

KIDS IN THE MIDDLE, INC.

Financial Statements

December 31, 2008 and 2007

(With Independent Auditors' Report Thereon)



RANDLE & ASSOCIATES, LLC, CPAs

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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, 2008 and 2007, and the related statements of activities 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, 2008 and 2007, 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 June 11, 2009, 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

Hazelwood, Missouri
June 11, 2009

KIDS IN THE MIDDLE, INC.
Statement of Financial Position
December 31, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 325,307	\$ 239,809
Unconditional promises to give	247,091	248,591
Pledges receivable	5,000	14,600
Accounts receivable (net)	3,888	3,407
Deposits	4,400	500
Prepaid expenses	5,578	8,054
Total current assets	591,264	514,961
Fixed assets - net	35,264	32,457
Total Assets	\$ 626,528	\$ 547,418
LIABILITIES AND NET ASSETS		
Current Assets		
Accounts payable	\$ 6,920	\$ 3,122
Accrued salaries and related liabilities	40,193	11,692
Note payable - current	5,109	5,572
Total current liabilities	52,222	20,386
Note payable - long term	-	5,109
Net assets		
Unrestricted	282,771	226,603
Temporarily restricted	286,535	290,320
Permanently restricted	5,000	5,000
Total Net Assets	574,306	521,923
Total Liabilities and Net Assets	\$ 626,528	\$ 547,418

See notes to the financial statements.

KIDS IN THE MIDDLE, INC.
Statement of Activities
For the Years Ended December 31, 2008 and 2007

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Public support:								
Contributions	\$ 177,545	\$ 34,155	\$ -	\$ 211,700	\$ 137,535	\$ 58,150	\$ -	\$ 195,685
In-kind	1,379	-	-	1,379	-	-	-	-
United Way	3,281	247,091	-	250,372	3,888	247,091	-	250,979
Revenue:								
Fees for services:								
Local government fees	260,649	-	-	260,649	257,688	-	-	257,688
Client fees	227,469	-	-	227,469	215,122	-	-	215,122
Special events	251,857	-	-	251,857	200,528	1,050	-	201,578
Interest income	8,705	-	-	8,705	6,385	-	-	6,385
Other	910	-	-	910	1,994	-	-	1,994
Total	<u>931,795</u>	<u>281,246</u>	<u>-</u>	<u>1,213,041</u>	<u>823,140</u>	<u>306,291</u>	<u>-</u>	<u>1,129,431</u>
Net assets released from restrictions	<u>285,031</u>	<u>(285,031)</u>	<u>-</u>	<u>-</u>	<u>240,101</u>	<u>(240,101)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,216,826</u>	<u>(3,785)</u>	<u>-</u>	<u>1,213,041</u>	<u>1,063,241</u>	<u>66,190</u>	<u>-</u>	<u>1,129,431</u>
EXPENSES:								
Program Services								
Agency services	606,448	-	-	606,448	499,618	-	-	499,618
School services	240,030	-	-	240,030	221,436	-	-	221,436
Court program	39,925	-	-	39,925	31,236	-	-	31,236
Community education	27,285	-	-	27,285	32,459	-	-	32,459
Supporting Services								
Management and general	108,729	-	-	108,729	115,507	-	-	115,507
Fundraising expenses	138,241	-	-	138,241	121,130	-	-	121,130
Total expenses	<u>1,160,658</u>	<u>-</u>	<u>-</u>	<u>1,160,658</u>	<u>1,021,386</u>	<u>-</u>	<u>-</u>	<u>1,021,386</u>
Change in net assets	56,168	(3,785)	-	52,383	41,855	66,190	-	108,045
Loss on sale of fixed asset	-	-	-	-	(754)	-	-	(754)
Net assets, beginning of year	<u>226,603</u>	<u>290,320</u>	<u>5,000</u>	<u>521,923</u>	<u>185,502</u>	<u>224,130</u>	<u>5,000</u>	<u>414,632</u>
Net assets, end of year	<u>\$ 282,771</u>	<u>\$ 286,535</u>	<u>\$ 5,000</u>	<u>\$ 574,306</u>	<u>\$ 226,603</u>	<u>\$ 290,320</u>	<u>\$ 5,000</u>	<u>\$ 521,923</u>

See notes to the financial statements.

