KIDS IN DISTRESS, INC.

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2013

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INDEPENDENT AUDITORS' REPORT

Boards of Directors
Kids In Distress, Inc.

We have audited the accompanying consolidated financial statements of Kids In Distress, Inc., (a nonprofit organization) and its affiliates (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 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 involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kids In Distress, Inc. and its affiliates as of June 30, 2013, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Kids in Distress, Inc.'s June 30, 2012 consolidated financial statements, and our report dated October 19, 2012, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying Supplementary Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance with Notes, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of Florida Chapter 10.650, *Rules of the Auditor General,* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2013, on our consideration of the Organization'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* in considering the Organization's internal control over financial reporting and compliance.

Falkins & Company

FALKINS & COMPANY

October 16, 2013

KIDS IN DISTRESS, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the Year Ended June 30, 2013
(With Comparative Totals for June 30, 2012)

ASSETS

	2013	2012
ASSETS:		
Cash	$ 3,116,063	$ 3,074,050
Investments	6,979,009	5,973,903
Grants and contracts receivable, net	806,655	691,550
Other receivables, net	182,195	228,067
Unconditional promises to give, net	1,139,242	868,860
Prepaid expenses	172,723	142,018
Other assets	290,255	191,443
Assets restricted for acquisition of land, buildings, and equipment, net	-	822,500
Land, buildings, and equipment, net	9,409,358	9,967,503
Assets restricted for endowment purposes, net	12,500	740,900
Total assets	$ 22,108,000	$ 22,700,794

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable and accrued expenses	$ 563,708	$ 773,789
Debt	99,300	115,850
Total liabilities	663,008	889,639
COMMITMENTS		
NET ASSETS:		
Unrestricted	21,320,781	19,832,915
Temporarily restricted	111,711	1,237,340
Permanently restricted	12,500	740,900
Total net assets	21,444,992	21,811,155
Total liabilities and net assets	$ 22,108,000	$ 22,700,794

See accompanying notes to consolidated financial statements

KIDS IN DISTRESS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2013	Totals 2012
REVENUES, GAINS, AND OTHER SUPPORT:					
Community Support:					
Contributions	$ 2,007,177	$ 462,923	$ -	$ 2,470,100	$ 2,805,992
United Way allocations	67,110	-	-	67,110	56,446
In-kind contributions	818,029	-	-	818,029	475,308
	2,892,316	462,923	-	3,355,239	3,337,746
Governmental grants and contracts	5,626,607	-	-	5,626,607	6,107,392
Medicaid/HMO reimbursements	649,060	-	-	649,060	763,831
Dental clinic revenue	491,764	-	-	491,764	290,416
Investment income net of investment expenses of $26,839 for 2013 and $12,719 for 2012	187,053	-	-	187,053	206,974
Other revenues	2,687	-	-	2,687	-
Rental income	178,507	-	-	178,507	108,096
Forgiveness of debt	16,550	-	-	16,550	16,550
Gain on sale of securities	310,564	-	-	310,564	7,928
Unrealized gain (loss) on investments	186,814	-	-	186,814	(135,884)
Net assets released from restrictions:					
Provisions for losses on restricted promises to give	(31,563)	31,563	-	-	-
Restrictions satisfied by payments	1,960,115	(1,620,115)	(340,000)	-	-
Total revenues, gains, and other support	12,470,474	(1,125,629)	(340,000)	11,004,845	10,703,049
EXPENSES AND LOSSES:					
Program Services:					
KID Crisis Home	886,268	-	-	886,268	1,129,081
KID Therapeutic Preschools	814,083	-	-	814,083	924,229
Family Counseling Clinic	1,607,969	-	-	1,607,969	1,532,262
Supported Foster Care	611,885	-	-	611,885	619,034
Prevention	3,672,377	-	-	3,672,377	3,711,370
Palm Beach Programs	603,958	-	-	603,958	566,400
Dental Clinic	705,246	-	-	705,246	730,734
H.E.A.R.T. Alliance	221,198	-	-	221,198	-
	9,122,984	-	-	9,122,984	9,213,110
Supporting Services:					
Management and general	1,039,850	-	-	1,039,850	1,277,531
Development and fundraising	868,174	-	-	868,174	1,293,037
Total expenses	11,031,008	-	-	11,031,008	11,783,678
Loss on settlement of permanent endowment	340,000	-	-	340,000	-
Total expenses and losses	11,371,008	-	-	11,371,008	11,783,678
CHANGE IN NET ASSETS	1,099,466	(1,125,629)	(340,000)	(366,163)	(1,080,629)
NET ASSETS, beginning of year	19,832,915	1,237,340	740,900	21,811,155	22,891,784
Transfer of net assets	388,400	-	(388,400)	-	-
NET ASSETS, end of year	$ 21,320,781	$ 111,711	$ 12,500	$ 21,444,992	$ 21,811,155

See accompanying notes to consolidated financial statements

KIDS IN DISTRESS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Program Services	Supporting Services: Management and General	Supporting Services: Development and Fundraising	Totals 2013	Totals 2012
Salaries	$ 4,627,831	$ 500,540	$ 432,423	$ 5,560,794	$ 6,121,542
Employee health and benefit plans	597,415	44,405	43,095	684,915	823,817
Payroll taxes	386,471	49,562	37,325	473,358	527,282
	5,611,717	594,507	512,843	6,719,067	7,472,641
Bad debt	84,708	-	3,200	87,908	384,100
Conferences, conventions and meetings	7,963	6,208	13,277	27,448	33,303
Depreciation	480,582	44,725	44,714	570,021	590,969
Equipment rent and maintenance	102,894	21,366	24,807	149,067	116,481
Fund-raising	-	-	102,753	102,753	123,832
Insurance	301,895	39,529	22,684	364,108	379,821
Loss on disposal of equipment	12,962	1,191	-	14,153	-
Membership dues	1,119	713	2,801	4,633	10,432
Miscellaneous	16,560	33,016	20,782	70,358	69,674
Occupancy	280,081	46,548	18,398	345,027	312,313
Postage	6,053	1,623	30,435	38,111	38,671
Printing and publications	19,594	1,943	3,315	24,852	31,467
Professional fees and contract services	765,188	164,749	20,988	950,925	906,845
Specific assistance	223,999	-	-	223,999	209,016
Staff expenses	77,915	5,269	4,915	88,099	40,477
Supplies and office expense	166,083	12,064	9,712	187,859	236,399
Telephone	105,030	8,092	10,462	123,584	120,302
Travel and transportation	218,131	5,801	4,120	228,052	270,343
In-kind expenses:					
Occupancy	48,000	-	-	48,000	61,205
Specific assistance	534,454	51,849	15,179	601,482	342,069
Supplies	58,056	657	2,789	61,502	33,318
Total expenses	$ 9,122,984	$ 1,039,850	$ 868,174	$ 11,031,008	$ 11,783,678

