



**RANDLE & ASSOCIATES, LLC**  
**Certified Public Accountants**

**KIDS IN THE MIDDLE, INC.**

Financial Statements

December 31, 2018 and 2017

(With Independent Auditors' Report Thereon)

**KIDS IN THE MIDDLE, INC.**

FINANCIAL STATEMENTS

December 31, 2018 and 2017

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Kids In The Middle, Inc.

We have audited the accompanying financial statements of Kids In The Middle, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Kids In The Middle, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Randall & Associates, LLC, CPAs*

Florissant, Missouri

April 25, 2019

KIDS IN THE MIDDLE, INC.  
 Statements of Financial Position  
 December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 586,261	\$ 525,589
Unconditional promises to give - current	244,627	258,811
Accounts receivable	10,911	3,407
Prepaid expenses and deposits	<u>31,846</u>	<u>28,572</u>
Total current assets	873,645	816,379
Cash - restricted for scholarship	16,340	10,861
Unconditional promises to give - noncurrent	-	2,500
Fixed assets - net	<u>70,749</u>	<u>87,086</u>
Total Assets	<u>\$ 960,734</u>	<u>\$ 916,826</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 9,570	\$ 9,005
Accrued salaries and related liabilities	58,918	55,809
Deferred revenue	15,836	11,285
Notes payable - current portion	<u>3,642</u>	<u>3,385</u>
Total current liabilities	87,966	79,484
Deferred rent	34,864	43,580
Notes payable - non-current portion	<u>1,598</u>	<u>5,240</u>
Total Liabilities	\$ 124,428	\$ 128,304
Net Assets		
Without donor restrictions	580,151	531,662
With donor restrictions	<u>256,155</u>	<u>256,860</u>
Total Net Assets	836,306	788,522
Total Liabilities and Net Assets	<u>\$ 960,734</u>	<u>\$ 916,826</u>

*The accompanying notes are an integral part of these financial statements.*

KIDS IN THE MIDDLE, INC.  
Statements of Activities  
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>						
Public support:						
Contributions	\$ 254,606	\$ 51,618	\$ 306,224	\$ 215,593	\$ 40,587	\$ 256,180
In-kind donations	7,084	-	7,084	2,268	-	2,268
United Way	-	239,815	239,815	423	245,999	246,422
Revenue:						
Fees for services:						
Local government fees	490,971	-	490,971	666,315	-	666,315
Client fees	284,374	-	284,374	233,897	-	233,897
Special events (net of direct expenses of \$93,023 and \$123,472)	234,137	-	234,137	246,196	-	246,196
Realized gain/(loss) on investments	(301)	-	(301)	118	-	118
Net investment income	852	11	863	475	24	499
Other	1,539	-	1,539	2,385	-	2,385
Total	1,273,262	291,444	1,564,706	1,367,670	286,610	1,654,280
Net assets released from restrictions	292,149	(292,149)	-	299,393	(299,393)	-
Total support and revenue	1,565,411	(705)	1,564,706	1,667,063	(12,783)	1,654,280
<b>EXPENSES:</b>						
Program Services						
Agency based services	968,346	-	968,346	860,281	-	860,281
School based services	110,067	-	110,067	238,479	-	238,479
Court programs	36,509	-	36,509	39,885	-	39,885
Community education and outreach	34,524	-	34,524	35,884	-	35,884
Total program services	1,149,446	-	1,149,446	1,174,529	-	1,174,529
Supporting Services						
Management and general	175,748	-	175,748	171,772	-	171,772
Fundraising expenses	189,710	-	189,710	171,927	-	171,927
Total supporting services	365,458	-	365,458	343,699	-	343,699
Total expenses	1,514,904	-	1,514,904	1,518,228	-	1,518,228
Loss on disposal of fixed assets	2,018	-	2,018	355	-	355
Change in net assets	48,489	(705)	47,784	148,480	(12,783)	135,697
Net assets, beginning of year	531,662	256,860	788,522	383,182	269,643	652,825
Net assets, end of year	\$ 580,151	\$ 236,155	\$ 836,306	\$ 531,662	\$ 256,860	\$ 788,522

The accompanying notes are an integral part of these financial statements.

