

KidsTLC, Inc. and its Subsidiary

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2018 and 2017

KidsTLC, Inc. and its Subsidiary
December 31, 2018 and 2017

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Independent Auditor's Report

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

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, 2018 and 2017, 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 consolidated financial statements.

Management's Responsibility for the Consolidated 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, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in *Note 2* to the consolidated financial statements, in 2018, KidsTLC, Inc. and its Subsidiary adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and consolidating schedules of activities listed in the table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Kansas City, Missouri
May 30, 2019

KidsTLC, Inc. and its Subsidiary
Consolidated Statement of Financial Position
December 31, 2018

Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets			
Cash and cash equivalents	\$ 490,633	\$ 1,128,207	\$ 1,618,840
Accounts receivable, net of allowance of \$176,885	1,878,878	-	1,878,878
Contributions receivable	-	67,558	67,558
Other receivables	32,490	-	32,490
Prepaid expenses	78,624	-	78,624
Inventories	38,390	-	38,390
	<u>2,519,015</u>	<u>1,195,765</u>	<u>3,714,780</u>
Total current assets			
	<u>3,110,835</u>	<u>805,957</u>	<u>3,916,792</u>
Investments			
	<u>3,110,835</u>	<u>805,957</u>	<u>3,916,792</u>
Property and Equipment, At Cost			
Land	802,046	-	802,046
Building and improvements	18,392,075	-	18,392,075
Furniture and equipment	2,262,907	-	2,262,907
Automotive equipment	182,047	-	182,047
	<u>21,639,075</u>	<u>-</u>	<u>21,639,075</u>
Less accumulated depreciation	6,247,230	-	6,247,230
	<u>15,391,845</u>	<u>-</u>	<u>15,391,845</u>
Property and equipment, net			
	<u>15,391,845</u>	<u>-</u>	<u>15,391,845</u>
Other Assets			
	<u>41,331</u>	<u>31,676</u>	<u>73,007</u>
Total assets	<u>\$ 21,063,026</u>	<u>\$ 2,033,398</u>	<u>\$ 23,096,424</u>

KidsTLC, Inc. and its Subsidiary
Consolidated Statement of Financial Position (Continued)
December 31, 2018

Liabilities and Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Current Liabilities			
Current maturities of long-term debt	\$ 294,098	\$ -	\$ 294,098
Line of credit	300,000	-	300,000
Accounts payable	529,927	-	529,927
Accrued expenses	815,732	-	815,732
	<u>1,939,757</u>	<u>-</u>	<u>1,939,757</u>
Long-term Liabilities			
Long-term debt	2,739,120	-	2,739,120
	<u>4,678,877</u>	<u>-</u>	<u>4,678,877</u>
Net Assets			
Without donor restrictions	16,384,149	-	16,384,149
With donor restrictions	-	2,033,398	2,033,398
	<u>16,384,149</u>	<u>2,033,398</u>	<u>18,417,547</u>
Total liabilities and net assets	<u>\$ 21,063,026</u>	<u>\$ 2,033,398</u>	<u>\$ 23,096,424</u>

KidsTLC, Inc. and its Subsidiary
Consolidated Statement of Financial Position
December 31, 2017

Assets

	Without Donor Restrictions	With Donor Restrictions	Total
	<i>(As adjusted)</i>	<i>(As adjusted)</i>	
Current Assets			
Cash and cash equivalents	\$ 495,357	\$ 1,968,945	\$ 2,464,302
Accounts receivable, net of allowance of \$154,351	1,555,649	-	1,555,649
Contributions receivable	-	78,983	78,983
Other receivables	17,379	-	17,379
Prepaid expenses	87,186	-	87,186
Inventories	36,159	5,956	42,115
Total current assets	2,191,730	2,053,884	4,245,614
Investments	3,482,992	891,407	4,374,399
Property and Equipment, At Cost			
Land	802,046	-	802,046
Building and improvements	17,212,696	-	17,212,696
Furniture and equipment	1,691,277	-	1,691,277
Automotive equipment	187,709	-	187,709
Construction in process	513,654	107,883	621,537
	20,407,382	107,883	20,515,265
Less accumulated depreciation	5,485,550	-	5,485,550
Property and equipment, net	14,921,832	107,883	15,029,715
Contributions Receivable	-	19,246	19,246
Other Assets	53,164	28,118	81,282
Total assets	\$ 20,649,718	\$ 3,100,538	\$ 23,750,256

See Notes to Consolidated Financial Statements

KidsTLC, Inc. and its Subsidiary
Consolidated Statement of Financial Position (Continued)
December 31, 2017

Liabilities and Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
	<i>(As adjusted)</i>	<i>(As adjusted)</i>	
Current Liabilities			
Current maturities of long-term debt	\$ 267,701	\$ -	\$ 267,701
Line of credit	577,000	-	577,000
Accounts payable	478,030	-	478,030
Accrued expenses	785,919	-	785,919
	<u>2,108,650</u>	<u>-</u>	<u>2,108,650</u>
Long-term Liabilities			
Long-term debt	<u>2,932,248</u>	<u>-</u>	<u>2,932,248</u>
	<u>5,040,898</u>	<u>-</u>	<u>5,040,898</u>
Net Assets			
Without donor restrictions	15,608,820	-	15,608,820
With donor restrictions	<u>-</u>	<u>3,100,538</u>	<u>3,100,538</u>
	<u>15,608,820</u>	<u>3,100,538</u>	<u>18,709,358</u>
	<u>\$ 20,649,718</u>	<u>\$ 3,100,538</u>	<u>\$ 23,750,256</u>

KidsTLC, Inc. and its Subsidiary
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Program revenue	\$ 14,945,771	\$ -	\$ 14,945,771
Contributions	662,433	139,978	802,411
Grants	225,305	-	225,305
Fundraising	576,450	-	576,450
Investment return, net	(125,981)	(74,731)	(200,712)
Other revenues	397,336	3,558	400,894
Net assets released from restrictions	1,135,945	(1,135,945)	-
Total revenues, gains and other support	17,817,259	(1,067,140)	16,750,119
Expenses			
Program services			
PRFT	9,716,530	-	9,716,530
Behavioral Health	1,119,161	-	1,119,161
Autism	2,882,612	-	2,882,612
Street Outreach Program	127,402	-	127,402
Intensive Outpatient	402,738	-	402,738
Sanctuary	786,894	-	786,894
Chaplaincy	88,215	-	88,215
Total program services	15,123,552	-	15,123,552
Management and general	1,067,769	-	1,067,769
Fundraising and charities	850,609	-	850,609
Total expenses	17,041,930	-	17,041,930
Increase (Decrease) in Net Assets	775,329	(1,067,140)	(291,811)
Net Assets, Beginning of Year	15,608,820	3,100,538	18,709,358
Net Assets, End of Year	\$ 16,384,149	\$ 2,033,398	\$ 18,417,547

