



BERBERICH TRAHAN & CO., P.A.

Certified Public Accountants

KidsTLC, INC.
AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

KidsTLC, INC. AND ITS SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2013 and 2012

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BERBERICH TRAHAN & CO., P.A.
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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, 2013 and 2012, 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, 2013 and 2012, 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
June 8, 2014

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2013

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Current assets:				
Cash and cash equivalents	\$ 362,078	\$ 862,566	\$ 16,720	\$ 1,241,364
Accounts receivable:				
Grants and contracts, net	892,452	-	-	892,452
Pledges - net	-	679,932	-	679,932
Employee	21	-	-	21
Prepaid expenses	121,821	-	-	121,821
Inventory	27,475	5,954	-	33,429
Total current assets	<u>1,403,847</u>	<u>1,548,452</u>	<u>16,720</u>	<u>2,969,019</u>
Investments	<u>3,241,531</u>	<u>103,106</u>	<u>534,937</u>	<u>3,879,574</u>
Beneficial interest in Community Foundation	<u>-</u>	<u>101,447</u>	<u>25,497</u>	<u>126,944</u>
Property and equipment:				
Land	662,300	189,745	-	852,045
Buildings and improvements	4,302,024	12,766,657	-	17,068,681
Furniture and equipment	789,239	939,323	-	1,728,562
Automotive equipment	216,838	11,112	-	227,950
Total, at cost	<u>5,970,401</u>	<u>13,906,837</u>	<u>-</u>	<u>19,877,238</u>
Less: accumulated depreciation	<u>1,510,658</u>	<u>1,447,457</u>	<u>-</u>	<u>2,958,115</u>
Total property and equipment	<u>4,459,743</u>	<u>12,459,380</u>	<u>-</u>	<u>16,919,123</u>
Other assets:				
Deposits	8,965	-	-	8,965
Goodwill	50,000	-	-	50,000
Pledges receivable - net	-	750,461	-	750,461
Total other assets	<u>58,965</u>	<u>750,461</u>	<u>-</u>	<u>809,426</u>
Total assets	<u>\$ 9,164,086</u>	<u>\$ 14,962,846</u>	<u>\$ 577,154</u>	<u>\$ 24,704,086</u>

(Continued)

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Accounts payable	\$ 288,100	\$ 10,011	\$ -	\$ 298,111
Accrued liabilities	651,440	-	-	651,440
Bonds payable - current portion	-	261,256	-	261,256
Notes payable - current portion	306,280	-	-	306,280
Capital lease - current portion	15,487	-	-	15,487
Total current liabilities	<u>1,261,307</u>	<u>271,267</u>	<u>-</u>	<u>1,532,574</u>
Long term liabilities:				
Bonds payable, less current portion	1,973,598	1,960,489	-	3,934,087
Notes payable, less current portion	14,654	-	-	14,654
Capital lease, less current portion	26,194	-	-	26,194
Total long term liabilities	<u>2,014,446</u>	<u>1,960,489</u>	<u>-</u>	<u>3,974,935</u>
Total liabilities	<u>3,275,753</u>	<u>2,231,756</u>	<u>-</u>	<u>5,507,509</u>
Net assets:				
Unrestricted:				
Undesignated	1,434,708	-	-	1,434,708
Board designated	4,453,625	-	-	4,453,625
Temporarily restricted	-	12,731,090	-	12,731,090
Permanently restricted	-	-	577,154	577,154
Total net assets	<u>5,888,333</u>	<u>12,731,090</u>	<u>577,154</u>	<u>19,196,577</u>
Total liabilities and net assets	<u>\$ 9,164,086</u>	<u>\$ 14,962,846</u>	<u>\$ 577,154</u>	<u>\$ 24,704,086</u>

See accompanying notes to consolidated financial statements.

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
Note 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
Note 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 ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Support:				
Contributions:				
General	\$ 357,512	\$ 723,490	\$ -	\$ 1,081,002
Campaign	-	345,241	-	345,241
Gifts-in-kind	131,239	-	-	131,239
Gifts-in-kind capital campaign	-	31,827	-	31,827
United Way	213,000	-	-	213,000
Grants	151,772	-	-	151,772
Contract revenues	7,345,763	-	-	7,345,763
Fund raising events	612,795	-	-	612,795
Other revenues	198,292	-	-	198,292
Realized investment income	168,911	51,986	-	220,897
Unrealized investment gain	41,918	4,756	-	46,674
Gain on disposition of asset	3,000	-	-	3,000
Total revenues, gains, and support prior to transfers	9,224,202	1,157,300	-	10,381,502
Transfers:				
Satisfaction of time and purpose restrictions	1,011,419	(1,011,419)	-	-
Total revenues, gains, and support	10,235,621	145,881	-	10,381,502
Expenses:				
Program services	9,315,340	-	-	9,315,340
Supporting services:				
Management and general	1,062,155	-	-	1,062,155
Fund raising	1,081,080	-	-	1,081,080
Total expenses	11,458,575	-	-	11,458,575
Increase (decrease) in net assets	(1,222,954)	145,881	-	(1,077,073)
Net assets, beginning of year	7,111,287	12,585,209	577,154	20,273,650
Net assets, end of year	\$ 5,888,333	\$ 12,731,090	\$ 577,154	\$ 19,196,577

