Denver Kids, Inc.

Years Ended August 31, 2012 and 2011
with
Independent Auditors' Report

Denver Kids, Inc.

Years Ended August 31, 2012 and 2011
(See Independent Auditors' Report)

Contents

Board of Directors
Denver Kids, Inc.
Denver, Colorado

Independent Auditor's Report

We have audited the accompanying statements of financial position of Denver Kids, Inc. as of August 31, 2012 and 2011 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organizations management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Denver Kids, Inc. as of August 31, 2012 and 2011 the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bradley Consulting Group, P.C.
Certified Public Accountants

Lakewood, Colorado

November 13, 2012

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Denver Kids, Inc.

Statements of Financial Position
August 31, 2012 and 2011
(See Independent Auditors' Report)

Assets

	2012	2011
Current assets:		
Cash and cash equivalents:		
Unrestricted:		
Operating accounts	$ 366,905	$ 364,152
Investment accounts	11,030	47,623
Board designated	44,185	9,314
Temporarily restricted	20,239	-
Permanently restricted	22,650	6,756
Current portion of unconditional promises to give, net of allowance for doubtful accounts	145,636	195,321
Investments:		
Unrestricted, reserve	521,724	441,933
Board designated, endowment	767,224	762,557
Permanently restricted, endowment	314,965	302,748
Prepaid expenses	15,868	6,982
Total current assets	2,230,426	2,137,386
Property and equipment, at cost:		
Office furniture, equipment, and software	48,308	50,897
Less accumulated depreciation	27,596	31,172
Total property and equipment	20,712	19,725
Long-term assets:		
Unconditional promises to give	457,231	407,506
Less current portion	145,636	195,321
Total long-term assets	311,595	212,185
Total assets	$ 2,562,733	$ 2,369,296

(See Notes to Financial Statements)

Denver Kids, Inc.

Statements of Financial Position
August 31, 2012 and 2011
(See Independent Auditors' Report)

Liabilities and Net Assets

	2012	2011
Current and total liabilities:		
Accrued expenses:		
Bonuses	$ 3,400	$ 7,000
Vacation	11,151	5,791
Total liabilities	14,551	12,791
Net assets:		
Unrestricted:		
Operating	1,358,207	1,244,428
Net investment in property and equipment	20,712	19,725
Board designated	811,409	771,871
Total unrestricted	2,190,328	2,036,024
Temporarily restricted	20,239	10,975
Permanently restricted	337,615	309,506
Total net assets	2,548,182	2,356,505
Total liabilities and net assets	$ 2,562,733	$ 2,369,296

(See Notes to Financial Statements)

Denver Kids, Inc.

Statement of Activities and Changes in Net Assets
Year Ended August 31, 2012
(See Independent Auditors' Report)

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Revenues:					
Sponsors	$ 360,000	$ -	$ -	$ -	$ 360,000
Corporations and Foundations	341,165	-	55,500	-	396,665
Individuals:					
General	236,420	-	30,315	-	266,735
Pledges	247,343	-	-	-	247,343
Special events	58,881	-	-	-	58,881
In-Kind contributions	795,264	-	-	-	795,264
Investment income	14,428	25,207	-	10,550	50,185
Loss on disposal of asset	(771)	-	-	-	(771)
Net increase in investments	27,756	40,866	-	17,559	86,181
Net assets released from restrictions:					
Satisfaction of program restrictions	103,086	(26,535)	(76,551)	-	-
Total revenues	2,183,572	39,538	9,264	28,109	2,260,483
Expenses:					
Program	1,648,896	-	-	-	1,648,896
General and administrative	220,235	-	-	-	220,235
Fund raising	199,675	-	-	-	199,675
Total expenses	2,068,806	-	-	-	2,068,806
Change in net assets from operations	114,766	39,538	9,264	28,109	191,677
Net assets, beginning of year	1,264,153	771,871	10,975	309,506	2,356,505
Net assets, end of year	$ 1,378,919	$ 811,409	$ 20,239	$ 337,615	$ 2,548,182

(See Notes to Financial Statements)

Denver Kids, Inc.

