RANDLE & ASSOCIATES, LLC
Certified Public Accountants

KIDS IN THE MIDDLE, INC.

Financial Statements

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

KIDS IN THE MIDDLE, INC.

FINANCIAL STATEMENTS

December 31, 2014 and 2013

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Randle & Associates, LLC
Certified Public Accountants

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, 2014 and 2013, 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 the 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 audit. We conducted our audit 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 of 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

70 Black Jack Ct. Florissant, MO 63033
Tel: (314) 731-8085 | Fax: (314) 741-0855 | Web: www.randlecpa.com

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, 2014 and 2013, 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.

Randle & Associates, LLC, CPAs

Florissant, Missouri

April 2, 2015

KIDS IN THE MIDDLE, INC.
Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 211,119	$ 180,718
Certificates of deposit	-	37,007
Unconditional promises to give	237,623	261,777
Accounts receivable (net)	52,330	43,473
Prepaid expenses	14,187	12,371
Total current assets	515,259	535,346
Cash - restricted for scholarship	19,012	34,292
Fixed assets - net	100,017	114,193
Total Assets	$ 634,288	$ 683,831
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 21,883	$ 13,914
Accrued salaries and related liabilities	79,071	77,260
Deferred revenue - current portion	1,000	-
Notes payable - current portion	9,342	8,371
Total current liabilities	111,296	99,545
Deferred rent	39,589	33,784
Deferred revenue - non-current portion	3,000	-
Notes payable - non-current portion	12,709	22,051
Total Liabilities	$ 166,594	$ 155,380
Net Assets		
Unrestricted	211,059	232,382
Temporarily restricted	255,635	291,069
Permanently restricted	1,000	5,000
Total Net Assets	467,694	528,451
Total Liabilities and Net Assets	$ 634,288	$ 683,831

See accompanying notes to the financial statements.

KIDS IN THE MIDDLE, INC.
Statement of Activities
For the Years Ended December 31, 2014 and 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE								
Public support:								
Contributions	$ 173,312	$ 22,143	$ -	$ 195,455	$ 155,571	$ 1,094	$ -	$ 156,665
In-kind donations	5,514	-	-	5,514	28,175	-	-	28,175
United Way	5,644	237,623	-	243,267	3,525	256,027	-	259,552
Revenue:								
Fees for services:								
Local government fees	616,616	-	-	616,616	579,733	-	-	579,733
Client fees	198,100	-	-	198,100	202,087	-	-	202,087
Special events	310,968	-	-	310,968	306,000	15,811	-	321,811
Realized gain on investments	-	-	-	-	4	-	-	4
Unrealized loss on investments	-	-	-	-	(174)	-	-	(174)
Investment income	31,158	18	-	31,176	1,222	21	-	1,243
Other	1,711	-	-	1,711	821	-	-	821
Total	1,343,023	259,784	-	1,602,807	1,276,964	272,953	-	1,549,917
Net assets released from restrictions	299,218	(295,218)	(4,000)	-	299,067	(299,067)	-	-
Total support and revenue	1,642,241	(35,434)	(4,000)	1,602,807	1,576,031	(26,114)	-	1,549,917
EXPENSES:								
Program Services								
Agency based services	972,725	-	-	972,725	1,087,218	-	-	1,087,218
School based services	239,895	-	-	239,895	250,640	-	-	250,640
Court programs	32,907	-	-	32,907	25,832	-	-	25,832
Community education and outreach	13,483	-	-	13,483	17,104	-	-	17,104
Total program services	1,259,010	-	-	1,259,010	1,380,794	-	-	1,380,794
Supporting Services								
Management and general	142,631	-	-	142,631	147,570	-	-	147,570
Fundraising expenses	258,080	-	-	258,080	209,604	-	-	209,604
Total supporting services	400,711	-	-	400,711	357,174	-	-	357,174
Total expenses	1,659,721	-	-	1,659,721	1,737,968	-	-	1,737,968
Loss on disposal of fixed assets	3,843	-	-	3,843	-	-	-	-
Change in net assets	(21,323)	(35,434)	(4,000)	(60,757)	(161,937)	(26,114)	-	(188,051)
Net assets, beginning of year	232,382	291,069	5,000	528,451	394,319	317,183	5,000	716,502
Net assets, end of year	$ 211,059	$ 255,635	$ 1,000	$ 467,694	$ 232,382	$ 291,069	$ 5,000	$ 528,451

See accompanying notes to the financial statements.