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)
Total revenues, gains, and support prior to transfers	9,568,980	3,656,703	-	13,225,683
Transfers:				
Satisfaction of time and purpose restrictions	925,394	(925,394)	-	-
Total revenues, gains, and support	10,494,374	2,731,309	-	13,225,683
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
Total expenses	10,379,807	-	-	10,379,807
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	\$ 7,111,287	\$ 12,585,209	\$ 577,154	\$ 20,273,650

See accompanying notes to consolidated financial statements.

KidsTLC, INC. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ (1,077,073)	\$ 2,845,876
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	692,694	571,346
Unrealized investment gain	(46,674)	(215,955)
Realized investment gain	(86,461)	(12,347)
Donated property	(269,324)	(231,638)
Donated stock	(19,711)	(45,240)
(Gain) loss on disposal of property and equipment	(3,000)	186,344
Contributions restricted for long-term purposes:		
Capital campaign pledges	(203,079)	(2,999,995)
Capital campaign pledges - gifts in-kind	(31,827)	(340,520)
Discount on capital campaign pledges	(134,898)	179,287
Effects of changes in operating assets and liabilities:		
Accounts receivable - net	(227,565)	(89,452)
Prepaid expenses and deposits	(37,122)	(13,026)
Inventory	14,039	(743)
Accounts payable	(351,389)	(92,752)
Accrued liabilities	29,394	126,748
Net cash used in operating activities	(1,751,996)	(132,067)
Cash flows from investing activities:		
Payment for acquisition of KCBA	(50,000)	-
Purchase of investments	(1,037,469)	(203,993)
Proceeds from maturity or sale of investments	1,132,358	105,930
Purchase of property and equipment	(3,202,142)	(2,702,057)
Cash received from sale of property and equipment	3,000	5,440
Net cash used in investing activities	(3,154,253)	(2,794,680)
Cash flows from financing activities:		
Capital campaign collections	1,350,262	2,791,267
Proceeds from capital lease	13,255	-
Proceeds from bonds payable	4,250,000	-
Proceeds from notes payable	375,000	635,000
Payments on capital lease	(12,698)	(15,569)
Payments on bond payable	(958,149)	(116,675)
Payments on notes payable	(81,280)	(850,022)
Net cash provided by financing activities	4,936,390	2,444,001
Net change in cash and cash equivalents	30,141	(482,746)
Cash and cash equivalents, beginning of year	1,211,223	1,693,969
Cash and cash equivalents, end of year	\$ 1,241,364	\$ 1,211,223
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid during the year	\$ 80,407	\$ 41,155
Assets acquired through accounts payable	\$ -	\$ 533,977
Assets acquired through assumption of capital lease	\$ 13,255	\$ 27,046
Assets acquired through bonds and notes payable	\$ 2,996,125	\$ 30,919

See accompanying notes to consolidated financial statements.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2013

	PRTF	Family Case Management	Behavioral Health	Autism	Street Outreach Services	Resource Family Services
Salaries	\$ 4,597,374	\$ 51,935	\$ 389,267	\$ 381,711	\$ 107,503	\$ 102,458
Payroll taxes	426,922	5,239	32,451	34,909	9,168	10,551
Employee benefits	600,683	7,987	31,702	43,949	19,113	7,094
Temporary help	55	-	3	3	-	-
Staff development	49,762	1,077	6,257	3,316	466	1,044
Insurance	106,342	162	13,389	19,432	4,042	2,664
Utilities and janitorial	112,483	36	11,110	15,181	2,512	1,852
Depreciation	431,775	1,103	59,583	60,098	10,935	5,058
Repairs and maintenance	41,199	5	1,546	1,995	744	487
Rent expense	1,800	-	-	-	-	-
Communications	28,145	439	2,544	3,480	3,938	4,756
Professional services	425,236	502	34,239	14,873	2,363	1,092
Legal services	8,833	2	187	592	4	3
Accounting services	57,722	578	2,340	4,841	1,330	1,042
Consultant	36,684	250	144	360	52	252
Contract services	12,343	12	1,918	2,527	2,040	1,430
Placement payments	-	-	-	-	-	149,280
Equipment repairs	16,925	2	2,020	2,286	424	3
Small equipment	32,076	39	6,683	19,215	108	68
Travel/vehicle expenses	17,838	1,629	6,462	3,743	3,650	1,995
Printing	1,875	1	91	7	495	2
Supplies	41,663	127	3,215	28,473	386	17,304
Postage	1,482	15	86	85	8	127
Dues	6,778	50	253	541	161	87
Subscriptions	1,516	-	297	2,148	(37)	(95)
Advertising	4,607	-	442	1,918	756	356
Licenses	7,575	65	669	568	130	115
Food	148,809	144	-	187	138	110
Other client expenses	72,993	100	2,006	251	1,081	2,487
Household supplies	12,430	-	48	254	26	-
Medical	8,766	-	164	192	-	-
Flex-plan	230	-	-	-	1,394	370
Fund raising events	-	-	-	783	1,627	-
Bad debt expense	66,966	-	8,361	-	-	328
Donor and volunteer recognition	-	-	-	-	-	-
Investment fees	812	-	233	248	2	1
Interest expense	12,542	5	7,923	9,569	186	96
Miscellaneous	609	-	94	320	23	(3)
Total expenses	\$ 7,393,850	\$ 71,504	\$ 625,727	\$ 658,055	\$ 174,768	\$ 312,414

