Denver Kids, Inc.

Years Ended August 31, 2013 and 2012
with
Independent Auditors' Report

Denver Kids, Inc.

Years Ended August 31, 2013 and 2012
(See Independent Auditors' Report)

Contents

BRADLEY CONSULTING GROUP
Certified Public Accountants
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Board of Directors
Denver Kids, Inc.
Denver, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of Denver Kids, Inc. which comprise the statements of financial position as of August 31, 2013 and 2012 and the related statements of activities and changes in net assets and cash flows for the years then ended and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Denver Kids, Inc. as of August 31, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bradley Consulting Group, PC
Certified Public Accountants

Lakewood, Colorado
November 12, 2013

Denver Kids, Inc.

Statements of Financial Position
August 31, 2013 and 2012
(See Independent Auditors' Report)

Assets

	2013	2012
Current assets:		
Cash and cash equivalents:		
Unrestricted:		
Operating accounts	$ 631,198	$ 366,905
Investment accounts, money market reserve	38,314	11,030
Board designated investment, money market endowment	65,939	44,185
Temporarily restricted, operating account	971	20,239
Permanently restricted investment, money market endowment	12,542	22,650
Pledges, current portion of unconditional promises to give, net of allowance for doubtful accounts	208,025	145,636
Investments:		
Unrestricted, reserve	555,222	521,724
Board designated, endowment	771,948	767,224
Permanently restricted, endowment	325,092	314,965
Prepaid expenses	15,044	15,868
Total current assets	2,624,295	2,230,426
Property and equipment, at cost:		
Office furniture, equipment, and software	71,299	48,308
Less accumulated depreciation	26,422	27,596
Total property and equipment	44,877	20,712
Other assets:		
Pledges, unconditional promises to give, net of current portion	521,774	311,595
Total assets	$ 3,190,946	$ 2,562,733

(See Notes to Financial Statements)

Denver Kids, Inc.

Statements of Financial Position
August 31, 2013 and 2012
(See Independent Auditors' Report)

Liabilities and Net Assets

	2013	2012
Current and total liabilities:		
Accrued expenses:		
Bonuses	$ 13,000	$ 3,400
Vacation	13,475	11,151
Total liabilities	26,475	14,551
Net assets:		
Unrestricted:		
Operating	1,420,324	1,046,612
Net investment in property and equipment	44,877	20,712
Board designated	837,887	811,409
Total unrestricted	2,303,088	1,878,733
Temporarily restricted	523,749	331,834
Permanently restricted	337,634	337,615
Total net assets	3,164,471	2,548,182
Total liabilities and net assets	$ 3,190,946	$ 2,562,733

(See Notes to Financial Statements)

Denver Kids, Inc.

Statement of Activities and Changes in Net Assets
Year Ended August 31, 2013
(See Independent Auditors' Report)

	Unrestricted	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Revenues:					
Sponsors	$ 346,449	$ -	$ -	$ -	$ 346,449
Corporations and Foundations	775,811	-	100,000	-	875,811
Individuals:					
General	368,269	-	5,015	-	373,284
Pledges	374,339	-	86,900	-	461,239
Special events	84,825	-	-	-	84,825
In-Kind contributions	755,500	-	-	-	755,500
Investment income	16,930	25,917	-	10,811	53,658
Loss on disposal of asset	(1,249)	-	-	-	(1,249)
Net increase in investments	22,998	36,781	-	4,408	64,187
Net assets released from restrictions:					
Satisfaction of program restrictions	51,420	(36,220)	-	(15,200)	-
Total revenues	2,795,292	26,478	191,915	19	3,013,704
Expenses:					
Program	1,776,697	-	-	-	1,776,697
General and administrative	267,564	-	-	-	267,564
Fund raising	353,154	-	-	-	353,154
Total expenses	2,397,415	-	-	-	2,397,415
Change in net assets from operations	397,877	26,478	191,915	19	616,289
Net assets, beginning of year	1,067,324	811,409	331,834	337,615	2,548,182
Net assets, end of year	$ 1,465,201	$ 837,887	$ 523,749	$ 337,634	$ 3,164,471

(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	147,933	-	99,410	-	247,343
Fund raising	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 on investment	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	2,084,162	39,538	108,674	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	15,356	39,538	108,674	28,109	191,677
Net assets, beginning of year	1,051,968	771,871	223,160	309,506	2,356,505
Net assets, end of year	$ 1,067,324	$ 811,409	$ 331,834	$ 337,615	$ 2,548,182

(See Notes to Financial Statements)

Denver Kids, Inc.

