

KIDS IN THE MIDDLE, INC.

Financial Statements

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)



INDEPENDENT AUDITORS' REPORT

Board of Directors
Kids in the Middle, Inc.

We have audited the accompanying statements of financial position of Kids in the Middle, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids in the Middle, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2011, on our consideration of Kids in the Middle, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Randle & Associates, LLC, CPAs

Florissant, Missouri
May 17, 2011

KIDS IN THE MIDDLE, INC.
 Statements of Financial Position
 December 31,

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 243,807	\$ 267,668
Certificates of deposit	95,734	-
Unconditional promises to give	283,391	244,016
Accounts receivable (net)	31,901	12,166
Prepaid expenses	4,437	8,929
Total current assets	659,270	532,779
Cash - restricted for scholarship	9,034	17,478
Investments	3,251	-
Fixed assets - net	14,023	24,750
Total Assets	\$ 685,578	\$ 575,007
LIABILITIES AND NET ASSETS		
Current Assets		
Accounts payable	\$ 12,340	\$ 395
Accrued salaries and related liabilities	82,323	55,523
Total current liabilities	94,663	55,918
Net assets		
Unrestricted	298,550	205,422
Temporarily restricted	287,365	308,667
Permanently restricted	5,000	5,000
Total Net Assets	590,915	519,089
Total Liabilities and Net Assets	\$ 685,578	\$ 575,007

See accompanying notes to the financial statements.

KIDS IN THE MIDDLE, INC.
Statement of Activities
For the Year Ended December 31,

	2010			2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Public support:								
Contributions	\$ 222,802	\$ 39,375	\$ -	\$ 262,177	\$ 95,238	\$ 37,489	\$ -	\$ 132,727
In-kind	-	-	-	-	360	-	-	360
United Way	3,273	242,027	-	245,300	4,955	242,027	-	246,982
Revenue:								
Fees for services:								
Local government fees	413,730	-	-	413,730	276,482	-	-	276,482
Client fees	223,255	-	-	223,255	241,281	-	-	241,281
Special events	180,281	-	-	180,281	236,573	-	-	236,573
Unrealized gain on investments	214	-	-	214	-	-	-	-
Interest income	1,445	-	-	1,445	2,613	-	-	2,613
Other	485	-	-	485	1,111	-	-	1,111
Total	1,045,485	281,402	-	1,326,887	858,613	279,516	-	1,138,129
Net assets released from restrictions	302,704	(302,704)	-	-	257,384	(257,384)	-	-
Total support and revenue	1,348,189	(21,302)	-	1,326,887	1,115,997	22,132	-	1,138,129
EXPENSES:								
Program Services								
Agency services	742,032	-	-	742,032	689,675	-	-	689,675
School services	258,510	-	-	258,510	241,858	-	-	241,858
Court program	33,719	-	-	33,719	29,087	-	-	29,087
Community education	18,935	-	-	18,935	21,619	-	-	21,619
Supporting Services								
Management and general	76,349	-	-	76,349	79,375	-	-	79,375
Fundraising expenses	125,516	-	-	125,516	131,732	-	-	131,732
Total expenses	1,255,061	-	-	1,255,061	1,193,346	-	-	1,193,346
Change in net assets	93,128	(21,302)	-	71,826	(77,349)	22,132	-	(55,217)
Net assets, beginning of year	205,422	308,667	5,000	519,089	282,771	286,535	5,000	574,306
Net assets, end of year	\$ 298,550	\$ 287,365	\$ 5,000	\$ 590,915	\$ 205,422	\$ 308,667	\$ 5,000	\$ 519,089

See accompanying notes to the financial statements.

KIDS IN THE MIDDLE, INC.
 Statements of Cash Flows
 For the Year Ended December 31,

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 71,826	\$ (55,217)
Adjustments to reconcile change in net assets :		
Depreciation	10,727	13,595
(Increase)/Decrease in accounts receivable	(19,735)	(8,277)
(Increase)/Decrease in promises to give	(39,375)	8,075
(Increase)/Decrease in prepaid expenses	4,492	(3,351)
(Increase)/Decrease in deposits	-	4,400
Increase/(Decrease) in accounts payable and accrued expenses	38,745	8,805
Net cash provided by operating activities	66,680	(31,970)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of equipment	-	(3,082)
Net cash used by investing activities	-	(3,082)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of investments	(3,251)	-
Purchase of certificates of deposit	(95,734)	-
Principal payments on loan	-	(5,109)
Net cash used by financing activities	(98,985)	(5,109)
Net Increase/(Decrease) in cash and cash equivalents	(32,305)	(40,161)
Cash and cash equivalents - beginning of year	285,146	325,307
Cash and cash equivalents - end of year	\$ 252,841	\$ 285,146
CASH AND CASH EQUIVALENTS, consist of the following:		
Cash and cash equivalents - Unrestricted	\$ 243,807	\$ 267,668
Cash and cash equivalents - Designated for scholarships	9,034	17,478
	\$ 252,841	\$ 285,146

See accompanying notes to the financial statements.

