

KIDS IN DISTRESS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2011

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AND SUPPLEMENTARY INFORMATION

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FALKINS & COMPANY

PROFESSIONAL ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

Boards of Directors
Kids In Distress, Inc.

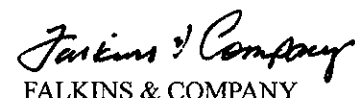
We have audited the accompanying consolidated statement of financial position of Kids In Distress, Inc., (a nonprofit organization) (the "Organization") and its affiliates as of June 30, 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The prior year summarized comparative information has been derived from the Organization's June 30, 2010 consolidated financial statements and, in our report dated September 28, 2010, we expressed an unqualified opinion on those consolidated financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kids In Distress, Inc. as of June 30, 2011, and the changes in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2011, on our consideration of the Organization's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of the Organization taken as a whole. The accompanying Supplementary Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance with Notes is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the Auditor General* and the accompanying Supplementary Consolidating Statements are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


FALKINS & COMPANY

October 21, 2011

KIDS IN DISTRESS, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2011
(With Comparative Totals for June 30, 2010)

ASSETS

	2011	2010
ASSETS:		
Cash	\$ 4,280,364	\$ 4,880,193
Investments	5,219,876	4,643,987
Grants and contracts receivable	858,798	801,431
Other receivables	36,663	6,167
Unconditional promises to give, net	869,135	1,065,596
Prepaid expenses	130,768	116,083
Other assets	171,278	73,284
Assets restricted for acquisition of land, buildings, and equipment, net	752,000	859,000
Land, buildings, and equipment, net	10,474,383	9,423,513
Assets restricted for endowment purposes, net	1,020,000	1,009,004
Total assets	\$ 23,813,265	\$ 22,878,258

LIABILITIES AND NET ASSETS

LIABILITIES:		
Accounts payable and accrued expenses	\$ 789,081	\$ 594,221
Debt	132,400	148,950
Total liabilities	921,481	743,171
COMMITMENTS		
NET ASSETS:		
Unrestricted	20,737,590	19,986,275
Temporarily restricted	1,134,194	1,139,808
Permanently restricted	1,020,000	1,009,004
Total net assets	22,891,784	22,135,087
Total liabilities and net assets	\$ 23,813,265	\$ 22,878,258

See accompanying notes to consolidated financial statements

KIDS IN DISTRESS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals 2011</u>	<u>Totals 2010</u>
REVENUES, GAINS, AND OTHER SUPPORT:					
Community Support:					
Contributions	\$ 2,168,457	\$ 543,839	\$ 10,996	\$ 2,723,292	\$ 2,511,573
United Way allocations	115,141	-	-	115,141	101,342
In-kind contributions	524,978	-	-	524,978	206,776
	<u>2,808,576</u>	<u>543,839</u>	<u>10,996</u>	<u>3,363,411</u>	<u>2,819,691</u>
Governmental grants and contracts	6,459,988	-	-	6,459,988	6,308,857
Medicaid/HMO reimbursements	675,631	-	-	675,631	356,612
KID Dental clinic revenue	71,738	-	-	71,738	-
Investment income net of investment expenses of \$10,362 for 2011 and \$7,351 for 2010	186,423	-	-	186,423	121,884
Other revenues	-	-	-	-	195,837
Rental income	72,064	-	-	72,064	40,200
Forgiveness of debt	16,550	-	-	16,550	16,550
Gain (loss) on sale of securities	55,714	-	-	55,714	183,712
Unrealized gain (loss) on investments	649,948	-	-	649,948	271,094
Net assets released from restrictions:					
Restrictions satisfied by payments	549,453	(549,453)	-	-	-
Total revenues, gains, and other support	<u>11,546,085</u>	<u>(5,614)</u>	<u>10,996</u>	<u>11,551,467</u>	<u>10,314,437</u>
EXPENSES AND LOSSES:					
Program Services:					
KID Crisis Home	1,049,115	-	-	1,049,115	853,529
KID Therapeutic Preschools	1,035,099	-	-	1,035,099	1,116,556
KID Infant and Toddler Emergency Shelter	-	-	-	-	519,777
Family Counseling Clinic	1,309,417	-	-	1,309,417	1,031,341
Supported Foster Care	580,096	-	-	580,096	493,735
Prevention	3,683,188	-	-	3,683,188	3,413,936
Palm Beach Programs	503,968	-	-	503,968	486,138
KID Dental Clinic	393,215	-	-	393,215	-
	<u>8,554,098</u>	<u>-</u>	<u>-</u>	<u>8,554,098</u>	<u>7,915,012</u>
Supporting Services:					
Management and general	1,074,053	-	-	1,074,053	1,121,542
Development and fundraising	1,166,619	-	-	1,166,619	1,162,936
	<u>2,240,672</u>	<u>-</u>	<u>-</u>	<u>2,240,672</u>	<u>2,284,478</u>
Total expenses and losses	<u>10,794,770</u>	<u>-</u>	<u>-</u>	<u>10,794,770</u>	<u>10,199,490</u>
CHANGE IN NET ASSETS	751,315	(5,614)	10,996	756,697	114,947
NET ASSETS, beginning of year	19,986,275	1,139,808	1,009,004	22,135,087	22,020,140
Transfer of assets	-	-	-	-	-
NET ASSETS, end of year	<u>\$ 20,737,590</u>	<u>\$ 1,134,194</u>	<u>\$ 1,020,000</u>	<u>\$ 22,891,784</u>	<u>\$ 22,135,087</u>