Statement of Activities and Changes in Net Assets
Year Ended August 31, 2011
(See Independent Auditors' Report)

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Revenues:					
Sponsors	$ 380,000	$ -	$ -	$ -	$ 380,000
Corporations and Foundations	202,805	-	36,000	-	238,805
Individuals:					
General	227,301	-	19,010	10,000	256,311
Pledges	108,737	-	-	-	108,737
Fund raising	52,603	-	-	-	52,603
In-kind contributions	778,084	-	-	-	778,084
Investment income	9,739	16,877	-	9,361	35,977
Loss on disposal of asset	(583)	-	-	-	(583)
Net increase on investment	41,543	77,809	-	5,258	124,610
Net assets released from restrictions:					
Satisfaction of program restrictions	95,285	(50,000)	(45,285)	-	-
Total revenues	1,895,514	44,686	9,725	24,619	1,974,544
Expenses:					
Program	1,480,953	-	-	-	1,480,953
General and administrative	203,472	-	-	-	203,472
Fund raising	161,188	-	-	-	161,188
Total expenses	1,845,613	-	-	-	1,845,613
Change in net assets from operations	49,901	44,686	9,725	24,619	128,931
Net assets, beginning of year	1,214,252	727,185	1,250	284,887	2,227,574
Net assets, end of year	$ 1,264,153	$ 771,871	$ 10,975	$ 309,506	$ 2,356,505

(See Notes to Financial Statements)

Denver Kids, Inc.

Statements of Cash Flows
Years Ended August 31, 2012 and 2011
(See Independent Auditors' Report)

	2012	2011
Cash flows from operating activities:		
Cash received from sponsors, donors and others	$ 1,300,495	$ 1,117,022
Cash paid to suppliers and employees	(1,296,150)	(1,057,969)
Interest received	50,185	35,977
Net cash provided by operating activities	54,530	95,030
Cash flows from investing activities:		
Proceeds from sale of investments	148,325	601,257
Purchases of property and equipment	(6,876)	(12,199)
Purchases of investments	(158,815)	(617,229)
	-	
Net cash used by investing activities	(17,366)	(28,171)
Net increase in cash and cash equivalents	37,164	66,859
Cash and cash equivalents, beginning	427,845	360,986
Cash and cash equivalents, ending	$ 465,009	$ 427,845

(continued)
(See Notes to Financial Statements)

Denver Kids, Inc.

Statements of Cash Flows (continued)
Years Ended August 31, 2012 and 2011
(See Independent Auditors' Report)

	2012	2011
Cash flows from operating activities:		
Change in net assets from operations	$ 191,677	$ 128,931
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,118	2,023
Loss on disposal of asset	771	583
Unrealized gains on investments	(72,045)	(100,026)
Realized gains on investments	(14,140)	(24,584)
Increase (decrease) in allowance for doubtful accounts	(20,600)	4,684
(Increase) decrease in:		
Unconditional promises to give	(29,125)	60,882
Accounts receivable	-	15,000
Prepaid expenses	(8,886)	461
Increase (decrease) in:		
Accounts payable	-	(715)
Accrued expenses:		
Bonuses	(3,600)	7,000
Vacation	5,360	5,791
Deferred revenue	-	(5,000)
Net cash provided by operating activities	$ 54,530	$ 95,030

(See Notes to Financial Statements)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of operations

Denver Kids, Inc. (the "Organization") is a 501(c)(3) nonprofit organization formed in September 1993 as a result of the merger between Denver Girls, Inc. and Denver Boys, Inc. The Organization provides educational counseling services for referred students enrolled in kindergarten through twelfth grade in Denver Public Schools (DPS). The Organization and DPS work together to offer daily activities to students which are provided by educational counselors under the employ of both the Organization and DPS. In addition to the counselors, the Organization provides administrative support and other resources as needed with a significant number of volunteers providing additional support and assistance.

The Organization operates numerous programs which include the following:

- Educational Counseling: Provides one-to-one support and guidance to students in grades kindergarten through twelve that attend DPS. Students are referred to the Organization by school personnel and then assigned to a specific counselor who then meets with the student on a weekly to semi-monthly basis for a period of, on average, 6-8 years.

