KidsTLC, Inc. and its Subsidiary

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2020 and 2019

BKD LLP
CPAs & Advisors

KidsTLC, Inc. and its Subsidiary
December 31, 2020 and 2019

Contents

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CPAs & Advisors

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Other Information

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual companies and is 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 audits 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 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.

BKD, LLP

Kansas City, Missouri
May 19, 2021

KidsTLC, Inc. and its Subsidiary
Consolidated Statement of Financial Position
December 31, 2020

Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets			
Cash and cash equivalents	$ 1,272,043	$ 444,111	$ 1,716,154
Accounts receivable	1,199,382	-	1,199,382
Contributions receivable	-	9,680	9,680
Other receivables	319,837	-	319,837
Prepaid expenses	148,643	-	148,643
Inventories	39,925	-	39,925
Total current assets	2,979,830	453,791	3,433,621
Investments	3,934,985	929,483	4,864,468
Property and Equipment, At Cost			
Land	2,222,046	-	2,222,046
Building and improvements	23,097,740	-	23,097,740
Furniture and equipment	2,539,393	-	2,539,393
Automotive equipment	182,047	-	182,047
	28,041,226	-	28,041,226
Less accumulated depreciation	8,097,754	-	8,097,754
Property and equipment, net	19,943,472	-	19,943,472
Other Assets	23,101	50,542	73,643
Total assets	$ 26,881,388	$ 1,433,816	$ 28,315,204

See Notes to Consolidated Financial Statements

KidsTLC, Inc. and its Subsidiary

Consolidated Statement of Financial Position (Continued)

December 31, 2020

Liabilities and Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Current Liabilities			
Current maturities of long-term debt	$ 1,765,983	$ -	$ 1,765,983
Accounts payable	932,167	-	932,167
Accrued expenses	750,585	-	750,585
Total current liabilities	3,448,735	-	3,448,735
Long-term Liabilities			
Long-term debt	7,258,527	-	7,258,527
Total liabilities	10,707,262	-	10,707,262
Net Assets			
Without donor restrictions	16,174,126	-	16,174,126
With donor restrictions	-	1,433,816	1,433,816
Total net assets	16,174,126	1,433,816	17,607,942
Total liabilities and net assets	$ 26,881,388	$ 1,433,816	$ 28,315,204

See Notes to Consolidated Financial Statements

KidsTLC, Inc. and its Subsidiary
Consolidated Statement of Financial Position
December 31, 2019

Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets			
Cash and cash equivalents	$ 634,195	$ 700,865	$ 1,335,060
Accounts receivable	1,538,820	148,149	1,686,969
Contributions receivable	-	17,200	17,200
Prepaid expenses	92,437	-	92,437
Inventories	39,740	-	39,740
Total current assets	2,305,192	866,214	3,171,406
Investments	3,516,205	719,148	4,235,353
Property and Equipment, At Cost			
Land	802,046	-	802,046
Building and improvements	18,389,809	-	18,389,809
Furniture and equipment	2,399,335	-	2,399,335
Automotive equipment	182,047	-	182,047
	21,773,237	-	21,773,237
Less accumulated depreciation	7,168,543	-	7,168,543
Property and equipment, net	14,604,694	-	14,604,694
Other Assets	30,238	43,802	74,040
Total assets	$ 20,456,329	$ 1,629,164	$ 22,085,493

See Notes to Consolidated Financial Statements

KidsTLC, Inc. and its Subsidiary

Consolidated Statement of Financial Position (Continued)

December 31, 2019

Liabilities and Net Assets

	Without Donor Restrictions	With Donor Restrictions	Total
Current Liabilities			
Current maturities of long-term debt	$ 207,071	$ -	$ 207,071
Accounts payable	465,714	-	465,714
Accrued expenses	969,581	-	969,581
Deferred revenue	60,450	-	60,450
Total current liabilities	1,702,816	-	1,702,816
Long-term Liabilities			
Long-term debt	1,610,666	-	1,610,666
Total liabilities	3,313,482	-	3,313,482
Net Assets			
Without donor restrictions	17,142,847	-	17,142,847
With donor restrictions	-	1,629,164	1,629,164
Total net assets	17,142,847	1,629,164	18,772,011
Total liabilities and net assets	$ 20,456,329	$ 1,629,164	$ 22,085,493

See Notes to Consolidated Financial Statements

KidsTLC, Inc. and its Subsidiary

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Program revenue	$ 15,468,835	$ -	$ 15,468,835
Contributions	237,561	757,829	995,390
Grants	156,290	-	156,290
Fundraising	319,647	-	319,647
Investment return, net	525,337	124,154	649,491
Other revenues	456,931	6,741	463,672
Net assets released from restrictions	1,084,072	(1,084,072)	-
Total revenues, gains and other support	18,248,673	(195,348)	18,053,325
Expenses			
Program services			
PRTF	12,161,782	-	12,161,782
Lotus Clinic	663,109	-	663,109
Autism	3,201,027	-	3,201,027
Street Outreach Program	-	-	-
Intensive Outpatient	331,584	-	331,584
Sanctuary	963,830	-	963,830
Chaplaincy	6,441	-	6,441
Thriving Families	95,084	-	95,084
CARES	990	-	990
Total program services	17,423,847	-	17,423,847
Management and general	1,489,723	-	1,489,723
Fundraising and charities	779,074	-	779,074
Total expenses	19,692,644	-	19,692,644
Deficiency of Revenues Over Expenses	(1,443,971)	(195,348)	(1,639,319)
Contributions for acquisition of property and equipment	475,250	-	475,250
Decrease in Net Assets	(968,721)	(195,348)	(1,164,069)
Net Assets, Beginning of Year	17,142,847	1,629,164	18,772,011
Net Assets, End of Year	$ 16,174,126	$ 1,433,816	$ 17,607,942

