KIDS AND COMPANY OF LINN COUNTY
403(b) TAX SHELTERED ANNUITY PLAN

FINANCIAL STATEMENTS

Year Ended June 30, 2015

and

Supplemental Schedules

with

Independent Auditors' Report

KIDS AND COMPANY OF LINN COUNTY
403(b) TAX SHELTERED ANNUITY PLAN

Table of Contents

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Independent Auditors' Report

The Plan Administrator
Kids and Company of Linn County 403(b)
Tax Sheltered Annuity Plan

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Kids and Company of Linn County 403(b) Tax Sheltered Annuity Plan (the Plan) which comprise the statements of net assets available for benefits as of June 30, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended June 30, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audits in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As permitted by 29 CFR 2520.103-8 of the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 (ERISA), the Plan Administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in *Note 3*, which was certified by West Coast Trust, the custodian of the Plan, except for comparing such information with the related information included in the financial statements. We have been informed by the Plan Administrator that the custodian holds the Plan's investment assets and executes investment transactions. The Plan Administrator has obtained a certification from the custodian as of June 30, 2015 and 2014, and for the year ended June 30, 2015, that the information provided to the Plan Administrator by the custodian is complete and accurate.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Matter

The supplemental schedules of delinquent participant contributions and of assets (held at end of year) as of or for the year ended June 30, 2015, are required by the DOL's Rules and Regulations for Reporting and Disclosure under ERISA and are presented for the purpose of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on these supplemental schedules.

Report on Form and Content in Compliance With DOL Rules and Regulations

The form and content of the information included in the financial statements and supplemental schedules, other than that derived from the information certified by the custodian, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the DOL's Rules and Regulations for Reporting and Disclosure under ERISA.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
April 12, 2016

KIDS AND COMPANY OF LINN COUNTY
403(b) TAX SHELTERED ANNUITY PLAN

Statements of Net Assets Available for Benefits

June 30,	**2015**	**2014**
Assets:		
Interest bearing cash	$ 82	$ 8,634
Investments, at fair value *(Notes 3 and 4)*	2,746,648	2,612,490
Receivables:		
Participant contributions	2,508	-
Employer contributions	3,154	-
	5,662	-
Notes receivable from participants *(Notes 3 and 5)*	42,368	52,263
Net assets available for benefits	**$ 2,794,760**	**$ 2,673,387**

The accompanying notes are an integral part of the financial statements.

KIDS AND COMPANY OF LINN COUNTY
403(b) TAX SHELTERED ANNUITY PLAN

Statement of Changes in Net Assets
Available for Benefits

Year Ended June 30, 2015	
Additions:	
Contributions:	
Participant salary deferrals	$ 105,426
Employer contributions	134,704
Total contributions	240,130
Investment income *(Note 3)*:	
Net depreciation in fair value of investments	(130,121)
Interest and dividends	164,376
Net investment income	34,255
Interest on notes receivable from participants *(Note 3)*	1,895
Total additions	**276,280**
Deductions:	
Benefits paid to participants	147,781
Administration expenses	7,126
Total deductions	**154,907**
Net increase in net assets available for benefits	**121,373**
Net assets available for benefits, beginning of year	2,673,387
Net assets available for benefits, end of year	**$ 2,794,760**

The accompanying notes are an integral part of the financial statements.

KIDS AND COMPANY OF LINN COUNTY
403(b) TAX SHELTERED ANNUITY PLAN

Notes to Financial Statements

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1. Plan Description

The following brief description of Kids and Company of Linn County 403(b) Tax Sheltered Annuity Plan (the Plan) is provided for general information purposes only. Participants should refer to the Plan Document for a more complete description of the Plan's provisions.

General - The Plan was originally established July 1, 1994, and was restated effective July 1, 2013. The Plan is a defined contribution plan covering employees of Kids and Company of Linn County (the Company). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Eligibility - All employees of the Company are eligible to make elective salary deferrals upon their hire. Employees who are at least are 18 and have completed one year service (based on elapsed time) are eligible to receive an allocation of the Company's discretionary matching and non-elective contributions.