See accompanying notes to consolidated financial statements

KIDS IN DISTRESS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	<u>Supporting Services</u>			<u>Totals 2011</u>	<u>Totals 2010</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Development and Fundraising</u>		
Salaries	\$ 4,798,262	\$ 609,939	\$ 471,049	\$ 5,879,250	\$ 5,743,139
Employee health and benefit plans	610,006	63,324	41,243	714,573	720,812
Payroll taxes	392,653	48,481	38,763	479,897	448,430
	<u>5,800,921</u>	<u>721,744</u>	<u>551,055</u>	<u>7,073,720</u>	<u>6,912,381</u>
Bad debts	-	-	115,176	115,176	85,000
Conferences, conventions and meetings	6,624	4,113	10,199	20,936	30,495
Depreciation	395,590	38,001	33,388	466,979	469,502
Equipment rent and maintenance	59,332	5,946	13,468	78,746	122,780
Fund-raising	-	-	178,701	178,701	213,144
Insurance	207,757	38,191	5,421	251,369	209,662
Membership dues	6,583	3,032	3,959	13,574	6,402
Miscellaneous	17,647	34,896	29,632	82,175	42,137
Occupancy	272,845	25,143	19,206	317,194	362,116
Postage	4,534	3,729	38,682	46,945	19,420
Printing and publications	14,379	2,826	4,435	21,640	18,692
Professional fees and contract services	501,622	157,368	62,461	721,451	571,644
Specific assistance	235,980	-	-	235,980	300,914
Staff expenses	62,725	5,702	36,618	105,045	77,170
Supplies and office expense	210,549	20,076	19,066	249,691	241,774
Telephone	111,826	8,973	11,177	131,976	114,237
Travel and transportation	262,880	3,586	7,383	273,849	256,823
In-kind expenses:					
Occupancy	61,200	337	336	61,873	18,251
Specific assistance	283,381	-	6,393	289,774	95,738
Supplies	37,723	390	19,863	57,976	31,208
	<u>37,723</u>	<u>390</u>	<u>19,863</u>	<u>57,976</u>	<u>31,208</u>
Total expenses and losses	<u>\$ 8,554,098</u>	<u>\$ 1,074,053</u>	<u>\$ 1,166,619</u>	<u>\$ 10,794,770</u>	<u>\$ 10,199,490</u>

See accompanying notes to consolidated financial statements

KIDS IN DISTRESS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 756,697	\$ 114,947
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	466,979	469,502
Bad debt expense	115,176	85,000
Amortization of discount on unconditional promises to give	(25,000)	(41,609)
Amortization of discount on unconditional promises to give restricted for endowment purposes	(10,996)	-
Amortization of discount on unconditional promises to give restricted for long-term purposes	(26,000)	(53,000)
Unrealized and realized gains on investments	(704,959)	(454,806)
Forgiveness of debt	(16,550)	(16,550)
Contributions restricted for long-term and endowment purposes	(10,000)	(100,000)
Investment donations	(15,680)	(27,163)
(Increase) decrease in assets:		
Grants and contracts receivable	(75,865)	(544)
Other receivables	(11,998)	(6,167)
Unconditional promises to give	106,285	(1,325)
Prepaid expenses and other assets	(112,679)	35,119
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	194,860	(158,208)
Net cash provided by operating activities	630,270	(154,804)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of land, buildings, and equipment	(1,517,849)	(269,216)
Proceeds from sales of investments	1,115,727	3,318,973
Purchases of investments	(970,977)	(3,408,049)
Increase (decrease) in assets restricted for investment in:		
Land, buildings and equipment	143,000	-
Endowment	(5,900)	(10,000)
Net cash used in investing activities	(1,235,999)	(368,292)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for acquisition of:		
Investment in endowment	5,900	10,000
Net cash provided by financing activities	5,900	10,000
NET DECREASE IN CASH	(599,829)	(513,096)
CASH, beginning of year	4,880,193	5,393,289
CASH, end of year	\$ 4,280,364	\$ 4,880,193

See accompanying notes to consolidated financial statements

KIDS IN DISTRESS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(With Comparative Totals for June 30, 2010)

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

The following is the nature of activities of Kids In Distress, Inc. ("KID") 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 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 19% and 21% of revenues in 2011 and 2010, respectively), Children's Services Council of Broward County, Inc. (approximately 20% and 21% of revenues in 2011 and 2010, respectively) and other grants and contracts from governmental agencies, as well as contributions from members of the surrounding community (approximately 30% and 27% of revenues in 2011 and 2010, 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).

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 current year.

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, 2010, 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 to provide dental and optometry services to children and their families during the current year. It 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, 2011 amounted to approximately \$18,498 and are included in other receivables on the statement of financial position. Revenues from the optometry program earned by KID is received from rent from NSU to operate the program on the KID campus.

Restricted and Unrestricted Contributions - Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and/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.

Conditional contributions received are not recorded as contribution revenue until the donor conditions are met. Such amounts are recorded as refundable advances, and will be recognized subsequently as contribution revenue when the donor conditions are met.

