures are determined reasonable by management of KidsTLC on a quarterly basis. These valuation procedures are to allocate the Foundation's portion of earnings based on its pro rata ownership percentage in the pool. The valuation of earnings in the pool is based on the earnings of the pooled assets, which are tracked to price indices.

The outside pricing service monitors fund managers, and reconciles investment accounts on a monthly basis. The Foundation's Board of Trustees monitors the financial reports, which includes a separate line item for the Beneficial Interest in Community Foundation.

Fair values of assets measured on a recurring basis at December 31, 2012 are as follows:

Description	Fair Value	Fair Value Measurements at Reporting Date		
		Level 1	Level 2	Level 3
Mutual Funds:				
Fixed income	\$ 2,837,352	\$ 2,837,352	\$ -	\$ -
Equities:				
Large growth	420,158	420,158	-	-
Growth	50,435	50,435	-	-
Large value	421,848	421,848	-	-
Small cap value	52,080	52,080	-	-
Common Stock - Energy Industry	45,240	45,240	-	-
Pooled shares	121,449	-	-	121,449
Total	<u>\$ 3,948,562</u>	<u>\$ 3,827,113</u>	<u>\$ -</u>	<u>\$ 121,449</u>

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

7 - Fair Value Measurements (Continued)

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, 2012	\$ 112,720
Contributions	-
Realized gain	1,394
Unrealized gain	5,517
Interest and dividends	3,510
Disbursements	(451)
Administration fees	(1,241)
	\$ 121,449
December 31, 2012	\$ 121,449

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

Description	Fair Value	Fair Value Measurements at Reporting Date		
		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

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7 - Fair Value Measurements (Continued)

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 loss	(608)
Unrealized gain	521
Interest and dividends	3,597
Disbursements	(124)
Administration fees	(1,184)
	<hr/>
December 31, 2011	<u>\$ 112,720</u>

There were no transfers between the levels during the year. KidsTLC 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.

8 - Notes Payable and Line-of-Credit

During 2009, KidsTLC entered into a 60 month note payable with a commercial bank to finance the purchase of a vehicle. The note required monthly payments of \$ 483. The interest rate was 5.9%. On March 30, 2012, this vehicle was traded in towards a new vehicle, with the prior remaining note balance rolled into a new note. The new note requires monthly payments of \$ 523 at an interest rate of 0.0%. The note principal balance as of December 31, 2012 and 2011 was \$ 27,214 and \$ 11,327, respectively. Future minimum payments are \$ 6,280 for each of the remaining years 2013 – 2016, and \$ 2,094 for year 2017, with total future payments of \$ 27,214.



KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8 - Notes Payable and Line-of-Credit (Continued)

KidsTLC had a revolving line-of-credit in place with an investment company effective July 6, 2011 with a maximum available limit of \$ 746,700 (based on investment balances at that time). 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, 2012 and 2011, there was \$ 0 and \$ 199,990, respectively, outstanding against the line.

9 - Bonds Payable – Dissolution of Mortgages and Notes Payable

Effective March 1, 2010, the City of Olathe, KS issued its Industrial Revenue Bonds, Series 2010 (TLC for Children and Families, Inc.), in an aggregate principal amount of \$ 1,275,000, for the purpose of acquiring, purchasing, constructing, furnishing and equipping a project on KidsTLC'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 KidsTLC 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 KidsTLC's main campus property.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

9 - Bonds Payable – Dissolution of Mortgages and Notes Payable (Continued)

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

	Principal	Interest	Total
2013	\$ 85,325	\$ 32,863	\$ 118,188
2014	85,000	29,632	114,632
2015	85,000	26,400	111,400
2016	85,000	23,168	108,168
2017	85,000	19,936	104,936
Thereafter	478,167	51,913	530,080
	\$ 903,492	\$ 183,912	\$ 1,087,404

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10 - Capital Leases

On December 9, 2009, KidsTLC 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. On November 1, 2012, KidsTLC entered into a 60-month capital lease for 2 copiers requiring lease payments of \$571 monthly. This lease ran consecutively following a 60-month lease from October 29, 2007, which was terminated. Interest has been imputed at a rate of 10.9%. Future minimum lease payments under capital leases for each of the remaining years and in aggregate are:

2013	\$ 14,858
2014	14,858
2015	6,848
2016	6,847
2017	<u>6,277</u>
	49,688
Less: amount representing interest values	<u>8,564</u>
 Total	 <u><u>\$ 41,124</u></u>

At December 31, 2012 and 2011, respectively, the carrying value of the property and equipment being leased was \$ 36,758 and \$ 22,998. The depreciation charges to 2012 and 2011 operations were \$ 13,284 and \$ 13,519, respectively.