See accompanying notes to consolidated financial statements

KIDS IN DISTRESS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (366,163)	$ (1,080,629)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	570,021	590,969
Bad debt expense	87,908	105,000
Provision for collection losses	-	279,100
Amortization of discount on unconditional promises to give	3,000	(9,000)
Amortization of discount on unconditional promises to give restricted for endowment purposes	-	(25,000)
Amortization of discount on unconditional promises to give restricted for long-term purposes	-	(23,000)
Unrealized and realized (gains) losses on investments	(497,408)	127,956
Loss on settlement of permanent endowment	340,000	-
Loss on disposal of property and equipment	14,153	-
(Increase) decrease in assets:		
Grants and contracts receivable	(115,105)	185,746
Other receivables	(42,036)	(289,902)
Unconditional promises to give	549,124	9,275
Prepaid expenses and other assets	(129,517)	(31,415)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(210,082)	(15,292)
Net cash provided by (used in) operating activities	203,895	(176,192)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of land, buildings, and equipment	(26,033)	(84,089)
Proceeds from sales of investments	6,966,638	2,945,818
Purchases of investments	(6,745,936)	(3,827,801)
Increase (decrease) in assets restricted for investment in:		
Land, buildings and equipment	-	500
Net cash used in investing activities	194,669	(965,572)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Forgiveness of debt	(16,550)	(16,550)
Loss on settlement of permanent endowment	(340,000)	-
Net cash provided by financing activities	(356,550)	(16,550)
NET INCREASE (DECREASE) IN CASH	42,014	(1,158,314)
CASH, beginning of year	3,074,050	4,232,364
CASH, end of year	$ 3,116,063	$ 3,074,050

See accompanying notes to consolidated financial statements

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

The following is the nature of activities of Kids In Distress, Inc. and its affiliates (the "Organization"), and a summary of significant accounting policies followed by the Organization in the preparation of the accompanying financial statements.

Kids In Distress, Inc. ("KID") - KID is a nonprofit organization dedicated to the prevention of child abuse, the preservation of the family, and the care and treatment of abused and neglected children in South Florida through its various programs. KID is principally supported by contracts with ChildNet, Inc. (approximately 14% and 19%of revenues in 2013 and 2012, respectively), Children's Services Council of Broward County, Inc. (approximately 19% and 20% of revenues in 2013 and 2012, respectively) and other grants and contracts from governmental agencies, as well as contributions from members of the surrounding community (approximately 30% and 31% of revenues in 2013 and 2012, respectively). If a significant reduction in the level of support from governmental agencies were to occur, it could have a material effect on KID's activities.

Consolidated financial statements - These financial statements consolidate the accounts of Kids in Distress, Inc. and its affiliates, as described below. All inter-organization transactions and balances have been eliminated in consolidation.

Kids in Distress Foundation, Inc. (the "Foundation") – Kids in Distress Foundation, Inc. was formed to support KID by providing financial resources, operating and expanding facilities and equipment, and investing funds of KID under a management contract and lease between the two entities. The Foundation is included in consolidation because KID has both an economic interest in and control over the Foundation through a majority voting interest in the governing board of the Foundation.

1776 Independence Hall, LLC – 1776 Independence Hall, LLC, a Florida Limited Liability Company, was formed in a prior year to hold certain real estate to be acquired in the future. The Foundation is its sole member (owner). During the current year, 1776 Independence Hall, LLC was dissolved.

Healthcare Solutions, LLC ("Healthcare" or "Kid Dental Clinic") – Healthcare Solutions, LLC, a Florida Limited Liability Company with KID its sole member (owner), was formed during the year ended June 30, 2010 to manage a new dental and optometry program serving children and their families. The clinic commenced operations during the 2011 fiscal year.

Basis of presentation - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Financial Statement Presentation - The Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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.

Dental and Optometry Programs - As described above, Healthcare initiated a program during 2011 to provide dental and optometry services to children and their families. KID entered into an agreement with Nova Southeastern University ("NSU"), under which NSU will supply licensed dentistry and optometry professionals, and KID will provide management and facilities to deliver these services to children and their families who have often never received this care. NSU is compensated for its services under this agreement.

Revenues from the dental program earned by KID are received principally from insurance programs sponsored by the State of Florida and the United States' Medicaid Program. Patient receivables at June 30, 2013 amounted to approximately $2,500 (net of allowance for uncollectible accounts of $113,458 for 2013) and are included in other receivables on the Consolidated Statement of Financial Position. Revenues from the optometry program consist of rent paid by NSU to operate its program on the Organization's campus. During 2013 the agreement with NSU for dental services was modified. KID transferred the dental clinic operations to NSU on April 15, 2013, and KID receives rent for the use of the facilities from NSU. Rental income from NSU for the optometry and dental clinic was $176,372 and $108,096 for 2013 and 2012, respectively.

Fair Value of Financial Instruments – The Organization estimates that the fair value of all financial instruments at June 30, 2013 and 2012 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Consolidated Statement of Financial Position.

Cash and Cash Equivalents – For purposes of reporting cash flows, the Organization considers any highly liquid instruments with an initial maturity of three months or less to be cash equivalents. The Organization maintains cash balances at a bank and brokerage firms located within the same geographic region, which may, at times, exceed federally insured limits. The Organization has not experienced any losses on such accounts and does not believe it is exposed to any significant risk with respect to cash and cash equivalents.

Investments – Investments in debt securities and marketable equity securities with readily determinable fair values are reported at their quoted fair market values. Equity securities without readily determinable fair values are stated at cost. Donated marketable securities are recorded as contributions at their estimated fair values at the date of receipt of the donation.