Fair Value of Financial Instruments – The Organization estimates that the fair value of all financial instruments at June 30, 2011 and 2010 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.

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 provided by the straight-line method over useful lives of three to thirty years.

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. No amounts have been reflected in the financial statements for donated services by individuals. 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.

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.

Note 2 – Unconditional Promises to Give

Unconditional promises to give at June 30, 2011 and 2010 for KID consist of the following:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 1,023,635	\$ 1,162,511
Restricted for future operations	252,500	470,085
Restricted to capital expenditures	992,000	1,125,000
Less valuation allowance	<u>(10,000)</u>	<u>(10,000)</u>
Gross unconditional promises to give	<u>\$ 2,258,135</u>	<u>\$ 2,747,596</u>
Gross unconditional promises to give are expected to be collected over the following periods:		
Receivable in less than one year	\$ 727,635	\$ 1,036,382
Receivable in one to five years	492,500	550,500
Receivable in more than five years	<u>1,038,000</u>	<u>1,160,714</u>
Gross unconditional promises to give	2,258,135	2,747,596
Less discounts to net present value	(447,000)	(498,000)
Less allowance for uncollectible promises to give	<u>(190,000)</u>	<u>(325,000)</u>
Unconditional promises to give, net	<u>\$ 1,621,135</u>	<u>\$ 1,924,596</u>
Net unconditional promises to give are reported under the following categories on the Consolidated Statement of Financial Position:		
Unconditional promises to give, net	\$ 869,135	\$ 1,065,596
Assets restricted for acquisition of land, buildings, and equipment, net (See Note 3)	<u>752,000</u>	<u>859,000</u>
	<u>\$ 1,621,135</u>	<u>\$ 1,924,596</u>

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 1.76% to 5.5% 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:

	<u>2011</u>	<u>2010</u>
Promises to give restricted to capital expenditures, net (See Note 2)	<u>\$ 752,000</u>	<u>\$ 859,000</u>

The assets restricted for endowment purposes consist of the following:

Cash	\$ 740,900	\$ 735,000
Promises to give, net	<u>279,100</u>	<u>274,004</u>
	<u>\$ 1,020,000</u>	<u>\$ 1,009,004</u>

Note 4 – Investments

Investments at June 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Equities and other funds with readily determinable fair values	\$ 4,992,898	\$ 4,325,445
Certificates of deposit	<u>226,978</u>	<u>318,542</u>
Investments carried at fair value	<u>\$ 5,219,876</u>	<u>\$ 4,643,987</u>

Equities and other funds with readily determinable fair values consist primarily of mutual funds invested in asset classes consisting of U.S., International and Fixed Income Funds in order to achieve a balanced approach to portfolio construction and management in accordance with the Organization's investment policy.

Cash held in brokerage firms amounting to \$352,644 and \$365,391 for 2011 and 2010, respectively, are considered cash equivalents and are included in cash on the Consolidated Statement of Financial Position.

Note 5 – Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2011 and 2010 are as follows:

	Quoted Prices in Active Markets For Identical Assets (Level 1)
<u>June 30, 2011</u>	
Equities	\$ 4,992,898
Certificates of Deposit	<u>226,978</u>
Total	<u>\$ 5,219,876</u>
<u>June 30, 2010</u>	
Equities	\$ 4,325,445
Certificates of Deposit	<u>318,542</u>
Total	<u>\$ 4,643,987</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. There were no assets subject to Level 2 or Level 3 fair value measurements at June 30, 2011 and 2010.

Note 6 – Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 2,574,091	\$ 2,574,091
Buildings	8,867,161	8,867,161
Building improvements	1,705,505	626,288
Furniture and equipment	2,116,012	1,607,053
Transportation equipment	269,712	295,768
Construction in Progress	-	<u>69,125</u>
	<u>15,532,481</u>	<u>14,039,486</u>
Less accumulated depreciation	<u>5,058,098</u>	<u>4,615,973</u>
	<u>\$ 10,474,383</u>	<u>\$ 9,423,513</u>

Note 7 – 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 KID 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 8 – Governmental Grants and Contracts

Governmental Grants and Contracts consist of the following:

	Term	Amount	Support	
			2011	2010
State of Florida Department of Children and Families				
SAMH District 10 JH278	07/01/08 - 06/30/09	\$ 100,000	\$ -	\$ 100,000
JH318	07/01/10 - 06/30/11	100,000	100,000	-
			<u>100,000</u>	<u>100,000</u>
Broward County, Children's Service Administration Division				
07-CSAD-8233-01	10/01/08 - 09/30/09	225,542	-	40,547
09-CSAD-8233-01	10/01/08 - 09/30/09	40,000	-	7,520
10-CP-CSA-8233-01	10/01/09 - 09/30/10	298,330	53,600	215,312
09-CSAD-8233-01	10/01/09 - 10/01/10	40,000	27,200	40,320
11-CPCS-8233-01	10/01/10 - 09/30/11	383,330	204,967	-
			<u>285,767</u>	<u>303,699</u>
Children's Services Council of Broward County				
KID 04-2218	10/01/08 - 09/30/09	30,000	-	7,086
KID 06-2214	10/01/08 - 09/30/09	398,178	-	74,197
KID 07-2217	10/01/08 - 09/30/09	1,256,080	-	258,328
KID 07-2217	10/01/09 - 09/30/10	1,532,547	427,723	1,089,762
KID 08-2216	10/01/08 - 09/30/09	374,079	-	124,121
KID 08-2216	10/01/09 - 09/30/10	363,660	64,829	293,194
KID 10-2219	10/01/09 - 09/30/10	400,000	108,960	290,803
KID 07-2217	10/01/10 - 09/30/11	1,532,547	1,145,475	-
KID 08-2216	10/01/10 - 09/30/11	363,660	256,296	-
KID 10-2219	10/01/10 - 09/30/11	400,000	296,914	-
			<u>2,300,197</u>	<u>2,137,491</u>
School Board of Broward County				
	08/21/08 - 05/31/09	397,364	-	397,394
	08/21/10 - 05/31/11	299,624	299,624	-
			<u>299,624</u>	<u>397,394</u>
Broward Regional Health Planning Council, Inc.				
Healthy Families Broward				
HFB09-10KID	07/01/09 - 06/30/10	257,121	-	241,697
HFB10-11KID	07/01/10 - 06/30/11	264,812	263,094	-
			<u>263,094</u>	<u>241,697</u>

	Term	Amount	Support	
			2011	2010
Broward Healthy Start Coalition, Inc.				
KIDSCC08-09	07/01/09 - 06/30/10	387,000	-	390,095
KIDSC10	07/01/10 - 06/30/11	395,000	395,000	-
			<u>395,000</u>	<u>390,095</u>
Family Central, Inc.				
General Agreement	07/01/09 - 06/30/10	-	-	150,764
General Agreement	07/01/10 - 06/30/11	-	188,122	-
			<u>188,122</u>	<u>150,764</u>
ChildNet, Inc.				
KID-09-SHL	07/01/09 - 06/30/10	747,120	-	747,693
KID-09-VIS	07/01/09 - 06/30/10	41,356	-	41,356
KID-09-ADP	07/01/09 - 06/30/10	127,000	-	126,940
KID-09-ASM	07/01/09 - 06/30/10	32,004	-	32,004
KID-09-CFS	07/01/09 - 06/30/10	470,454	-	468,565
KID-09-FRS	07/01/09 - 06/30/10	364,289	-	364,176
KID-09-FHM	07/01/09 - 06/30/10	394,925	-	374,376
KID-09-CBA	07/01/09 - 06/30/10	16,000	-	16,000
KID-09-CHC	07/01/09 - 06/30/10	93,142	-	40,430
KID-10-SHL	07/01/10 - 06/30/11	695,920	646,109	-
KID-10-VIS	07/01/10 - 06/30/11	41,356	45,660	-
KID-10-ADP	07/01/10 - 06/30/11	127,000	127,000	-
KID-10-ASM	07/01/10 - 06/30/11	32,913	39,996	-
KID-10-CFS	07/01/10 - 06/30/11	470,454	470,437	-
KID-10-FRS	07/01/10 - 06/30/11	364,289	364,289	-
KID-10-FHM	07/01/10 - 06/30/11	498,738	423,653	-
KID-10-CBA	07/01/10 - 06/30/11	20,000	14,000	-
KID-10-CHC	07/01/10 - 06/30/11	93,142	61,278	-
			<u>2,192,422</u>	<u>2,211,540</u>
Palm Beach County				
Child and Family Connection				
RA016-10	07/01/09 - 06/30/10	-	-	56,164
RL002-10	07/01/09 - 06/30/10	-	-	320,013
RA016-10	07/01/10 - 06/30/11	-	63,731	-
RL002-10	07/01/10 - 06/30/11	-	350,894	-
One on One service	07/01/10 - 06/30/11	-	21,137	-
			<u>435,762</u>	<u>376,177</u>
Total governmental grants and contracts			<u>\$ 6,459,988</u>	<u>\$ 6,308,857</u>

Note 9 – Commitments

KID leases real property operating facilities from the Foundation under a lease agreement in the amount of \$581,610 and \$643,650 for 2011 and 2010, respectively. KID also leases certain equipment from the Foundation at an annual amount of \$181,212 and \$175,630 for 2011 and 2010, 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 \$2,000 for 2011 and 2010, which amounted to \$48,000 and \$24,000 for 2011 and 2010, respectively. The effects of this agreement are eliminated in consolidation.

Note 10 – Restrictions On Net Assets

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

	<u>2011</u>	<u>2010</u>
Purchase of property and equipment	\$ 752,000	\$ 809,000
For subsequent years' activities	<u>382,194</u>	<u>330,809</u>
	<u>\$ 1,134,194</u>	<u>\$ 1,139,809</u>

Endowment Funds

Permanently restricted net assets at June 30, 2011 and 2010 consist of four endowment funds 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. The historic dollar value of those contributions must be maintained inviolate. Income from the funds are 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.