KIDS IN THE MIDDLE, INC.
Statement of Cash Flows
For the Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 52,383	\$ 108,045
Adjustments to reconcile change in net assets :		
Depreciation	12,018	10,260
Loss from sale of equipment	-	754
(Increase)/Decrease in accounts receivable	(481)	(176)
(Increase)/Decrease in pledges receivable	9,600	(14,600)
(Increase)/Decrease in promises to give	1,500	(31,500)
(Increase)/Decrease in prepaid expenses	2,476	412
(Increase)/Decrease in deposits	(3,900)	(500)
Increase/(Decrease) in accounts payable and accrued expenses	32,299	510
Net cash provided by operating activities	105,895	73,205
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of equipment	-	1,820
Purchases of equipment	(14,825)	(8,345)
Net cash used by investing activities	(14,825)	(6,525)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from investments	-	31,735
Purchase of investments	-	(1,409)
Principal payments on loan	(5,572)	(5,575)
Net cash used by financing activities	(5,572)	24,751
Net increase in cash and cash equivalents	85,498	91,431
Cash and cash equivalents - beginning of year	239,809	148,378
Cash and cash equivalents - end of year	\$ 325,307	\$ 239,809

See notes to the financial statements.

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

	<u>Program Services</u>				<u>Supporting Services</u>		<u>2008</u> <u>Total</u>	<u>2007</u> <u>Total</u>
	<u>Agency</u> <u>Services</u>	<u>School</u> <u>Services</u>	<u>Court</u> <u>Program</u>	<u>Community</u> <u>Education</u>	<u>Management and</u> <u>General</u>	<u>Special Events/</u> <u>Fundraising</u>		
Salaries	\$ 390,253	\$ 190,259	\$ 31,465	\$ 21,688	\$ 55,773	\$ 41,218	\$ 730,656	\$ 647,051
Employee benefits	42,852	15,341	3,335	1,535	7,010	4,515	74,588	65,106
Payroll taxes	31,293	15,176	2,493	1,733	4,500	3,241	58,436	55,576
Professional fees	20,212	1,453	766	264	19,648	2,212	44,555	27,014
Supplies	9,615	9,077	151	286	1,974	582	21,685	9,264
Telephone and internet	3,269	237	42	57	375	120	4,100	3,865
Postage and shipping expense	1,880	11	2	2	920	513	3,328	2,538
Occupancy	58,832	4,264	696	883	8,841	2,477	75,993	64,205
Equipment rental and maintenance	4,047	138	28	52	260	940	5,465	20,605
Printing and publications	3,829	868	110	105	569	853	6,334	5,722
Conferences and meeting expense	9,143	1,187	249	-	420	32	11,031	12,197
Membership dues	100	-	390	-	1,030	-	1,520	710
Travel expense	396	998	8	383	394	602	2,781	3,329
Miscellaneous expense	648	7	1	2	550	4	1,212	710
Bad debt expense	-	-	-	-	150	-	150	3,026
Public relations and marketing	14,976	-	-	-	4,493	4,050	23,519	3,860
Insurance	5,501	413	69	69	692	206	6,950	8,932
Special events/fundraising expense	-	-	-	-	-	76,337	76,337	77,416
Depreciation	9,602	601	120	226	1,130	339	12,018	10,260
Total	<u>\$ 606,448</u>	<u>\$ 240,030</u>	<u>\$ 39,925</u>	<u>\$ 27,285</u>	<u>\$ 108,729</u>	<u>\$ 138,241</u>	<u>\$ 1,160,658</u>	<u>\$ 1,021,386</u>

See accountants' report.

KIDS IN THE MIDDLE, INC.
Notes to the Financial Statements
December 31, 2008

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.

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 live of the assets ranging from 3 to 10 years.

KIDS IN THE MIDDLE, INC.
Notes to the Financial Statements
December 31, 2008

NOTE 1 – Summary of Significant Accounting Policies (continued)

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 bases.

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 2008; therefore, the statements do not include any provision for income taxes.

NOTE 2 – Concentration of Credit Risk

Kids in the Middle, Inc. maintain cash balances at several financial institutions located in Missouri. Accounts at these institutions were insured by the Federal Deposit Insurance Corporation up to \$100,000 until October 2, 2008. Effective October 2, 2008, the federal government passed legislation increasing the FDIC insurance coverage to \$250,000 through December 31, 2009. At December 31, 2008 and 2007, 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.

KIDS IN THE MIDDLE, INC.
Notes to the Financial Statements
December 31, 2008

NOTE 4 – Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions were recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily, restricted net assets are reclassified to unrestricted net assets. Unconditional promises to give at December 31, 2008 and 2007 consist of United Way funding and an additional commitment for the next fiscal year.