See accompanying notes to consolidated financial statements.

	Chaplaincy Services	Total Program Services	Management and General	Fundraising			Total
				Fundraising	Foundation	Capital Campaign	
Salaries	\$ 52,044	\$ 5,682,292	\$ 587,389	\$ 430,167	\$ 79,631	\$ 9,563	\$ 6,789,042
Payroll taxes	3,660	522,900	41,663	36,347	5,685	2,181	608,776
Employee benefits	10,813	721,341	68,454	45,780	4,604	1,128	841,307
Temporary help	-	61	1,210	21	-	3	1,295
Staff development	28	61,950	2,790	1,721	144	(38)	66,567
Insurance	740	146,771	22,423	6,946	223	93	176,456
Utilities and janitorial	972	144,146	23,671	5,751	195	56	173,819
Depreciation	4,126	572,678	91,341	23,292	1,078	514	688,903
Repairs and maintenance	321	46,297	3,637	879	25	3	50,841
Rent expense	-	1,800	1,985	-	-	-	3,785
Communications	750	44,052	6,205	3,738	781	421	55,197
Professional services	759	479,064	62,030	14,973	3,786	362	560,215
Legal services	9	9,630	26,352	814	-	10,351	47,147
Accounting services	400	68,253	3,934	3,023	250	211	75,671
Consultant	12	37,754	128	52,821	7	6	90,716
Contract services	89	20,359	8,752	1,595	44	5	30,755
Placement payments	-	149,280	-	-	-	-	149,280
Equipment repairs	72	21,732	3,539	5,571	38	91	30,971
Small equipment	51	58,240	2,376	2,769	30	12	63,427
Travel/vehicle expenses	1,967	37,284	14,297	9,952	898	504	62,935
Printing	-	2,471	26	15,347	-	5,001	22,845
Supplies	1,777	92,945	12,134	5,500	68	210	110,857
Postage	2	1,805	1,515	7,077	8	233	10,638
Dues	121	7,991	2,345	3,005	204	66	13,611
Subscriptions	9	3,838	944	942	48	-	5,772
Advertising	2	8,081	670	54,833	147	2,731	66,462
Licenses	94	9,216	415	290	-	44	9,965
Food	85	149,473	839	148	-	-	150,460
Other client expenses	4	78,922	-	-	-	-	78,922
Household supplies	18	12,776	119	70	-	4	12,969
Medical	56	9,178	-	-	-	-	9,178
Flex-plan	-	1,994	-	-	-	-	1,994
Fund raising events	-	2,410	-	160,262	-	852	163,524
Bad debt expense	-	75,655	230	11,314	-	7,263	94,462
Donor and volunteer recognition	-	-	1,294	3,216	-	-	4,510
Investment fees	3	1,299	18,943	7,000	24,928	48	52,218
Interest expense	38	30,359	49,109	837	13	89	80,407
Miscellaneous	-	1,043	1,396	167	66	4	2,676
Total expenses	\$ 79,022	\$ 9,315,340	\$ 1,062,155	\$ 916,168	\$ 122,901	\$ 42,011	\$ 11,458,575