KidsTLC, Inc. and its Subsidiary

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Program revenue	$ 15,735,376	$ -	$ 15,735,376
Contributions	165,590	574,019	739,609
Grants	269,163	-	269,163
Fundraising	450,903	-	450,903
Investment return, net	728,648	(3,282)	725,366
Other revenues	377,076	12,125	389,201
Net assets released from restrictions	987,096	(987,096)	-
Total revenues, gains and other support	18,713,852	(404,234)	18,309,618
Expenses			
Program services			
PRTF	10,247,852	-	10,247,852
Lotus Clinic	822,317	-	822,317
Autism	3,253,455	-	3,253,455
Street Outreach Program	39,383	-	39,383
Intensive Outpatient	393,158	-	393,158
Sanctuary	918,359	-	918,359
Chaplaincy	15,587	-	15,587
Thriving Families	64,896	-	64,896
CARES	2,761	-	2,761
Total program services	15,757,768	-	15,757,768
Management and general	1,371,305	-	1,371,305
Fundraising and charities	901,081	-	901,081
Total expenses	18,030,154	-	18,030,154
Excess (Deficiency) of Revenues Over Expenses	683,698	(404,234)	279,464
Contributions for acquisition of property and equipment	75,000	-	75,000
Increase (Decrease) in Net Assets	758,698	(404,234)	354,464
Net Assets, Beginning of Year	16,384,149	2,033,398	18,417,547
Net Assets, End of Year	$ 17,142,847	$ 1,629,164	$ 18,772,011

KidsTLC, Inc. and its Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	$ (1,164,069)	$ 354,464
Items not requiring (providing) operating cash flows		
Depreciation and amortization	939,423	931,525
Unrealized gains on investments	(395,638)	(531,185)
Realized gains on sale of investments	(47,983)	(52,496)
Contributions for property acquisitions	(475,000)	(75,000)
Changes in		
Accounts receivable	487,587	191,909
Other accounts receivable	(319,837)	32,490
Contributions receivable	7,520	-
Other assets	(66,021)	(25,058)
Inventories	(185)	(1,350)
Accounts payable	163,036	(74,265)
Accrued liabilities	(279,446)	214,299
Net cash provided by (used in) operating activities	(1,150,613)	965,333
Investing Activities		
Purchase of investments	(317,620)	(505,332)
Proceeds from disposition of investments	132,126	770,452
Purchase of property and equipment	(5,918,800)	(124,110)
Net cash provided by (used in) investing activities	(6,104,294)	141,010
Financing Activities		
Contributions for property acquisitions	475,000	125,358
Net repayment on line of credit	-	(300,000)
Proceeds from issuance of long-term debt	7,367,220	-
Principal payments on long-term debt	(206,219)	(1,215,481)
Net cash provided by (used in) financing activities	7,636,001	(1,390,123)
Net Change in Cash and Cash Equivalents	381,094	(283,780)
Cash and Cash Equivalents, Beginning of Year	1,335,060	1,618,840
Cash and Cash Equivalents, End of Year	$ 1,716,154	$ 1,335,060
Supplemental Cash Flows Information		
Interest paid	$ 145,430	$ 86,259
Property and equipment in accounts payable	313,469	10,052
Capital lease obligation incurred for equipment	45,772	-

KidsTLC, Inc. and its Subsidiary

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

	PRTF	Lotus Clinic	Autism	Intensive Outpatient	Sanctuary	Chaplaincy	Thriving Families	CARES	Total Program Expense
Salaries	$ 6,934,797	$ 226,506	$ 2,221,639	$ 199,315	$ 616,796	$ 375	$ 61,818	$ -	$ 10,261,246
Payroll taxes	509,273	15,986	164,575	14,370	45,546	27	4,274	-	754,051
Employee benefits	783,868	28,574	204,441	25,448	70,903	59	9,230	-	1,122,523
Temporary help	491	-	-	-	108	-	-	-	599
Staff development	24,872	468	6,141	439	169	-	780	-	32,869
Insurance	181,918	1,391	33,181	3,306	16,684	281	1,466	-	238,227
Utilities and janitorial	178,522	2,313	29,741	2,014	11,462	284	117	-	224,453
Depreciation	686,331	18,714	120,485	13,928	37,519	563	488	-	878,028
Repairs and maintenance	100,024	383	14,147	376	8,577	114	57	-	123,678
Rent expense	17,012	35,240	2,803	35,408	1,289	-	42	-	91,794
Communications	46,921	1,984	21,353	2,446	4,905	-	162	-	77,771
Professional services	1,440,489	13,318	258,882	22,640	54,094	-	1,759	-	1,791,182
Legal services	2,203	-	-	-	-	-	-	-	2,203
Accounting services	25,375	465	8,154	711	2,084	-	69	-	36,858
Consultant	71,706	306,420	39,118	2,383	3,861	4,540	3,992	-	432,020
Contract services	40,148	75	6,414	68	2,904	69	22	-	49,700
Equipment repairs	6,229	9	181	14	658	-	1	-	7,092
Equipment leases	2,316	-	71	-	76	-	-	-	2,463
Small equipment	466,116	508	16,023	1,021	11,069	-	1,913	-	496,650
Travel/vehicle expenses	33,996	1	22,274	485	550	-	24	59	57,389
Printing	-	-	-	-	-	-	-	-	-
Supplies	66,658	172	8,311	1,312	6,346	57	9	89	82,954
Postage	699	27	143	153	29	-	1	-	1,052
Dues	8,915	216	4,313	329	965	-	32	-	14,770
Subscriptions	5,299	-	-	-	-	-	-	-	5,299
Advertising	456	-	6	1	2	-	-	-	465
Licenses	5,171	287	3,680	311	290	-	8	-	9,747
Food	270,643	-	-	4,532	57,841	-	-	842	333,858
Other client expenses	46,216	4,562	3,224	374	4,659	-	275	-	59,310
Household supplies	46,039	325	2,684	285	4,085	72	19	-	53,509
Medical	51,786	-	-	-	309	-	-	-	52,095
Flex-plan	-	-	-	-	-	-	8,526	-	8,526
Fundraising events	65	2	28	2	7	-	-	-	104
Donor and volunteer recognition	200	-	-	-	-	-	-	-	200
Other fees	98,973	5,076	3,306	-	8	-	-	-	107,363
Interest expense	310	87	709	56	35	-	-	-	1,197
Amortization expense	-	-	5,000	-	-	-	-	-	5,000
Miscellaneous	7,745	-	-	(143)	-	-	-	-	7,602
Total expenses	$ 12,161,782	$ 663,109	$ 3,201,027	$ 331,584	$ 963,830	$ 6,441	$ 95,084	$ 990	$ 17,423,847