- Mentoring: The Organization recruits and trains adult volunteers to serve as mentors to the students. Mentor and student matches typically average 4.5 years with meetings twice per month. Professional educational counseling personnel work closely with each volunteer providing expertise and guidance.

- Parent Engagement: Promotes parent engagement along with personnel of both the Organization and DPS providing a link between parents and external agencies. The program offers parents group support, training on relevant topics, referrals, counseling and other resources. Referrals and resources include medical care, legal assistance and housing along with consultations on the special education process.

- Future Options: Provides post-secondary guidance and career explorations to students in grades 8 through 12 which include identifying appropriate colleges and universities and assistance with applying for financial aid. Workshops, campus and industry tours and internship opportunities engage students in both career exploration and job readiness exercises.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Nature of operations (continued)

The Organization operates numerous programs which include the following:

- Student Enrichment Opportunities: Planned events that are organized in a manner that is fun and teachable, and aligns with the mission of the Organization. All student activities meet the following criteria - provides students an opportunity to think about the importance of education and a high school diploma, provides students an opportunity to think about or explore post-secondary options, and encourages, motivates or inspires students to become contributing/participating members of the community. Even though there is frequent overlap, there are usually four types of Denver Kids, Inc. activities: Program-related, Development-related, Stand-alone or Community-related, and Summer

The Organization operated the following program during the year ended August 31, 2010 but it was completed during the year ended August 31, 2011:

- Marcus' Mentors: Matches high school student mentors with elementary students in a once-a-week tutoring program.

Basis of presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

The financial statements of the Organization are prepared using the accrual method of accounting under accounting principles generally accepted in the United States of America whereby income is reported as earned and expenses reported as incurred.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents. The Organization maintains cash in bank deposit accounts at various financial institutions in bank deposit accounts in which the deposits are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”). The operating accounts of the Organization are held at institutions that are provided unlimited coverage by the FDIC for non-interest bearing transaction accounts as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. As of the date of this report, this program is effective through December 31, 2012. Topic 825 of the FASB ASC, *Financial Instruments* identifies such accounts as a concentration of credit risk requiring disclosure regardless of the degree of risk. Risk related to deposits held outside of institutions participating in the above program is managed by maintaining deposits with high quality financial institutions and monitoring cash such that balances are rarely, if ever, in excess of any applicable FDIC insurance limits that may be in place. In addition, management does not believe that the Organization is exposed to any significant risk related to cash and cash equivalents.

Promises to give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to record uncollectible accounts. The allowance is based on past experience and on specific analysis of the collectability of individual account balances.

Property and equipment

Property and equipment are recorded at acquisition cost with donated property and equipment recorded at estimated fair market value. When items are disposed, the cost and related depreciation are removed from the accounts, with gains or losses on disposal recorded. Depreciation is computed by the straight-line method, over the estimated useful lives of the assets ranging from three to seven years. Expenditures for maintenance, repairs and minor replacements are charged to operations.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the Statement of Financial Position. Realized and unrealized gains and losses are included in the Statements of Activities and Changes in Net Assets. Donated investments are reflected as contributions at their market values at date of receipt.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

All donations are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

In-Kind Contributions

Denver Public Schools contributed office space, equipment and other assistance along with a significant portion of the salaries and related costs of the Organization’s executive and administrative staff in the amounts of $568,480 and $583,480 for the years ended August 31, 2012 and 2011, respectively, which are recorded as contributed services in the Statement of Activities. These amounts represent DKI's estimate of what it would cost the Organization to replace DPS assistance in order to maintain the current level of service provided to DPS students. The contributed services are allocated on a functional basis in the Statement of Activities and Changes in Net Assets.

In addition, the Organization receives in-kind donations of clothing and school supplies from businesses and individuals. Where possible, these donations are valued at cost (if readily available) or at a conservative amount based on market value. Management of the Organization has estimated the value of these donations to be $226,784 and $194,604, respectively, for the years ended August 31, 2012 and 2011.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

In-kind contributions (continued)

Also, many other individuals volunteer their time and perform a variety of tasks that assist the Organization in its programs and general operations throughout the year; however, the value of these services do not meet the recognition criteria under FASB ASC Topic 958-605. Management of the Organization has estimated the hours contributed to be approximately 46,500 and 44,900 for the years ended August 31, 2012 and 2011, respectively.