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2012

	PRTF	Community Based Services	Behavioral Health	Autism	Street Outreach Services	Resource Family Services
Salaries	\$ 4,482,988	\$ 92,516	\$ 66,468	\$ 53,244	\$ 115,834	\$ 181,848
Payroll taxes	405,575	7,965	5,136	3,983	9,059	15,443
Employee benefits	490,784	13,877	7,779	5,042	22,534	17,194
Temporary help	2,180	-	-	-	-	-
Staff development	9,083	220	298	54	664	6,955
Insurance	86,136	420	1,410	147	3,215	5,702
Utilities and janitorial	84,072	96	1,414	223	1,855	4,162
Depreciation	378,608	2,824	7,027	452	11,796	15,153
Repairs and maintenance	40,399	28	394	65	575	1,237
Rent expense	4,845	-	-	-	-	-
Communications	32,505	956	1,412	-	3,574	8,489
Professional services	335,523	1,826	4,857	45	3,767	6,709
Legal services	9,552	9	119	8	19	67
Accounting services	54,548	1,103	1,986	-	1,611	2,728
Consultant	14,677	680	12	12,220	10	1,269
Contract services	4,989	12	154	10	1,215	2,831
Placement payments	1,059	-	-	-	-	352,108
Equipment repairs	17,394	11	693	2	703	879
Small equipment	32,756	148	303	179	678	1,690
Travel/vehicle expenses	21,593	4,477	296	802	6,760	6,048
Printing	2,733	184	93	-	340	397
Supplies	40,378	622	1,212	775	789	1,785
Postage	1,112	25	34	-	9	454
Dues	6,162	113	203	-	164	378
Subscriptions	1,102	188	1	1	829	1,371
Advertising	5,728	1	2	-	2,118	702
Food	159,658	-	-	-	100	182
Meals out	91	-	-	-	-	7
Other client expenses	51,350	1,154	-	-	2,143	11,469
Household supplies	11,934	-	-	-	-	-
Medical	20,950	4	7	-	6	9
Flex-plan	322	5,374	-	-	4,587	5,092
Fund raising events	-	-	-	-	-	75
Bad debt expense	21,704	-	-	-	-	-
Investment fees	2,241	6	74	15	13	43
Interest expense	18,988	40	799	38	212	344
Miscellaneous	8,187	217	627	-	86	796
Total expenses	\$ 6,861,906	\$ 135,096	\$ 102,810	\$ 77,305	\$ 195,265	\$ 653,616

See accompanying notes to consolidated financial statements.

	Chaplaincy Services	Total Program Services	Management and General	Fundraising			Total
				Fundraising	Foundation	Capital Campaign	
Salaries	\$ 53,039	\$ 5,045,937	\$ 673,877	\$ 390,469	\$ 52,897	\$ 137,500	\$ 6,300,680
Payroll taxes	3,751	450,912	51,741	33,492	3,544	8,990	548,679
Employee benefits	10,007	567,217	72,406	41,685	3,107	11,888	696,303
Temporary help	-	2,180	1,306	-	-	-	3,486
Staff development	383	17,657	2,199	2,037	114	342	22,349
Insurance	785	97,815	25,893	4,878	284	779	129,649
Utilities and janitorial	807	92,629	28,660	4,414	260	696	126,659
Depreciation	6,148	422,008	119,707	20,689	1,415	4,307	568,126
Repairs and maintenance	398	43,096	7,151	1,158	68	187	51,660
Rent expense	-	4,845	2,869	-	-	-	7,714
Communications	866	47,802	8,051	4,717	484	1,286	62,340
Professional services	1,162	353,889	34,008	18,228	3,384	1,021	410,530
Legal services	38	9,812	70,255	428	-	69	80,564
Accounting services	507	62,483	6,508	3,714	254	669	73,628
Consultant	3	28,871	712	31,703	1	21,004	82,291
Contract services	41	9,252	4,223	537	32	89	14,133
Placement payments	-	353,167	-	-	-	-	353,167
Equipment repairs	360	20,042	7,244	5,892	5	427	33,610
Small equipment	4,602	40,356	7,159	1,416	61	561	49,553
Travel/vehicle expenses	839	40,815	14,826	8,730	894	4,549	69,814
Printing	24	3,771	1,223	6,625	11	151	11,781
Supplies	1,543	47,104	15,866	4,666	144	1,162	68,942
Postage	3	1,637	1,642	3,278	48	481	7,086
Dues	52	7,072	2,160	2,785	115	345	12,477
Subscriptions	-	3,492	961	638	74	221	5,386
Advertising	-	8,551	3,075	19,810	-	2,201	33,637
Food	-	159,940	522	350	-	-	160,812
Meals out	-	98	-	-	-	-	98
Other client expenses	-	66,116	-	316	-	-	66,432
Household supplies	-	11,934	50	-	-	-	11,984
Medical	2	20,978	22	13	-	2	21,015
Flex-plan	-	15,375	-	-	-	-	15,375
Fund raising events	-	75	621	126,364	5,334	1,655	134,049
Bad debt expense	-	21,704	(230)	3,000	-	18,280	42,754
Investment fees	23	2,415	16,221	9,877	19,374	135	48,022
Interest expense	183	20,604	17,747	2,230	150	423	41,154
Miscellaneous	375	10,288	2,723	583	99	175	13,868
Total expenses	\$ 85,941	\$ 8,111,939	\$ 1,201,398	\$ 754,722	\$ 92,153	\$ 219,595	\$ 10,379,807

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013 and 2012

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

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)

Family Case Management:

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 provides limited high quality services for children with autism spectrum disorders. Services include clinical assessments, group and individual intervention programs and ongoing education and training opportunities for families with children on the autism spectrum. KidsTLC began offering autism services in July 2013.