KIDS IN THE MIDDLE, INC.  
Statements of Cash Flows  
For the Years Ended December 31, 2018 and 2017

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 47,784	\$ 135,697
Adjustments to reconcile change in net assets :		
Depreciation and amortization	25,721	29,905
Loss on disposal of fixed assets	2,018	355
(Increase)/decrease in accounts receivable	(7,504)	38,208
Decrease in promises to give	16,684	2,796
(Increase)/decrease in prepaid expenses	(3,274)	56
Decrease in deferred rent	(8,716)	(8,716)
Increase in deferred revenue	4,551	9,285
Increase/(decrease) in accounts payable and accrued expenses	3,674	(9,160)
Net cash provided by operating activities	80,938	198,426
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	(11,402)	(20,258)
Net cash used in investing activities	(11,402)	(20,258)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on loan	(3,385)	(8,051)
Net cash used in financing activities	(3,385)	(8,051)
Net increase in cash and cash equivalents	66,151	170,117
Cash and cash equivalents - beginning of year	536,450	366,333
Cash and cash equivalents - end of year	\$ 602,601	\$ 536,450
<b>Supplemental Disclosure</b>		
Cash paid during the year for interest	\$ 521	\$ 1,021
<b>CASH AND CASH EQUIVALENTS consist of the following:</b>		
Cash and cash equivalents - Unrestricted	\$ 586,261	\$ 525,589
Cash and cash equivalents - Restricted for scholarships	16,340	10,861
	\$ 602,601	\$ 536,450

*The accompanying notes are an integral part of these financial statements.*

KIDS IN THE MIDDLE, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2018

	Program Services				Supporting Services		2018 Total
	Agency Based Services	School Based Services	Court Programs	Community Education & Outreach	Management and General	Development and Fundraising	
Salaries	\$ 559,713	\$ 79,519	\$ 26,630	\$ 25,833	\$ 129,593	\$ 132,581	\$ 953,869
Employee benefits	58,168	10,051	3,820	2,734	12,052	10,786	97,611
Payroll taxes	43,885	6,587	2,080	2,030	10,011	10,391	74,984
Occupancy	163,466	3,778	1,880	1,880	11,275	5,636	187,915
Technology	32,626	6,863	1,140	1,140	3,172	8,621	53,562
Professional fees	37,368	526	276	276	3,553	858	42,857
In-kind services	7,084	-	-	-	-	-	7,084
Supplies	9,422	1,058	37	15	218	290	11,040
Liability Insurance	11,353	421	132	132	793	397	13,228
Marketing	1,332	-	1	1	6	843	2,183
Board/volunteer	1,272	29	15	15	158	44	1,533
Printing	3,207	-	-	-	-	-	3,207
Staff expenses	6,588	28	46	46	645	1,515	8,868
Phone	4,189	586	172	172	473	651	6,243
Postage	1,021	20	10	10	63	31	1,155
Equipment maintenance	2,177	28	20	17	94	70	2,406
Travel expense	1,090	29	-	-	-	-	1,119
Other fund development expenses	-	-	-	-	-	12,444	12,444
Depreciation and amortization	22,748	541	221	221	1,327	663	25,721
Miscellaneous	1,637	3	29	2	1,794	3,889	7,354
Interest expense	-	-	-	-	521	-	521
Total	\$ 968,346	\$ 110,067	\$ 36,509	\$ 34,524	\$ 175,748	\$ 189,710	\$ 1,514,904

The accompanying notes are an integral part of these financial statements.



KIDS IN THE MIDDLE, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2017

	Program Services				Supporting Services		2017 Total
	Agency Based Services	School Based Services	Court Programs	Community Education & Outreach	Management and General	Development and Fundraising	
Salaries	\$ 491,777	\$ 169,992	\$ 28,109	\$ 27,376	\$ 129,694	\$ 124,974	\$ 971,922
Employee benefits	44,272	17,344	5,932	2,678	9,981	11,260	91,467
Payroll taxes	39,838	13,936	2,205	2,209	10,105	9,854	78,147
Occupancy	155,037	7,277	1,820	1,820	10,918	5,459	182,331
Technology	30,292	16,089	906	899	3,148	9,176	60,510
Professional fees	26,871	685	171	171	2,514	514	30,926
In-kind services	2,268	-	-	-	-	-	2,268
Supplies	10,250	7,001	45	45	554	266	18,161
Liability Insurance	11,074	522	130	130	782	390	13,028
Marketing	851	7	2	2	11	1,076	1,949
Board/volunteer	2,414	113	29	29	223	86	2,894
Printing	2,760	2,758	-	-	-	-	5,518
Staff expenses	8,505	218	63	108	582	963	10,439
Phone	3,354	1,214	116	116	405	578	5,783
Postage	1,372	65	16	16	105	216	1,790
Equipment maintenance	1,591	110	19	19	197	67	2,003
Travel expense	58	85	-	-	-	135	278
Other fund development expenses	-	-	-	-	-	5,678	5,678
Depreciation and amortization	25,960	1,052	263	263	1,578	789	29,905
Miscellaneous	1,737	11	59	3	(46)	446	2,210
Interest expense	-	-	-	-	1,021	-	1,021
Total	\$ 860,281	\$ 238,479	\$ 39,885	\$ 35,884	\$ 171,772	\$ 171,927	\$ 1,518,228