Receivables - Receivables primarily consist of grant and contract receivables from federal, state and local governmental agencies, and not-for-profit organizations, and are stated at estimated net realizable value. The Organization uses the allowance method to determine uncollectible receivables. The allowance is based upon management estimates of current economic factors and analysis of specific accounts.

Promises to Give – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Land, Buildings, and Equipment – The Organization capitalizes, at cost, all material expenditures for land, buildings and equipment. Donated land, buildings, and equipment are capitalized at the approximate fair market value at the date of the gift. Depreciation is calculated using the straight-line method over useful lives of three to thirty years.

Impairment of long-lived assets – The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be receivable. No impairment of the Organization's long-lived assets has been recognized during the current fiscal year.

Donated Materials and Services – Donated equipment and materials are reflected as in-kind contributions at their estimated value when received. Such contributions are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire land, buildings, and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated and acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The value of certain donated clothing and other supplies used in the Organization's programs have been estimated and are included in the Consolidated Statement of Activities under the caption "In-kind contributions". Also included under the same caption are donated vendor services, which are recorded at their estimated fair values. The Organization generally pays for services requiring specific expertise. However, a substantial number of volunteers have donated significant amounts of their time to the operations of the Organization and in its fund raising campaigns. The Organization benefits from more than 5,000 volunteer hours per year.

Support and revenues – The Organization is principally funded by grants and contracts from federal, state and local governmental agencies, and not-for-profit organizations. Grants and contracts generally provide reimbursement for allowable costs incurred. Revenue from cost reimbursement grants and contracts is recognized as eligible costs are incurred. Receivables are recorded to the extent costs have been incurred but not reimbursed by the granting agencies.

Contributions – Contributions received are recorded at fair value as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities as net assets released from restrictions.

Program Costs – The costs of providing the various programs and other activities have been detailed in the Consolidated Statement of Functional Expenses and summarized on a functional basis in the Consolidated Statement of Activities. Salaries and other expenses which are associated with a specific program are charged directly to that program. Salaries and other expenses which benefit more than one program are allocated to the various programs based on the relative benefit provided. Management and general expenses include those expenses that are not directly identifiable with any other specific function but to provide for the overall support and direction of the Organization.

Income Taxes – The Organization is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3). However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. Management has reviewed its tax status and determined that there are no significant uncertain tax positions. The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Note 2 – Unconditional Promises to Give

Unconditional promises to give at June 30, 2013 and 2012 for KID consist of the following:

	2013	2012
Unrestricted	$ 1,550,742	$ 898,259
Restricted for future operations	12,500	202,401
Restricted to capital expenditures	-	941,500
Less valuation allowance	-	(10,000)
Gross unconditional promises to give	$ 1,563,242	$ 2,032,160
Gross unconditional promises to give are expected to be collected over the following periods:		
Receivable in less than one year	$ 56,242	$ 507,190
Receivable in one to five years	419,000	455,000
Receivable in more than five years	1,088,000	1,069,970
Gross unconditional promises to give	1,563,242	2,032,160
Less discounts to net present value	(387,000)	(390,000)
Less allowance for uncollectible promises to give	(37,000)	(48,800)
Unconditional promises to give, net	$ 1,139,242	$ 1,593,360
Net unconditional promises to give are reported under the following categories on the Consolidated Statement of Financial Position:		
Unconditional promises to give, net	$ 1,139,242	$ 868,860
Assets restricted for acquisition of land, buildings, and equipment, net (See Note 3)	-	724,500
	$ 1,139,242	$ 1,593,360

Promises to give which are expected to be collected beyond one year are recognized at fair value using present value techniques and have been discounted at rates ranging from 3.22% to 3.52% when the donor has made an unconditional promise to give to the Organization.

Note 3 – Assets Restricted for Acquisition of Land, Buildings, and Equipment and Endowment Purposes

The assets restricted for acquisition of land, buildings, and equipment consists of the following:

	2013	2012
Cash	$ -	$ 98,000
Promises to give restricted to capital expenditures, net (See Note 2)	-	724,500
	$ -	$ 822,500

The assets restricted for endowment purposes consist of the following:

Cash	$ 12,500	$ 740,900
Promises to give, (net of allowance for uncollectible promises to give of $279,100 for 2012)	-	-
	$ 12,500	$ 740,900

Note 4 – Fair Value Measurements

The Organization follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards relative to fair value measurements establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Level inputs, as defined by this guidance, are as follows:

Level Input	Input Definitions
Level I	Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
Level II	Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.
Level III	Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Fair value of actively traded debt and equity securities are based on quoted market prices. All of the Organization's investments consist of equities and other funds with readily determinable fair values (Level 1). There were no assets subject to Level 2 or Level 3 fair value measurements at June 30, 2013 and 2012. The value of the brokerage accounts was $6,979,009 and $5,973,903 for June 30, 2013 and 2012, respectively. Cash held in the brokerage accounts amounted to $70,904 and $391,601 for June 30, 2013 and 2012, respectively, and are included in cash on the Consolidated Statement of Financial Position.

Note 5 – Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following:

	2013	2012
Land	$ 2,574,091	$ 2,574,091
Buildings	8,867,161	8,867,161
Building improvements	1,724,972	1,711,866
Furniture and equipment	1,825,608	1,870,921
Transportation equipment	255,800	270,913
	15,247,632	15,294,952
Less accumulated depreciation	5,838,274	5,327,449
	$ 9,409,358	$ 9,967,503

Note 6 – Debt

In a prior year, the Organization entered into a Consent to and Assignment of Agreement, non-interest bearing Promissory Note, and Mortgage with Broward County, Florida to purchase a building. The loan is to be forgiven over the term of the original loan, at the rate of 5% per year or $16,550, as long as the Organization retains title to the property and complies with the terms and conditions of the Agreement. The loan is secured by a mortgage on the property.