KidsTLC, Inc. and its Subsidiary

Consolidated Statement of Functional Expenses (Continued)

Year Ended December 31, 2020

	Management & General	Fundraising: Fundraising Services	Fundraising: Charities	2020 Total
Salaries	$ 811,231	$ 419,303	$ -	$ 11,491,780
Payroll taxes	57,808	29,369	-	841,228
Employee benefits	95,139	51,438	-	1,269,100
Temporary help	-	-	-	599
Staff development	9,597	786	-	43,252
Insurance	7,468	2,346	-	248,041
Utilities and janitorial	6,787	1,055	-	232,295
Depreciation	43,713	7,470	-	929,211
Repairs and maintenance	2,514	416	-	126,608
Rent expense	3,868	439	-	96,101
Communications	2,354	1,788	-	81,913
Professional services	103,522	19,472	-	1,914,176
Legal services	144,370	-	-	146,573
Accounting services	20,201	711	2,392	60,162
Consultant	1,697	118,012	-	551,729
Contract services	872	380	-	50,952
Equipment repairs	(1,831)	14	-	5,275
Equipment leases	9	2	-	2,474
Small equipment	17,767	3,870	-	518,287
Travel/vehicle expenses	4,490	1,142	-	63,021
Printing	2,413	7,965	-	10,378
Supplies	2,579	128	-	85,661
Postage	1,234	2,409	-	4,695
Dues	2,617	1,310	-	18,697
Subscriptions	7,030	45	-	12,374
Advertising	2,185	18,416	-	21,066
Licenses	125	82	-	9,954
Food	-	-	-	333,858
Other client expenses	400	-	-	59,710
Household supplies	538	107	-	54,154
Medical	(15,411)	-	-	36,684
Flex-plan	-	-	-	8,526
Fundraising events	4	69,538	-	69,646
Donor and volunteer recognition	759	4,091	-	5,050
Other fees	28,808	3,490	17	139,678
Interest expense	144,232	1	-	145,430
Amortization expense	-	5,212	-	10,212
Miscellaneous	(19,366)	-	5,858	(5,906)
Total expenses	$ 1,489,723	$ 770,807	$ 8,267	$ 19,692,644