Allocations

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Statements of Functional Expenses provide a detail of the natural classifications of those functional expenses.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") and has been classified as an organization other than a private foundation under Section 501(a)(2) of the Code.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Fair value measurements

During 2008, the Organization adopted FASB ASC Topic 820, *Fair Value Measurements and Disclosures*. FASB ASC Topic 820 establishes a single authoritative definition of fair value and sets a hierarchy for measuring fair value. The adoption of FASB ASC Topic 820 has no impact on the Organization's accounting policies for investments, but requires additional disclosures about fair value measurement. The hierarchy for measuring fair value prioritizes the inputs to valuation techniques used to measure fair value and gives the highest priority to unadjusted quoted prices for securities traded in active markets (level 1) and the lowest priority to unobservable inputs (level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The hierarchy for measuring fair value under FASB ASC Topic 820 are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for financial instruments traded in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for financial instruments not traded in active markets, quoted prices for similar financial instruments traded in active markets and inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. In addition, inputs that are derived principally from or corroborated by observable market data by correlation or other means are also included in the valuation methodology.

Level 3 – Inputs to the valuation methodology include prices or valuations of financial instruments that are not traded in active markets and inputs significant to the fair value measurement are unobservable.

Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs.

2. Promises to Give

Unconditional promises to give

Unconditional promises to give for years ending after August 31, 2012 and 2011 are reflected as either current or non-current assets based on the terms of the commitment by the individual donors. The allowance for uncollectible amounts is determined by management based on the evaluation of collectability of the promises outstanding

The following is a summary of unconditional promises to give at August 31, 2012 and 2011:

Amounts due in:	2012	2011
Less than one year	$ 145,636	$ 195,321
One to five years	316,895	238,085
	$ 462,531	$ 433,406
Promises to give	$ 462,531	$ 433,406
Less allowance for uncollectible amounts	5,300	25,900
Net promises to give	$ 457,231	$ 407,506

Amounts due in more than one year in the future have not been discounted to present value because the effect on the financial statements would not be significant.

3. Investments

As required by FASB ASC Topic 820, the Organization’s portfolio managed investments as of August 31, 2012 were classified as follows, based on the lowest level of input that is significant to the fair value measurement:

Description	Level 1	Level 2	Level 3	Totals
Managed Investments:				
Cash and money funds	$ 77,865	$ -	$ -	$ 77,865
Equities	726,053	-	-	726,053
Fixed income investments	351,072	-	-	351,072
Mutual funds:				
Bonds	391,639	-	-	391,639
Equities	135,149	-	-	135,149
	$ 1,681,778	$ -	$ -	$ 1,681,778

As required by FASB ASC Topic 820, the Organization’s portfolio managed investments as of August 31, 2011 were classified as follows, based on the lowest level of input that is significant to the fair value measurement:

Description	Level 1	Level 2	Level 3	Totals
Managed Investments:				
Cash and money funds	$ 63,693	$ -	$ -	$ 63,693
Equities	776,137	-	-	776,137
Fixed income investments	343,879	-	-	343,879
Mutual funds:				
Bonds	355,403	-	-	355,403
Equities	31,819	-	-	31,819
	$ 1,570,931	$ -	$ -	$ 1,570,931

Valuation techniques used to measure assets at fair value include net asset value of shares held by the Organization at year end and closing prices reported on the active markets in which securities held by the Organization are traded.