11 - Board Designated Funds

The Board of Directors has designated certain funds as endowment funds as a means of future support for KidsTLC and its 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 5, 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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

11 - Board Designated Funds (Continued)

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, 2012, the value of these assets consisted of the net book value of the property and equipment acquired with these funds.

In 2007 and 2008, KidsTLC 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, \$365,179 was designated 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 KidsTLC's Bringing Our Children Home – Continuing Our Journey Capital Campaign. These assets have been largely used toward the acquisition of property adjacent to KidsTLC'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.

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

	<u>2012</u>	<u>2011</u>
Endowment reserve	\$ 434,701	\$ 460,193
Operating reserve	713,661	648,542
Program reserve	645,458	586,895
Capital Campaign assets	2,219,440	2,323,147
Operating reserve - established in 2008	365,178	365,178
Bringing Our Children Home: Continuing Our Journey Capital Campaign	<u>168,622</u>	<u>168,622</u>
Total	<u>\$ 4,547,060</u>	<u>\$ 4,552,577</u>

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

12 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2012</u>	<u>2011</u>
Capital Campaign	\$ 5,943,867	\$ 6,194,416
Bringing Our Children Home: Continuing Our Journey		
Capital Campaign	6,232,359	3,273,817
Designated contributions	206,169	260,913
Beneficial interest in Community Foundation	102,204	93,024
Chaplaincy endowment	89,296	28,730
Annual Fund-time restricted	<u>11,314</u>	<u>3,000</u>
 Total	 <u>\$ 12,585,209</u>	 <u>\$ 9,853,900</u>

At December 31, 2012 and 2011, the value of the Capital Campaign net assets consisted of the net book value of the property and equipment acquired with these funds.

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

	<u>2012</u>	<u>2011</u>
Beneficial interest in Community Foundation	<u>\$ 12,485</u>	<u>\$ 9,961</u>

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

13 - 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:

	2012	2011
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

14 - Endowment

KidsTLC 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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

14 - Endowment (Continued)

Interpretation of Relevant Law

The Management of KidsTLC 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, KidsTLC 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

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

14 - Endowment (Continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 101,780	\$ 577,154	\$ 678,934
Board-designated endowment funds	434,700	-	-	434,700
Total funds	<u>\$ 434,700</u>	<u>\$ 101,780</u>	<u>\$ 577,154</u>	<u>\$ 1,113,634</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 460,193	\$ 38,690	\$ 577,154	\$ 1,076,037
Investment return:				
Investment income	16,536	24,323	-	40,859
Net appreciation (realized and unrealized)	26,832	38,767	-	65,599
Total investment return	<u>43,368</u>	<u>63,090</u>	<u>-</u>	<u>106,458</u>
Appropriation of endowment assets for expenditure	<u>(68,861)</u>	<u>-</u>	<u>-</u>	<u>(68,861)</u>
Endowment net assets, end of year	<u>\$ 434,700</u>	<u>\$ 101,780</u>	<u>\$ 577,154</u>	<u>\$ 1,113,634</u>

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

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



KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

14 - Endowment (Continued)

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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)	<u>58,563</u>	<u>(21,621)</u>	<u>-</u>	<u>36,942</u>
Total investment return	<u>71,415</u>	<u>(1,188)</u>	<u>-</u>	<u>70,227</u>
Appropriation of endowment assets for expenditure	<u>(72,840)</u>	<u>-</u>	<u>-</u>	<u>(72,840)</u>
Endowment net assets, end of year	<u>\$ 460,193</u>	<u>\$ 38,690</u>	<u>\$ 577,154</u>	<u>\$ 1,076,037</u>

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 KidsTLC and the Foundation to retain as a fund of perpetual duration. There were no deficiencies of this nature for the years ended December 31, 2012 and December 31, 2011.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14 - Endowment (Continued)

Return Objectives and Risk Parameters

KidsTLC 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 KidsTLC 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 of Directors/Trustees, 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 \$ 1,070,916 as of December 31, 2012 and \$ 1,035,842 as of December 31, 2011.