KidsTLC, Inc. and its Subsidiary

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	PRTF	Lotus Clinic	Autism	Street Outreach Program	Intensive Outpatient	Sanctuary	Chaplaincy	Thriving Families	CARES	Total Program Expense
Salaries	$ 5,810,313	$ 337,953	$ 2,201,316	$ 25,445	$ 230,978	$ 578,030	$ 4,183	$ 42,585	$ -	$ 9,230,803
Payroll taxes	510,630	30,302	191,624	2,335	19,612	50,477	945	3,990	-	809,915
Employee benefits	695,898	47,025	256,293	2,303	36,547	58,623	1,383	2,201	-	1,100,273
Staff development	64,189	804	7,754	22	545	553	61	786	-	74,714
Endowment program reimbursement	-	-	-	-	-	-	-	-	-	-
Insurance	173,376	2,455	31,378	2,386	4,089	16,318	1,302	349	-	231,653
Utilities and janitorial	129,126	2,792	37,852	21	2,199	10,011	1,086	237	-	183,324
Depreciation	663,315	42,678	113,146	174	16,534	30,394	1,464	605	-	868,310
Repairs and maintenance	130,207	481	15,316	12	574	12,132	1,141	197	-	160,060
Rent expense	2,506	36,208	65	-	31,749	62	7	1	600	71,198
Communications	35,695	2,344	15,299	213	2,018	3,482	109	91	-	59,251
Professional services	1,455,958	86,824	243,376	3,360	27,291	56,607	1,591	2,492	-	1,877,499
Legal services	-	-	-	-	-	-	-	-	-	-
Accounting services	24,565	1,149	10,317	167	983	2,700	82	71	-	40,034
Consultant	17,355	212,643	70,109	3	44	15,202	1,341	2,524	-	319,221
Contract services	50,781	300	6,629	2	119	3,416	378	69	-	61,694
Equipment repairs	6,688	18	217	3	15	506	5	1	-	7,453
Equipment leases	(897)	(37)	(312)	(7)	(37)	(158)	(3)	(3)	-	(1,454)
Small equipment	23,378	367	9,032	300	-	154	-	-	-	33,231
Travel/vehicle expenses	30,374	-	1,110	37	1,866	1,448	28	5,112	-	39,975
Printing	-	-	-	-	-	-	-	-	-	-
Supplies	38,397	408	11,670	13	1,521	4,615	140	14	357	57,135
Postage	860	1,290	196	2	10	30	1	1	-	2,390
Dues	8,684	406	3,746	59	347	955	29	25	-	14,251
Subscriptions	5,707	-	-	-	-	22	-	594	-	6,323
Advertising	2,616	533	740	-	-	96	-	-	-	3,985
Licenses	4,076	259	5,017	15	312	309	7	6	-	10,001
Food	263,261	1	10	-	12,252	57,368	-	756	1,804	335,452
Other client expenses	54,781	9,032	6,113	425	3,074	10,779	36	-	-	84,240
Household supplies	31,634	245	3,743	1	280	3,404	261	48	-	39,616
Medical	17,892	-	-	-	-	414	-	-	-	18,306
Flex-plan	-	-	-	2,073	-	-	-	2,136	-	4,209
Fundraising events	41	-	-	-	-	-	-	-	-	41
Donor and volunteer recognition	-	-	50	-	-	-	-	-	-	50
Other fees	64	5,303	4,346	-	-	2	-	-	-	9,715
Interest expense	3,678	371	2,377	19	266	408	10	8	-	7,137
Amortization expense	-	-	5,000	-	-	-	-	-	-	5,000
Miscellaneous	(7,296)	163	(74)	-	(30)	-	-	-	-	(7,237)
Total expenses	$ 10,247,852	$ 822,317	$ 3,253,455	$ 39,383	$ 393,158	$ 918,359	$ 15,587	$ 64,896	$ 2,761	$ 15,757,768

KidsTLC, Inc. and its Subsidiary

Consolidated Statement of Functional Expenses (Continued)

Year Ended December 31, 2019

		Fundraising		
	Management & General	Fundraising Services	Charities	2019 Total
Salaries	$ 735,575	$ 400,051	$ -	$ 10,366,429
Payroll taxes	54,202	32,152	-	896,269
Employee benefits	135,072	47,463	-	1,282,808
Staff development	3,779	2,906	-	81,399
Endowment program reimbursement	-	-	15,161	15,161
Insurance	8,855	2,273	-	242,781
Utilities and janitorial	9,022	1,121	-	193,467
Depreciation	45,823	7,180	-	921,313
Repairs and maintenance	7,102	783	-	167,945
Rent expense	9,469	17,489	-	98,156
Communications	3,116	1,721	-	64,088
Professional services	114,319	20,979	-	2,012,797
Legal services	36,525	-	-	36,525
Accounting services	2,731	993	2,288	46,046
Consultant	542	55,570	-	375,333
Contract services	1,135	188	-	63,017
Equipment repairs	22	16	-	7,491
Equipment leases	(198)	6	-	(1,646)
Small equipment	9,820	-	-	43,051
Travel/vehicle expenses	8,792	1,720	-	50,487
Printing	1,801	14,341	-	16,142
Supplies	3,476	740	-	61,351
Postage	889	1,939	-	5,218
Dues	2,239	1,686	-	18,176
Subscriptions	39,184	-	-	45,507
Advertising	907	15,096	-	19,988
Licenses	524	88	-	10,613
Food	406	351	-	336,209
Other client expenses	567	-	-	84,807
Household supplies	581	174	-	40,371
Medical	15,411	-	-	33,717
Flex-plan	-	-	-	4,209
Fundraising events	-	233,780	-	233,821
Donor and volunteer recognition	571	5,158	-	5,779
Other fees	9,365	6,422	64	25,566
Interest expense	79,007	115	-	86,259
Amortization expense	-	5,212	-	10,212
Miscellaneous	30,674	-	5,855	29,292
Total expenses	$ 1,371,305	$ 877,713	$ 23,368	$ 18,030,154

KidsTLC, Inc. and its Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

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. 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.

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.

Lotus Clinic

The Lotus Clinic, previously called 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. This program ended in 2019.

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 consolidated statements of functional expenses.

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 the street outreach program in the consolidated 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, 2020 and 2019, cash equivalents consisted primarily of money market accounts.

At December 31, 2020, the Organization's cash accounts exceeded federally insured limits by approximately $1,380,000.

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

Patient accounts receivable reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for co-pays, coinsurance and deductibles is determined. Patient accounts receivable are due in full when billed.

Bad debt expense was not significant for the years ended December 31, 2020 and 2019.

Property and Equipment

Property and equipment acquisitions over $3,000 are stated at cost, less accumulated depreciation and amortization. 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.

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

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

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, 2020 and 2019.

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.

Program Revenue

Program revenue is recognized as the Organization satisfies performance obligations under its contracts with patients. Program revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policies and implicit price concessions provided to uninsured patients.