KIDS IN THE MIDDLE, INC.
Statement of Functional Expenses
For the Year Ended December 31,

	Program Services					Supporting Services			2009 Total
	Agency Services	School Services	Court Program	Community Education	Management and General	Special Events/ Fundraising	2010 Total		
Salaries	\$ 477,915	\$ 209,249	\$ 23,250	\$ 12,715	\$ 42,635	\$ 43,512	\$ 809,276	\$ 761,418	
Employee benefits	43,737	15,258	3,324	1,371	2,294	4,023	70,007	81,153	
Payroll taxes	39,864	16,522	1,864	997	3,317	3,536	66,100	56,061	
Professional fees	56,294	3,979	1,692	1,276	12,764	4,605	80,610	56,753	
Supplies	25,543	5,893	211	349	1,501	280	33,777	34,617	
Telephone and long distance	5,358	187	170	70	487	122	6,394	3,832	
Postage and shipping	1,679	302	40	42	767	349	3,179	2,380	
Occupancy	53,396	3,126	2,572	1,175	7,796	2,005	70,070	69,315	
Equipment rental and maintenance	15,532	927	233	349	1,813	3,096	21,950	23,947	
Printing and publications	511	-	-	-	-	-	511	1,401	
Conferences and meetings	2,592	692	15	10	385	17	3,711	5,771	
Membership dues	670	4	1	1	407	2	1,085	1,420	
Travel expense	1,944	377	43	76	69	124	2,633	1,671	
Miscellaneous	2,514	1,060	118	152	421	222	4,487	1,080	
Public relations and marketing	311	7	1	3	(732)	4	(406)	9,876	
Insurance	5,973	391	78	147	1,014	221	7,824	7,093	
Special events/fundraising	10	-	-	-	21	63,095	63,126	61,963	
Depreciation	8,189	536	107	202	1,390	303	10,727	13,595	
Total	\$ 742,032	\$ 258,510	\$ 33,719	\$ 18,935	\$ 76,349	\$ 125,516	\$ 1,255,061	\$ 1,193,346	

See accompanying notes to the financial statements.

KIDS IN THE MIDDLE, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Nature of Activities

Kids in the Middle, Inc. (the “Organization”) is a not-for-profit organization formed for the purpose providing services for children and parents experiencing the effects of separation, divorce, remarriage and other family transitions. The Organization is supported primarily through agency based services, contributions, grants, and the United Way.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization presents its financial statements in accordance with the Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 117, “*Financial Statements of Not-for-Profit Organizations.*” Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions

Under SFAS No. 116, “*Accounting for Contributions Received and Contributions Made,*” contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in equity securities are stated at fair value based on quoted market values. Investments in cash management funds are stated at cost, which approximates fair value. Net realized and unrealized gains and losses on investments are reflected in the statement of activities.

KIDS IN THE MIDDLE, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Fixed assets are stated at cost, if purchased and fair value at the time of donation, if donated. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets ranging from 3 to 10 years.

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that relate directly to a specific program or support service are allocated according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical methods.

Contributed Services

Contributed services are recognized at fair value if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Accordingly, the value of legal services provided to the Organization has been recorded in the financial statements at their fair values. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

Kids in the Middle, Inc. is tax-exempt under Section 501c (3) of the Internal Revenue Service Code. As such, the Organization is only taxed on income from any activities unrelated to its charitable purpose. The Program did not have any unrelated business income for 2010 and 2009; therefore, the statements do not include any provision for income taxes.

KIDS IN THE MIDDLE, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2 – Concentration of Credit Risk

Kids in the Middle, Inc. maintain cash balances at several financial institutions located in Missouri. Accounts at institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2010 and 2009, the Organization's cash balances were fully insured.

NOTE 3 – Accounts Receivable

The Organization has receivables related to fees from clients for services performed. An allowance for these receivables is included in the statement of financial position as a reduction in accounts receivable. The allowance is based on prior years' experience and management's analysis.

NOTE 4 – Investments

The investments are presented in the financial statements at fair value using level 1 fair measure (quoted prices is active). At December 31, 2010 and 2009, investments consisted of the following:

	<u>2010</u>	<u>2009</u>
U.S. common stocks	\$ 3,250	\$ -
Cash Equivalents:		
Money Market Funds	\$ <u>13,470</u>	\$ <u>13,436</u>
Total Portfolio	\$ <u>16,720</u>	\$ <u>13,436</u>

NOTE 5 – Promises to Give

In accordance with SFAS 116, unconditional promises to give are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Kids in the Middle, Inc. received several grant awards in which payments are scheduled to be made in more than one year for future operations.