See Notes to Consolidated Financial Statements

KidsTLC, Inc. and its Subsidiary
Consolidated Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
	<i>(As adjusted)</i>	<i>(As adjusted)</i>	
Revenues, Gains and Other Support			
Program revenue	\$ 13,645,419	\$ -	\$ 13,645,419
Contributions	594,039	377,101	971,140
Grants	235,520	-	235,520
Fundraising	629,292	-	629,292
Investment return, net	470,335	72,812	543,147
Other revenues	315,292	9,175	324,467
Net assets released from restrictions	739,928	(739,928)	-
	<u>16,629,825</u>	<u>(280,840)</u>	<u>16,348,985</u>
Expenses			
Program services			
PRFT	9,206,534	-	9,206,534
Behavioral Health	1,448,573	-	1,448,573
Autism	1,989,658	-	1,989,658
Street Outreach Program	262,274	-	262,274
Intensive Outpatient	354,736	-	354,736
Sanctuary	761,538	-	761,538
Chaplaincy	45,397	-	45,397
	<u>14,068,710</u>	<u>-</u>	<u>14,068,710</u>
Management and general	1,146,864	-	1,146,864
Fundraising and charities	1,051,184	-	1,051,184
	<u>16,266,758</u>	<u>-</u>	<u>16,266,758</u>
Increase (Decrease) in Net Assets	<u>363,067</u>	<u>(280,840)</u>	<u>82,227</u>
Net Assets, Beginning of Year, as Previously Reported	5,554,493	13,072,638	18,627,131
Adoption of ASU 2016-14	<u>9,691,260</u>	<u>(9,691,260)</u>	<u>-</u>
Net Assets, Beginning of Year, Adjusted	<u>15,245,753</u>	<u>3,381,378</u>	<u>18,627,131</u>
Net Assets, End of Year	<u>\$ 15,608,820</u>	<u>\$ 3,100,538</u>	<u>\$ 18,709,358</u>

See Notes to Consolidated Financial Statements

KidsTLC, Inc. and its Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Operating Activities		
Change in net assets	\$ (291,811)	\$ 82,227
Items not requiring (providing) operating cash flows		
Depreciation and amortization	831,213	831,962
Provision for uncollectible accounts	135,579	129,682
Unrealized (gains) losses on investments	482,595	(334,270)
Realized gains on sale of investments	(53,032)	(48,757)
Loss on disposal of property and equipment	(3,209)	(40,952)
Changes in		
Accounts receivable	(458,808)	(645,134)
Other accounts receivable	(15,111)	(14,453)
Other assets	6,623	8,575
Inventories	3,725	23,049
Accounts payable	51,897	136,558
Accrued liabilities	29,813	55,920
Net cash provided by operating activities	719,474	184,407
Investing Activities		
Purchase of investments	(304,188)	(618,312)
Proceeds from disposition of investments	332,232	634,749
Purchase of property and equipment	(1,069,725)	(637,280)
Proceeds from disposition of property and equipment	-	260,000
Net cash used in investing activities	(1,041,681)	(360,843)
Financing Activities		
Restricted contributions received	30,671	137,295
Net borrowing (repayment) on lines of credit	(277,000)	332,000
Principal payments on long-term debt	(276,926)	(266,133)
Net cash provided by (used in) financing activities	(523,255)	203,162
Net Change in Cash and Cash Equivalents	(845,462)	26,726
Cash and Cash Equivalents, Beginning of Year	2,464,302	2,437,576
Cash and Cash Equivalents, End of Year	\$ 1,618,840	\$ 2,464,302
Supplemental Cash Flows Information		
Interest paid	\$ 118,810	\$ 98,778
Financing obligation incurred for purchase of vehicle	-	3,370
Capital lease obligation incurred for equipment	110,195	-

KidsTLC, Inc. and its Subsidiary
Consolidated Schedule of Functional Expenses
Year Ended December 31, 2018

	PRTF	Behavioral Health	Autism	Street Outreach Program	Intensive Outpatient	Sanctuary	Chaplaincy	Total Program Expense
Salaries	\$ 5,678,410	\$ 604,556	\$ 1,870,598	\$ 70,438	\$ 241,069	\$ 496,501	\$ 61,533	\$ 9,023,105
Payroll taxes	493,544	50,572	162,333	6,308	20,378	43,102	4,380	780,617
Employee benefits	656,079	74,906	211,782	6,317	32,824	56,002	11,014	1,048,924
Temporary help	17,020	1,966	186	-	36	1,106	-	20,314
Staff development	68,832	1,342	10,771	351	412	526	24	82,258
Insurance	177,286	3,533	30,262	3,181	4,335	14,447	1,401	234,445
Utilities and janitorial	156,634	3,611	41,873	210	2,413	11,015	1,341	217,097
Depreciation	544,537	49,276	133,615	1,186	16,138	26,670	2,743	774,165
Repairs and maintenance	227,324	1,548	11,685	275	911	16,598	1,372	259,713
Rent expense	1,278	40,910	600	1,048	30,357	-	-	74,193
Communications	31,434	2,889	14,348	588	1,968	3,172	162	54,561
Professional services	981,855	109,245	219,659	9,783	19,455	50,327	2,679	1,393,003
Legal services	850	31	190	9	19	49	3	1,151
Accounting services	25,702	1,695	10,495	493	1,033	2,703	138	42,259
Consultant	23,278	136,873	73,042	831	9	10,913	16	244,962
Contract services	33,010	444	3,538	37	142	2,550	317	40,038
Equipment repairs	9,312	575	2,577	121	545	740	34	13,904
Equipment leases	857	53	61	-	51	19	-	1,041
Small equipment	49,562	559	5,095	1,657	46	760	24	57,703
Travel/Vehicle expenses	35,384	154	2,358	975	3,684	522	462	43,539
Printing	505	47	24	-	-	-	-	576
Supplies	50,071	2,486	11,597	73	1,694	3,667	202	69,790
Postage	633	1,280	266	5	10	27	1	2,222
Dues	9,373	563	4,134	164	343	905	46	15,528
Subscriptions	2,208	-	-	-	-	-	-	2,208
Advertising	13,117	392	1,832	-	350	208	-	15,899
Licenses	5,828	666	1,875	41	86	225	73	8,794
Food	268,562	-	-	1,145	15,289	30,151	-	315,147
Other client expenses	51,183	3,086	1,055	526	737	8,367	-	64,954
Household supplies	28,160	528	2,257	30	423	2,328	250	33,976
Medical	13,598	-	48	-	-	30	-	13,676
Flex-plan	-	-	-	21,605	-	-	-	21,605
Fundraising events	-	-	-	-	-	-	-	-
Bad debt expense	59,733	20,183	44,967	-	7,735	2,961	-	135,579
Donor and volunteer recognition	-	-	-	-	-	-	-	-
Other fees	125	4,852	4,173	5	-	-	-	9,155
Interest expense	539	139	115	-	96	35	-	924
Amortization expense	-	-	5,000	-	-	-	-	5,000
Miscellaneous	707	201	201	-	150	268	-	1,527
Total expenses	\$ 9,716,530	\$ 1,119,161	\$ 2,882,612	\$ 127,402	\$ 402,738	\$ 786,894	\$ 88,215	\$ 15,123,552