The Organization determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payor groups. The Organization determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

Contributions and Fundraising

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.*, the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

The Organization hosts recurring fundraisers each year that comprise nearly all of the fundraising revenue. There were two fundraisers hosted for the years ended December 31, 2020 and 2019. One of the fundraising events is the Benefit. The Benefit raised approximately $139,000 and $323,000 in 2020 and 2019, respectively. This represents 44 percent and 72 percent of fundraising revenues and 8 percent and 26 percent of combined contribution and fundraising revenues in 2020 and 2019, 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, 2020 and 2019, $336,775 and $74,877, 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 $136,240 and $25,763, respectively, for the years ended December 31, 2020 and 2019.

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.

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 2019 consolidated financial statements to conform to the 2020 consolidated financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through May 19, 2021, which is the date the consolidated financial statements were available to be issued.

Note 2: Program Revenue

Program revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services to patients. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. Generally, the Organization bills the patient and third-party payors several days after the services are performed and patient accounts receivable are due in full when billed. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total actual charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to clients in the Organization receiving services in outpatient, inpatient, and residential locations. The Organization measures the performance obligation from commencement of service, to the point when it is no longer required to provide services to that client, which is generally at the time of completion of the service.

Transaction Price

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy and implicit price concessions provided to patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Refund Liabilities

From time to time, the Organization will receive overpayments of patient balances from third-party payors or patients resulting in amounts owed back to either the patients or third-party payors. Approximately $21,000 and $200,000 are included in accounts payable on the consolidated statements of financial position at December 31, 2020 and 2019, respectively.

Patient and Uninsured Payors

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to program revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Revenue Composition

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors have different reimbursement and payment methodologies
- Length of patient's service of care
- Method of reimbursement

The composition of revenue under ASC 606 from services that transfer over time for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Revenue under ASC 606		
Program Revenue	$ 15,468,835	$ 15,735,376
Revenue under ASC 606 - Other Revenues		
Para Educators	$ 281,385	$ 169,982
Revenue under ASC 606 - Fundraising		
Fundraising	$ 52,518	$ 91,078

Financing Component

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time the patient or a third-party payor pays for that service will be one year or less.

Note 3: Contributions Receivable

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

	2020	2019
Due in less than one year	$ 13,900	$ 17,200
Less		
Estimated allowance for uncollectible pledges	4,220	-
	$ 9,680	$ 17,200

Note 4: Investments

A summary of the composition of KidsTLC's investment portfolio at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Mutual funds invested in equity securities		
Eaton Vance Large Cap Value	$ 347,732	$ 299,658
Hartford Growth	381,192	288,127
iShares Russell 1000 Value	355,361	304,350
iShares Russell 1000 Growth	361,710	308,564
MFS Value Fund	336,972	305,611
BNY Mellon Appreciation Fund	336,385	286,128
Other mutual funds invested in equity securities	834,274	645,092
Mutual funds invested in debt securities		
Metropolitan West Total Return Bond Fund	367,543	346,699
MFS Total Return Bond Fund	367,073	344,014
PIMCO Total Return Fund	726,439	686,762
Other mutual funds invested in debt securities	417,303	390,160
Greater Kansas City Community Foundation	32,484	30,188
Total investments	$ 4,864,468	$ 4,235,353

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

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 $32,484 and $30,188 at December 31, 2020 and 2019, 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

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, 2020 and 2019:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Mutual funds invested in equity securities				
Eaton Vance Large Cap Value	$ 347,732	$ 347,732	$ -	$ -
Hartford Growth	381,192	381,192	-	-
iShares Russell 1000 Value	355,361	355,361	-	-
iShares Russell 1000 Growth	361,710	361,710	-	-
MFS Value Fund	336,972	336,972	-	-
BNY Mellon Appreciation Fund	336,385	336,385	-	-
Other mutual funds invested in equity securities	834,274	834,274	-	-
Mutual funds invested in debt securities				
Metropolitan West Total Return Bond Fund	367,543	367,543	-	-
MFS Total Return Bond Fund	367,073	367,073	-	-
PIMCO Total Return Fund	726,439	726,439	-	-
Other mutual funds invested in debt securities	417,303	417,303	-	-
Greater Kansas City Community Foundation	32,484	-	32,484	-
Total	$ 4,864,468	$ 4,831,984	$ 32,484	$ -

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Mutual funds invested in equity securities				
Eaton Vance Large Cap Value	$ 299,658	$ 299,658	$ -	$ -
Hartford Growth	288,127	288,127	-	-
iShares Russell 1000 Value	304,350	304,350	-	-
iShares Russell 1000 Growth	308,564	308,564	-	-
MFS Value Fund	305,611	305,611	-	-
BNY Mellon Appreciation Fund	286,128	286,128	-	-
Other mutual funds invested in equity securities	645,092	645,092	-	-
Mutual funds invested in debt securities				
Metropolitan West Total Return Bond Fund	346,699	346,699	-	-
MFS Total Return Bond Fund	344,014	344,014	-	-
PIMCO Total Return Fund	686,762	686,762	-	-
Other mutual funds invested in debt securities	390,160	390,160	-	-
Greater Kansas City Community Foundation	30,188	-	30,188	-
Total	$ 4,235,353	$ 4,205,165	$ 30,188	$ -

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, 2020. 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 2020 and 2019.

Note 7: Line of Credit

The Organization previously had access to a line of credit with an investment company with a maximum available limit of $1,600,000 at December 31, 2019. The line of credit matured in September 2020 and was not renewed. As of December 31, 2020 and 2019, there were no amounts outstanding against the line.