NOTE 5 – Fixed Assets

Fixed assets consist of the following at December 31,

	2008	2007
Furniture and equipment	\$ 63,399	\$ 52,660
Software and license	32,030	20,445
Accumulated depreciation	<u>(52,665)</u>	<u>(40,648)</u>
	<u>\$ 35,264</u>	<u>\$ 32,457</u>

Depreciation charged against revenues amounted to \$12,017 and \$10,260 during the year ended December 31, 2008 and 2007, respectively.

Note 6 – Notes Payable

During October of 2006, Kids In the Middle entered into a loan agreement with Citicorp, for purchasing software and maintenance services. The original note amount was \$16,720 with 0% interest requiring 36 monthly payments of \$464.

		<u>5,109</u>
Total Debt	\$	<u>5,109</u>

Maturities for future years ending December 31 are as follows:

2009	\$	<u>5,109</u>
Total payments		5,109
Less current portion		<u>(5,109)</u>
Total long-term debt	\$	<u> -</u>

KIDS IN THE MIDDLE, INC.
Notes to the Financial Statements
December 31, 2008

NOTE 7 – Lease Commitments

The Organization is a lessee under an operating lease for its administrative and main service facility expiring July 2009. Rental expense for the year totaled \$46,100. Following is a schedule of required future minimum lease payments as of December 31, 2008:

Year Ended December 31,	Amount
2009	\$ <u>28,000</u>
Total	\$ <u>28,000</u>

NOTE 8 – 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:

	2008	2007
For future operations and events	\$ 277,090	\$ 283,870
For scholarship fund	<u>9,445</u>	<u>6,450</u>
	\$ <u>286,535</u>	\$ <u>290,320</u>

NOTE 9 – Letter of Credit

The Organization has a letter of credit in the amount of \$25,000 which matures on September 16, 2012. No balance was outstanding as of December 31, 2008 and 2007. The letter of credit is secured by a \$25,000 certificate of deposit.

NOTE 10 – Retirement Plan

The Organization offers employees the opportunity to participate in a Simple Plan. The Organization matches employees' contribution up to a limit of 3% of the employee's compensation for the calendar year. Retirement plan expense for the calendar year 2008 and 2007 was \$14,879 and \$13,766, respectively.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

Board of Directors
Kids in the Middle, Inc.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion it.

Hazelwood, Missouri
June 11, 2009

KIDS IN THE MIDDLE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2007

	Program Services				Supporting Services		Total
	Agency Services	School Services	Court Program	Community Education	Management and General	Special Events	
Salaries	\$ 317,528	\$ 171,913	\$ 23,585	\$ 21,116	\$ 83,840	\$ 29,069	\$ 647,051
Employee benefits	37,830	14,722	3,074	1,655	4,632	3,193	65,106
Payroll taxes	27,573	14,801	2,019	1,803	6,847	2,533	55,576
Professional fees	18,385	506	55	73	7,459	536	27,014
Supplies	4,196	2,138	249	219	1,172	1,290	9,264
Telephone and internet	2,108	956	134	134	356	177	3,865
Postage and shipping expense	1,867	236	30	31	178	196	2,538
Occupancy	51,796	3,406	647	645	5,783	1,928	64,205
Equipment rental and maintenance	10,956	5,146	631	696	2,267	909	20,605
Printing and publications	3,519	1,136	152	282	400	233	5,722
Conferences and meeting expense	4,795	2,376	28	4,623	305	70	12,197
Membership dues	330	-	380	-	-	-	710
Local transportation	63	1,382	35	990	297	562	3,329
Miscellaneous expense	541	-	-	-	169	-	710
Bad debt expense	3,026	-	-	-	-	-	3,026
Public relations and marketing	872	467	25	-	77	2,419	3,860
Insurance	6,025	1,635	89	89	802	292	8,932
Special events expense	-	-	-	-	-	77,416	77,416
Depreciation	8,208	616	103	103	923	307	10,260
Total	<u>\$ 499,618</u>	<u>\$ 221,436</u>	<u>\$ 31,236</u>	<u>\$ 32,459</u>	<u>\$ 115,507</u>	<u>\$ 121,130</u>	<u>\$ 1,021,386</u>

See accountants' report.



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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, 2008, and have issued our report thereon dated June 11, 2009. 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 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Kids in the Middle, Inc. in a separate letter dated June 11, 2009.

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
Hazelwood, MO
June 11, 2009