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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

Program Services (Continued)

Resource Family Services:

KidsTLC's Resource Family Services Program provided safe, quality foster care to children ages infant through 17 years when they could not remain in their homes because of abuse, neglect or family disruption. This program was discontinued July 1, 2013.

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.

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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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

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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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.

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.

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.

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 (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.

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 2010, KidsTLC launched a 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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

Pledges Receivable (Continued)

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.

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 \$ 615,275 and \$ 635,722 at December 31, 2013 and 2012, respectively.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

Property and Equipment (Continued)

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.

Intangible Assets

KidsTLC's goodwill was recorded as a result of the purchase of Kansas City Behavior Analysts (KCBA) during the year ended December 31, 2013. KidsTLC has recorded this business combination using the acquisition method of accounting. KidsTLC tests its recorded goodwill for impairment annually, or more often if indicators of potential impairment exist, by determining if the carrying value exceeds its estimated fair value. Factors that could trigger an interim impairment test include, but are not limited to, underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or KidsTLC's overall business, or significant negative industry or economic trends. During 2013, KidsTLC determined that no impairment of goodwill existed because the estimated fair value exceeded its carrying amount. Future impairment reviews may require write-downs in goodwill.

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, 2009 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.

2 - Deposits

At December 31, 2013 the carrying amount of KidsTLC's and the Foundation's deposits was \$ 1,241,364 and the bank balances were \$ 1,276,985. Of the bank balances, \$ 596,204 was covered by federal depository insurance. The remaining \$ 680,781 was unsecured.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

3 - Grants and Contracts Receivable

	<u>2013</u>	<u>2012</u>
Total grants and contracts receivable, short term	\$ 900,452	\$ 676,029
Less: allowance for doubtful accounts	<u>8,000</u>	<u>54,000</u>
Grants and contracts receivable, short term	<u>\$ 892,452</u>	<u>\$ 622,029</u>

4 - Pledges Receivable

Pledges receivable contains the following components:

	<u>2013</u>	<u>2012</u>
Total pledges receivable	\$ 1,604,852	\$ 2,727,472
Less: unamortized discount	94,216	191,963
Less: allowance for doubtful accounts	<u>80,243</u>	<u>124,658</u>
Net pledges receivable	1,430,393	2,410,851
Less: current portion	<u>679,932</u>	<u>1,165,210</u>
Pledges receivable, long-term	<u>\$ 750,461</u>	<u>\$ 1,245,641</u>

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

4 - Pledges Receivable (Continued)

Total pledges receivable are aged as follows:

	<u>2013</u>	<u>2012</u>
2013	\$ -	\$ 1,214,204
2014	715,718	623,492
2015	531,986	532,627
2016	346,956	346,957
2017	<u>10,192</u>	<u>10,192</u>
Total	<u>\$ 1,604,852</u>	<u>\$ 2,727,472</u>

Future cash flows were discounted at a rate of 5% for 2013 and 2012 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, 2013		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds - Bonds	\$ 2,634,606	\$ 2,613,592	\$ 2,723,314	\$ 2,837,352
Mutual Funds - Equities	1,035,126	1,265,982	897,463	944,521
Common Stock	-	-	-	45,240
Total	<u>\$ 3,669,732</u>	<u>\$ 3,879,574</u>	<u>\$ 3,620,777</u>	<u>\$ 3,827,113</u>

Investment returns related to these investments and cash and cash equivalents for the years ended December 31, 2013 and 2012 consist of the following:

	2013	2012
Investment income	\$ 131,806	\$ 169,962
Net realized gains	77,171	10,953
Net unrealized gains	51,476	210,438
Total investment return	<u>\$ 260,453</u>	<u>\$ 391,353</u>

6 - Beneficial Interest in Community Foundation

During 2004, KidsTLC contributed funds to the Greater Kansas City Community Foundation (GKCCF). At December 31, 2013 KidsTLC has a beneficiary interest in \$ 133,512 of the assets held by GKCCF, of which \$ 126,944 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, 2013		December 31, 2012	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds - Fixed Income	\$ 38,734	\$ 99,640	\$ 38,509	\$ 95,604
Mutual Funds - Equities	110,275	27,304	100,204	25,845
Total	<u>\$ 149,009</u>	<u>\$ 126,944</u>	<u>\$ 138,713</u>	<u>\$ 121,449</u>

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

	2013	2012
Investment income	\$ 2,630	\$ 3,510
Net realized gains	9,290	1,394
Net unrealized gains (losses)	(4,802)	5,517
Total investment return	<u>\$ 7,118</u>	<u>\$ 10,421</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, 2013 and 2012.