Note 8: Long-term Debt

	2020	2019
Bond payable (A)	$ 1,568,662	$ 1,745,313
Bond payable (B)	5,271,420	-
Bond payable (C)	110,000	-
Note payable (D)	1,985,800	-
Capital lease obligations (E)	88,628	72,424
	9,024,510	1,817,737
Less current maturities	1,765,983	207,071
	$ 7,258,527	$ 1,610,666

(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 Kelly Wellness Center property. In February 2019, the Organization made an additional payment of approximately $1,245,000, which impacted the aggregate annual maturities of long-term debt.

(B) Effective June 1, 2020, the City of Olathe, Kansas issued its lease Revenue Bonds, Series 2020A (KidsTLC, Inc. Project) in an aggregate principal amount of $6,000,000, for the purpose of acquiring, constructing 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 bond funds shall be advanced to KidsTLC in principal advances up to the maximum principal advance of $6,000,000. The interest rate is 3 percent until July 31, 2025 and renewed based on the current 5-year U.S. Treasury Bond yield for each subsequent five-year period. Principal payments on the bond are payable monthly commencing on January 31, 2022 based on a pre-determined schedule with a final maturity of December 31, 2039. The bonds are collateralized by KidsTLC's assets including accounts receivable, chattel paper, instruments, general intangibles and deposit accounts.

(C) Effective June 1, 2020, the City of Olathe, Kansas issued its lease Revenue Bonds, Series 2020B (KidsTLC, Inc. Project) in an aggregate principal amount of $1,000,000, for the purpose of acquiring, constructing 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 bond funds shall be advanced to KidsTLC in principal advances up to the maximum principal advance of $1,000,000. The interest rate is 3.8 percent until July 31, 2025 and renewed based on the current 5-year U.S. Treasury Bond yield. Principal payments on the bond are payable monthly commencing on January 31, 2022 based on a pre-determined schedule with a final maturity of December 31, 2026. The bonds are collateralized by KidsTLC's assets including accounts receivable, chattel paper, instruments, general intangibles and deposit accounts.

(D) The CARES Act and other subsequent legislation provided a Small Business Administration (SBA) loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Paycheck Protection Program (PPP) loan will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. Monthly payments of principal and interest through April 15, 2022, with interest rate of 1 percent, forgiveness subject to approval by the SBA.

In May 2021, the organization received formal approval that the PPP loan and accrued interest had been forgiven in full by the SBA.

(E) The above capital leases include administrative equipment for various years expiring through 2023.

Aggregate annual maturities of long-term debt at December 31, 2020 are:

	Long-Term Debt (Exc. Leases)	Capital Lease Obligations
2021	$ 1,720,458	$ 53,340
2022	999,727	31,950
2023	456,334	15,230
2024	470,468	-
2025	485,053	-
Thereafter	4,803,842	-
	$ 8,935,882	100,520
Less amount representing interest		11,892
Present value of future minimum lease payments		88,628
Less current maturities		45,525
Noncurrent portion		$ 43,103

Property and equipment include the following equipment under capital leases:

	2020	2019
Equipment	$ 155,967	$ 110,195
Less accumulated depreciation	81,766	50,117
	$ 74,201	$ 60,078

Note 9: Board Designated Funds

The board of directors has designated certain 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, 2020 and 2019, the value of these assets consisted of the net book value of the property and equipment acquired with these funds.

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

	2020	2019
Endowment reserve	$ 88,443	$ 220,555
Operating reserve	1,516,773	1,365,635
Program reserve	920,795	802,066
Capital campaigns	1,929,434	1,929,434
	$ 4,455,445	$ 4,317,690

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:

	2020	2019
Subject to expenditure for specified purpose		
Capital improvements	$ 164,725	$ 197,217
Designated contributions	237,121	490,655
Program services	6,988	4,691
	408,834	692,563
Subject to the passage of time		
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	-	39,702
Endowments		
Chaplaincy endowment	956,330	822,863
Beneficial interest in assets held by Greater Kansas City Community Foundation	25,497	25,497
Other endowment funds	43,155	48,539
	1,024,982	896,899
	$ 1,433,816	$ 1,629,164

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.

	2020	2019
Satisfaction or purpose restrictions		
Bringing Our Children Home – Continuing Our Journey Capital Campaign	$ -	$ 809,901
Capital improvements	508,471	77,301
Designated contributions	575,601	99,894
	$ 1,084,072	$ 987,096

Note 11: Endowment

The Organization's governing body is subject to the *State of Kansas Prudent Management of Institutional Funds Act* (SPMIFA). As a result, the Organization 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 being reclassified as net assets without donor restrictions.

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

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 composition of net assets by type of endowment fund at December 31, 2020 and 2019 was:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 88,443	$ -	$ 88,443
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	627,696	627,696
Accumulated investment gains	-	397,286	397,286
Total endowment funds	$ 88,443	$ 1,024,982	$ 1,113,425

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 220,555	$ -	$ 220,555
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	620,955	620,955
Accumulated investment gains	-	275,944	275,944
Total endowment funds	$ 220,555	$ 896,899	$ 1,117,454

Changes in endowment net assets for the years ended December 31, 2020 and 2019 were:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 220,555	$ 896,899	$ 1,117,454
Investment return, net	3,038	121,342	124,380
Additions	-	6,741	6,741
Appropriation of endowment assets for expenditure	(135,150)	-	(135,150)
Endowment net assets, end of year	$ 88,443	$ 1,024,982	$ 1,113,425

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 58,166	$ 772,845	$ 831,011
Investment return, net	3,724	127,090	130,814
Additions	192,000	12,125	204,125
Appropriation of endowment assets for expenditure	(33,335)	(15,161)	(48,496)
Endowment net assets, end of year	$ 220,555	$ 896,899	$ 1,117,454

Investment and Spending Policies

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.