KidsTLC, Inc. and its Subsidiary
Consolidated Schedule of Functional Expenses (Continued)
Year Ended December 31, 2018

	<u>Fundraising</u>			2018 Total
	Management & General	Fundraising Services	Charities	
Salaries	\$ 603,421	\$ 363,866	\$ -	\$ 9,990,392
Payroll taxes	49,305	30,240	-	860,162
Employee benefits	83,388	39,977	-	1,172,289
Temporary help	-	107	-	20,421
Staff development	2,537	6,264	-	91,059
Insurance	11,870	2,627	-	248,942
Utilities and janitorial	5,162	1,251	-	223,510
Depreciation	37,147	9,683	6	821,001
Repairs and maintenance	8,606	1,665	-	269,984
Rent expense	9,440	17,769	-	101,402
Communications	3,940	1,795	-	60,296
Professional services	70,869	20,907	-	1,484,779
Legal services	24,311	21	-	25,483
Accounting services	1,718	1,143	2,236	47,356
Consultant	6,920	51,873	-	303,755
Contract services	(265)	2,486	-	42,259
Equipment repairs	448	283	-	14,635
Equipment leases	126	12	-	1,179
Small equipment	4,102	1,317	-	63,122
Travel/vehicle expenses	11,168	544	6	55,257
Printing	1,596	7,476	-	9,648
Supplies	3,572	524	-	73,886
Postage	1,194	1,832	-	5,248
Dues	1,640	985	-	18,153
Subscriptions	1,837	-	-	4,045
Advertising	773	14,665	-	31,337
Licenses	163	95	-	9,052
Food	205	450	-	315,802
Other client expenses	76	141	-	65,171
Household supplies	6,374	297	-	40,647
Medical	-	-	-	13,676
Flex-plan	-	-	-	21,605
Fundraising events	-	242,328	-	242,328
Bad debt expense	-	-	-	135,579
Donor and volunteer recognition	818	5,251	-	6,069
Other fees	7,633	9,429	-	26,217
Interest expense	117,863	23	-	118,810
Amortization expense	-	5,212	-	10,212
Miscellaneous	(10,188)	(73)	5,896	(2,838)
Total expenses	<u>\$ 1,067,769</u>	<u>\$ 842,465</u>	<u>\$ 8,144</u>	<u>\$ 17,041,930</u>

KidsTLC, Inc. and its Subsidiary
Consolidated Schedule of Functional Expenses
Year Ended December 31, 2017

	PRTF	Behavioral Health	Autism	Street Outreach Program	Intensive Outpatient	Sanctuary	Chaplaincy	Total Program Expense
	<i>(As Adjusted)</i>							
Salaries	\$ 5,441,546	\$ 768,454	\$ 1,306,810	\$ 135,504	\$ 200,306	\$ 486,477	\$ 27,187	\$ 8,366,284
Payroll taxes	465,633	63,652	109,362	12,054	17,118	41,491	525	709,835
Employee benefits	684,053	110,118	169,651	16,465	28,754	64,375	4,171	1,077,587
Temporary help	19,779	1,124	2,305	393	513	1,236	19	25,369
Staff development	69,927	5,863	8,836	7,881	1,154	1,488	288	95,437
Endowment program reimbursement	-	-	-	-	-	-	-	-
Insurance	173,919	14,722	24,455	3,697	3,608	12,431	2,584	235,416
Utilities and janitorial	151,639	19,072	24,568	417	235	9,399	3,355	208,685
Depreciation	510,736	106,860	105,156	2,348	14,200	41,119	291	780,710
Repairs and maintenance	64,968	6,067	5,984	210	117	2,691	935	80,972
Rent expense	12,289	4,969	-	6,449	48,250	-	-	71,957
Communications	91,086	9,111	15,987	3,067	3,458	8,472	268	131,449
Professional services	866,987	197,943	83,368	8,136	13,740	40,956	(30)	1,211,100
Legal services	-	4,301	-	-	-	-	-	4,301
Accounting services	29,237	2,457	5,070	773	731	2,724	16	41,008
Consultant	34,093	108,696	17,486	48	37	906	180	161,446
Contract services	41,137	3,156	4,590	92	51	2,075	704	51,805
Equipment repairs	25,451	3,037	2,891	348	1,303	2,449	170	35,649
Small equipment	14,325	1,157	842	1,019	209	1,058	532	19,142
Travel/Vehicle expenses	30,025	676	3,035	1,244	1,157	1,564	1,115	38,816
Printing	(207)	161	-	-	-	-	-	(46)
Supplies	39,276	4,532	6,103	229	1,385	3,002	2,163	56,690
Postage	1,755	1,877	151	8	8	35	-	3,834
Dues	5,921	427	1,597	134	127	474	232	8,912
Subscriptions	82	9	63	-	-	6	113	273
Advertising	3,436	269	602	85	80	299	2	4,773
Licenses	8,842	1,555	2,130	242	134	514	62	13,479
Food	236,584	-	-	1,078	10,226	26,542	-	274,430
Other client expenses	93,876	4,572	2,214	2,693	1,594	9,057	25	114,031
Household supplies	24,021	1,822	2,695	57	32	1,304	459	30,390
Medical	19,368	309	-	-	-	189	-	19,866
Flex-plan	190	-	-	57,602	-	-	-	57,792
Fundraising events	-	-	-	-	-	-	-	-
Bad debt expense	49,000	(1,080)	76,379	-	6,184	(801)	-	129,682
Donor and volunteer recognition	-	-	-	-	-	-	-	-
Other fees	-	2,677	2,311	-	-	-	-	4,988
Interest expense	89	6	13	-	1	4	-	113
Amortization expense	-	-	5,000	-	-	-	-	5,000
Miscellaneous	(2,529)	2	4	1	24	2	31	(2,465)
Total expenses	\$ 9,206,534	\$ 1,448,573	\$ 1,989,658	\$ 262,274	\$ 354,736	\$ 761,538	\$ 45,397	\$ 14,068,710

KidsTLC, Inc. and its Subsidiary
Consolidated Schedule of Functional Expenses (Continued)
Year Ended December 31, 2017