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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. 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, 2011 and 2010 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2009	\$ -	\$ 1,009,004	\$ 1,009,004
Contributions	-	-	-
Investment income	5,288	-	5,288
Net appreciation	-	-	-
Program expenditures	<u>(5,288)</u>	<u>-</u>	<u>(5,288)</u>
Endowment net assets, June 30, 2010	-	1,009,004	1,009,004
Contributions	-	10,996	10,996
Investment income	2,511	-	2,511
Net appreciation	-	-	-
Program expenditures	<u>(2,511)</u>	<u>-</u>	<u>(2,511)</u>
Endowment net assets, June 30, 2011	<u>\$ -</u>	<u>\$ 1,020,000</u>	<u>\$ 1,020,000</u>

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 Organizations. 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 \$187,000 and \$160,000 during the years ended June 30, 2011 and 2010, 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 2011 and 2010 was approximately \$123,000 and \$ 137,000, 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 2011.

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 #JH278) local grant match requirements for 2011 were \$41,103.

Note 14 – Subsequent Events

Management has evaluated subsequent events through October 28, 2011, the date which the financial statements were available to be issued.

KIDS IN DISTRESS, INC.
SUPPLEMENTARY INFORMATION
June 30, 2011

KIDS IN DISTRESS, INC.
 SUPPLEMENTARY CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE WITH NOTES
 For the Year Ended June 30, 2011

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.	93.658	Foster Care -	KID-10-FHM KID-10-SHL
Passed through Child and Family Connections, Inc.	93.658	Foster Care - Title IV E	RL-KID-11 RA016-10
		Subtotal Foster Care - Title IV E	
Passed through ChildNet, Inc.	93.667	Social Services Block Grant	KID-08-SHL
Passed through Child and Family Connections, Inc.	93.667	Social Services Block Grant	RA016-10
		Subtotal Social Services Block Grant	
Passed through ChildNet, Inc.	93.556	Promoting Safe and Stable Families	KID-10-FHM KID-08-ADP KID-08-CHC
Passed through Child and Family Connections, Inc.	93.556	Promoting Safe and Stable Families	RL-KID-11
		Subtotal Promoting Safe and Stable Families	
Passed through ChildNet, Inc.	93.558	Temporary Assistance For Needy Families	KID-10-FHM
Passed through Child and Family Connections, Inc.	93.558	Temporary Assistance For Needy Families	RL-KID-11
Passed through Healthy Families of Broward County	93.558	Temporary Assistance For Needy Families	HFB10-11KID
		Subtotal Temporary Assistance for Needy Families	
Passed through ChildNet, Inc.	93.659	Adoption Assistance	KID-10-FHM KID-10-VIS
Passed through Child and Family Connections, Inc.	93.659	Adoption Assistance	RL-KID-11
		Subtotal Adoption Assistance	
Passed through ChildNet, Inc.	93.645	Child Welfare Services- State Grants	KID-08-FHM
Passed through Child and Family Connections, Inc.	93.645	Child Welfare Services- State Grants	RL-KID-11
		Subtotal Child Welfare Services State Grants	

<u>Expenditures</u>		<u>Transfer to Subrecipients</u>	
\$	102,114	\$	-
	257,333		-
	85,217		-
	26,208		-
	<u>470,872</u>		<u>-</u>
	180,262		-
	18,089		-
	<u>198,351</u>		<u>-</u>
	796		-
	126,999		-
	60,018		-
	<u>1,640</u>		<u>-</u>
	<u>189,453</u>		<u>-</u>
	66,316		-
	46,252		-
	<u>131,529</u>		<u>-</u>
	<u>244,097</u>		<u>-</u>
	44,417		-
	43,456		-
	<u>33,225</u>		<u>-</u>
	<u>121,098</u>		<u>-</u>
	18,651		-
	<u>10,778</u>		<u>-</u>
	<u>29,429</u>		<u>-</u>

KIDS IN DISTRESS, INC.
 SUPPLEMENTARY CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
 FINANCIAL ASSISTANCE WITH NOTES
 For the Year Ended June 30, 2011

Federal/State Agency, Pass-Through Entity	CFDA CSFA Number	Federal Program/State Project	Contract Grant Number
Passed through Broward Regional Health Planning Council, Inc.	93.590	Community Based Family Resource and Support Grants	HFB10-11KIDS
Passed through Broward Healthy Start Coalition	93.994	Maternal and Child Health Services Block Grant to the States	KIDSCC-10
Passed through Broward Healthy Start Coalition	93.778	Medical Assistance Program	KIDSCC-10
Passed through ChildNet, Inc.	93.669	Child Abuse and Neglect-State Grants	KID-10-ASM
Passed through the State of Florida Department of Children and Families	93.958	Block Grants for Community Mental Health services	JH278 JH318
Subtotal U.S. Department of Health and Human Services			
TOTAL EXPENDITURES OF FEDERAL AWARDS			
Passed through ChildNet, Inc.	60.104		KID-10-ASM KID-10-FRS KID-10-SHL KID-10-CBA KID-10-CFS KID-10-FHM
Passed through Child and Family Connections, Inc.			RL-KID-11 RA016-10
Subtotal Community-Based Care Supports			
Passed through the State of Florida Department of Children and Families	60.055	Children's Mental Health Community Support Services	JH318
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			

<u>Expenditures</u>	<u>Transfer to Subrecipients</u>
<u>131,549</u>	<u>-</u>
<u>39,500</u>	<u>-</u>
<u>7,900</u>	<u>-</u>
<u>4,091</u>	<u>-</u>
<u>58,897</u>	<u>-</u>
<u>21,138</u>	<u>-</u>
<u>80,035</u>	<u>-</u>
<u>\$ 1,516,375</u>	<u>\$ -</u>
\$ 35,906	\$ -
364,289	-
205,714	-
16,000	-
470,437	-
191,123	-
144,499	-
19,435	-
<u>1,447,403</u>	<u>-</u>
<u>41,103</u>	<u>-</u>
<u>\$ 1,488,506</u>	<u>\$ -</u>