Note 7 – Governmental Grants and Contracts

Governmental Grants and Contracts consist of the following:

	Term			Amount	Support 2013	Support 2012
State of Florida Department of Children and Families						
JH318	07/01/11	-	06/30/12	100,000	$ -	$ 100,000
JH318	07/01/12	-	06/30/13	100,000	96,360	-
					96,360	100,000
Broward County, Children's Service Administration Division						
11-CP-CSA-8233-01	10/01/10	-	09/30/11	383,330	-	31,283
10-CP-CSA-8233-01	10/01/11	-	09/30/12	383,330	-	155,100
10-CP-CSA-8233-01	10/01/10	-	09/30/11	312,330	-	29,468
10-CP-CSA-8233-01	10/01/10	-	09/30/11	40,000	-	12,480
11-CP-CSA-8233-01	10/01/11	-	09/30/12	104,741	8,571	96,114
10-CP-CSA-8233-01	10/01/11	-	09/30/12	333,330	91,294	-
10-CP-CSA-8233-01	10/01/12	-	09/30/13	235,000	190,286	-
11-CP-CSA-8233-01	10/01/12	-	09/30/13	104,741	76,150	-
					366,301	324,445
Children's Services Council of Broward County						
KID 07-2217	10/01/10	-	09/30/11	1,532,547	-	356,622
KID 08-2216	10/01/10	-	09/30/11	363,660	-	85,051
KID 10-2219	10/01/10	-	09/30/11	400,000	-	92,321
KID 08-2216	10/01/11	-	08/31/12	313,295	70,635	211,439
KID 11-2218	10/01/11	-	09/30/12	489,013	113,294	341,998
KID 10-2219	10/01/11	-	09/30/12	400,000	-	272,647
KID 11-2210	10/01/11	-	09/30/12	1,086,654	278,843	736,987
KID 10-2219	10/01/11	-	09/30/12	400,000	82,536	-
KID 11-2210	10/01/12	-	09/30/13	1,086,654	813,531	-
KID 12-2211	10/01/12	-	09/30/13	169,455	84,873	-
KID 11-2218	10/01/12	-	09/30/13	489,013	354,818	-
KID 10-2219	10/01/12	-	09/30/13	434,000	307,725	-
					2,106,255	2,097,065
School Board of Broward County						
	08/21/10	-	05/31/11	299,624	-	(5,000)
					-	(5,000)
Broward Regional Health Planning Council, Inc. Healthy Families Broward						
HFB10-12KID	07/01/11	-	06/30/12	264,812	-	264,791
HFB11-12KID	07/01/12	-	09/30/12	66,203	66,190	-
CSC 12-13 KIDS	10/01/12	-	09/30/13	301,000	212,481	-
					278,671	264,791

	Term			Amount	Support 2013	Support 2012
Broward Healthy Start Coalition, Inc.						
KIDSC11	07/01/11	-	06/30/12	420,848	-	420,873
KIDSC12	07/01/12	-	06/30/13	385,910	386,721	-
					386,721	420,873
Family Central, Inc.						
General Agreement	07/01/11	-	06/30/12	-	192,012	223,710
					192,012	223,710
ChildNet, Inc.						
KID-10-CHC	07/01/10	-	06/30/11	93,142	-	13,172
KID-11-SHL	07/01/11	-	06/30/12	661,728	-	533,721
KID-11-VIS	07/01/11	-	06/30/12	43,475	-	43,475
KID-11-ADP	07/01/11	-	06/30/12	127,000	-	126,528
KID-11-ASM	07/01/11	-	06/30/12	39,996	-	39,996
KID-11-CFS	07/01/11	-	06/30/12	470,454	-	470,434
KID-11-FRS	07/01/11	-	06/30/12	364,289	-	364,289
KID-11-FHM	07/01/11	-	06/30/12	555,690	-	435,546
KID-11-CBA	07/01/11	-	06/30/12	20,000	-	13,000
KID-12-SHL	07/01/12	-	06/30/13	659,920	40,002	-
KID-12-VIS	07/01/12	-	06/30/13	43,475	43,475	-
KID-12-ADP	07/01/12	-	06/30/13	127,000	120,903	-
KID-12-CFS	07/01/12	-	06/30/13	670,454	589,139	-
KID-12-FHM	07/01/12	-	06/30/13	623,488	558,651	-
KID-POS	07/01/12	-	06/30/13	-	13,658	-
KID-POS	07/01/12	-	06/30/13	-	11,120	-
PKID-13-FHM	03/01/13	-	06/30/14	783,769	156,392	-
					1,533,340	2,040,161
Palm Beach County						
Child and Family Connection						
RL-KID-11	07/01/11	-	06/30/12	-	-	464,136
RA016-10	07/01/11	-	06/30/12	-	-	167,378
RL002-10	07/01/11	-	06/30/12	-	-	9,833
RL-KID-13	07/01/12	-	02/29/13	485,339	323,559	-
RL-KID-13	07/01/12	-	02/29/13	97,068	14,560	-
RA-KID-13	07/01/12	-	02/29/13	-	76,966	-
					415,085	641,347
Department of Health and Human Services						
Administration for Children and Families						
90CA1791	09/30/12	-	09/29/13	850,000	251,862	-
					251,862	-
Total governmental grants and contracts					$ 5,626,607	$ 6,107,392

Note 8 – Commitments

KID leases real property operating facilities from the Foundation under a lease agreement in the amount of $646,118 and $675,792 for 2013 and 2012, respectively. KID also leases certain equipment from the Foundation at an annual amount of $222,380 and $231,612 for 2013 and 2012 respectively. The effects of these transactions are eliminated in consolidation.

Effective July 1, 1998, KID entered into a management agreement with the Foundation, whereby KID provides investment administration, real estate management, professional fund raising, reporting, and other services to the Foundation for a monthly fee of $4,000 for 2013 and 2012, which amounted to $48,000 for 2013 and 2012. The effects of this agreement are eliminated in consolidation.

Note 9 – Contingencies

As described in Note 1 to the financial statements, the Organization has a long history of serving the South Florida community in matters involving abused and neglected children through its various programs. From time to time the Organization is presented with lawsuits contending damages to third parties associated with that service. The Organization currently has no pending lawsuits.

By terms of the Organization's grants and contracts, certain funding agencies reserve the right to examine records relating to cost reimbursements. In the event there is a determination of non-qualifying expenditures for which a reimbursement has been made, the funding agency may demand repayment. Management of the Organization does not anticipate any repayments will have to be made for grants or contracts terminated or in process as of June 30, 2013. Accordingly, no provision for liability has been made in the accompanying consolidated financial statements.