	<u>Fundraising</u>			2017 Total
	Management & General	Fundraising Services	Charities	
	<i>(As Adjusted)</i>			
Salaries	\$ 578,789	\$ 395,736	\$ 1,043	\$ 9,341,852
Payroll taxes	40,054	33,359	101	783,349
Employee benefits	78,208	44,408	-	1,200,203
Temporary help	2,825	543	-	28,737
Staff development	1,586	5,360	-	102,383
Endowment program reimbursement	-	-	136,805	136,805
Insurance	12,071	3,328	-	250,815
Utilities and janitorial	8,081	1,129	-	217,895
Depreciation	28,408	12,466	166	821,750
Repairs and maintenance	3,820	401	-	85,193
Rent expense	9,525	18,378	-	99,860
Communications	9,481	4,501	-	145,431
Professional services	55,636	31,652	750	1,299,138
Legal services	89,650	-	-	93,951
Accounting services	891	1,227	2,080	45,206
Consultant	79,788	38,778	-	280,012
Contract services	1,787	286	-	53,878
Equipment repairs	1,935	1,530	-	39,114
Small equipment	533	-	-	19,675
Travel/vehicle expenses	7,157	752	-	46,725
Printing	823	14,120	-	14,897
Supplies	4,155	478	-	61,323
Postage	1,173	1,241	-	6,248
Dues	1,941	969	-	11,822
Subscriptions	76	1	-	350
Advertising	15,096	25,408	-	45,277
Licenses	162	225	-	13,866
Food	986	1,311	-	276,727
Other client expenses	76	50	-	114,157
Household supplies	477	155	-	31,022
Medical	-	-	-	19,866
Flex-plan	-	-	-	57,792
Fundraising events	-	245,306	-	245,306
Bad debt expense	-	-	-	129,682
Donor and volunteer recognition	60	4,656	-	4,716
Other fees	7,793	11,268	-	24,049
Interest expense	98,611	54	-	98,778
Amortization expense	-	5,212	-	10,212
Miscellaneous	5,210	91	5,860	8,696
	<u>\$ 1,146,864</u>	<u>\$ 904,379</u>	<u>\$ 146,805</u>	<u>\$ 16,266,758</u>
Total expenses	<u>\$ 1,146,864</u>	<u>\$ 904,379</u>	<u>\$ 146,805</u>	<u>\$ 16,266,758</u>

KidsTLC, Inc. and its Subsidiary
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Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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 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 (the Organization). 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 Facility (PRTF) 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.

Phoenix Connections Intensive Outpatient Program

KidsTLC provides a structured group therapy program designed for children, ages 6 through 18, who exhibit psychiatric symptoms and significant impairment in day-to-day educational, social and interpersonal functioning. This unique program offers a much-needed intermediate level of care, serving as a bridge between inpatient hospitalization or PRTF and a traditional office outpatient setting. The program incorporates a variety of curricular goals, including practicing healthy communication, helping develop coping skills, distress tolerance, DBT techniques and therapeutic games. Phoenix Connections exists to offer the critical support youth and families need in order for youth to remain in, or successfully transition back into, the community. KidsTLC began offering Intensive Outpatient Program services in 2015.

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Phoenix Sanctuary

The Phoenix Sanctuary Program, aimed at preventing state custody and higher levels of care for children, offers emergency crisis stabilization for children and adolescents, ages 6-18, experiencing emotional, behavioral and social adaptation problems, and family or placement problems. The Phoenix Sanctuary has 24-hour client care, intake support and psychiatric consultation, as needed. Phoenix Sanctuary is a secure residential facility designed to enhance the youth's ability to achieve a higher level of functioning while avoiding future placement in a more intensive treatment facility. Referral sources often include JIAC, DCF, JCMH and various other placement agencies including KVC and St. Francis. KidsTLC began offering Sanctuary services in 2015.

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.

CARES Parent Program

CARES (Caregiving Attitudes Reinforced by Education and Support) offers parents and caregivers of youth admitted to the KidsTLC's Phoenix Services free education, and provides networking and support systems through shared peer partnerships. With support from experienced parent liaisons and KidsTLC professionals, families are given opportunities to seek guidance, discuss personal experiences, share parenting approaches, and benefit from materials presented each week. Expenses for the CARES program are included with street outreach program in the statements of functional expenses.

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ADACEA

The ADACEA program provides psychoeducation, training and support to families whose children are receiving services within KidsTLC's programs, as well as families in the community at large. ADACEA, (a version of CARES-Caregiving Attitudes Reinforced by Education and Support) is for Hispanic families and delivered in Spanish. This stands for Actitudes que Dan Amor Con Educación y Apoyo, meaning Attitudes that give Love with Education and Support. KidsTLC realizes that the struggles of Hispanic/Latino families are a major concern in the Olathe community. As a result of immigrating to the U.S., many Latinos have endured a range of life stressors and experiences (*e.g.*, poor housing, abuse, trauma, stigma and discrimination) that when left unaddressed and unresolved can lead to mental health problems. The ADACEA group also provides insight into cultural barriers and struggles that Hispanic parents may be facing with raising their children in a different culture, and provides alternatives for overcoming them while creating a safe home for children. Caregivers may also wish to privately discuss emotional and behavioral issues related to their children and families within a safe, culturally competent and confidential forum. Expenses for the ADACEA program are included with street outreach program in the statements of functional expenses.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments, other than those limited as to use, with original maturities of three months or less to be cash equivalents. At December 31, 2018 and 2017, cash equivalents consisted primarily of money market accounts.

At December 31, 2018, the Organization's cash accounts exceeded federally insured limits by approximately \$1,139,000.

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Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities as net assets with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Organization maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Accounts Receivable

The Organization reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others for all program services except Autism Services. For Autism Services, the Organization reports patient accounts receivable for gross services and provides an allowance based on contractually due amounts from third-party payers. The Organization provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. As a service to the patient, the Organization bills third-party payers directly and bills the patient when the patient's liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

The Organization has accounts receivable for services provided under its PRTF program, which require payments first by third party liability insurance carriers or parents/guardians, then by Medicaid. The Organization has established an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

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The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	25-40 years
Leasehold improvements	25-40 years
Machinery and equipment	3-5 years
Furniture and fixtures	5-7 years
Motor vehicles	3-5 years

At December 31, 2018 and 2017, there was approximately \$0 and \$108,000, respectively, included in construction in process for a facility renovation project. Total cost of the renovation was approximately \$864,000.

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2018 and 2017.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions and Fundraising

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

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Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

The Organization hosts recurring fundraisers each year that comprise nearly all of the fundraising revenue. There were two and four fundraisers hosted for the years ended December 31, 2018 and 2017, respectively. One of the fundraising events is the Benefit. The Benefit raised approximately \$402,000 and \$369,000 in 2018 and 2017, respectively. This represents 70 percent and 59 percent of fundraising revenues and 29 percent and 23 percent of combined contribution and fundraising revenues in 2018 and 2017, respectively.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of property and services from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its consolidated financial statements, and similarly increase contribution revenue by a like amount. For the years ended December 31, 2018 and 2017, \$60,681 and \$128,410, respectively, was received in in-kind contributions.

The Organization receives in-kind professional services from members of the Board of Directors. The value of these services was approximately \$13,750 and \$30,250, respectively, for the years ended December 31, 2018 and 2017.