KIDS IN THE MIDDLE, INC.
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (60,757)	$ (188,051)
Adjustments to reconcile change in net assets :		
Depreciation	23,813	21,441
Loss on disposal of fixed assets	3,843	-
(Increase)/decrease in accounts receivable	(8,857)	9,816
Decrease in promises to give	24,154	29,750
(Increase)/decrease in prepaid expenses	(1,816)	6,239
Increase in deferred rent	5,805	33,784
Increase/(decrease) in deferred revenue	4,000	(8,800)
Increase/(decrease) in accounts payable and accrued expenses	9,780	(31,296)
Net cash used by operating activities	(35)	(127,117)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	-	(134)
Proceeds from sale of certificates of deposits	37,007	-
Purchases of equipment	(13,480)	(23,324)
Net cash provided/(used) by investing activities	23,527	(23,458)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on loan	(8,371)	(7,221)
Net cash used by financing activities	(8,371)	(7,221)
Net increase/(decrease) in cash and cash equivalents	15,121	(157,796)
Cash and cash equivalents - beginning of year	215,010	372,806
Cash and cash equivalents - end of year	$ 230,131	$ 215,010
Supplemental Disclosure		
Cash paid during the year for interest	$ 2,892	$ 3,572
CASH AND CASH EQUIVALENTS, consist of the following:		
Cash and cash equivalents - Unrestricted	$ 211,119	$ 180,718
Cash and cash equivalents - Restricted for scholarships	19,012	34,292
	$ 230,131	$ 215,010

See accompanying notes to the financial statements.

KIDS IN THE MIDDLE, INC.
Statement of Functional Expenses
For the Years Ended December 31, 2014 and 2013

	Program Services				Supporting Services			
	Agency Based Services	School Based Services	Court Programs	Community Education & Outreach	Management and General	Special Events and Fundraising	2014 Total	2013 Total
Salaries	$ 567,530	$ 171,591	$ 23,276	$ 8,515	$ 103,042	$ 107,108	$ 981,062	$ 926,565
Employee benefits	54,519	22,457	3,396	929	7,575	1,636	90,512	57,025
Payroll taxes	47,484	14,650	1,935	701	8,135	9,013	81,918	77,968
Occupancy	141,991	6,683	1,670	1,670	10,023	5,012	167,049	167,466
Technology	35,349	15,269	1,564	524	4,189	10,454	67,349	66,492
Professional fees	60,772	1,351	339	351	2,337	1,026	66,176	65,024
In-kind services	5,514	-	-	-	-	-	5,514	28,175
Supplies	6,140	3,765	50	50	303	158	10,466	15,735
Liability Insurance	9,917	464	116	116	695	347	11,655	10,154
Marketing	8,648	403	101	101	605	712	10,570	9,368
Professional development	3,480	862	5	5	641	1,081	6,074	5,080
Phone	3,132	953	153	52	422	519	5,231	4,119
Postage	1,416	67	17	17	100	1,618	3,235	4,079
Equipment rental and maintenance	3,466	192	42	35	212	840	4,787	4,008
Travel expense	-	222	-	-	3	48	273	1,485
Special events/fund development	-	-	-	-	-	117,782	117,782	112,078
Depreciation	20,239	952	239	239	1,429	715	23,813	21,441
Miscellaneous	3,128	14	4	178	28	11	3,363	2,815
Interest expense	-	-	-	-	2,892	-	2,892	3,572
Grant repayment	-	-	-	-	-	-	-	60,319
Lease termination	-	-	-	-	-	-	-	95,000
Total	$ 972,725	$ 239,895	$ 32,907	$ 13,483	$ 142,631	$ 258,080	$ 1,659,721	$ 1,737,968

See accompanying 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 of 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.

Financial Statement Presentation

Financial statement presentation follows the requirements of Financial Accounting Standards Board. Therefore, the Organization reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Comparative Financial Statements

These financial statements include summarized comparative prior-year information in the Statement of Functional Expenses. That information does not contain sufficient detail to conform with generally accepted accounting principles. Therefore, this information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2013.

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 maintains cash deposits in bank accounts insured by the Federal Deposit Insurance Corporation (FDIC) and has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

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.

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 as 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, temporarily restricted net assets, are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

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 and Goods

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 services and goods provided to the Organization has been recorded in the financial statements at their fair values. Donated goods and services were $5,514 and $28,175 for 2014 and 2013, respectively.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out its mission. The value of this contributed time is not reflected in the accompanying financial statements since the donated time does not meet the criteria for recognition.

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.

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 2014 or 2013; 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 statues 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, 2011, through 2014 have not expired and therefore are subject to examination.

Evaluation of Subsequent Events

The Organization has evaluated subsequent events through April 2, 2015, the date which the financial statements were available to be issued.

NOTE 2 – Concentration of Credit Risk

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 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 of the collectability.

NOTE 4 – Investments

The investments are presented in the financial statements at fair value using level 1 fair measure (quoted prices in active markets). At December 31, 2014 and 2013, investments consisted of money market funds totaling $7,180 and $49,060, respectively. The amounts are reflected as cash equivalents in the statement of financial position.

NOTE 5 – Promises to Give

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 grant awards and promises from the United Way in which payments are scheduled to be made for future operations. Future payments pursuant to the grants and promises at December 31, 2014 and 2013 total $237,623 and $261,777, respectively and are receivable within one year or less.