Statements of Cash Flows
Years Ended August 31, 2013 and 2012
(See Independent Auditors' Report)

	2013	2012
Cash flows from operating activities:		
Cash received from sponsors, donors and others	$ 1,863,706	$ 1,300,495
Cash paid to suppliers and employees	(1,616,135)	(1,296,150)
Interest received	53,658	50,185
Net cash provided by operating activities	301,229	54,530
Cash flows from investing activities:		
Proceeds from sale of investments	305,599	148,325
Purchases of property and equipment	(33,112)	(6,876)
Purchases of investments	(289,761)	(158,815)
Net cash used by investing activities	(17,274)	(17,366)
Net increase in cash and cash equivalents	283,955	37,164
Cash and cash equivalents, beginning	465,009	427,845
Cash and cash equivalents, ending	$ 748,964	$ 465,009

(continued)
(See Notes to Financial Statements)

Denver Kids, Inc.

Statements of Cash Flows (continued)
Years Ended August 31, 2013 and 2012
(See Independent Auditors' Report)

	2013	2012
Cash flows from operating activities:		
Change in net assets from operations	$ 616,289	$ 191,677
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,698	5,118
Loss on disposal of asset	1,249	771
Unrealized gains on investments	(37,450)	(72,045)
Realized gains on investments	(26,737)	(14,140)
Increase (decrease) in allowance for doubtful accounts	5,300	(20,600)
(Increase) decrease in:		
Unconditional promises to give	(277,868)	(29,125)
Prepaid expenses	824	(8,886)
Increase (decrease) in:		
Accrued expenses:		
Bonuses	9,600	(3,600)
Vacation	2,324	5,360
Net cash provided by operating activities	$ 301,229	$ 54,530

(See Notes to Financial Statements)

1. Nature of Operations and Summary of Significant Accounting Policies

<u>Nature of operations</u>

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

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.

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 a financial institution in bank deposit accounts in which the deposits are guaranteed by the Federal Deposit Insurance Corporation (“FDIC”).

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

Cash and cash equivalents (continued)

The operating accounts of the Organization are held at institutions that as of January 1, 2013 are provided insurance up to $250,000 per FDIC-insured depository institution. Prior to December 31, 2012, the operating accounts of the Organization were provided unlimited coverage by the FDIC for non-interest bearing transaction accounts as per of the Dodd-Frank Wall Street Reform and Consumer Protection Act. 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

The Organization capitalizes the cost of expenditures in excess of $3,500 for 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

Under the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958, Subtopic 605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. 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 as net assets released from restrictions.

Contributions also qualify for various state tax credits to the individual donors.

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 approximately $558,300 and $568,500 for the years ended August 31, 2013 and 2012, 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.

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

In-kind contributions (continued)

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 approximately $197,200 and $226,800, respectively, for the years ended August 31, 2013 and 2012.

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 48,100 and 46,500 for the years ended August 31, 2013 and 2012, respectively.

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.

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

No provision for income taxes has been made in these financial statements as the Organization has been granted non-for-profit status with the Internal Revenue Service under Section 501(c)(3). As such, the Organization is only subject to taxes on unrelated business income. During the years ended August 31, 2013 and 2012, the Organization had no unrelated business income.

2. Promises to Give

Unconditional promises to give

Unconditional promises to give for years ending after August 31, 2013 and 2012 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, 2013 and 2012:

Amounts due in:	2013	2012
Less than one year	$ 208,025	$ 145,636
One to five years	532,374	316,895
	$ 740,399	$ 462,531
Promises to give	$ 740,399	$ 462,531
Less allowance for uncollectible amounts	10,600	5,300
Net promises to give	$ 729,799	$ 457,231

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

Fair value measurements

During 2008, the Organization adopted Financial Accounting Standards Board Accounting Standards Codification (“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 Plan’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.

3. Investments (continued)

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

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As required by FASB ASC Topic 820, the Organization's portfolio managed investments as of August 31, 2013 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	$ 116,795	$ -	$ -	$ 116,795
Equities	864,762	-	-	864,762
Fixed income investments	331,345	-	-	331,345
Mutual funds:				
Bonds	339,489	-	-	339,489
Equities	116,666	-	-	116,666
	$ 1,769,057	$ -	$ -	$ 1,769,057

3. Investments (continued)

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

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.