Inventory Pricing

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

KidsTLC, Inc. and its Subsidiary
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Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Deferred Revenue

Revenue from fees for patient services received in advance is deferred and recognized as actual patient services are provided.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Certain costs have been allocated among the program, management and general and fundraising and charities categories based on management's best estimate of the effort or cost expended and other methods.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Reclassifications

Certain reclassifications have been made to the 2017 consolidated financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through May 30, 2019, which is the date the consolidated financial statements were available to be issued.

KidsTLC, Inc. and its Subsidiary
Notes to Consolidated Financial Statements
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Note 2: Change in Accounting Principle

In 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. A summary of the changes is as follows:

Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets—those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets—unrestricted, temporarily restricted and permanently restricted.
- The statement of financial position was updated to present amounts utilizing the placed-in-service approach for recognizing releases of restrictions on donations of long-lived assets or gifts of cash or other assets to purchase long-lived assets.

Statement of Activities and Changes in Net Assets

- Expenses are reported by both nature and function in one location.
- Investment income is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment income is no longer required.
- The statement of activities and changes in net assets was updated to present amounts utilizing the placed-in-service approach for recognizing releases of restrictions on donations of long-lived assets or gifts of cash or other assets to purchase long-lived assets.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of Governing Board designations and appropriations as of the end of the period are disclosed.

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As part of the adoption of ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*, the consolidated financial statements have been adjusted for the change to placed-in-service approach for recognizing releases of restrictions on donations of long-lived assets or gifts of cash or other assets to purchase long-lived assets and presentation of investment income net of external and direct internal investment expenses. The following consolidated financial statement line items for fiscal 2017 were affected by the adjustments:

	2017		
	As Previously	2017	2017
	Reported	Adjustment	As Adjusted
Consolidated Statement of Financial Position			
Land - without donor restrictions	\$ 612,301	\$ 189,745	\$ 802,046
Land - with donor restrictions	189,745	(189,745)	-
Building and improvements - without donor restrictions	4,077,265	13,135,431	17,212,696
Building and improvements - with donor restrictions	13,135,431	(13,135,431)	-
Furniture and equipment - without donor restrictions	741,417	949,860	1,691,277
Furniture and equipment - with donor restrictions	949,860	(949,860)	-
Automotive expense - without donor restrictions	176,597	11,112	187,709
Automotive expense - with donor restrictions	11,112	(11,112)	-
Less accumulated depreciation - without donor restrictions	1,838,748	3,646,802	5,485,550
Less accumulated depreciation - with donor restrictions	3,646,802	(3,646,802)	-
Property and equipment, net - without donor restrictions	4,282,486	10,639,346	14,921,832
Property and equipment, net - with donor restrictions	10,747,229	(10,639,346)	107,883
Total assets - without donor restrictions	10,010,372	10,639,346	20,649,718
Total assets - with donor restrictions	13,739,884	(10,639,346)	3,100,538
Long-term debt - without donor restrictions	1,709,005	1,223,243	2,932,248
Long-term debt - with donor restrictions	1,223,243	(1,223,243)	-
Total liabilities - without donor restrictions	3,817,655	1,223,243	5,040,898
Total liabilities - with donor restrictions	1,223,243	(1,223,243)	-
Net assets without donor restrictions	6,192,717	9,416,103	15,608,820
Net assets with donor restrictions	12,516,641	(9,416,103)	3,100,538
Consolidated Statement of Activities and Changes in Net Assets			
Contributions - without donor restrictions	560,739	33,300	594,039
Contributions - with donor restrictions	410,401	(33,300)	377,101
Net assets released from restrictions - without donor restrictions	1,048,385	(308,457)	739,928
Net assets released from restrictions - with donor restrictions	(1,048,385)	308,457	(739,928)
Total revenues, gains and other support - without donor restrictions	16,935,721	(305,896)	16,629,825
Total revenues, gains and other support - with donor restrictions	(555,997)	275,157	(280,840)
Management and general - without donor restrictions	1,158,055	(11,191)	1,146,864
Fundraising and charities - without donor restrictions	1,070,732	(19,548)	1,051,184
Total expenses	16,297,497	(30,739)	16,266,758
Increase (Decrease) in Net Assets - without donor restrictions	638,224	(275,157)	363,067
Increase (Decrease) in Net Assets - with donor restrictions	(555,997)	275,157	(280,840)
Net Assets, Beginning of Year - without donor restrictions	5,554,493	9,691,260	15,245,753
Net Assets, Beginning of Year - with donor restrictions	13,072,638	(9,691,260)	3,381,378
Net Assets, End of Year - without donor restrictions	6,192,717	9,416,103	15,608,820
Net Assets, End of Year - with donor restrictions	12,516,641	(9,416,103)	3,100,538
Consolidated Statement of Functional Expenses			
Other fees - Management and general	18,984	(11,191)	7,793
Other fees - Charities	19,548	(19,548)	-
Total other fees	54,788	(30,739)	24,049

This change had no impact on previously reported total change in net assets.

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Note 3: Contributions Receivable

Contributions receivable consisted of the following at a discount rate of 5 percent:

	<u>2018</u>	<u>2017</u>
Due in less than one year	\$ 77,025	\$ 83,140
Due in one to five years	-	25,000
	<u>77,025</u>	<u>108,140</u>
Less		
Unamortized discounts	4,504	4,504
Estimated allowance for uncollectible pledges	<u>4,963</u>	<u>5,407</u>
	<u>\$ 67,558</u>	<u>\$ 98,229</u>

Note 4: Investments

A summary of the composition of KidsTLC's investment portfolio at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Mutual funds invested in equity securities		
Eaton Vance Large Cap Value	\$ 235,377	\$ 283,800
Hartford Growth	198,183	287,601
iShares Russell 1000 Value	259,413	291,453
iShares Russell 1000 Growth	262,605	305,454
MFS Value Fund	248,925	286,550
Dreyfus Appreciation Fund	217,199	273,260
Other mutual funds invested in equity securities	662,978	812,514
Mutual funds invested in debt securities		
Metropolitan West Total	329,072	325,546
MFS Research Bond Fund	322,995	322,984
PIMCO Total Return Fund	648,191	650,409
Other mutual funds invested in debt securities	386,049	386,142
Greater Kansas City Community Foundation	<u>145,805</u>	<u>148,686</u>
	<u>\$ 3,916,792</u>	<u>\$ 4,374,399</u>

The Organization reports investments in equity and debt securities at fair value. Fair value is determined primarily on the basis of quoted market prices.

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Note 5: Beneficial Interest in Assets Held by Others

The Organization has a beneficial interest in assets transferred to the Greater Kansas City Community Foundation. The Organization is to receive the interest and principal as requested. The cumulative amount of the retained beneficial interest included in the consolidated statements of financial position as investments was \$145,805 and \$148,686 at December 31, 2018 and 2017, respectively. The assets are invested primarily in pooled bond and equity funds.