Note 10 – Restrictions On Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	2013	2012
Purchase of property and equipment	$ -	$ 822,500
For subsequent years' activities	111,711	414,840
	$ 111,711	$ 1,237,340

Endowment Funds

Permanently restricted net assets at June 30, 2013 and 2012 consist of two and three endowment funds, respectively, established for KID residential services. Contributions to the endowment funds are subject to donor restrictions that stipulate the original principal of the gifts are to be held and invested by the Organization indefinitely and income from the funds to be expended for the established purpose of the endowment. Contributions to the endowment funds are classified as permanently restricted net assets. Income from the funds is classified with temporarily restricted net assets until the purpose of the restriction is satisfied. When the purpose of the restriction is met, the net assets are reclassified to unrestricted net assets. During the year the Organization negotiated a settlement with one endowment contributor, for which the Organization repaid $340,000 of the $728,400 that had been received on a $1,000,000 promise to give, and in turn the contributor agreed to release the remaining funds to unrestricted assets. An allowance for uncollectible accounts had been recorded for the remaining balance during the fiscal year ending June 30, 2012.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), enacted by the State of Florida on June 22, 2011, as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The donor restricted endowment funds are invested pursuant to the Organization's investment and spending objectives of subjecting the funds to low investment risk and providing the Organization with current income. The Organization generally expends the endowment funds' investment income for the donor-designated purpose.

The composition of the endowment net assets for the funds and changes in endowment net assets as of June 30, 2013 and 2012 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1 2011	$ -	$ 1,020,000	$ 1,020,000
Contributions	-	-	-
Investment income	1,569	-	1,569
Net appreciation	-	-	-
Provision for losses	-	(279,100)	(279,100)
Program expenditures	(1,569)	-	(1,569)
Endowment net assets, June 30, 2012	-	740,900	740,900
Contributions	-	-	-
Investment income	1,084	-	1,084
Net appreciation	-	-	-
Provision for losses	-	-	-
Program expenditures	(1,084)	(340,000)	(341,084)
Transfer of assets	-	(388,400)	(388,400)
Endowment net assets, June 30, 2013	$ -	$ 12,500	$ 12,500

Note 11 – Auxiliary

The Organizations' volunteer auxiliary is separately incorporated under the name Kids In Distress Auxiliary, Inc. (the "Auxiliary") with the express purpose of raising funds for the benefit of the Organization. None of the results of operations or accounts of the Auxiliary is included in the accompanying financial statements.

The Auxiliary made contributions to KID in the approximate amount of $171,00and $187,000 during the years ended June 30, 2013 and 2012, respectively. These amounts are included in Community Support – Contributions on the Consolidated Statement of Activities.

Note 12 – Retirement Plans

KID sponsors a retirement savings plan, which qualifies under Section 401(k) of the Internal Revenue Code. The plan covers substantially all employees, and matching contributions are made by the Organization for the first four percent of compensation deferred by participating employees. Plan expense for 2013 and 2012 was approximately $124,000 and $139,000, respectively.

KID previously adopted a Top Hat Deferred Compensation Plan, which qualifies under Section 457(b) of the Internal Revenue Code, for certain of its employees and independent contractors. The Organization may make contributions to the Plan; however, no amounts were contributed by KID in 2013.

Note 13 – Matching Requirements

Some grants require matching of amounts awarded with amounts contributed by other sources. All contractual matching requirements have been met. The Florida Department of Children and Families (Contract #JH318) local grant match requirements for 2013 were met.

Note 14 – Subsequent Events

Management has evaluated subsequent events through October 16, 2013, which is the date these financial statements were available to be issued.

KIDS IN DISTRESS, INC.

SUPPLEMENTARY INFORMATION

June 30, 2013

KIDS IN DISTRESS, INC.
SUPPLEMENTARY CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE WITH NOTES
For the Year Ended June 30, 2013

Federal/State Agency, Pass-Through Entity	CFDA CSFA Number	Federal Program/State Project	Contract Grant Number
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through ChildNet, Inc.	93.556	Promoting Safe and Stable Families	KID-12-FHM KID-12-CFS KID-12-ADP PKID-13-FHM
Passed through Child and Family Connections, Inc.	93.556	Promoting Safe and Stable Families	RL-KID-013
		Subtotal Promoting Safe and Stable Families	
Passed through ChildNet, Inc.	93.558	Temporary Assistance For Needy Families	KID-12-FHM PKID-13-FHM
Passed through Child and Family Connections, Inc.	93.558	Temporary Assistance For Needy Families	RL-KID-013
Passed through Healthy Families Broward	93.558	Temporary Assistance For Needy Families	CSC12-13 KIDS HFB11-12
		Subtotal Temporary Assistance for Needy Families	
Passed through ChildNet, Inc.	93.597	Grants to the States for Access and Visitation Programs	KID-12-VIS
Passed through ChildNet, Inc.	93.645	Child Welfare Services	KID-12-FHM PKID-13-FHM
Passed through Child and Family Connections, Inc.	93.645	Child Welfare Services	RL-KID-013
		Subtotal Child Welfare Services	
Passed through ChildNet, Inc.	93.658	Foster Care - Title IV E	KID-12-SHL KID-12-FHM KID-12-FHM-ARRA PKID-13-FHM
Passed through Child and Family Connections, Inc.	93.658	Foster Care - Title IV E	RL-KID-013 RA-KID-013
		Subtotal Foster Care - Title IV E	
Passed through ChildNet, Inc.	93.659	Adoption Assistance	KID-12-FHM PKID-13-FHM
Passed through Child and Family Connections, Inc.	93.659	Adoption Assistance	RL-KID-013
		Subtotal Adoption Assistance	

Expenditures	Transfer to Subrecipients
$ 982	$ -
589,139	-
120,903	-
751	-
1,623	-
713,398	-
81,401	-
22,702	-
49,083	-
212,481	-
66,190	-
431,857	-
43,475	-
22,475	-
5,926	-
12,811	-
41,212	-
16,001	-
122,199	-
9,873	-
42,774	-
92,477	-
33,426	-
316,750	-
56,916	-
17,324	-
37,454	-
111,694	-

KIDS IN DISTRESS, INC.
SUPPLEMENTARY CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE WITH NOTES
For the Year Ended June 30, 2013

