

**KIDS ON THE MOVE, INC.**

FINANCIAL STATEMENTS  
AND REPORTS IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*  
AND OMB CIRCULAR A-133

Year Ended June 30, 2012

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Kids on the Move, Inc.

We have audited the accompanying statement of financial position of Kids on the Move, Inc. (a Utah nonprofit organization) as of June 30, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Kids on the Move, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from Kids on the Move, Inc.'s 2011 financial statements and, in our report dated September 23, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audit provides 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 Kids on the Move, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2012 on our consideration of Kids on the Move, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions, laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and 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 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 basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Squire & Company, PC". The signature is written in a cursive, flowing style.

October 9, 2012

**KIDS ON THE MOVE, INC.**  
**STATEMENT OF FINANCIAL POSITION**

June 30, 2012, with Comparative Totals for 2011

	2012	2011
<b>Assets:</b>		
Cash	\$ 483,972	\$ 375,547
Accounts receivable	559,692	358,059
Marketable securities	2,109,506	2,202,914
Other assets	15,967	15,134
Net capital assets	<u>2,246,844</u>	<u>2,348,264</u>
Total assets	<u>\$ 5,415,981</u>	<u>\$ 5,299,918</u>
<b>Liabilities:</b>		
Accounts payable	\$ 54,478	\$ 25,201
Unearned revenue	15,158	-
Accrued wages and related benefits	<u>294,569</u>	<u>304,432</u>
Total liabilities	364,205	329,633
<b>Net Assets:</b>		
Unrestricted, undesignated	519,831	480,241
Unrestricted, designated for quasi-endowment	2,111,270	2,111,270
Unrestricted, designated for net capital assets	2,246,844	2,348,264
Temporarily restricted	153,831	10,510
Permanently restricted	<u>20,000</u>	<u>20,000</u>
Total net assets	<u>5,051,776</u>	<u>4,970,285</u>
Total liabilities and net assets	<u>\$ 5,415,981</u>	<u>\$ 5,299,918</u>

The accompanying notes are an integral part of this statement.

**KIDS ON THE MOVE, INC.**  
**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2012, with Comparative Totals for 2011

	2012	2011
<b>Unrestricted Net Assets:</b>		
Revenue, gains, and support:		
State revenues	\$ 898,390	\$ 1,141,799
Federal revenues	4,156,873	4,142,854
Program service revenue	328,049	290,181
United Way allocation	17,608	17,600
Contributions and fundraising	322,620	275,325
In-kind contributions	3,093	-
Rental income	33,399	33,961
Interest	52,139	60,171
Net gain (loss) on investment in marketable securities	(109,034)	300,672
Loss from disposal of capital assets	(672)	-
Net assets released from restrictions	6,732	6,940
Total revenue, gains, and support	5,709,197	6,269,503
Expenses:		
Program services:		
Early Intervention	3,189,065	3,458,142
Early Head Start	1,931,426	1,936,445
Other	482,787	455,094
Supporting services:		
Management and general	71,152	60,219
Fundraising	96,597	114,531
Total expenses	5,771,027	6,024,431
Change in unrestricted net assets	(61,830)	245,072
<b>Temporarily Restricted Net Assets:</b>		
Contributions	150,053	2,528
Net assets released from restrictions	(6,732)	(6,940)
Change in temporarily restricted net assets	143,321	(4,412)
<b>Change in Net Assets</b>	81,491	240,660
<b>Net Assets at July 1</b>	4,970,285	4,729,625
<b>Net Assets at June 30</b>	\$ 5,051,776	\$ 4,970,285

The accompanying notes are an integral part of this statement.

**KIDS ON THE MOVE, INC.****STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2012, with Comparative Totals for 2011

	Program Services			Supporting Services		Totals	
	Early Intervention	Early Head Start	Other	Management and General	Fundraising	2012	2011
Compensation	\$ 2,184,519	\$ 1,239,420	\$ 317,311	\$ 14,765	\$ 68,786	\$ 3,824,801	3,835,965
Employee benefits	456,634	298,868	59,435	4,015	15,850	834,802	880,041
Depreciation	74,370	37,003	10,096	7,727	-	129,196	138,766
Insurance	9,458	7,141	1,190	436	-	18,225	17,861
Dues and subscriptions	6,804	4,442	726	2,057	-	14,029	27,485
Building maintenance	30,063	52,147	14,154	1,476	-	97,840	112,325
Equipment maintenance	31,946	35,550	6,609	1,018	-	75,123	63,532
Utilities	20,059	13,214	3,016	6,050	-	42,339	45,172
Postage	5,653	3,613	1,292	263	-	10,821	8,877
Printing	11,828	5,043	1,156	311	-	18,338	17,811
Professional services	78,443	48,105	8,511	1,653	-	136,712	126,413
Supplies:							
Cleaning	2,863	3,697	1,076	137	-	7,773	4,383
Office	8,734	7,867	1,867	281	-	18,749	31,120
Program	44,710	62,822	31,847	6,998	11,961	158,338	213,703
Communications	42,593	12,746	2,883	2,337	-	60,559	81,580
In-service	45,539	30,147	9,338	872	-	85,896	137,311
Transportation	132,400	68,509	8,154	298	-	209,361	246,329
Other	2,449	1,092	4,126	20,458	-	28,125	35,757
Total expenses	<u>\$ 3,189,065</u>	<u>\$ 1,931,426</u>	<u>\$ 482,787</u>	<u>\$ 71,152</u>	<u>\$ 96,597</u>	<u>\$ 5,771,027</u>	<u>\$ 6,024,431</u>

The accompanying notes are an integral part of this financial statement.