The accompanying notes are an integral part of these financial statements.

**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES**  
December 31, 2018 and 2017

**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 of providing services for children and parents experiencing the effects of separation, divorce, remarriage and other family transitions. The Organization is supported primarily through client fees, 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's financial statement presentation follows the requirements of the Financial Accounting Standards Board. Accordingly, the Organization reports its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions generally consist of resources available for the various programs and supporting activities of the Organization which have not been restricted by the donor. This class of net assets also includes resources that have been designated by the Organization's governing board for specified purposes.

Net assets with donor restrictions consist of resources that are to be used for specified purposes according to donor-imposed restrictions. These restrictions may expire either by the passage of time or by actions taken by the Organization which fulfill the restriction. This class of net assets also includes resources with perpetual restrictions, and the income from such assets is available for either general operations or specific purposes in accordance with donor stipulations.

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.

The Organization's cash and cash equivalents consist of demand accounts, cash management funds and money market accounts. Cash and cash equivalents are stated at fair value. Earnings on the cash and equivalents are reflected in the statement of activities.

**KIDS IN THE MIDDLE, INC.**  
FINANCIAL STATEMENT NOTES – Continued

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports gifts of cash, grants and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Prepaid Expenses and Deposits

Prepaid expenses include rent, insurance, deposits, and other unexpired user fees. Upon the expiration of the costs, the prepayments are expensed.

Fixed Assets

Fixed assets are stated at cost, if purchased, and fair value at the time of donation, if donated. According to the Organization's capitalization policy, all fixed assets purchased or donated exceeding \$500 are capitalized. 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.

Deferred Revenues and Expenses

Deferred revenues are primarily comprised of donor contributions, in the amount of \$15,836 and \$11,285, for fund raising activities held in 2019 and 2018, respectively. These revenues are recognized in income in the year of the fund-raising event.

In addition, the Organization has deferred rent expense balances in the amount of \$34,864 and \$43,580, for 2018 and 2017, respectively, to reflect rent-free periods allotted by the lessor. In accordance with ASC 840-20-25-1 through 25-2, lease agreements with rent free or reduced rent periods are required to have the rent expense or rental income be recognized on a straight-line basis over the term of the lease based on the total rental periods.

Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. The majority of those expenses are allocated based upon the square footage of the Organization's facilities utilized by the program or supporting activity. Technology, equipment and phone expenses are allocated based upon the full-time equivalent headcount associated with the program or supporting activity. Allocations of salaries and the related compensation expenses are based upon estimates of time and effort.

**KIDS IN THE MIDDLE, INC.**  
FINANCIAL STATEMENT NOTES – Continued

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

New Accounting Pronouncement

The Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. New disclosure on liquidity and availability of resources has also been included (Note 11).

The accompanying information from the 2017 financial statements has been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14. As a result, previously reported management and general cost was allocated to programs and supporting activities to the extent of time spent directly conducting or supervising those activities. The changes had no impact on the previously stated net asset balance.

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 fair value of legal services donated to the Organization have been recorded in the financial statements and totaled \$7,084 and \$2,268 in 2018 and 2017, respectively.

Many additional individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out its mission. The value of these contributed services does not meet the criteria for recognition in the financial statements, accordingly, no amount is recognized related to the contributed time.

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.

**KIDS IN THE MIDDLE, INC.**  
FINANCIAL STATEMENT NOTES – Continued

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

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 2018 or 2017; therefore, the statements do not include any provision for income taxes. Additionally, the Organization qualifies for charitable contribution deductions under Section 170(b) (1) (A).

The Organization has adopted the standards for accounting for uncertainty in income taxes and management is not aware of any uncertain tax provisions of the Organization related to the tax filings.