Note 6: Disclosures About Fair Value of Assets and Liabilities

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

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The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2018 and 2017:

	2018	Fair Value	Fair Value Measurements Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds invested in equity securities					
Eaton Vance Large Cap Value	\$	235,377	\$	235,377	\$ -
Hartford Growth		198,183		198,183	-
iShares Russell 1000 Value		259,413		259,413	-
iShares Russell 1000 Growth		262,605		262,605	-
MFS Value Fund		248,925		248,925	-
Dreyfus Appreciation Fund		217,199		217,199	-
Other mutual funds invested in equity securities		662,978		662,978	-
Mutual funds invested in debt securities					
Metropolitan West Total		329,072		329,072	-
MFS Research Bond Fund		322,995		322,995	-
PIMCO Total Return Fund		648,191		648,191	-
Other mutual funds invested in debt securities		386,049		386,049	-
Greater Kansas City Community Foundation		145,805		-	145,805
Total	\$	3,916,792	\$	3,770,987	\$ 145,805

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	2017	Fair Value	Fair Value Measurements Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds invested in equity securities					
Eaton Vance Large Cap Value	\$	283,800	\$ 283,800	\$ -	\$ -
Hartford Growth		287,601	287,601	-	-
iShares Russell 1000 Value		291,453	291,453	-	-
iShares Russell 1000 Growth		305,454	305,454	-	-
MFS Value Fund		286,550	286,550	-	-
Dreyfus Appreciation Fund		273,260	273,260	-	-
Other mutual funds invested in equity securities		812,514	812,514	-	-
Mutual funds invested in debt securities					
Metropolitan West Total		325,546	325,546	-	-
MFS Research Bond Fund		322,984	322,984	-	-
PIMCO Total Return Fund		650,409	650,409	-	-
Other mutual funds invested in debt securities		386,142	386,142	-	-
Greater Kansas City Community Foundation		148,686	-	148,686	-
Total	\$	4,374,399	\$ 4,225,713	\$ 148,686	\$ -

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Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2018. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below. The Organization does not have any Level 3 securities.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Beneficial Interest in Assets Held by Others

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy for 2018 and 2017.

Note 7: Line of Credit

At December 31, 2018, the Organization had access to a line of credit with an investment company with a maximum available limit of \$1,585,313 and \$1,517,694 at December 31, 2018 and 2017, respectively (based on investments 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. This line of credit was collateralized by investments held with the investment company. As of December 31, 2018 and 2017, there was \$300,000 and \$577,000, respectively, outstanding against the line.

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Note 8: Long-term Debt

	2018	2017
Bond payable (A)	\$ 2,932,248	\$ 3,196,841
Vehicle financing obligation (B)	-	3,108
Capital lease obligations (C)	100,970	-
	3,033,218	3,199,949
Less current maturities	294,098	267,701
	\$ 2,739,120	\$ 2,932,248

- (A) Effective August 1, 2013, the City of Olathe, Kansas 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. 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 percent. The interest rate was fixed until August 31, 2017, and then KidsTLC had the option to renew the interest rate based on an interest rate period of three, four or five years. At the renewal date, the interest rate was renewed at 3.17 percent for five years increasing the lease payments to \$29,343 monthly. The bonds are collateralized by KidsTLC’s main campus property. In February 2019, the Organization made an additional payment of approximately \$1,245,000, which will impact the aggregate annual maturities of long-term debt.
- (B) The above vehicle financing obligation was repaid during 2018.
- (C) The above capital leases include administrative equipment for various years expiring through 2023.

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Aggregate annual maturities of long-term debt at December 31, 2018 are:

	Long-Term Debt (Exc. Leases)	Capital Lease Obligations
2019	\$ 270,863	\$ 43,224
2020	277,284	43,224
2021	283,856	34,331
2022	290,585	16,230
2023	297,472	820
Thereafter	1,512,188	-
	<u>\$ 2,932,248</u>	137,829
Less amount representing interest		<u>36,859</u>
Present value of future minimum lease payments		100,970
Less current maturities		<u>23,235</u>
Noncurrent portion		<u>\$ 77,735</u>

Property and equipment include the following equipment under capital leases:

	2018	2017
Equipment	\$ 110,195	\$ -
Less accumulated depreciation	19,741	-
	<u>\$ 90,454</u>	<u>\$ -</u>

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Note 9: 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 4*, plus money market funds included in the category of cash and cash equivalents on the consolidated statements 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, funds without donor restrictions 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, 2018 and 2017, 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 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 within net assets without donor restrictions in accordance with the Board’s original instructions.

Board designated net assets at December 31 are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Endowment reserve	\$ 58,166	\$ 57,836
Operating reserve	882,220	925,142
Program reserve	799,085	838,060
Capital campaign	1,821,115	1,881,419
Operating reserve - established in 2008	365,179	365,179
Bringing Our Children Home – Continuing Our Journey Capital Campaign	<u>168,622</u>	<u>168,622</u>
	<u>\$ 4,094,387</u>	<u>\$ 4,236,258</u>

KidsTLC, Inc. and its Subsidiary
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Note 10: Net Assets With Donor Restrictions

Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31 are restricted for the following purpose or periods:

	2018	2017
Subject to expenditure for specified purpose		
Bringing Our Children Home – Continuing Our Journey		
Capital Campaign	\$ 826,960	\$ 1,199,016
2015 Capital improvements campaign	213,342	929,555
Designated contributions	99,943	7,059
Program services	120,308	123,190
	1,260,553	2,258,820
Endowments		
Chaplaincy endowment	710,934	783,365
Beneficial interest in assets held by Greater Kansas		
City Community Foundation	25,497	25,497
Other endowment funds	36,414	32,856
	772,845	841,718
	\$ 2,033,398	\$ 3,100,538

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2018	2017
Satisfaction or purpose restrictions		
Bringing Our Children Home – Continuing Our Journey		
Capital Campaign	\$ 264,621	\$ 258,540
2015 Capital improvements campaign	864,266	-
Designated contributions	7,058	481,388
	\$ 1,135,945	\$ 739,928
	\$ 1,135,945	\$ 739,928

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Note 11: Endowment

The Organization's endowment consists of multiple funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's governing body has interpreted the *State Prudent Management of Institutional Funds Act* (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing body of the Organization has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

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The composition of net assets by type of endowment fund at December 31, 2018 and 2017 was:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 58,166	\$ -	\$ 58,166
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	608,830	608,830
Accumulated investment gains	-	164,015	164,015
	<u>\$ 58,166</u>	<u>\$ 772,845</u>	<u>\$ 831,011</u>
Total Endowment Funds	<u>\$ 58,166</u>	<u>\$ 772,845</u>	<u>\$ 831,011</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 57,836	\$ -	\$ 57,836
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	605,272	605,272
Accumulated investment gains	-	236,446	236,446
	<u>\$ 57,836</u>	<u>\$ 841,718</u>	<u>\$ 899,554</u>
Total Endowment Funds	<u>\$ 57,836</u>	<u>\$ 841,718</u>	<u>\$ 899,554</u>