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 GKCCF investments in Level 3, management monitors investment activity by analyzing investment statements. In substantiating the reasonableness of the pricing data provided by GKCCF, 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 GKCCF'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 GKCCF 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, 2013 are as follows:

Description	Fair Value	Fair Value Measurements at Reporting Date		
		Level 1	Level 2	Level 3
Mutual Funds:				
Fixed income	\$ 2,613,592	\$ 2,613,592	\$ -	\$ -
Equities:				
Large growth	601,885	601,885	-	-
Growth	60,719	60,719	-	-
Large value	549,292	549,292	-	-
Small cap value	54,086	54,086	-	-
Pooled shares	126,944	-	-	126,944
Total	\$ 4,006,518	\$ 3,879,574	\$ -	\$ 126,944

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, 2013	\$ 121,449
Contributions	-
Realized gain	9,290
Unrealized loss	(4,802)
Interest and dividends	2,630
Disbursements	(316)
Administration fees	(1,307)
	<u>126,944</u>
December 31, 2013	<u>\$ 126,944</u>

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	-	-
Pooled shares	121,449	-	-	121,449
Total	<u>\$ 3,903,322</u>	<u>\$ 3,781,873</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 loss		1,394
Unrealized gain		5,517
Interest and dividends		3,510
Disbursements		(451)
Administration fees		(1,241)
		(1,241)
December 31, 2012	\$	121,449

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, 2013 and 2012 was \$ 20,934 and \$ 27,214, respectively. Future minimum payments are \$ 6,280 for each of the remaining years 2014 – 2016, and \$ 2,094 for year 2017, with total future payments of \$ 20,934.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

KidsTLC has a revolving line-of-credit in place with an investment company effective July 6, 2011 with a maximum available limit of \$ 1,598,950 (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, 2013 and 2012, there was \$ 300,000 and \$ 0, respectively, outstanding against the line.

9 - Bonds Payable

Effective August 1, 2013, the City of Olathe, KS issued its Lease Revenue Bonds, Series 2013 (TLC for Children and Families, Inc.), in an aggregate principal amount of \$ 4,250,000, for the purpose of acquiring, constructing, reconstructing, and equipping certain physical and mental health facilities on KidsTLC's campus, 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 and interest payments of \$28,060 monthly for 15 years which includes accrued interest on the outstanding balance at an annual interest rate of 2.345%. The interest rate is fixed until August 31, 2017 and then KidsTLC has the option to renew the interest rate based on an interest rate period of 3, 4 or 5 years. The bonds are collateralized by KidsTLC's main campus property.

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 were 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 would 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 were collateralized by KidsTLC's main campus property and were paid off early in 2013.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

9 - Bonds Payable (Continued)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 261,256	\$ 95,802	\$ 357,058
2015	247,116	90,092	337,208
2016	252,974	84,245	337,219
2017	258,970	78,261	337,231
2018	265,109	72,134	337,243
2019-2023	1,422,836	263,567	1,686,403
Thereafter	<u>1,487,082</u>	<u>87,258</u>	<u>1,574,340</u>
	<u>\$ 4,195,343</u>	<u>\$ 771,359</u>	<u>\$ 4,966,702</u>

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%. On July 1, 2013, KidsTLC entered into a 48-month capital lease for one copier requiring lease payments of \$ 333 monthly. Interest has been imputed at a rate of 9.45%. Future minimum lease payments under capital leases for each of the remaining years and in aggregate are:

2014	\$ 18,850
2015	10,840
2016	10,840
2017	<u>8,274</u>
	48,804
Less: amount representing interest values	<u>7,123</u>
Total	<u><u>\$ 41,681</u></u>

At December 31, 2013 and 2012, respectively, the carrying value of the property and equipment being leased was \$ 37,976 and \$ 36,758. The depreciation charges to 2013 and 2012 operations were \$ 12,087 and \$ 13,284, respectively.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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.