The Organization continually evaluates the effects of all tax positions taken including expiring statutes of limitations, tax examinations, unrelated business income and new authoritative rulings. The Organization files federal information returns (Form 990). The statutes of limitations for information returns filed for the years ended December 31, 2015, through 2018 have not expired and therefore are subject to examination.

Reclassifications

Certain amounts in the prior year statement of activities and functional expenses presented have been reclassified to conform to the current year financial statement presentation. These reclassifications have no effect on previously reported net assets.

**NOTE 2 – Concentration of Credit Risk**

The Organization maintains cash deposits in bank accounts insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Organization's cash deposit accounts, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Kids In The Middle, Inc. generates receivables and revenues from grant agencies and services provided in the normal course of business. The Organization does not require collateral to secure receivables from these agencies or its clients.

**NOTE 3 – Accounts Receivable**

The Organization has receivables related to fees from clients and governmental entities for services performed. Management evaluates the collectability of the receivables on a continuous basis and based upon this analysis, no allowance is recognized at December 31, 2018 and 2017, respectively.

**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES – Continued**

**NOTE 4 – Unconditional Promises to Give**

Unconditional promises to give are recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. Kids In The Middle, Inc. received promises from the United Way and other donors in which payments are scheduled to be made for future operations. Future payments pursuant to the promises are as follows:

Year Ended December 31,	2018	2017
2018	\$ - 0 -	\$ 258,811
2019	<u>244,627</u>	<u>2,500</u>
Total	\$ <u>244,627</u>	\$ <u>261,311</u>

**NOTE 5 – Special Events**

Income from special events for the years ended December 31, 2018 and 2017, consist of the following:

2018				
	<u>Annual Gala</u>	<u>Wine Tasting</u>	<u>Other Events</u>	<u>Total</u>
Revenues	\$ 272,330	\$ 54,510	\$ 320	\$ 327,160
Expenses	<u>75,819</u>	<u>17,204</u>	-	<u>93,023</u>
Net Income	\$ <u>196,511</u>	\$ <u>37,306</u>	\$ <u>320</u>	\$ <u>234,137</u>
2017				
	<u>Annual Gala</u>	<u>Wine Tasting</u>	<u>Other Events</u>	<u>Total</u>
Revenues	\$ 311,678	\$ 49,262	\$ 8,728	\$ 369,668
Expenses	<u>99,327</u>	<u>15,883</u>	<u>8,262</u>	<u>123,472</u>
Net Income	\$ <u>212,351</u>	\$ <u>33,379</u>	\$ <u>466</u>	\$ <u>246,196</u>

**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES – Continued**

**NOTE 6 – Fixed Assets**

Fixed assets consist of the following at December 31,

	2018	2017
Furniture and equipment	\$ 173,855	\$ 180,324
Software and license	<u>35,697</u>	<u>35,697</u>
	209,552	216,021
Less: Accumulated depreciation	<u>(138,803)</u>	<u>(128,935)</u>
Net fixed assets	\$ <u>70,749</u>	\$ <u>87,086</u>

Depreciation and amortization charged against revenues amounted to \$25,721 and \$29,905 during the years ended December 31, 2018 and 2017, respectively.

**NOTE 7 – Note Payable and Equipment Financing**

During 2015, Kids In The Middle, Inc. entered into a financing agreement with Toshiba Financial Services, for purchase of office equipment. This agreement paid the balance of two prior equipment leases and established a note in the amount of \$16,307 with an interest rate of 7.34%. The agreement requires 60 monthly payments of \$326. The balance of the note as of December 31, 2018 was \$5,240. This obligation is secured by the financed equipment.

Maturities for future years ending December 31 are as follows:

2019	\$ 3,642	
2020	<u>1,598</u>	
Total required payments	\$ <u>5,240</u>	

**NOTE 8 – Operating Lease Commitments**

In June 2012, Kids In The Middle, Inc. entered into a lease agreement to house all of its administrative and clinical services. The lease term is for 120 months, commencing January 1, 2013, with two five year options. The monthly base rent ranges from \$14,167 to \$17,692 per month.

**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES – Continued**

**NOTE 8 – Operating Lease Commitments (continued)**

Rental expense under the Organization’s lease commitment totaled \$183,623 and \$178,932 in 2018 and 2017, respectively. Additionally, the Organization was responsible for a portion of the common area maintenance charges in the amounts of \$1,648 and \$1,376 for the years ended December 31, 2018 and 2017, respectively. Rent and common area maintenance expenses are recorded in occupancy expense in the statements of functional expenses.