Contributions - Participants may contribute up to 100 percent of their annual compensation on a pre-tax basis to the Plan subject to statutory limitations. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. For eligible employees, the Company may elect to make discretionary matching and non-elective contributions that are determined annually by the Company and its board of directors. For the plan year ended June 30, 2015, the Company matched 50 percent of individual participant contributions, up to 2 percent of their compensation, for a total employee matching contribution of $40,108. In addition, for the plan year ended June 30, 2015, the Company made a non-elective contribution of $94,596 that was allocated to all eligible participants, regardless of whether they deferred any compensation in to the plan.

Participant Accounts - Each participant's account is credited with the participant's contributions and allocations of (a) the Company's contributions, and (b) Plan earnings or losses. Deducted from each participant's account are any distributions made to the participant and an allocation of the administration expenses. Allocations are based on participant earnings, account balances, or specific participant transactions, as defined in the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

The custodian of the Plan is West Coast Trust. All participant account balances are held by the custodian. The participant directs the investment of all contributions and earnings thereon, and may change their investment directive at any time.

1. Plan Description - Continued

Payment of Benefits - Upon termination of service due to retirement, death, or disability, a participant may elect to leave the balance of their account in the Plan or either receive a lump-sum distribution, or at the participant's discretion, periodic installments of their entire vested account balance. Participants whose vested account balance is $1,000 or less will automatically receive a lump-sum distribution. Hardship distributions are available only for the purposes of meeting immediate and heavy financial needs.

Notes Receivable from Participants - Participant loans are measured at their unpaid principal balance, plus any accrued but unpaid interest.

Participants may borrow from their accounts a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50 percent of their vested account balance. Loans are secured by the balance of the participant's vested account. In accordance with the Plan provisions, the rate of interest on new participant loans approximates current market rates and range between 4.25 and 5 percent at June 30, 2015, with maturity dates through March 2020. The term of the loan may not exceed five years unless the proceeds of such loan are to be used to acquire any dwelling unit, which within a reasonable time is to be used as the principal residence of the participant. Principal and interest is paid ratably through payroll deductions. Delinquent participant loans are reclassified as distributions based on the terms of the Plan document. Related fees are recorded as administration expenses and are expensed as incurred. No allowance for credit losses has been recorded as of June 30, 2015 or 2014.

Vesting - Participants are immediately vested in their contributions, plus actual earnings thereon. Vesting in the Company's contributions and actual earnings thereon is based on the participant's years of service pursuant to the following schedule:

Years of Service	Vesting
Less than 2 years	0.0%
2 years	20.0
3 years	40.0
4 years	60.0
5 years	80.0
Greater than 6 years	100.0

Plan Termination - Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of a Plan termination, participants would become 100 percent vested in their employer contributions, and the net assets of the Plan would be allocated as prescribed by ERISA and its related regulations.

Forfeited Accounts - At June 30, 2015 and 2014, forfeited nonvested accounts totaled $76,315 and $68,019, respectively. The restated plan document does not specify how forfeited nonvested accounts are to be utilized. Subsequent to June 30, 2015, a plan amendment was adopted that specifies that forfeitures will be used to offset plan expenses or reduce employer contributions.

2. Summary of Significant Accounting Policies

Basis of Accounting - The accompanying financial statements have been prepared using the accrual basis of accounting principles generally accepted in the United States of America (GAAP).

Investment Valuation and Income Recognition - The Plan investments are held under an investment contract with the custodian and are required to be reported at fair value *(Note 4)*. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan Administrator determines the Plan's valuation policies utilizing information provided by the investment advisors and custodian.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned on the accrual basis. Dividend income is recorded on the ex-dividend date. The difference in fair value from one period to the next is recognized and included in net depreciation in fair value of investments in the accompanying statement of changes in net assets available for benefits. The net depreciation in fair value of investments also includes realized gains and losses on investments bought and sold as well as held during the year.