Investments are carried at fair value and are presented in the financial statements as follows as of August 31, 2013:

Description	Unrestricted (Reserve)	Board Designated (Endowment)	Permanently Restricted (Endowment)	Totals
Managed Investments:				
Cash and money market funds	$ 38,314	$ 65,939	$ 12,542	$ 116,795
Equities	303,955	469,296	91,511	864,762
Fixed income investments	93,972	108,772	128,601	331,345
Mutual funds:				
Bonds	112,956	160,675	65,858	339,489
Equities	44,339	33,205	39,122	116,666
Total investments	555,222	771,948	325,092	1,652,262
	$ 593,536	$ 837,887	$ 337,634	$ 1,769,057

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

Included in investment income for the years ended August 31, 2013 and 2012 were investment management fees of approximately $11,900 and $11,200, 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, 2013 and 2012:

	2013	2012
Unconditional promises to give that are due in more than one year	$ 521,774	$ 311,595
Grant Writer	-	5,000
Inclusiveness Grant	1,975	2,819
Mentoring Program	-	12,420
	$ 523,749	$ 331,834

6. Permanently Restricted Net Assets

Permanently restricted net assets consist of contributed endowment assets plus the related investment income as well as realized and unrealized gains and losses. The endowment allows the board to approve an annual distribution from the account of no more than 5% per year to be used towards general operations. The annual distribution is based on the combined funds available using a three year rolling average of the market value. For the year ended August 31, 2013, the board approved a distribution of $15,200.

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.

The Organization's matching contributions totaled approximately $24,800 and $18,800 for the years ended August 31, 2013 and 2012, 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, 2013 and 2012, 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. Accrued interest related to tax positions deemed to meet the more-likely-than-not threshold is recognized in interest expense, and any applicable penalties related to such tax positions is recognized as an operating expense of the Organization.

The Organization adopted the provisions of Topic 740 on July 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 years ended August 31, 2013 and 2012. The Organization files tax returns in the U.S. federal jurisdiction. The Organization is no longer subject to U.S. federal examinations by tax authorities for years before 2009.

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)

BRADLEY CONSULTING GROUP
Certified Public Accountants
LISTEN. LEARN. ADVISE.

Board of Directors
Denver Kids, Inc.
Denver, Colorado

Independent Auditors' Report on Additional Information

We have audited the financial statements of Denver Kids, Inc. as of and for the years ended August 31, 2013 and 2012 and have issued our report thereon dated November 12, 2013, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The statements of function expenses are presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bradley Consulting Group, P.C.
Certified Public Accountants

Lakewood, Colorado

November 12, 2013

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Denver Kids, Inc.

Statement of Functional Expenses
Year Ended August 31, 2013
(See Auditors' Report on Additional Information)

	Program	General and Administrative	Fund Raising	Total	Percentage of Total Revenue - $3,013,704
Bad debts	$ -	$ 10,419	$ -	$ 10,419	0.4 %
Counselor and program expense	68,517	16	9	68,542	2.3
Depreciation	-	7,698	-	7,698	0.3
Development and events	45,046	4,948	99,541	149,535	5.0
Employee benefits	120,383	14,644	22,964	157,991	5.2
Insurance	15,164	1,904	1,688	18,756	0.6
In-kind expense:					
Goods and services	197,214	-	-	197,214	6.5
Information technology support	4,800	3,540	600	8,940	0.3
Rent	27,504	3,438	3,438	34,380	1.1
Salaries and wages	435,000	50,000	30,000	515,000	17.1
Legal and accounting	-	7,800	-	7,800	0.3
Mileage expense	26,863	3	625	27,491	0.9
Miscellaneous	4,098	1,213	295	5,606	0.2
Office expense	58,399	29,571	25,675	113,645	3.8
Payroll taxes	52,527	7,681	12,925	73,133	2.4
Salaries and wages	712,125	124,689	155,314	992,128	32.9
Student activities and expense	9,057	-	80	9,137	0.3
	$ 1,776,697	$ 267,564	$ 353,154	$ 2,397,415	79.6 %
Percentage of Total Expenses	74.1%	11.2%	14.7%	100.0%	

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%	