Following is a schedule of required future minimum lease payments as of December 31, 2018:

Year Ended December 31,	Amount
2019	\$ 197,147
2020	202,076
2021	207,128
2022	<u>212,306</u>
Total	\$ <u>818,657</u>

**NOTE 9 – Letter of Credit**

The Organization has an open-end letter of credit in the amount of \$50,000. Advances on the letter of credit are subject to finance charges from the date of transaction to the date payment is made to the lender. The periodic rate of the finance charge is subject to change, based on the value of a prime rate index. The letter of credit will expire on May 19, 2019. No balance was outstanding as of December 31, 2018 or 2017.

**NOTE 10 – Net Assets**

The Organization’s net assets at December 31, 2018 and 2017 were comprised of the following:

	2018	2017
Net Assets		
Without donor restrictions		
Undesignated	\$ 560,151	\$ 511,622
Board-designated funds for medical insurance deductible reimbursement plan		
Subtotal	<u>20,000</u>	<u>20,000</u>
	580,151	531,662
With donor restrictions:		
Time restricted for future operations	239,815	245,999
Purpose restricted for scholarship funds	15,340	9,861
Perpetual restriction	<u>1,000</u>	<u>1,000</u>
Subtotal	<u>256,155</u>	<u>256,860</u>
Total Net Assets	\$ <u>836,306</u>	\$ <u>788,522</u>



**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES – Continued**

**NOTE 10 – Net Assets (continued)**

The Organization subsidizes a portion of the annual deductible for its employees under its medical insurance coverage. Board-designated net assets are funds used to pay for claims made by employees under this plan.

Net assets restricted for future operations are comprised of contributions and promises to give for program services and events beyond 2018 and 2017 for the respective years.

Purpose restricted net assets are earmarked as scholarships used to assist with the payment of client service fees for individuals that are in need. Perpetually restricted net assets are maintained in an interest-bearing money market account. Interest earned on this account is used to fund these scholarships.

**Note 11 – Liquidity and Availability of Resources**

The Organization’s liquidity management policy is to structure its financial assets so that they are available as general expenditures, liabilities and other obligations come due. As part of this policy, the Organization invests cash in excess of daily requirements in money market funds and certificates of deposits. The Organization has a goal to maintain financial assets on hand sufficient to meet 90 days of normal operating expenses.

As of December 31, 2018, financial assets available for general expenses within one year consist of the following:

Cash and equivalents	\$	586,261
Unconditional promises to give		244,627
Accounts receivable		10,911
Prepaid expenses		<u>31,846</u>
Total current assets		873,645
Less:		
Prepaid expenses		(31,846)
Board-designated funds for medical insurance deductible reimbursement plan		<u>(20,000)</u>
Financial assets available to meet cash needs for general expenses within one year	\$	<u>821,799</u>

As more fully described in Note 9, the Organization also has a letter of credit in the amount of \$50,000, which could be drawn upon in the event of an unanticipated liquidity need.

**KIDS IN THE MIDDLE, INC.**  
FINANCIAL STATEMENT NOTES – Continued

**NOTE 12 – Retirement Plan**

The Organization offers employees the opportunity to participate in a Simple Plan. Generally, employees are eligible to participate in the plan if they expect to receive at least \$5,000 in annual compensation. The Organization matches employee contributions from 1% to 3% of the employee's compensation for the calendar year. The Organization matched employee contributions up to 3% in 2018 and 2017. Retirement plan expenses for the calendar years 2018 and 2017 were \$25,322 and \$23,113, respectively.

**NOTE 13 – Contingencies**

The Organization is subject to oversight and audits by various granting organizations, as a condition of contracting with the grant agencies. Such oversight or audits could lead to the disallowance of services and repayment of revenues earned. Management elects not to establish an allowance of potential contingencies, as it believes there is only a minimum likelihood of services being disallowed or cost being repaid.

**Note 14 – Subsequent Events**

The Organization has evaluated subsequent events through April 25, 2019, the date the financial statements were available for issue.

Based on this evaluation, management has determined no additional matters require an adjustment to or additional disclosure in the financial statements. Audit procedures were designed to obtain sufficient audit evidence that material subsequent events have been identified through the date of the financial statements.