Benefits Paid to Participants - Benefits are recorded when paid.

Expenses - Certain expenses of maintaining the Plan are paid by the Plan, unless otherwise paid by the Company. Expenses that are paid by the Company are excluded from these financial statements. Investment related expenses are included in net depreciation in fair value of investments.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires the Plan Administrator to make estimates and assumptions that affect the reported amount of net assets available for benefits at the date of the financial statements and the reported amounts of additions to and deductions from net assets available for benefits during the reporting period. Actual results could differ from these estimates.

Income Tax Status - The Plan terms have been drafted in reliance on the sample language provided by the Internal Revenue Service. The Plan is required to operate in conformity with the Internal Revenue Code (IRC) to maintain its tax exemption. Although the Plan has been amended since its inception, Plan management believes the Plan is currently designed and operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income tax has been included in the Plan's financial statements.

GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of June 30, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements, with the exception of the accumulation of nonvested forfeitures.

2. Summary of Significant Accounting Policies - Continued

Income Tax Status - Continued

The Plan Administrator does not believe that this matter will result in any adverse consequence to the Plan, and subsequent to June 30, 2015, adopted a plan amendment to resolve this issue. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

New Accounting Standard - During 2015, the Plan adopted the provisions of Part II of Accounting Standards Update (ASU) 2015-12. As permitted by the ASU, these provisions have been implemented before the effective date of the ASU, and the effects have been applied retrospectively. Part II of the ASU provides for simplified investment disclosure requirements. Specifically, 1) individual investments representing 5 percent or more of total net assets available for benefits are no longer disclosed, as was previously required; 2) net appreciation in the fair value of investments is now presented only in the aggregate rather than by general type of investment, as was previously reported; and 3) fair values of investments are now disaggregated by general type rather than based on nature, characteristics, and risks, as was previously reported.

Reclassifications - Certain reclassifications have been made to the 2014 information to conform to the 2015 presentation.

Subsequent Events - The Plan Administrator has evaluated subsequent events through April 12, 2016, the date the financial statements were available for issue.

3. Information Certified by the Custodian (Unaudited)

The Plan Administrator has elected the method of compliance permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. The custodian of the Plan has provided a certification that the following information, which is contained in or used to develop the financial statements is complete and accurate:

- Investments, at fair value, as shown in the accompanying statements of net assets available for benefits at June 30, 2015 and 2014, of $2,746,730 and $2,621,124, respectively.

- Notes receivable from participants at June 30, 2015 and 2014, of $42,368 and $55,781, respectively. The June 30, 2014 certified note receivable balance differs from the amount shown in the accompanying statement of net assets available for benefits due to a deemed distribution of an outstanding note receivable from a terminated participant of $3,518, that is not reflected in the certified trust statement of the custodian.

- Net depreciation in fair value of investments as shown in the accompanying statement of changes in net assets available for benefits of $130,121 for the year ended June 30, 2015.

- Interest and dividends as shown in the accompanying statement of changes in net assets available for benefits of $164,376 for the year ended June 30, 2015.

- Interest on notes receivable from participants as shown in the accompanying statement of changes in net assets available for benefits of $1,895 for the year ended June 30, 2015.

4. Fair Value Measurements

Financial Accounting Standards Board (FASB), *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 and the valuation methodologies used for assets are described below:

Level 1 - The fair value of investments is based on quoted prices for identical assets or liabilities.

Level 2 - The fair value of investments is based on observable inputs other than the quoted prices included in Level 1; for example, quoted market-based prices for similar assets or liabilities.

Level 3 - The fair value of investments is based on unobservable inputs that are significant to the fair value measurement.