3. Investments (continued)

Investments are carried at fair value and are presented in the financial statements as follows as of August 31, 2012:

Description	Unrestricted (Reserve)	Board Designated (Endowment)	Permanently Restricted (Endowment)	Totals
Managed Investments:				
Cash and money market funds	$ 11,030	$ 44,185	$ 22,650	$ 77,865
Equities	254,776	396,109	75,168	726,053
Fixed income investments	78,845	160,790	111,437	351,072
Mutual funds:				
Bonds	133,969	170,672	86,998	391,639
Equities	54,134	39,653	41,362	135,149
Total investments	521,724	767,224	314,965	1,603,913
	$ 532,754	$ 811,409	$ 337,615	$ 1,681,778

Investments are carried at fair value and are presented in the financial statements as follows as of August 31, 2011:

Description	Unrestricted (Reserve)	Board Designated (Endowment)	Permanently Restricted (Endowment)	Totals
Managed Investments:				
Cash and money market funds	$ 47,623	$ 9,314	$ 6,756	$ 63,693
Equities	239,404	438,544	98,189	776,137
Fixed income investments	79,492	158,847	105,540	343,879
Mutual funds:				
Bonds	105,940	165,166	84,297	355,403
Equities	17,097	-	14,722	31,819
Total investments	441,933	762,557	302,748	1,507,238
	$ 489,556	$ 771,871	$ 309,504	$ 1,570,931

Included in investment income for the years ended August 31, 2012 and 2011 were investment management fees of approximately $11,200 and $10,800, respectively.

4. Board Designated Net Assets

During the year ended August 31, 2004, the Board of Directors of the Organization resolved to establish a quasi-endowment account to set aside funds to cover future operating expenses of the Organization. The board initially designated a transfer of $600,000 to this account from unrestricted net assets and since that time all investment income and investment gains have been retained as well.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of donations restricted by the donors and are available for the following purposes as of August 31, 2012 and 2011:

	2012	2011
2020 Planning Initiative	$ -	$ 3,975
Grant Writer	5,000	-
Inclusiveness Grant	2,819	7,000
Mentoring Program	12,420	-
	$ 20,239	$ 10,975

6. Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment assets plus the related investment income as well as realized and unrealized gains and losses.

7. Employee Retirement and Deferred Compensation Plans

In September 2007, the Organization established a Simple/IRA Plan which allows employees to participate immediately upon hire. The Plan includes a matching provision whereby the Organization will match employee contributions up to a maximum of 3% of compensation.

7. Employee Retirement and Deferred Compensation Plans (continued)

The Organization's matching contributions totaled approximately $18,800 and $12,700 for the years ended August 31, 2012 and 2011, respectively.

The Organization had also established a 403(b) deferred compensation plan which allowed for employees to participate immediately upon hire. The Plan did not require any matching contributions and was terminated as of August 31, 2010.

8. Concentration of Credit Risk

The Organization is required by FASB ASC Topic 825, *Financial Instruments,* to disclose significant concentrations of credit risk regardless of the degree of such risk. At August 31, 2012 and 2011, the financial instruments that potentially subject the Organization to a concentration of credit risk consist principally of investments.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility risk. Due to the level of risk associated with investment securities, it is reasonably possible that changes in value of investment securities will occur in the near term and that such change could materially affect account balances and the amount presented in the statements of financial position.

Since June 30, 2009, U.S. and international markets have continued to experience significant fluctuations and volatility. The Organization is monitoring investment market conditions and the impact such fluctuations and volatility are having on the Organization’s investment portfolio. Due to the volatility in the financial markets as of the date of this report, the Organization is unable to determine the impact which continued volatility may have on the Organization’s investment portfolio.

9. Income Taxes

In July, 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109”, hereafter referred to as Topic 740 of the FASB ASC. Topic 740 clarifies the accounting for uncertainty in income tax positions and defines the threshold for recognizing the tax benefits of tax return filing positions in the financial statements as “more likely than not” to be sustained upon examination, based on the technical merits of the positions. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized. Tax positions which previously would have failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which the threshold is met. Conversely, previously recognized tax positions which no longer meet the more-likely-than-not recognition should be derecognized in the first subsequent financial reporting period in which the threshold is no longer met.