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, 2013, 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.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

11 - Board Designated Funds (Continued)

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

	<u>2013</u>	<u>2012</u>
Endowment reserve	\$ 374,969	\$ 434,701
Operating reserve	744,688	713,661
Program reserve	674,555	645,458
Capital Campaign assets	2,125,613	2,219,440
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>\$ 4,453,625</u>	<u>\$ 4,547,060</u>

12 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Capital Campaign	\$ 5,754,861	\$ 5,943,867
Bringing Our Children Home: Continuing Our Journey Capital Campaign	6,486,193	6,232,359
Designated contributions	276,047	206,169
Beneficial interest in Community Foundation	108,015	102,204
Chaplaincy endowment	105,974	89,296
Annual Fund-time restricted	<u>-</u>	<u>11,314</u>
Total	<u>\$ 12,731,090</u>	<u>\$ 12,585,209</u>

At December 31, 2013 and 2012, the value of the Capital Campaign net assets consisted of the net book value of the property and equipment acquired with these funds.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12 - 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:

	2013	2012
Beneficial interest in Community Foundation	\$ 14,083	\$ 12,485

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:

	2013	2012
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, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 120,057	\$ 577,154	\$ 697,211
Board-designated endowment funds	374,969	-	-	374,969
Total funds	<u>\$ 374,969</u>	<u>\$ 120,057</u>	<u>\$ 577,154</u>	<u>\$ 1,072,180</u>

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 434,700	\$ 101,780	\$ 577,154	\$ 1,113,634
Investment return:				
Investment income	9,390	15,498	-	24,888
Net appreciation (realized and unrealized)	16,479	27,779	-	44,258
Total investment return	<u>25,869</u>	<u>43,277</u>	<u>-</u>	<u>69,146</u>
Appropriation of endowment assets for expenditure	<u>(85,600)</u>	<u>(25,000)</u>	<u>-</u>	<u>(110,600)</u>
Endowment net assets, end of year	<u>\$ 374,969</u>	<u>\$ 120,057</u>	<u>\$ 577,154</u>	<u>\$ 1,072,180</u>

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>

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, 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 (depreciation) (realized and unrealized)	26,832	38,767	-	65,599
Total investment return	43,368	63,090	-	106,458
Appropriation of endowment assets for expenditure	(68,861)	-	-	(68,861)
Endowment net assets, end of year	<u>\$ 434,700</u>	<u>\$ 101,780</u>	<u>\$ 577,154</u>	<u>\$ 1,113,634</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, 2013 and 2012.

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 \$ 1,027,862 as of December 31, 2013 and \$ 1,070,916 as of December 31, 2012.

Additionally, the Foundation has donor-restricted endowment assets of \$ 39,580 invested with the Greater Kansas City Community Foundation and \$ 4,738 invested in another interest bearing account as of December 31, 2013. These assets were \$ 37,982 and \$ 4,738, respectively, as of December 31, 2012.

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, 2013. 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 \$ 132,303 in 2013 and \$ 117,623 in 2012.

KidsTLC, INC. AND ITS SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16 - 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.

17 - 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, 2013

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 1,199,541	\$ 41,823	\$ -	\$ 1,241,364
Accounts receivable:				
Grants and contracts	892,452	-	-	892,452
Pledges - net	679,932	-	-	679,932
Inter-company	39,917	-	(39,917)	-
Employee	21	-	-	21
Due from (to) other funds	(1,516,721)	1,516,721	-	-
Prepaid expenses	121,821	-	-	121,821
Inventory	33,429	-	-	33,429
Total current assets	<u>1,450,392</u>	<u>1,558,544</u>	<u>(39,917)</u>	<u>2,969,019</u>
Investments	<u>2,874,230</u>	<u>1,005,344</u>	<u>-</u>	<u>3,879,574</u>
Beneficial interest in Community Foundation	<u>-</u>	<u>126,944</u>	<u>-</u>	<u>126,944</u>
Property and equipment:				
Land	852,045	-	-	852,045
Buildings and improvements	17,068,681	-	-	17,068,681
Furniture and equipment	1,728,562	-	-	1,728,562
Automotive equipment	227,950	-	-	227,950
Total, at cost	<u>19,877,238</u>	<u>-</u>	<u>-</u>	<u>19,877,238</u>
Less: accumulated depreciation	<u>2,958,115</u>	<u>-</u>	<u>-</u>	<u>2,958,115</u>
Total property and equipment	<u>16,919,123</u>	<u>-</u>	<u>-</u>	<u>16,919,123</u>
Other assets:				
Deposits	8,965	-	-	8,965
Goodwill	50,000	-	-	50,000
Pledges receivable - net	750,461	-	-	750,461
Total other assets	<u>809,426</u>	<u>-</u>	<u>-</u>	<u>809,426</u>
Investment in subsidiary	<u>2,650,915</u>	<u>-</u>	<u>(2,650,915)</u>	<u>-</u>
Total assets	<u>\$ 24,704,086</u>	<u>\$ 2,690,832</u>	<u>\$ (2,690,832)</u>	<u>\$ 24,704,086</u>
Current liabilities:				
Accounts payable	\$ 298,111	\$ -	\$ -	\$ 298,111
Inter-company payable	-	39,917	(39,917)	-
Accrued liabilities	651,440	-	-	651,440
Bonds payable - current portion	261,256	-	-	261,256
Note payable - current portion	306,280	-	-	306,280
Capital lease - current portion	15,487	-	-	15,487
Total current liabilities	<u>1,532,574</u>	<u>39,917</u>	<u>(39,917)</u>	<u>1,532,574</u>
Bonds payable, less current portion	3,934,087	-	-	3,934,087
Note payable, less current portion	14,654	-	-	14,654
Capital lease, less current portion	26,194	-	-	26,194
Total liabilities	<u>5,507,509</u>	<u>39,917</u>	<u>(39,917)</u>	<u>5,507,509</u>
Net assets:				
Unrestricted:				
Undesignated	1,434,708	1,484,803	(1,484,803)	1,434,708
Board designated	4,453,625	374,969	(374,969)	4,453,625
Temporarily restricted	12,731,090	213,989	(213,989)	12,731,090
Permanently restricted	577,154	577,154	(577,154)	577,154
Total net assets	<u>19,196,577</u>	<u>2,650,915</u>	<u>(2,650,915)</u>	<u>19,196,577</u>
Total liabilities and net assets	<u>\$ 24,704,086</u>	<u>\$ 2,690,832</u>	<u>\$ (2,690,832)</u>	<u>\$ 24,704,086</u>