NOTES TO SUPPLEMENTARY CONSOLIDATED SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2011

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, 2011

ASSETS

	Kids In Distress, Inc.	Kids In Distress Foundation, Inc.	Consolidating Entries	Consolidated Totals 2011	Consolidated Totals 2010
ASSETS:					
Cash	\$ 1,219,515	\$ 3,060,849	\$ -	\$ 4,280,364	\$ 4,880,193
Investments	78,466	5,141,410	-	5,219,876	4,643,987
Grants and contracts receivable	858,798	-	-	858,798	801,431
Other receivables	552,270	70,856	(586,463)	36,663	6,167
Unconditional promises to give, net	869,135	-	-	869,135	1,065,596
Prepaid expenses	130,768	-	-	130,768	116,083
Other assets	171,278	-	-	171,278	73,284
Assets restricted for acquisition of land, buildings, and equipment, net	752,000	-	-	752,000	859,000
Land, buildings, and equipment, net	566,054	9,908,329	-	10,474,383	9,423,513
Assets restricted for endowment purposes, net	-	1,020,000	-	1,020,000	1,009,004
Total assets	\$ 5,198,284	\$ 19,201,444	\$ (586,463)	\$ 23,813,265	\$ 22,878,258

LIABILITIES AND NET ASSETS

LIABILITIES:					
Accounts payable and accrued expenses	\$ 845,987	\$ 529,557	\$ (586,463)	\$ 789,081	\$ 594,221
Debt	-	132,400	-	132,400	148,950
Total liabilities	845,987	661,957	(586,463)	921,481	743,171
COMMITMENTS					
NET ASSETS:					
Unrestricted	3,218,103	17,519,487	-	20,737,590	19,986,275
Temporarily restricted	1,134,194	-	-	1,134,194	1,139,808
Permanently restricted	-	1,020,000	-	1,020,000	1,009,004
Total net assets	4,352,297	18,539,487	-	22,891,784	22,135,087
Total liabilities and net assets	\$ 5,198,284	\$19,201,444	\$ (586,463)	\$ 23,813,265	\$ 22,878,258

KIDS IN DISTRESS, INC.
SUPPLEMENTARY CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

	Kids In Distress, Inc.			Subtotals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS, AND OTHER SUPPORT:				
Community Support:				
Contributions	\$ 2,168,457	\$ 543,839	\$ -	\$ 2,712,296
United Way allocations	115,141	-	-	115,141
In-kind contributions	524,978	-	-	524,978
	<u>2,808,576</u>	<u>543,839</u>	<u>-</u>	<u>3,352,415</u>
Governmental grants and contracts	6,459,988	-	-	6,459,988
Medicaid/HMO reimbursements	675,631	-	-	675,631
Dental clinic revenue	71,738	-	-	71,738
Investment income net of investment expenses of \$10,362 for 2011 and \$7,351 for 2010	4,612	-	-	4,612
Rental income	72,064	-	-	72,064
Other revenues	48,000	-	-	48,000
Forgiveness of debt	-	-	-	-
Gain (loss) on sale of securities	(317)	-	-	(317)
Unrealized gain (loss) on investments	(1,427)	-	-	(1,427)
Net assets released from restrictions:				
Restrictions satisfied by payments	549,453	(549,453)	-	-
Total revenues, gains, and other support	<u>10,688,318</u>	<u>(5,614)</u>	<u>-</u>	<u>10,682,704</u>
EXPENSES AND LOSSES:				
Program Services:				
KID Crisis Home	1,091,132	-	-	1,091,132
KID Therapeutic Preschools	1,108,971	-	-	1,108,971
KID Infant and Toddler Emergency Shelter	-	-	-	-
Family Counseling Clinic	1,336,178	-	-	1,336,178
Supported Foster Care	602,388	-	-	602,388
Prevention	3,786,092	-	-	3,786,092
Palm Beach Programs	479,291	-	-	479,291
KID Dental Clinic	423,526	-	-	423,526
	<u>8,827,578</u>	<u>-</u>	<u>-</u>	<u>8,827,578</u>
Supporting Services:				
Management and general	1,075,927	-	-	1,075,927
Development and fundraising	1,196,571	-	-	1,196,571
	<u>2,272,498</u>	<u>-</u>	<u>-</u>	<u>2,272,498</u>
Total expenses and losses	<u>11,100,076</u>	<u>-</u>	<u>-</u>	<u>11,100,076</u>
CHANGE IN NET ASSETS	(411,758)	(5,614)	-	(417,372)
NET ASSETS, beginning of year	3,629,861	1,139,808	-	4,769,669
Transfer of assets	-	-	-	-
NET ASSETS, end of year	<u>\$ 3,218,103</u>	<u>\$ 1,134,194</u>	<u>\$ -</u>	<u>\$ 4,352,297</u>

See accompanying notes to consolidated financial statements

Kids In Distress Foundation, Inc.