NOTE 6 – Special Events

Income from special events for the years ended December 31, 2014 and 2013, consist of the following:

	2014				
	Annual Gala	Golf Tournament	Wine Tasting	Other Events	Total
Revenues	$ 193,980	$ 58,260	$ 45,856	$ 12,872	$ 310,968
Expenses	65,677	31,087	13,821	5,234	115,819
Net Income	$ 128,303	$ 27,173	$ 32,035	$ 7,638	$ 195,149

	2013				
Revenues	$ 231,905	$ 50,832	$ 23,750	$ 15,324	$ 321,811
Expenses	64,316	26,048	11,167	7,449	108,980
Net Income	$ 167,589	$ 24,784	$ 12,583	$ 7,875	$ 212,831

NOTE 7 – Fixed Assets

Fixed assets consist of the following at December 31,

	2014	2013
Furniture and equipment	$ 202,851	$ 199,600
Software and license	42,186	41,130
	245,037	240,730
Less: Accumulated depreciation	(145,020)	(126,537)
Net fixed assets	$ 100,017	$ 114,193

Depreciation charged against revenues amounted to $23,813 and $21,441 during the years ended December 31, 2014 and 2013, respectively.

NOTE 8 – Capital Lease Obligation

The Organization leases office equipment under an agreement that is classified as a capital lease. The equipment under the capital leases are included in the statement of financial position as furniture and equipment at a cost of $43,529 for 2014 and 2013. Accumulated amortization of the leased equipment for the years ended December 31, 2014 and 2013 was approximately $17,892 and $12,662, respectively. Amortization of assets under capital leases is included in depreciation expense.

NOTE 9 – Notes Payable and Equipment Financing

During 2011, Kids In The Middle, Inc. entered into a loan agreement with King Commercial Finance, for purchasing a phone system establishing a note in the amount of $12,778 with 12.26% interest requiring 60 monthly payments of $286.	$ 4,441
During 2011, Kids In The Middle, Inc. entered into a loan agreement with Toshiba Financial services, for purchasing a copier establishing a note in the amount of $6,900 with 10.23% interest requiring 63 monthly payments of $142.	2,720
During 2011, Kids In The Middle, Inc. entered into a loan agreement with Toshiba Financial services, for purchasing 2 laser printers establishing a note in the amount of $1,992 with 10.23% interest requiring 63 monthly payments of $41.	785

NOTE 9 – Notes Payable and Equipment Financing (Continued)

During 2012, Kids In The Middle, Inc. entered into a loan agreement with King Commercial Finance, for upgrading its phone system establishing a note in the amount of $21,859 with 10.5% interest requiring 60 monthly payments of $470.		14,105
Total Notes Payable	$	22,051

Maturities for future years ending December 31 are as follows:

2015	$ 9,342
2016	7,805
2017	4,904
Total required payments	22,051
Less current portion	(9,342)
Total long-term debt	$ 12,709

NOTE 10 – Operating Lease Commitments

In June 2012, Kids In The Middle, Inc. entered into a new 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.

Rental expense under the Organization's lease commitments totaled $165,533 and $161,284 in 2014 and 2013, respectively.

Following is a schedule of required future minimum lease payments as of December 31, 2014:

Year Ended December 31,		Amount
2015	$	163,722
2016		167,815
2017		187,648
2018		192,339
2019		197,147
2020 - 2022		621,510
Total	$	1,530,181

NOTE 10 – Operating Lease Commitments (Continued)

During March 2011, the Organization entered into a five year lease for a clinical service facility in St. Charles, Missouri, with a monthly base rental ranging from $5,500 to $5,700 per month. The St. Charles lease was terminated as of January 1, 2013 with a final payment of approximately $4,900. As part of the termination, Kids In The Middle, Inc. agreed to pay the lessor an early termination fee of $95,000, which was paid during 2013.

NOTE 11 – Restrictions on Assets

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

	2014	2013
For future operations and events	$ 237,623	$ 261,777
For scholarship fund	18,012	29,292
	$ 255,635	$ 291,069

Permanently restricted net assets in the amount of $1,000 and $5,000, respectively, at December 31, 2014 and 2013 is maintained in an interest bearing money market account, in which the interest is used to fund scholarships.

NOTE 12 – 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 prime rate index. No balance was outstanding as of December 31, 2014 and 2013.

NOTE 13 – Retirement Plan

The Organization offers employees the opportunity to participate in a Simple Plan. The Organization may elect to match employee contributions up to 3% of the employee's compensation for the calendar year. Retirement plan expenses for the calendar years 2014 and 2013 were $6,738 and $7,256, respectively.

NOTE 14 - Grant Repayment and Lease Termination Fee

During 2012, the Organization received amounts under a local government grant which were reimbursements of estimated costs of providing its counseling services. It was determined during 2013 that certain reimbursement amounts under this grant exceeded the actual cost of these services. As a result, repayment of the excess reimbursement amounts totaling $60,319 was made to the local government agency during 2013 and was included in program expenses on the statement of activities. The grant repayment and the lease termination fee, which is discussed in Note 9 – Lease Commitments, was identified separately during 2013 on the Organization's statement of functional expenses and are not expected to recur.

Note 15 – Subsequent Events

The date to which events occurring after December 31, 2014 have been evaluated for possible adjustment to the financial statements or disclosure is April 2, 2015, which is the date on which the financial statements were available to be issued.

Based on the evaluation, management has determined that there are no additional matters that would require an adjustment to the financial statements or additional disclosures.