The assets 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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used at June 30, 2015 and 2014.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value on a recurring basis as of June 30, 2015 and 2014:

2015	**Total**	**Level 1**	**Level 2**	**Level 3**
Shares of registered investment companies	$ 2,746,648	$ 2,746,648	$ -	$ -

2014				
Shares of registered investment companies	$ 2,612,490	$ 2,612,490	$ -	$ -

4. Fair Value Measurements - Continued

The Plan's investments in shares of registered investment companies are valued at fair value based on quoted market prices and, accordingly, are classified as Level 1.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

5. Transactions with Parties-in-Interest

The Company is the Plan Sponsor and Administrator and pays certain administrative costs, including accounting, legal, and consulting fees, on behalf of the Plan. In addition, participants in the Plan are permitted to borrow funds from their vested account balances. These transactions qualify as party-in-interest transactions.

6. Investment Risk

The Plan provides for various investment options that have different investment strategies. These investments are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the near-term could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

KIDS AND COMPANY OF LINN COUNTY
403(b) TAX SHELTERED ANNUITY PLAN

Supplemental Schedules

KIDS AND COMPANY OF LINN COUNTY
403(b) TAX SHELTERED ANNUITY PLAN

Schedule H Line 4a
Schedule of Delinquent Participant Contributions

Year Ended June 30, 2015

Plan Sponsor: Kids and Company of Linn County
Plan Number: 001
EIN: 93-0687438

Participant Contributions Transferred Late to Plan	Total that Constitutes Non-exempt Prohibited Transactions			
Check Here ☒ if Late Participant Loan Repayments are Included	Contributions Not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	Total Fully Corrected Under VFCP and PTE 2002-51
	$ -	$ 30,472	$ -	$ -

KIDS AND COMPANY OF LINN COUNTY
403(b) TAX SHELTERED ANNUITY PLAN

Schedule H Line 4i - Schedule of Assets (Held at End of Year) (Unaudited)

June 30, 2015

Plan Sponsor: Kids and Company of Linn County
Plan Number: 001
EIN: 93-0687438

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment, including maturity date, rate of interest, collateral, par or maturity value	(d) ** Cost	(e) Current Value
	Cash	Interest Bearing Cash		$ 82
	Federated Prime Obligations Fund	Registered Investment Company		76,321
	Ariel Appreciation Fund	Registered Investment Company		121,329
	Artisan Mid Cap Value Fund	Registered Investment Company		40,614
	William Blair Growth Fund	Registered Investment Company		10,129
	Europacific Growth Fund	Registered Investment Company		6,454
	Goldman Sachs Large Cap Growth Fund	Registered Investment Company		424,458
	T. Rowe Price Emerging Markets Stock Fund	Registered Investment Company		146,904
	T. Rowe Price International Concentrated Equity Fund	Registered Investment Company		464,607
	Becker Value Equity Fund	Registered Investment Company		382,207
	TIAA-CREF Mid-Cap Growth Fund	Registered Investment Company		80,931
	Vanguard Small Cap Value Index Fund	Registered Investment Company		767
	Vanguard Small Cap Growth Index Fund	Registered Investment Company		6,694
	Victory Integrity Small Cap Value Fund	Registered Investment Company		117,089
	Blackrock Total Return Fund	Registered Investment Company		268,076
	Federated Total Return Bond Fund	Registered Investment Company		31,666
	Harbor Bond Fund	Registered Investment Company		2,834
	Nuveen Strategic Income Fund	Registered Investment Company		168,837
	T. Rowe Price High Yield Fund	Registered Investment Company		31,412
	Vanguard Short Term Bond Index Fund	Registered Investment Company		53,757
	Vanguard Total Bond Market Index Fund	Registered Investment Company		10,011
	Vanguard Emerging Markets Fund	Registered Investment Company		25,044
	Vanguard High-Yield Corporate Fund	Registered Investment Company		26,033
	Vanguard Short-Term Corporate Bond Fund	Registered Investment Company		74,746
	Vanguard 500 Index Fund	Registered Investment Company		58,760
	Voya Intermediate Bond Fund	Registered Investment Company		116,968
*	Notes receivable from participants	Interest between 4.25 - 5% with maturity dates through 2020	-0-	42,368
				$ 2,789,098

* Party-in-interest
** Not required for participant directed investments
Note: This schedule was derived from data certified by West Coast Trust