Federal/State Agency, Pass-Through Entity	CFDA CSFA Number	Federal Program/State Project	Contract Grant Number
Passed through ChildNet, Inc.	93.667	Social Services Block Grant	KID-12-SHL
Passes through Child and Family Connections, Inc.	93.667	Social Services Block Grant	RA-KID-013
Passed through the State of Florida Department of Children and Families	93.667	Social Services Block Grant	JH318
		Subtotal Social Services Block Grant	
Passed through Department of Health and Human Services	93.670	Child Abuse and Neglect Discretionary Activities	90CA1791
Passed through Broward Healthy Start Coalition	93.778	Medical Assistance Program	KIDSC-12
Passed through the State of Florida Department of Children and Families	93.958	Block Grants for Community Mental Health services	JH318
TOTAL EXPENDITURES OF FEDERAL AWARDS			
Passed through ChildNet, Inc.	60.094	Community-Based Care Supports	KID-12-SHL KID-12-FHM PKID-13-FHM KID-POS
Passed through Child and Family Connections, Inc.	60.094	Community-Based Care Supports	RL-KID-013 RA-KID-013
		Subtotal Community-Based Care Supports	
Passed through the State of Florida Department of Children and Families	60.048	Children's Mental Health Community Support Services	JH318
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			

Expenditures	Transfer to Subrecipients
10,857	-
20,989	-
5,878	-
37,724	-
251,862	-
386,721	-
36,135	-
$ 2,370,828	$ -
$ 13,144	$ -
264,805	-
66,915	-
24,778	-
144,671	-
22,551	-
536,864	-
54,347	-
$ 591,211	$ -

NOTES TO SUPPLEMENTARY CONSOLIDATED SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2013

Note 1 – Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards and state financial assistance with notes includes the federal grant activity of Kids In Distress, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Curricular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Governmental Grants and Contracts

All governmental grant and contract revenue was expended during the year.

Note 3 – Transfers to Subrecipients

There were no transfers to subrecipients.

KIDS IN DISTRESS, INC.
SUPPLEMENTARY CONSOLIDATING STATEMENT OF FINANCIAL POSITION
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

ASSETS

	Kids In Distress, Inc.	Kids In Distress Foundation, Inc.	Consolidating Adjustments	Consolidated Totals 2013	Consolidated Totals 2012
ASSETS:					
Cash	$ 712,243	$ 2,403,820	$ -	$ 3,116,063	$ 3,074,050
Investments	-	6,979,009	-	6,979,009	5,973,903
Grants and contracts receivable	806,655	-	-	806,655	691,550
Other receivables, net	182,195	1,056,395	(1,056,395)	182,195	228,067
Unconditional promises to give, net	1,139,242	-	-	1,139,242	868,860
Prepaid expenses	151,068	21,655	-	172,723	142,018
Other assets	290,255	-	-	290,255	191,443
Assets restricted for acquisition of land, buildings, and equipment, net	-	-	-	-	822,500
Land, buildings, and equipment, net	465,421	8,943,937	-	9,409,358	9,967,503
Assets restricted for endowment purposes, net	-	12,500	-	12,500	740,900
Total assets	$ 3,747,079	$ 19,417,316	$ (1,056,395)	$ 22,108,000	$ 22,700,794

LIABILITIES AND NET ASSETS

LIABILITIES:					
Accounts payable and accrued expenses	$ 1,469,371	$ 150,732	$ (1,056,395)	$ 563,708	$ 773,789
Debt	-	99,300	-	99,300	115,850
Total liabilities	1,469,371	250,032	(1,056,395)	663,008	889,639
COMMITMENTS					
NET ASSETS:					
Unrestricted	2,165,997	19,154,784	-	21,320,781	19,832,915
Temporarily restricted	111,711	-	-	111,711	1,237,340
Permanently restricted	-	12,500	-	12,500	740,900
Total net assets	2,277,708	19,167,284	-	21,444,992	21,811,155
Total liabilities and net assets	$ 3,747,079	$ 19,417,316	$ (1,056,395)	$ 22,108,000	$ 22,700,794

KIDS IN DISTRESS, INC.
SUPPLEMENTARY CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Kids In Distress, Inc.			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Subtotals
REVENUES, GAINS, AND OTHER SUPPORT:				
Community Support:				
Contributions	$ 2,007,177	$ 462,923	$ -	$ 2,470,100
United Way allocations	67,110	-	-	67,110
In-kind contributions	818,029	-	-	818,029
	2,892,316	462,923	-	3,355,239
Governmental grants and contracts	5,626,607	-	-	5,626,607
Medicaid/HMO reimbursements	649,060	-	-	649,060
Dental clinic revenue	491,764	-	-	491,764
Investment income net of investment expenses of $26,839 for 2013 and $12,719 for 2012	92	-	-	92
Rental income	90,080	-	-	90,080
Other revenues	48,400	-	-	48,400
Forgiveness of debt	-	-	-	-
Gain (loss) on sale of securities	-	-	-	-
Unrealized gain (loss) on investments	-	-	-	-
Net assets released from restrictions:				
Provisions for losses on restricted promises to give	(31,563)	31,563	-	-
Restrictions satisfied by payments	1,620,115	(1,620,115)	-	-
Total revenues, gains, and other support	11,386,871	(1,125,629)	-	10,261,242
EXPENSES AND LOSSES:				
Program Services:				
KID Crisis Home	919,967	-	-	919,967
KID Therapeutic Preschools	867,414	-	-	867,414
KID Dental Clinic	723,260	-	-	723,260
Family Counseling Clinic	1,640,696	-	-	1,640,696
Supported Foster Care	628,608	-	-	628,608
Prevention	3,735,235	-	-	3,735,235
Palm Beach Programs	604,309	-	-	604,309
H.E.A.R.T. Alliance	228,307	-	-	228,307
	9,347,796	-	-	9,347,796
Supporting Services:				
Management and general	971,859	-	-	971,859
Development and fundraising	887,296	-	-	887,296
Total expenses	11,206,951	-	-	11,206,951
Loss on settlement of permanent endowment	-	-	-	-
Total expenses and losses	11,206,951	-	-	11,206,951
CHANGE IN NET ASSETS	179,920	(1,125,629)	-	(945,709)
NET ASSETS, beginning of year	1,986,077	1,237,340	-	3,223,417
Transfer of net assets	-	-	-	-
NET ASSETS, end of year	$ 2,165,997	$ 111,711	$ -	$ 2,277,708