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 spending policy of appropriating for expenditure each year approximately 5 percent of its endowment fund's average fair value over the prior five years average year end preceding 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, 2020 and 2019, are comprised of the following:

	2020	2019
Financial Assets at year end		
Cash and cash equivalents	$ 1,716,154	$ 1,335,060
Accounts receivable	1,199,382	1,686,969
Contributions receivable	9,680	17,200
Other receivables	319,837	-
Investments	4,864,468	4,235,353
Total financial assets	8,109,521	7,274,582
Less amounts with donor imposed restrictions		
Financial assets subject to expenditure for specified purposes	(408,834)	(692,563)
Endowments	(1,024,982)	(896,899)
Net financial assets after donor imposed restrictions	6,675,705	5,685,120
Internal designations		
Endowment reserve	(88,443)	(220,555)
Board designated funds	(2,437,568)	(2,167,701)
Financial assets available to meet cash needs for general expenditures within one year	$ 4,149,694	$ 3,296,864

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 $88,443 and $220,555 for 2020 and 2019, respectively, is subject to an annual spending rate of approximately 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.

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 than 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, 2020 and 2019, 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 60 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 $230,056 and $222,627 for 2020 and 2019, respectively.

Note 14: Related Party Transactions

The Organization and KidsTLC Medical Services LLC (Medical Services) are related parties that are not financially interrelated organizations. Medical Services is owned by employees of the Organization and provides medical service personnel to the organization which is reported as professional services within the consolidated statements of functional expenses. There was $496,356 and $465,386 paid to Medical Services by the Organization for the years ended December 31, 2020 and 2019, respectively.

Effective June 14, 2020, the Organization stopped utilizing the services of Medical Services and all of the employees of Medical Services became employees of the Organization.

Note 15: Significant Estimates

Program Revenue Adjustments

Estimates of implicit and explicit price concessions included in patient service revenue are described in *Notes 1* and *2*.

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

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, 2020 and 2019, the Organization was unaware of any outstanding litigation or claims that could result in a contingent loss.

Note 16: COVID-19 Pandemic

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues of the Organization were affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place.

The Organization's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Organization has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse effect on the Organization's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Organization's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

Because of these and other uncertainties, the Organization cannot estimate the length or severity of the effect of the pandemic on the Organization's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Note 17: Future Change in Accounting Principle

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 consolidated balance sheets as both a right-of-use asset and a liability. The standard has two types of leases for consolidated statements of operations 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, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the consolidated financial statements; however, the standard is expected to have a material effect on the consolidated financial statements due to the recognition of additional assets and liabilities for operating leases.

Supplementary Information

KidsTLC, Inc. and its Subsidiary

Consolidating Schedule of Financial Position

December 31, 2020

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Current Assets				
Cash and cash equivalents	$ 1,664,210	$ 51,944	$ -	$ 1,716,154
Accounts receivable	1,199,382	-	-	1,199,382
Contributions receivable	9,680	-	-	9,680
Other receivables	319,837	-	-	319,837
Due to/from affiliate	(1,923,416)	1,923,416	-	-
Prepaid expenses	148,643	-	-	148,643
Inventories	39,925	-	-	39,925
Total current assets	1,458,261	1,975,360	-	3,433,621
Investments	3,924,612	939,856	-	4,864,468
Property and Equipment, At Cost				
Land	2,222,046	-	-	2,222,046
Building and improvements	23,097,740	-	-	23,097,740
Furniture and equipment	2,539,393	-	-	2,539,393
Automotive equipment	182,047	-	-	182,047
	28,041,226	-	-	28,041,226
Less accumulated depreciation	8,097,754	-	-	8,097,754
Property and equipment, net	19,943,472	-	-	19,943,472
Other Assets	23,101	50,542	-	73,643
Investment in Subsidiary	2,965,758	-	(2,965,758)	-
Total assets	$ 28,315,204	$ 2,965,758	$ (2,965,758)	$ 28,315,204
Current Liabilities				
Current maturities of long-term debt	$ 1,765,983	$ -	$ -	$ 1,765,983
Accounts payable	932,167	-	-	932,167
Accrued expenses	750,585	-	-	750,585
Total current liabilities	3,448,735	-	-	3,448,735
Long-term Liabilities				
Long-term debt	7,258,527	-	-	7,258,527
Total liabilities	10,707,262	-	-	10,707,262
Net Assets				
Without donor restrictions	16,174,126	1,933,789	(1,933,789)	16,174,126
With donor restrictions	1,433,816	1,031,969	(1,031,969)	1,433,816
Total net assets	17,607,942	2,965,758	(2,965,758)	17,607,942
Total liabilities and net assets	$ 28,315,204	$ 2,965,758	$ (2,965,758)	$ 28,315,204

KidsTLC, Inc. and its Subsidiary
Consolidating Schedule of Financial Position
December 31, 2019