Additionally, the Foundation has donor-restricted endowment assets of \$ 37,982 invested with the Greater Kansas City Community Foundation and \$ 4,738 invested in another interest bearing account as of December 31, 2012. These assets were \$ 35,458 and \$ 4,738, respectively, as of December 31, 2011.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, KidsTLC 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 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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14 - Endowment (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

KidsTLC 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, 2012. 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, KidsTLC 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. Earnings on Foundation donor-restricted endowment assets invested in another interest bearing account are expended in the period earned.

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.

15 - Retirement Plan

KidsTLC 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% of their wages, subject to statutory limitations. KidsTLC matches 100% of employee contributions up to 3% of employee wages and 50% of contributions over 3% up to 5% of employee wages. The employer contribution expense totaled \$ 117,623 in 2012 and \$ 127,518 in 2011.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16 - Allocation of Joint Costs

KidsTLC 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. KidsTLC 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 \$ 1,205,486 of which \$ 971,185 was for program and administration and \$ 234,300 was for fund raising for the year ending December 31, 2012. 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.

17 - Commitments and Contingencies

KidsTLC 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 KidsTLC's programs and activities.

As of December 31, 2012, KidsTLC was in the process of executing a commitment for construction on a new building of approximately \$ 4,705,000. As of December 31, 2012, payments of approximately \$ 1,748,000 had occurred.

18 - Subsequent Events

KidsTLC 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

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2012

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,180,712	\$ 30,511	\$ -	\$ 1,211,223
<b>Accounts receivable:</b>				
Grants and contracts	622,029	-	-	622,029
Pledges - net	1,165,210	-	-	1,165,210
Inter-company	27,548	-	(27,548)	-
Employee	1,069	-	-	1,069
Due from (to) other funds	(1,422,487)	1,422,487	-	-
Other	41,810	-	-	41,810
Prepaid expenses	89,064	-	-	89,064
Inventory	47,468	-	-	47,468
Total current assets	<u>1,752,423</u>	<u>1,452,998</u>	<u>(27,548)</u>	<u>3,177,873</u>
Investments	<u>2,773,694</u>	<u>1,053,419</u>	<u>-</u>	<u>3,827,113</u>
Beneficial interest in Community Foundation	<u>-</u>	<u>121,449</u>	<u>-</u>	<u>121,449</u>
<b>Property and equipment:</b>				
Land	763,330	-	-	763,330
Construction in process	3,317,495	-	-	3,317,495
Buildings and improvements	11,066,273	-	-	11,066,273
Furniture and equipment	1,031,723	-	-	1,031,723
Automotive equipment	233,566	-	-	233,566
Total, at cost	<u>16,412,387</u>	<u>-</u>	<u>-</u>	<u>16,412,387</u>
Less: accumulated depreciation	<u>2,272,037</u>	<u>-</u>	<u>-</u>	<u>2,272,037</u>
Total property and equipment	<u>14,140,350</u>	<u>-</u>	<u>-</u>	<u>14,140,350</u>
<b>Other assets:</b>				
Deposits	4,600	-	-	4,600
Pledges receivable - net	1,245,641	-	-	1,245,641
Total other assets	<u>1,250,241</u>	<u>-</u>	<u>-</u>	<u>1,250,241</u>
Investment in subsidiary	<u>2,600,318</u>	<u>-</u>	<u>(2,600,318)</u>	<u>-</u>
Total assets	<u>\$ 22,517,026</u>	<u>\$ 2,627,866</u>	<u>\$ (2,627,866)</u>	<u>\$ 22,517,026</u>
<b>Current liabilities:</b>				
Accounts payable	\$ 649,500	\$ -	\$ -	\$ 649,500
Inter-company payable	-	27,548	(27,548)	-
Accrued liabilities	622,046	-	-	622,046
Bonds payable - current portion	85,325	-	-	85,325
Note payable - current portion	6,280	-	-	6,280
Capital lease - current portion	11,301	-	-	11,301
Total current liabilities	<u>1,374,452</u>	<u>27,548</u>	<u>(27,548)</u>	<u>1,374,452</u>
Bonds payable, less current portion	818,167	-	-	818,167
Note payable, less current portion	20,934	-	-	20,934
Capital lease, less current portion	29,823	-	-	29,823
Total liabilities	<u>2,243,376</u>	<u>27,548</u>	<u>(27,548)</u>	<u>2,243,376</u>
<b>Net assets:</b>				
<b>Unrestricted:</b>				
Undesignated	2,564,227	1,396,964	(1,396,964)	2,564,227
Board designated	4,547,060	434,700	(434,700)	4,547,060
Temporarily restricted	12,585,209	191,500	(191,500)	12,585,209
Permanently restricted	577,154	577,154	(577,154)	577,154
Total net assets	<u>20,273,650</u>	<u>2,600,318</u>	<u>(2,600,318)</u>	<u>20,273,650</u>
Total liabilities and net assets	<u>\$ 22,517,026</u>	<u>\$ 2,627,866</u>	<u>\$ (2,627,866)</u>	<u>\$ 22,517,026</u>