Kids In Distress Foundation, Inc.						
Unrestricted	Temporarily Restricted	Permanently Restricted	Subtotals	Consolidating Adjustments	Consolidated Totals 2013	Consolidated Totals 2012
$ -	$ -	$ -	$ -	$ -	$ 2,470,100	$ 2,805,992
-	-	-	-	-	67,110	56,446
-	-	-	-	-	818,029	475,308
-	-	-	-	-	3,355,239	3,337,746
-	-	-	-	-	5,626,607	6,107,392
-	-	-	-	-	649,060	763,831
-	-	-	-	-	491,764	290,416
186,961	-	-	186,961	-	187,053	206,974
956,926	-	-	956,926	(868,499)	178,507	108,096
2,287	-	-	2,287	(48,000)	2,687	-
16,550	-	-	16,550	-	16,550	16,550
310,564	-	-	310,564	-	310,564	7,928
186,814	-	-	186,814	-	186,814	(135,884)
-	-	-	-	-	-	-
340,000	-	(340,000)	-	-	-	-
2,000,102	-	(340,000)	1,660,102	(916,499)	11,004,845	10,703,049
48,727	-	-	48,727	(82,426)	886,268	1,129,081
104,288	-	-	104,288	(157,619)	814,083	924,229
92,732	-	-	92,732	(110,746)	705,246	730,734
68,626	-	-	68,626	(101,353)	1,607,969	1,532,262
31,064	-	-	31,064	(47,787)	611,885	619,034
150,304	-	-	150,304	(213,162)	3,672,377	3,711,370
9,347	-	-	9,347	(9,698)	603,958	566,400
857	-	-	857	(7,966)	221,198	-
505,945	-	-	505,945	(730,757)	9,122,984	9,213,110
179,918	-	-	179,918	(111,927)	1,039,850	1,277,531
54,693	-	-	54,693	(73,815)	868,174	1,293,037
740,556	-	-	740,556	(916,499)	11,031,008	11,783,678
340,000	-	-	340,000	-	340,000	-
1,080,556	-	-	1,080,556	(916,499)	11,371,008	11,783,678
919,546	-	(340,000)	579,546	-	(366,163)	(1,080,629)
17,846,838	-	740,900	18,587,738	-	21,811,155	22,891,784
388,400	-	(388,400)	-	-	-	-
$ 19,154,784	$ -	$ 12,500	$ 19,167,284	$ -	$ 21,444,992	$ 21,811,155

KIDS IN DISTRESS, INC.
SUPPLEMENTARY CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Program Services					
	KID Crisis Home	KID Therapeutic Preschools	KID Dental Clinic	Family Counseling Clinic	Supported Foster Care	Prevention
Kids In Distress, Inc.						
Salaries	$ 387,162	$ 384,088	$ 186,402	$ 1,018,476	$ 316,592	$ 1,967,944
Employee health and benefit plans	42,628	60,144	10,241	113,346	39,550	282,572
Payroll taxes	33,504	32,618	8,456	87,848	26,053	166,561
	463,294	476,850	205,099	1,219,670	382,195	2,417,077
Bad debts	-	-	84,708	-	-	-
Conferences, conventions and meetings	960	1,312	500	730	1,349	1,532
Depreciation	11,246	3,430	-	7,916	4,360	2,677
Equipment rent and maintenance	12,372	37,509	28,571	33,024	11,938	78,096
Fund-raising	-	-	-	-	-	-
Insurance	58,287	31,431	14,265	40,393	16,914	115,089
Loss on disposal of equipment	-	-	-	-	12,962	-
Membership dues	107	107	68	144	57	578
Miscellaneous	647	3,570	6,481	1,185	439	2,329
Occupancy	135,268	174,220	113,903	110,842	55,845	224,271
Postage	750	93	522	214	1,783	1,506
Printing and publications	449	457	424	1,867	465	2,325
Professional fees and contract services	19,991	13,504	225,972	38,236	15,621	326,020
Specific assistance	23,198	4,195	-	1,065	33,055	152,251
Staff expenses	4,102	4,766	5,461	4,871	5,576	35,445
Supplies and office expense	38,597	41,439	30,123	11,298	6,862	27,534
Telephone	10,698	6,573	3,906	18,478	5,894	46,912
Travel and transportation	9,008	617	401	58,380	11,668	118,288
In-kind expenses:						
Occupancy	-	-	-	-	-	-
Specific assistance	123,644	60,443	-	87,181	56,933	155,695
Supplies	7,349	6,898	2,856	5,202	4,692	27,610
Total expenses	919,967	867,414	723,260	1,640,696	628,608	3,735,235
Kids In Distress Foundation, Inc.						
Total expenses and losses	48,727	104,288	92,732	68,626	31,064	150,304
Consolidating adjustments	(82,426)	(157,619)	(110,746)	(101,353)	(47,787)	(213,162)
Total consolidated expenses and losses	$ 886,268	$ 814,083	$ 705,246	$ 1,607,969	$ 611,885	$ 3,672,377