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Subtotals</u>	<u>Consolidating Entries</u>	<u>Consolidated Totals 2011</u>	<u>Consolidated Totals 2010</u>
\$ -	\$ -	\$ 10,996	\$ 10,996	\$ -	\$ 2,723,292	\$ 2,511,573
-	-	-	-	-	115,141	101,342
-	-	-	-	-	524,978	206,776
-	-	10,996	10,996	-	3,363,411	2,819,691
-	-	-	-	-	6,459,988	6,308,857
-	-	-	-	-	675,631	356,612
-	-	-	-	-	71,738	-
181,811	-	-	181,811	-	186,423	121,884
762,822	-	-	762,822	(762,822)	72,064	40,200
-	-	-	-	(48,000)	-	195,837
16,550	-	-	16,550	-	16,550	16,550
56,031	-	-	56,031	-	55,714	183,712
651,375	-	-	651,375	-	649,948	271,094
-	-	-	-	-	-	-
<u>1,668,589</u>	<u>-</u>	<u>10,996</u>	<u>1,679,585</u>	<u>(810,822)</u>	<u>11,551,467</u>	<u>10,314,437</u>
40,951	-	-	40,951	(82,968)	1,049,115	853,529
80,928	-	-	80,928	(154,800)	1,035,099	1,116,556
-	-	-	-	-	-	519,777
33,359	-	-	33,359	(60,120)	1,309,417	1,031,341
23,428	-	-	23,428	(45,720)	580,096	493,735
120,056	-	-	120,056	(222,960)	3,683,188	3,413,936
28,681	-	-	28,681	(4,004)	503,968	486,138
35,039	-	-	35,039	(65,350)	393,215	-
<u>362,442</u>	<u>-</u>	<u>-</u>	<u>362,442</u>	<u>(635,922)</u>	<u>8,554,098</u>	<u>7,915,012</u>
105,526	-	-	105,526	(107,400)	1,074,053	1,121,542
37,548	-	-	37,548	(67,500)	1,166,619	1,162,936
<u>143,074</u>	<u>-</u>	<u>-</u>	<u>143,074</u>	<u>(174,900)</u>	<u>2,240,672</u>	<u>2,284,478</u>
505,516	-	-	505,516	(810,822)	10,794,770	10,199,490
1,163,073	-	10,996	1,174,069	-	756,697	114,947
16,356,414	-	1,009,004	17,365,418	-	22,135,087	22,020,140
-	-	-	-	-	-	-
<u>\$ 17,519,487</u>	<u>\$ -</u>	<u>\$ 1,020,000</u>	<u>\$ 18,539,487</u>	<u>\$ -</u>	<u>\$ 22,891,784</u>	<u>\$ 22,135,087</u>

KIDS IN DISTRESS, INC.
SUPPLEMENTARY CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011

	Program Services					
	KID Crisis Home	KID Therapeutic Preschools	KID Dental Clinic	Family Counseling Clinic	Supported Foster Care	Prevention
<u>Kids In Distress, Inc.</u>						
Salaries	\$ 563,180	\$ 580,914	\$ 74,695	\$ 902,802	\$301,611	\$2,113,173
Employee health and benefit plans	73,737	81,659	8,615	86,408	46,512	279,321
Payroll taxes	46,893	47,539	4,033	72,494	25,983	173,909
	<u>683,810</u>	<u>710,112</u>	<u>87,343</u>	<u>1,061,704</u>	<u>374,106</u>	<u>2,566,403</u>
Bad debts	-	-	-	-	-	-
Conferences, conventions and meetings	1,204	1,255	500	468	600	1,541
Depreciation	32,903	5,713	2,961	9,667	7,486	4,713
Equipment rent and maintenance	11,842	34,181	11,774	25,436	8,645	66,399
Fund-raising	-	-	-	-	-	-
Insurance	42,827	34,155	31,004	21,143	22,228	36,884
Membership dues	805	951	124	1,097	475	2,656
Miscellaneous	1,937	1,431	6,731	2,070	708	4,253
Occupancy	128,782	167,664	102,431	65,881	55,376	238,751
Postage	50	133	207	304	2,317	1,486
Printing and publications	1,143	1,341	3,034	2,682	677	4,664
Professional fees and contract services	9,098	27,004	85,727	31,706	6,466	324,534
Specific assistance	8,650	8,197	-	374	36,617	181,519
Staff expenses	2,849	3,206	32,959	4,308	8,119	9,047
Supplies and office expense	59,066	59,429	36,979	10,928	5,794	33,734
Telephone	8,095	6,930	6,925	15,681	8,323	52,714
Travel and transportation	15,503	2,224	110	60,512	7,743	161,454
In-kind expenses:						
Occupancy	1,269	1,955	9,159	269	269	279
Specific assistance	71,898	36,352	-	21,805	56,296	79,321
Supplies	9,401	6,738	5,558	143	143	15,740
	<u>1,091,132</u>	<u>1,108,971</u>	<u>423,526</u>	<u>1,336,178</u>	<u>602,388</u>	<u>3,786,092</u>
<u>Kids In Distress Foundation, Inc.</u>						
Total expenses and losses	40,951	80,928	35,039	33,359	23,428	120,056
Consolidating entries	(82,968)	(154,800)	(65,350)	(60,120)	(45,720)	(222,960)
Total consolidated expenses and losses	<u>\$1,049,115</u>	<u>\$1,035,099</u>	<u>\$ 393,215</u>	<u>\$1,309,417</u>	<u>\$580,096</u>	<u>\$3,683,188</u>