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December 31, 2018 and 2017

Changes in endowment net assets for the years ended December 31, 2018 and 2017 were:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 57,836	\$ 841,718	\$ 899,554
Investment return, net	330	(30,966)	(30,636)
Appropriation of endowment assets for expenditure	-	(37,907)	(37,907)
Endowment net assets, end of year	<u>\$ 58,166</u>	<u>\$ 772,845</u>	<u>\$ 831,011</u>
	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 115,266	\$ 787,226	\$ 902,492
Investment return, net	8,183	45,317	53,500
Additions	-	9,175	9,175
Appropriation of endowment assets for expenditure	(65,613)	-	(65,613)
Endowment net assets, end of year	<u>\$ 57,836</u>	<u>\$ 841,718</u>	<u>\$ 899,554</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Organization's policies, 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.

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Notes to Consolidated Financial Statements
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To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy (the spending policy) of appropriating for expenditure each year 5 percent of its endowment fund's average fair value over the prior five years average year end proceeding the year in which expenditure is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 12: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2018 and 2017, comprising the following:

	2018	2017
Financial Assets at year end		
Cash and cash equivalents	\$ 1,618,840	\$ 2,464,302
Accounts receivable	1,878,878	1,555,649
Contributions receivable	67,558	78,983
Other receivables	32,490	17,379
Investments	3,916,792	4,374,399
Total financial assets	7,514,558	8,490,712
Less amounts with donor imposed restrictions		
Financial assets subject to expenditure for specified purposes	(1,260,553)	(2,258,820)
Endowments	(772,845)	(841,718)
Net financial assets after donor imposed restrictions	5,481,160	5,390,174
Internal designations		
Endowment reserve	(58,166)	(57,836)
Board designated funds	(2,046,484)	(2,128,381)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,376,510	\$ 3,203,957

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The Organization's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$58,166 is subject to an annual spending rate of 5 percent as described in *Note 11*. Although the Organization does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of \$1,585,313 as of December 31, 2018, which it could draw upon.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Organization has a policy to target a year-end balance of reserves of undesignated net assets without donor restrictions to meet 15 to 30 days of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2018 and 2017, the level of liquidity and reserves was managed within the policy requirements.

Note 13: Retirement Plan

The Organization has a 401(k) retirement plan, under which all employees who have attained the age of 21 and have completed 30 days of service are eligible to participate. Eligible employees may elect to defer up to 20 percent of their wages, subject to statutory limitations. The Organization matches 100 percent of employee contributions up to 3 percent of employee wages and 50 percent of contributions over 3 percent up to 5 percent of employee wages. The employer contribution expense totaled \$218,594 and \$207,930 for 2018 and 2017, respectively.

Note 14: Future Changes in Accounting Principles

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from

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Notes to Consolidated Financial Statements
December 31, 2018 and 2017

customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2018, and any interim periods within annual reporting periods that begin after December 15, 2019. The Organization is in the process of evaluating the impact the amendment will have on the consolidated financial statements.

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2019 (2018 for not-for-profits that are conduit debt obligors), and any interim periods within annual reporting periods that begin after December 15, 2020 (2018 for not-for-profits that are conduit debt obligors). The Organization is evaluating the impact the standard will have on the consolidated financial statements; however, the standard is expected to have a material impact on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.

Note 15: Significant Estimates

Litigation

In the normal course of business, the Organization is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Organization's commercial insurance; for example, allegations regarding performance of contracts. The Organization evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term. As of December 31, 2018 and 2017, the Organization was unaware of any outstanding litigation or claims that could result in a contingent loss.

Supplementary Information

KidsTLC, Inc. and its Subsidiary
Consolidating Schedule of Financial Position
December 31, 2018

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Current Assets				
Cash and cash equivalents	\$ 1,557,150	\$ 61,690	\$ -	\$ 1,618,840
Accounts receivable, net of allowance of \$176,885	1,878,878	-	-	1,878,878
Contributions receivable	67,558	-	-	67,558
Other receivables	32,490	-	-	32,490
Due to/from affiliate	(1,611,056)	1,611,056	-	-
Prepaid expenses	78,624	-	-	78,624
Inventories	38,390	-	-	38,390
	<u>2,042,034</u>	<u>1,672,746</u>	<u>-</u>	<u>3,714,780</u>
Total current assets	<u>2,042,034</u>	<u>1,672,746</u>	<u>-</u>	<u>3,714,780</u>
Investments	<u>3,065,594</u>	<u>851,198</u>	<u>-</u>	<u>3,916,792</u>
Property and Equipment, At Cost				
Land	802,046	-	-	802,046
Building and improvements	18,392,075	-	-	18,392,075
Furniture and equipment	2,262,907	-	-	2,262,907
Automotive equipment	182,047	-	-	182,047
	<u>21,639,075</u>	<u>-</u>	<u>-</u>	<u>21,639,075</u>
Less accumulated depreciation	<u>6,247,230</u>	<u>-</u>	<u>-</u>	<u>6,247,230</u>
Property and equipment, net	<u>15,391,845</u>	<u>-</u>	<u>-</u>	<u>15,391,845</u>
Other Assets	<u>41,332</u>	<u>31,675</u>	<u>-</u>	<u>73,007</u>
Investment in Subsidiary	<u>2,555,619</u>	<u>-</u>	<u>(2,555,619)</u>	<u>-</u>
Total assets	<u>\$ 23,096,424</u>	<u>\$ 2,555,619</u>	<u>\$ (2,555,619)</u>	<u>\$ 23,096,424</u>
Current Liabilities				
Current maturities of long-term debt	\$ 294,098	\$ -	\$ -	\$ 294,098
Line of credit	300,000	-	-	300,000
Accounts payable	529,927	-	-	529,927
Accrued expenses	815,732	-	-	815,732
	<u>1,939,757</u>	<u>-</u>	<u>-</u>	<u>1,939,757</u>
Total current liabilities	<u>1,939,757</u>	<u>-</u>	<u>-</u>	<u>1,939,757</u>
Long-term Liabilities				
Long-term debt	<u>2,739,120</u>	<u>-</u>	<u>-</u>	<u>2,739,120</u>
Total liabilities	<u>4,678,877</u>	<u>-</u>	<u>-</u>	<u>4,678,877</u>
Net Assets				
Without donor restrictions	16,384,149	1,662,466	(1,662,466)	16,384,149
With donor restrictions	2,033,398	893,153	(893,153)	2,033,398
	<u>18,417,547</u>	<u>2,555,619</u>	<u>(2,555,619)</u>	<u>18,417,547</u>
Total net assets	<u>18,417,547</u>	<u>2,555,619</u>	<u>(2,555,619)</u>	<u>18,417,547</u>
Total liabilities and net assets	<u>\$ 23,096,424</u>	<u>\$ 2,555,619</u>	<u>\$ (2,555,619)</u>	<u>\$ 23,096,424</u>