			Supporting Services				
Palm Beach Programs	H.E.A.R.T. ALLIANCE	Subtotals	Management and General	Development and Fundraising	Subtotals	Totals 2013	Totals 2012
$ 317,284	$ 49,883	$ 4,627,831	$ 500,540	$ 432,423	$ 932,963	$ 5,560,794	$ 6,121,542
42,098	6,836	597,415	44,405	43,095	87,500	684,915	823,817
27,273	4,158	386,471	49,562	37,325	86,887	473,358	527,282
386,655	60,877	5,611,717	594,507	512,843	1,107,350	6,719,067	7,472,641
-	-	84,708	-	3,200	3,200	87,908	105,000
1,467	113	7,963	6,208	13,277	19,485	27,448	33,303
4,321	-	33,950	6,232	200	6,432	40,382	55,889
11,234	3,754	216,498	24,357	44,304	68,661	285,159	280,678
-	-	-	-	102,753	102,753	102,753	123,832
24,230	1,286	301,895	30,981	22,684	53,665	355,560	372,370
-	-	12,962	-	-	-	12,962	-
56	2	1,119	713	2,801	3,514	4,633	10,432
580	1,329	16,560	13,859	20,782	34,641	51,201	68,215
15,937	7,635	837,921	66,809	62,537	129,346	967,267	988,105
988	197	6,053	1,623	30,435	32,058	38,111	38,671
343	13,264	19,594	1,943	3,315	5,258	24,852	31,467
8,192	117,652	765,188	140,895	20,988	161,883	927,071	896,688
10,235	-	223,999	-	-	-	223,999	209,016
12,877	4,817	77,915	5,269	4,915	10,184	88,099	40,477
3,291	6,939	166,083	12,064	9,712	21,776	187,859	230,985
10,209	2,360	105,030	8,092	10,462	18,554	123,584	120,302
16,587	3,182	218,131	5,801	4,120	9,921	228,052	270,343
48,000	-	48,000	-	-	-	48,000	61,205
46,491	4,067	534,454	51,849	15,179	67,028	601,482	342,069
2,616	833	58,056	657	2,789	3,446	61,502	33,318
604,309	228,307	9,347,796	971,859	887,296	1,859,155	11,206,951	11,785,006
9,347	857	505,945	179,918	394,693	574,611	1,080,556	954,076
(9,698)	(7,966)	(730,757)	(111,927)	(73,815)	(185,742)	(916,499)	(955,404)
$ 603,958	$ 221,198	$ 9,122,984	$ 1,039,850	$ 1,208,174	$ 2,248,024	$ 11,371,008	$ 11,783,678

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

Boards of Directors
Kids In Distress, Inc.

We have audited, 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, the consolidated financial statements of Kids In Distress, Inc. and its affiliates (a nonprofit organization) (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 Standard*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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October 16, 2013

FALKINS & COMPANY
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE OF FLORIDA CHAPTER 10.650, *RULES OF THE AUDITOR GENERAL*

Boards of Directors
Kids In Distress, Inc.

Compliance

We have audited Kids In Distress, Inc. and its affiliates (a nonprofit organization) (the "Organization") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services'* State Projects Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs and state projects for the year ended June 30, 2013. The Organization's major Federal programs and State projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and State Projects

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and state projects and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Falkins & Company

FALKINS & COMPANY

October 16, 2013

KIDS IN DISTRESS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of Kids In Distress, Inc.

2. No material weaknesses or significant deficiencies were identified during the audit of the consolidated financial statements.

3. There were no issues of noncompliance material to the financial statements noted.

4. No material weaknesses or significant deficiencies were identified during the audit of Federal programs or State projects.

5. The auditors' report on compliance with requirements applicable to the major Federal programs and State projects for Kids In Distress, Inc. expresses an unqualified opinion.

6. Our audit disclosed no findings required to be reported related to Federal programs under section 510(a) of OMB Circular A-133, or did our audit disclose any findings related to State projects required to be disclosed under Chapter 10.656 for nonprofit and for-profit organizations.

7. The programs/projects tested as major programs/projects included:

Federal Program	CFDA Number
Promoting Safe and Stable Families	93.556
Temporary Assistance for Needy Families	93.558
Foster Care – Title IV E	93.658
Medical Assistance Program	93.778

State Project	CSFA Number
Community Based Care (CBC) Supports	60.094

8 The threshold for distinguishing Types A and B programs/projects was $300,000 for major Federal programs and $300,000 for major State projects.

9. Kids In Distress, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133.

SECTION II - FINDINGS – FINANCIAL STATEMENTS FINDINGS

None

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS AND MAJOR STATE PROJECTS

None

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

Finding 2012-1 Controls over Dental Clinic Credentials

Finding: The Organization became aware that many of the dental services it was rendering over an extended period of time during the year may not have been eligible for claim submission to Medicaid. In many cases it was uncertain whether the dental personnel providing the services were properly credentialed. This condition resulted in a review by management several months later to attempt to identify unqualified billings, and a decision to reimburse the Medicaid program $143,000 for claims it had billed and received, but which might not have been permitted. Although the repayment to Medicaid is expected to be recovered from the dental services provider, oversight and monitoring of the program's regulatory requirements by KID was not sufficient to promptly identify and correct the deficiency to avoid the problem and a possible loss.

Questioned Cost: None

Corrective Action: KID has restructured the dental operations effective August 2012 to conform with a Practice Management model whereby Healthcare Solutions, LLC contracts directly with the licensed dentist. The Clinic Manager has fifteen years experience in dental clinic operations and is responsible to navigate the regulatory complexities and is the first line manager tasked with the proper management of the dental clinic. The Clinic Manager is responsible for validating the credentialed and licensing status of each contracted dentist. The Clinic Manager is also responsible to ensure that each dentist is properly credentialed by Medicaid and/or the respective third party payer prior to billing any services and that only services performed by a fully licensed and credentialed dentist are billed. A credentialing binder is maintained for each dentist to evidence this newly implemented control procedure.

KID intends to restructure the educational model implemented by faculty from a local university to ensure that fully credentialed and licensed university faculty are onsite at all times. This service component of the dental services has been temporarily suspended pending negotiations with the university to resume this model in early 2013. The Practice Management model has operated during the period that the educational model has been suspended thereby ensuring continuity of care.

KID also implemented an executive management level re-organization that introduced a Chief Operating Officer and Vice President of Social Enterprise position. This position is responsible for accounting, finance, preschool operations, dental clinic operations and other strategic initiatives. This position is responsible for supervising the Clinic Manager and in that role is also responsible for proper management of dental clinic operations.

Current Year Status: Management corrected in the current year; corrective action was considered sufficient.

Finding 2012-2 Controls over Medicaid Billing

Finding: The Organization did not bill Medicaid for counseling services in a timely manner, and some were not recorded in the books until after year end. Preparation of billings were delayed in some cases by several months. Timely billing for services is an important control to help assure the collection of amounts due and the preparation of accurate financial statements.

Questioned Cost: None

Corrective Action:

KID will introduce semi-monthly billing review sessions effective October 2012 between the Chief Operating Officer/Vice President of Social Enterprise and the Medicaid Billing Specialist to tighten the controls around outstanding claims that remain unpaid as well as address barriers to timely billing to Medicaid and other third party payers. KID has reviewed the circumstances that contributed to this finding and has identified that the internal control concern is limited to the accounting and finance department.

Current Year Status:

Management corrected in the current year; corrective action was considered sufficient.