See independent auditor's report.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2012

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 1,180,712	\$ 30,511	\$ -	\$ 1,211,223
Accounts receivable:				
Grants and contracts	622,029	-	-	622,029
Pledges - net	1,165,210	-	-	1,165,210
Inter-company	27,548	-	(27,548)	-
Employee	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	1,752,423	1,452,998	(27,548)	3,177,873
Investments	2,773,694	1,053,419	-	3,827,113
Beneficial interest in Community Foundation	-	121,449	-	121,449
Property and equipment:				
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	16,412,387	-	-	16,412,387
Less: accumulated depreciation	2,272,037	-	-	2,272,037
Total property and equipment	14,140,350	-	-	14,140,350
Other assets:				
Deposits	4,600	-	-	4,600
Pledges receivable - net	1,245,641	-	-	1,245,641
Total other assets	1,250,241	-	-	1,250,241
Investment in subsidiary	2,600,318	-	(2,600,318)	-
Total assets	\$ 22,517,026	\$ 2,627,866	\$ (2,627,866)	\$ 22,517,026
Current liabilities:				
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
Notes payable - current portion	6,280	-	-	6,280
Capital lease - current portion	11,301	-	-	11,301
Total current liabilities	1,374,452	27,548	(27,548)	1,374,452
Bonds payable, less current portion	818,167	-	-	818,167
Notes payable, less current portion	20,934	-	-	20,934
Capital lease, less current portion	29,823	-	-	29,823
Total liabilities	2,243,376	27,548	(27,548)	2,243,376
Net assets:				
Unrestricted:				
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	20,273,650	2,600,318	(2,600,318)	20,273,650
Total liabilities and net assets	\$ 22,517,026	\$ 2,627,866	\$ (2,627,866)	\$ 22,517,026

See independent auditor's report.

KidsTLC, INC. AND ITS SUBSIDIARY

CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2013

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Revenues, Gains and Support:				
Contributions:				
General	\$ 1,075,027	\$ 5,975	\$ -	\$ 1,081,002
Campaign	345,241	-	-	345,241
Gifts-in-kind	131,239	-	-	131,239
Gifts-in-kind capital campaign	31,827	-	-	31,827
United Way	213,000	-	-	213,000
Grants	151,772	-	-	151,772
Contract revenues	7,345,763	-	-	7,345,763
Fund raising events	637,795	-	(25,000)	612,795
Other revenues	198,292	-	-	198,292
Realized investment income	63,385	157,512	-	220,897
Unrealized investment loss	11,669	35,005	-	46,674
Gain on investment in subsidiary	50,597	-	(50,597)	-
Loss on disposition of assets	2,993	7	-	3,000
Total revenues, gains, and support	<u>10,258,600</u>	<u>198,499</u>	<u>(75,597)</u>	<u>10,381,502</u>
Expenses:				
Program services	9,315,340	-	-	9,315,340
Supporting services:				
Management and general	1,062,155	-	-	1,062,155
Fund raising	958,178	147,902	(25,000)	1,081,080
Total expenses	<u>11,335,673</u>	<u>147,902</u>	<u>(25,000)</u>	<u>11,458,575</u>
Increase (decrease) in net assets	<u>\$ (1,077,073)</u>	<u>\$ 50,597</u>	<u>\$ (50,597)</u>	<u>\$ (1,077,073)</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	13,133,528	267,859	(175,704)	13,225,683
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	10,287,652	92,155	-	10,379,807
Increase in net assets	\$ 2,845,876	\$ 175,704	\$ (175,704)	\$ 2,845,876

See independent auditor's report.