9. Income Taxes (continued)

The Organization adopted the provisions of Topic 740 on September 1, 2009. The adoption of Topic 740 did not result in a material modification of the overall financial statements of the Organization as of and for the year ended August 31, 2010. As the Organization is qualified as a nonprofit Organization under the Internal Revenue Code, any income tax position would be primarily related to unrelated business activities outside the core mission of the Organization. Based on prior examinations of contractual arrangements of the Organization and correspondence received from the Internal Revenue Service, management believes there to be no potential income tax positions that would result in related tax liability for the Organization. Management will continue to evaluate any future contractual arrangements with respect to potential income tax positions under this guidance.

10. Subsequent Events

Subsequent events have been evaluated by management as of the date of these financial statements. This date represents the date the financial statements were available to be issued.

Supplemental Information
(See Independent Auditors' Report on Additional Information)

Board of Directors
Denver Kids, Inc.
Denver, Colorado

Independent Auditors' Report on Supplemental Information

Our report on our audits of the financial statements of Denver Kids, Inc. as of and for the years ended August 31, 2012 and 2011 appears on page 1. The audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The information on the following pages is presented for purposes of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows for the organization. The accompanying supplemental information for the years ended August 31, 2012 and 2011 has been subject to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bradley Consulting Group, P.C.
Certified Public Accountants

Lakewood, Colorado

November 13, 2012

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Denver Kids, Inc.

Statement of Functional Expenses
Year Ended August 31, 2012
(See Auditors' Report on Additional Information)

	Program	General and Administrative	Fund Raising	Total	Percentage of Total Revenue - $2,260,483
Bad debts	$ -	$ 15,491	$ -	$ 15,491	0.7 %
Counselor and program expense	58,366	-	-	58,366	2.6
Depreciation	-	5,118	-	5,118	0.2
Development and events	19,639	742	57,440	77,821	3.4
Employee benefits	90,279	4,810	10,828	105,917	4.7
Insurance	11,185	1,041	1,126	13,352	0.6
In-kind expense:					
Goods and services	226,784	-	-	226,784	10.0
Information technology support	4,800	1,760	540	7,100	0.3
Rent	27,504	3,782	3,094	34,380	1.5
Salaries and wages	447,800	49,500	29,700	527,000	23.3
Legal and accounting	-	7,500	-	7,500	0.3
Mileage expense	25,909	-	32	25,941	1.2
Miscellaneous	2,570	474	108	3,152	0.1
Office expense	37,694	19,940	14,239	71,873	3.2
Payroll taxes	46,759	6,725	7,759	61,243	2.7
Salaries and wages	636,442	103,352	74,809	814,603	36.1
Student activities and expense	13,165	-	-	13,165	0.6
	$ 1,648,896	$ 220,235	$ 199,675	$ 2,068,806	91.5 %
Percentage of Total Expenses	79.7%	10.7%	9.7%	100.0%	

Denver Kids, Inc.

Statement of Functional Expenses
Year Ended August 31, 2011
(See Auditors' Report on Additional Information)

	Program	General and Administrative	Fund Raising	Total	Percentage of Total Revenue - $1,974,544
Bad debts	$ -	$ 1,738	$ -	$ 1,738	0.1 %
Counselor and program expense	56,998	-	-	56,998	2.9
Depreciation	-	2,024	-	2,024	0.1
Development and events	21,928	6,009	51,272	79,209	4.0
Employee benefits	63,621	1,526	6,801	71,948	3.6
Insurance	9,797	1,792	967	12,556	0.6
In-kind expense:					
Goods and services	194,604	-	-	194,604	9.9
Information technology support	4,860	660	1,580	7,100	0.4
Rent	27,848	3,782	2,750	34,380	1.7
Salaries and wages	462,800	49,500	29,700	542,000	27.5
Legal and accounting	-	9,950	-	9,950	0.5
Mileage expense	23,441	-	-	23,441	1.2
Miscellaneous	2,500	4,322	-	6,822	0.4
Office expense	32,471	18,124	2,914	53,509	2.7
Payroll taxes	38,601	10,120	6,145	54,866	2.8
Salaries and wages	531,107	93,759	59,019	683,885	34.6
Student activities and expense	10,377	166	40	10,583	0.5
	$ 1,480,953	$ 203,472	$ 161,188	$ 1,845,613	93.5 %
Percentage of Total Expenses	80.3%	11.0%	8.7%	100.0%	