Supporting Services

Palm Beach Programs	Subtotals	Management and General	Development and Fundraising	Subtotals	Totals 2011	Totals 2010
\$ 261,887	\$ 4,798,262	\$ 609,939	\$ 471,049	\$ 1,080,988	\$ 5,879,250	\$ 5,743,139
33,754	610,006	63,324	41,243	104,567	714,573	720,812
21,802	392,653	48,481	38,763	87,244	479,897	448,430
<u>317,443</u>	<u>5,800,921</u>	<u>721,744</u>	<u>551,055</u>	<u>1,272,799</u>	<u>7,073,720</u>	<u>6,912,381</u>
-	-	-	115,176	115,176	115,176	85,000
1,056	6,624	4,113	10,199	14,312	20,936	30,495
-	63,443	9,591	1,154	10,745	74,188	75,954
9,975	168,252	19,960	32,154	52,114	220,366	219,888
-	-	-	178,701	178,701	178,701	213,144
19,516	207,757	30,484	5,421	35,905	243,662	204,312
475	6,583	3,032	3,959	6,991	13,574	6,402
517	17,647	30,372	29,632	60,004	77,651	41,476
10,667	769,552	66,543	62,706	129,249	898,801	1,005,766
37	4,534	3,729	38,682	42,411	46,945	19,420
838	14,379	2,826	4,435	7,261	21,640	18,692
17,087	501,622	148,701	62,461	211,162	712,784	547,467
623	235,980	-	-	-	235,980	300,914
2,237	62,725	5,702	36,618	42,320	105,045	77,170
4,619	210,549	15,844	19,066	34,910	245,459	214,999
13,158	111,826	8,973	11,177	20,150	131,976	114,237
15,334	262,880	3,586	7,383	10,969	273,849	256,823
48,000	61,200	337	336	673	61,873	18,251
17,709	283,381	-	6,393	6,393	289,774	95,738
-	37,723	390	19,863	20,253	57,976	31,208
479,291	8,827,578	1,075,927	1,196,571	2,272,498	11,100,076	10,489,737
28,681	362,442	105,526	37,548	143,074	505,516	1,293,033
(4,004)	(635,922)	(107,400)	(67,500)	(174,900)	(810,822)	(1,583,280)
<u>\$ 503,968</u>	<u>\$ 8,554,098</u>	<u>\$ 1,074,053</u>	<u>\$ 1,166,619</u>	<u>\$ 2,240,672</u>	<u>\$ 10,794,770</u>	<u>\$ 10,199,490</u>

FALKINS & COMPANY

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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 the consolidated financial statements of Kids In Distress, Inc. and its affiliates (a nonprofit organization) (the "Organization") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting (Finding 2011-1). 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.

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 their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Boards of Directors, the audit committee, management, and others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


FALKINS & COMPANY

October 21, 2011

FALKINS & COMPANY

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

Boards of Directors
Kids In Distress, Inc.

Compliance

We have audited the compliance of Kids In Distress, Inc. (nonprofit organization) (the "Organization") with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs and State projects is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, Kids In Distress, Inc. and Kids In Distress Foundation, Inc. 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, 2011.

Internal Control Over Compliance

Management of Kids In Distress, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs and State projects. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program or State project to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Boards of Directors, the audit committee, management, others within the Organization, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


FALKINS & COMPANY

October 21, 2011

KIDS IN DISTRESS, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2011

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 were identified on internal control over financial reporting during the audit of the consolidated financial statements. However, a significant deficiency was noted that was not considered to be material weaknesses.
3. No material weaknesses or significant deficiencies were identified during the audit of major Federal programs or State projects.
4. 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.
5. 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.
6. The programs/projects tested as major programs/projects included:

<u>Federal Program</u>	<u>CFDA Number</u>
Foster Care – Title IV E	93.658
<u>State Projects</u>	<u>CSFA Number</u>
Community Bases Care (CBC) Supports	60.094

7. The threshold for distinguishing Types A and B programs/projects was \$300,000 for major Federal programs and \$300,000 for major State projects.
8. Kids In Distress, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Yes

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

None

D. FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS

None

E. OTHER ISSUES

1. No summary schedule of prior audit findings is required because there were no prior audit findings related to the Federal award programs or State projects.

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2011-1 Record and Reconcile Bank Account

- Criteria: Contemporaneous recording of a new bank account in the general ledger and monthly reconciliation of its balance with the bank statements are important controls to help safeguard cash and assure that all transactions have been recorded.
- Condition: The Organization created a new depository account during the year for the opening of its dental clinic in February, 2011, but did not record the account in the general ledger, and accordingly could not reconcile the ledger balance with bank statements through June 30, 2011, as it does routinely for its other bank accounts. The Organization created a journal entry after June 30, 2011 to record the cash balance held by the new account.
- Effect: Cash transactions could occur, but not be recorded.
- Recommendation: The bank account should be recorded in the general ledger and be reconciled at least monthly with bank statements and any other corroborating information.
- Management's Response: Management agrees and is currently correcting this finding.