See independent auditor's report.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2011

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
<b>Current assets:</b>				
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	<u>3,629,752</u>	<u>81,964</u>	<u>(23,611)</u>	<u>3,688,105</u>
Investments	<u>1,210,696</u>	<u>2,253,541</u>	<u>-</u>	<u>3,464,237</u>
Beneficial interest in Community Foundation	<u>-</u>	<u>112,720</u>	<u>-</u>	<u>112,720</u>
<b>Property and equipment:</b>				
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	<u>13,263,957</u>	<u>-</u>	<u>-</u>	<u>13,263,957</u>
Less: accumulated depreciation	<u>1,886,114</u>	<u>-</u>	<u>-</u>	<u>1,886,114</u>
Total property and equipment	<u>11,377,843</u>	<u>-</u>	<u>-</u>	<u>11,377,843</u>
<b>Other assets:</b>				
Deposits	4,277	-	-	4,277
Pledges receivable - net	<u>745,296</u>	<u>-</u>	<u>-</u>	<u>745,296</u>
Total other assets	<u>749,573</u>	<u>-</u>	<u>-</u>	<u>749,573</u>
Investment in subsidiary	<u>2,424,614</u>	<u>-</u>	<u>(2,424,614)</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 19,392,478</u>	<u>\$ 2,448,225</u>	<u>\$ (2,448,225)</u>	<u>\$ 19,392,478</u>
<b>Current liabilities:</b>				
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	<u>1,009,040</u>	<u>23,611</u>	<u>(23,611)</u>	<u>1,009,040</u>
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	<u>1,964,704</u>	<u>23,611</u>	<u>(23,611)</u>	<u>1,964,704</u>
<b>Net assets:</b>				
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	<u>577,154</u>	<u>577,154</u>	<u>(577,154)</u>	<u>577,154</u>
Total net assets	<u>17,427,774</u>	<u>2,424,614</u>	<u>(2,424,614)</u>	<u>17,427,774</u>
<b>Total liabilities and net assets</b>	<u>\$ 19,392,478</u>	<u>\$ 2,448,225</u>	<u>\$ (2,448,225)</u>	<u>\$ 19,392,478</u>

See independent auditor's report.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2012

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Revenues, Gains and Support:				
Contributions:				
General	\$ 547,106	\$ 96	\$ -	\$ 547,202
Campaign	2,889,844	-	-	2,889,844
Gifts-in-kind	206,610	-	-	206,610
Gifts-in-kind capital campaign	340,520	-	-	340,520
United Way	230,876	-	-	230,876
Grants	209,356	-	-	209,356
Contract revenues	7,713,266	-	-	7,713,266
Fund raising events	656,089	-	-	656,089
Other revenues	216,490	-	-	216,490
Realized investment income	65,061	120,758	-	185,819
Unrealized investment loss	68,950	147,005	-	215,955
Gain on investment in subsidiary	175,704	-	(175,704)	-
Loss on disposition of assets	(186,344)	-	-	(186,344)
Total revenues, gains, and support	<u>13,133,528</u>	<u>267,859</u>	<u>(175,704)</u>	<u>13,225,683</u>
Expenses:				
Program services	8,111,939	-	-	8,111,939
Supporting services:				
Management and general	1,201,398	-	-	1,201,398
Fund raising	974,315	92,155	-	1,066,470
Total expenses	<u>10,287,652</u>	<u>92,155</u>	<u>-</u>	<u>10,379,807</u>
Increase in net assets	<u>\$ 2,845,876</u>	<u>\$ 175,704</u>	<u>\$ (175,704)</u>	<u>\$ 2,845,876</u>

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.