KIDS IN THE MIDDLE, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 5 – Promises to Give (Continued)

A schedule of future payments pursuant to the grant agreements are as follows:

Year Ended December 31,	Amount
2011	\$ 279,641
2012	<u>3,750</u>
Total	\$ <u>283,391</u>

NOTE 6 – Special Events

Income from special events for the year ended December 31, 2010 and 2009, consisted of the following:

	<u>Bugabaloo</u>	<u>Bugabalinks</u>	<u>Swirl/Sniff/ Sip</u>	<u>Other</u>	<u>2010 Total</u>	<u>2009 Total</u>
Revenues	\$ 104,952	\$ 55,701	\$ 17,053	\$ 2,575	\$ 180,281	\$ 204,028
Expenses	<u>28,157</u>	<u>24,894</u>	<u>6,959</u>	<u>132</u>	<u>60,142</u>	<u>61,818</u>
Net Income	\$ <u>76,795</u>	\$ <u>30,807</u>	\$ <u>10,094</u>	\$ <u>2,443</u>	\$ <u>120,139</u>	\$ <u>142,210</u>

NOTE 7 – Fixed Assets

Fixed assets consist of the following at December 31,

	2010	2009
Furniture and equipment	\$ 66,481	\$ 66,481
Software and license	24,530	24,530
Accumulated depreciation	<u>(76,988)</u>	<u>(66,261)</u>
	\$ <u>14,023</u>	\$ <u>24,750</u>

Depreciation charged against revenues amounted to \$10,727 and \$13,595 during the year ended December 31, 2010 and 2009, respectively.

NOTE 8 – Lease Commitments

The Organization is a lessee under an operating lease for its administrative and main service facility which expired July 2009. During the year, the Organization exercised its second lease extension which extended the period from August 1, 2010 through July 31, 2011. Rental expense for the year totaled \$49,700.

KIDS IN THE MIDDLE, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 8 – Lease Commitments (continued)

Following is a schedule of required future minimum lease payments as of December 31, 2010:

Year Ended December 31,	Amount
2011	\$ <u>29,400</u>
Total	\$ <u>29,400</u>

NOTE 9 – In-Kind Donations

During the year ended December 31, 2010, Sisters Joachim and Ann Care Service provided Kids in the Middle, Inc. with office and common area space along with utilities and maintenance services, which are billable to Kids in the Middle, Inc., under an eleven month agreement. The agreement provided use of computers, telephones, and various pieces of furniture and fixtures necessary for the Organization to provide counseling and education services. The use of the facilities under this agreement has not been reflected in the accompanying financial statements because cost is not determinable.

NOTE 10 – Restrictions on Assets

Temporarily restricted net assets relate to contributions and promises to give for program services and events in future years. Temporarily restrictions on net assets are as follows:

	2010	2009
For future operations and events	\$ 283,391	\$ 300,667
For scholarship fund	<u>8,974</u>	<u>8,000</u>
	\$ <u>292,365</u>	\$ <u>308,667</u>

NOTE 11 – Letter of Credit

The Organization has an open-ended letter of credit in the amount of \$50,000. Advances on the letter of credit are subject to finance charges from the date of the transaction to the date the payment is made to the lender. The periodic rate of the finance charge is subject to change, based on the value of the prime rate index. No balance was outstanding as of December 31, 2010 and 2009.

KIDS IN THE MIDDLE, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 12 – Retirement Plan

The Organization offers employees the opportunity to participate in a Simple Employee Plan. The Organization matches employees' contribution up to a limit of 3% of the employee's compensation for the calendar year. Retirement plan expenses for the calendar years 2010 and 2009 were \$15,797 and \$18,379, respectively.

NOTE 13 – Evaluation of Subsequent Events

Subsequent to the fiscal year end, the Organization renewed its lease for office space for the St. Charles location through December 31, 2011 at \$3,517 per month.

During March 2011, the Organization enter into a five year lease for additional space with a monthly base rental ranging from \$5,500 to \$5,700 per month.

The Organization has evaluated subsequent events through May 17, 2011, the date which the financial statements were available for distribution.



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Kids in the Middle, Inc.

We have audited the financial statements of Kids in the Middle, Inc. (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated May 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Kids in the Middle, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kid's in the Middle's Inc. internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kids in the Middle, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Kid's in the Middle, Inc. in a separate letter dated May 17, 2011.

This report is intended solely for the information and use of management, Board of Directors, and funding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Randall & Associates, LLC, CPAs

Florissant, Missouri

May 17, 2011