KidsTLC, Inc. and its Subsidiary
Consolidating Schedule of Financial Position
December 31, 2017

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
	<i>(As adjusted)</i>			
Current Assets				
Cash and cash equivalents	\$ 2,415,240	\$ 49,062	\$ -	\$ 2,464,302
Accounts receivable, net of allowance of \$154,351	1,555,649	-	-	1,555,649
Contributions receivable	78,983	-	-	78,983
Other receivables	17,379	-	-	17,379
Due to/from affiliate	(1,794,568)	1,794,568	-	-
Prepaid expenses	87,186	-	-	87,186
Inventories	42,115	-	-	42,115
Total current assets	<u>2,401,984</u>	<u>1,843,630</u>	<u>-</u>	<u>4,245,614</u>
Investments	<u>3,428,638</u>	<u>945,761</u>	<u>-</u>	<u>4,374,399</u>
Property and Equipment, At Cost				
Land	802,046	-	-	802,046
Building and improvements	17,212,696	-	-	17,212,696
Furniture and equipment	1,691,277	-	-	1,691,277
Automotive equipment	187,709	-	-	187,709
Construction in process	621,537	-	-	621,537
	<u>20,515,265</u>	<u>-</u>	<u>-</u>	<u>20,515,265</u>
Less accumulated depreciation	5,485,550	-	-	5,485,550
Property and equipment, net	<u>15,029,715</u>	<u>-</u>	<u>-</u>	<u>15,029,715</u>
Contributions Receivable	<u>19,246</u>	<u>-</u>	<u>-</u>	<u>19,246</u>
Other Assets	<u>53,164</u>	<u>28,118</u>	<u>-</u>	<u>81,282</u>
Investment in Subsidiary	<u>2,817,509</u>	<u>-</u>	<u>(2,817,509)</u>	<u>-</u>
Total assets	<u>\$ 23,750,256</u>	<u>\$ 2,817,509</u>	<u>\$ (2,817,509)</u>	<u>\$ 23,750,256</u>
Current Liabilities				
Current maturities of long-term debt	\$ 267,701	\$ -	\$ -	\$ 267,701
Line of credit	577,000	-	-	577,000
Accounts payable	478,030	-	-	478,030
Accrued expenses	785,919	-	-	785,919
Total current liabilities	<u>2,108,650</u>	<u>-</u>	<u>-</u>	<u>2,108,650</u>
Long-term Liabilities				
Long-term debt	2,932,248	-	-	2,932,248
Total liabilities	<u>5,040,898</u>	<u>-</u>	<u>-</u>	<u>5,040,898</u>
Net Assets				
Without donor restrictions	15,608,820	1,852,603	(1,852,603)	15,608,820
With donor restrictions	3,100,538	964,906	(964,906)	3,100,538
Total net assets	<u>18,709,358</u>	<u>2,817,509</u>	<u>(2,817,509)</u>	<u>18,709,358</u>
Total liabilities and net assets	<u>\$ 23,750,256</u>	<u>\$ 2,817,509</u>	<u>\$ (2,817,509)</u>	<u>\$ 23,750,256</u>

KidsTLC, Inc. and its Subsidiary
Consolidating Schedule of Activities
Year Ended December 31, 2018

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Revenues, Gains and Other Support				
Program revenue	\$ 14,945,771	\$ -	\$ -	\$ 14,945,771
Contributions	802,411	-	-	802,411
Grants	225,305	-	-	225,305
Fundraising and charities	576,450	-	-	576,450
Investment return, net	(81,316)	(119,396)	-	(200,712)
Gain on investment in subsidiary	(261,890)	-	261,890	-
Other revenues	397,337	3,557	-	400,894
	<u>16,604,068</u>	<u>(115,839)</u>	<u>261,890</u>	<u>16,750,119</u>
Expenses				
Program services				
PRFT	9,716,530	-	-	9,716,530
Behavioral Health	1,119,161	-	-	1,119,161
Autism	2,882,612	-	-	2,882,612
Street Outreach Program	127,402	-	-	127,402
Intensive Outpatient	402,738	-	-	402,738
Sanctuary	786,894	-	-	786,894
Chaplaincy	88,215	-	-	88,215
	<u>15,123,552</u>	<u>-</u>	<u>-</u>	<u>15,123,552</u>
Management and general				
Fundraising and charities	1,067,769	-	-	1,067,769
	<u>842,465</u>	<u>8,144</u>	<u>-</u>	<u>850,609</u>
	<u>17,033,786</u>	<u>8,144</u>	<u>-</u>	<u>17,041,930</u>
Change in Net Assets Before Transfers (to) from Affiliate				
	(429,718)	(123,983)	261,890	(291,811)
Transfers to (from) Affiliate				
	<u>137,907</u>	<u>(137,907)</u>	<u>-</u>	<u>-</u>
Change in Net Assets				
	<u>\$ (291,811)</u>	<u>\$ (261,890)</u>	<u>\$ 261,890</u>	<u>\$ (291,811)</u>

KidsTLC, Inc. and its Subsidiary
Consolidating Schedule of Activities
Year Ended December 31, 2017

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
	<i>(As adjusted)</i>			
Revenues, Gains and Other Support				
Program revenue	\$ 13,645,419	\$ -	\$ -	\$ 13,645,419
Contributions	965,240	5,900	-	971,140
Grants	235,520	-	-	235,520
Fundraising and charities	629,292	-	-	629,292
Investment return, net	205,331	337,816	-	543,147
Gain on investment in subsidiary	206,085	-	(206,085)	-
Other revenues	315,293	9,174	-	324,467
	<u>16,202,180</u>	<u>352,890</u>	<u>(206,085)</u>	<u>16,348,985</u>
Total revenues, gains and other support				
Expenses				
Program services				
PRFT	9,206,534	-	-	9,206,534
Behavioral Health	1,448,573	-	-	1,448,573
Autism	1,989,658	-	-	1,989,658
Street Outreach Program	262,274	-	-	262,274
Intensive Outpatient	354,736	-	-	354,736
Sanctuary	761,538	-	-	761,538
Chaplaincy	45,397	-	-	45,397
	<u>14,068,710</u>	<u>-</u>	<u>-</u>	<u>14,068,710</u>
Total program services				
Management and general	1,146,864	-	-	1,146,864
Fundraising and charities	904,379	146,805	-	1,051,184
	<u>16,119,953</u>	<u>146,805</u>	<u>-</u>	<u>16,266,758</u>
Total expenses				
Increase in Net Assets	<u>\$ 82,227</u>	<u>\$ 206,085</u>	<u>\$ (206,085)</u>	<u>\$ 82,227</u>