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Current Assets				
Cash and cash equivalents	$ 1,192,655	$ 142,405	$ -	$ 1,335,060
Accounts receivable	1,686,969	-	-	1,686,969
Contributions receivable	17,200	-	-	17,200
Due to/from affiliate	(1,757,750)	1,757,750	-	-
Prepaid expenses	92,437	-	-	92,437
Inventories	39,740	-	-	39,740
Total current assets	1,271,251	1,900,155	-	3,171,406
Investments	3,418,948	816,405	-	4,235,353
Property and Equipment, At Cost				
Land	802,046	-	-	802,046
Building and improvements	18,389,809	-	-	18,389,809
Furniture and equipment	2,399,335	-	-	2,399,335
Automotive equipment	182,047	-	-	182,047
	21,773,237	-	-	21,773,237
Less accumulated depreciation	7,168,543	-	-	7,168,543
Property and equipment, net	14,604,694	-	-	14,604,694
Other Assets	30,238	43,802	-	74,040
Investment in Subsidiary	2,760,362	-	(2,760,362)	-
Total assets	$ 22,085,493	$ 2,760,362	$ (2,760,362)	$ 22,085,493
Current Liabilities				
Current maturities of long-term debt	$ 207,071	$ -	$ -	$ 207,071
Accounts payable	465,714	-	-	465,714
Accrued expenses	969,581	-	-	969,581
Deferred revenue	60,450	-	-	60,450
Total current liabilities	1,702,816	-	-	1,702,816
Long-term Liabilities				
Long-term debt	1,610,666	-	-	1,610,666
Total liabilities	3,313,482	-	-	3,313,482
Net Assets				
Without donor restrictions	17,142,847	1,858,772	(1,858,772)	17,142,847
With donor restrictions	1,629,164	901,590	(901,590)	1,629,164
Total net assets	18,772,011	2,760,362	(2,760,362)	18,772,011
Total liabilities and net assets	$ 22,085,493	$ 2,760,362	$ (2,760,362)	$ 22,085,493

KidsTLC, Inc. and its Subsidiary
Consolidating Schedule of Activities
Year Ended December 31, 2020

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Revenues, Gains and Other Support				
Program revenue	$ 15,468,835	$ -	$ -	$ 15,468,835
Contributions	994,618	772	-	995,390
Grants	156,290	-	-	156,290
Fundraising	319,647	-	-	319,647
Investment return, net	270,290	379,201	-	649,491
Gain on investment in subsidiary	205,396	-	(205,396)	-
Other revenues	456,930	6,742	-	463,672
Total revenues, gains and other support	17,872,006	386,715	(205,396)	18,053,325
Expenses				
Program services				
PRTF	12,161,782	-	-	12,161,782
Lotus Clinic	663,109	-	-	663,109
Autism	3,201,027	-	-	3,201,027
Street Outreach Program	-	-	-	-
Intensive Outpatient	331,584	-	-	331,584
Sanctuary	963,830	-	-	963,830
Chaplaincy	6,441	-	-	6,441
Thriving Families	95,084	-	-	95,084
CARES	990	-	-	990
Total program services	17,423,847	-	-	17,423,847
Management and general	1,489,723	-	-	1,489,723
Fundraising and charities	770,807	8,267	-	779,074
Total expenses	19,684,377	8,267	-	19,692,644
Excess (Deficiency) of Revenues Over Expenses	(1,812,371)	378,448	(205,396)	(1,639,319)
Contributions for acquisition of property and equipment	475,250	-	-	475,250
Change in Net Assets Before Transfers to (from) Affiliate	(1,337,121)	378,448	(205,396)	(1,164,069)
Transfers to (from) Affiliate	173,052	(173,052)	-	-
Change in Net Assets	$ (1,164,069)	$ 205,396	$ (205,396)	$ (1,164,069)

KidsTLC, Inc. and its Subsidiary

Consolidating Schedule of Activities

Year Ended December 31, 2019

	KidsTLC, Inc.	TLC Charities Foundation	Eliminations	Consolidated
Revenues, Gains and Other Support				
Program revenue	$ 15,735,376	$ -	$ -	$ 15,735,376
Contributions	739,609	-	-	739,609
Grants	269,163	-	-	269,163
Fundraising	450,903	-	-	450,903
Investment return, net	299,064	426,302	-	725,366
Gain on investment in subsidiary	204,743	-	(204,743)	-
Other revenues	377,076	12,125	-	389,201
Total revenues, gains and other support	18,075,934	438,427	(204,743)	18,309,618
Expenses				
Program services				
PRTF	10,247,852	-	-	10,247,852
Behavioral Health	822,317	-	-	822,317
Autism	3,253,455	-	-	3,253,455
Street Outreach Program	39,383	-	-	39,383
Intensive Outpatient	393,158	-	-	393,158
Sanctuary	918,359	-	-	918,359
Chaplaincy	15,587	-	-	15,587
Thriving Families	64,896	-	-	64,896
CARES	2,761	-	-	2,761
Total program services	15,757,768	-	-	15,757,768
Management and general	1,371,305	-	-	1,371,305
Fundraising and charities	877,713	23,368	-	901,081
Total expenses	18,006,786	23,368	-	18,030,154
Excess of Revenues Over Expenses	69,148	415,059	(204,743)	279,464
Contributions for acquisition of property and equipment	75,000	-	-	75,000
Change in Net Assets Before Transfers to (from) Affiliate	144,148	415,059	(204,743)	354,464
Transfers to (from) Affiliate	210,316	(210,316)	-	-
Change in Net Assets	$ 354,464	$ 204,743	$ (204,743)	$ 354,464