**KIDS ON THE MOVE, INC.**  
**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2012, with Comparative Totals for 2011

	2012	2011
<b>Cash Flows from Operating Activities:</b>		
Cash received from grantors	\$ 4,005,238	\$ 4,701,917
Cash received from donors	490,281	295,453
Cash received from service recipients	1,224,998	1,069,748
Interest received	52,139	60,171
Cash paid to employees	(4,669,468)	(4,681,434)
Cash paid to suppliers	(950,689)	(1,163,239)
Net cash provided by operating activities	152,499	282,616
<b>Cash Flows from Investing Activities:</b>		
Net purchases of marketable securities	(15,626)	(62,771)
Purchases of capital assets	(28,448)	(32,700)
Net cash used by investing activities	(44,074)	(95,471)
<b>Net Change in Cash</b>	108,425	187,145
<b>Cash at July 1</b>	375,547	188,402
<b>Cash at June 30</b>	\$ 483,972	\$ 375,547

**Supplemental Data:**

A reconciliation of the change in net assets to cash flows provided by operating activities for the year ended June 30, 2012 with comparative totals for 2011 follows:

	2012	2011
Change in net assets	\$ 81,491	\$ 240,660
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	129,196	138,766
In-kind contributions	(3,093)	-
Net (gain) loss on investment in marketable securities	109,034	(300,672)
Loss on disposal of capital assets	672	-
Change in operating assets and liabilities:		
Accounts receivable	(201,633)	162,870
Other assets	2,260	42,964
Accounts payable	29,277	(36,544)
Unearned revenue	15,158	-
Accrued wages and related liabilities	(9,863)	34,572
Net cash provided by operating activities	\$ 152,499	\$ 282,616

The accompanying notes are an integral part of this statement.

**KIDS ON THE MOVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies**

The financial statements of Kids on the Move, Inc. (the Organization) have been prepared on the accrual basis of accounting following the accounting principles generally accepted for voluntary health and welfare organizations. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization - Kids on the Move, Inc. was incorporated August 21, 1986 for the purpose of, but not limited to, providing charitable and educational services for the betterment of members of the community with primary emphasis on disabled and disadvantaged children.

Comparative Financial Information - The financial statements include certain prior year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Kids on the Move, Inc.'s financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Income Taxes - The Organization is exempt from federal income tax under Internal Revenue Code Section 501(a) and is classified as a Section 501(c)(3) public charity. Also, the Organization is not subject to state income taxes. At June 30, 2012, the Organization has not recorded a tax liability as it has no unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken and as such does not have any uncertain tax positions that are significant to the financial statements. The Organization's federal Returns of Organization Exempt from Income Tax (Forms 990) are open for audit by the Internal Revenue Service for three years after they are filed.

Marketable Securities - Investments in marketable securities are reported at their fair values in the statement of financial position. Net investment gains in the statement of activities include realized and unrealized gains and losses. Marketable securities consisted of investments in equity securities (common stock), mutual funds, and real estate investment trusts at June 30, 2012 (see Note 4).

Capital Assets - Capital assets are capitalized at cost (or, if donated, at fair value at the date of donation) and are depreciated over their estimated useful lives using the straight-line method (see Note 6).

Net Assets - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Donated Services and Materials - Members of the community provide voluntary services directly to program participants; while such services are of worth, the value of these contributed services is not measured and recorded in the financial statements. Significant donations of materials are recorded as revenue at fair value.

**KIDS ON THE MOVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

Recognition of Donor Restrictions - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires or the funds are used for their intended purposes, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue, gains, and support and expenses during the reporting period. Actual results could differ from those estimates.

Designation of Unrestricted Net Assets - A designation of net assets shows the Organization's investment in capital assets. Although these net assets are unrestricted, they are not readily convertible to liquid assets due to their long-term nature and use. In addition, a designation of unrestricted net assets shows the funds set aside by the Organization as a quasi-endowment. The intent of this quasi-endowment is to provide investment returns sufficient to supplement the Organization's operations.

Subsequent Events - The Organization evaluated subsequent events through October 9, 2012, the date the financial statements were available to be issued.

**Note 2. Cash**

At June 30, 2012, the carrying amount of cash deposits is \$454,771 and the bank balance is \$528,995, all of which is covered by federal depository insurance. The Organization also had \$29,201 deposited with a broker, all of which is covered by the Securities Investor Protection Corporation.

**Note 3. Accounts Receivable**

Accounts receivable consist of the following at June 30, 2012:

Early Intervention grant	\$ 305,208
Early Head Start grant	177,837
Other	<u>76,647</u>
	<u>\$ 559,692</u>

No allowance for doubtful accounts has been established, as the Organization deems all accounts receivable to be fully collectible.

**KIDS ON THE MOVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Marketable Securities**

Marketable securities consist of the following at June 30, 2012:

Equity securities:	
Common stock - domestic value	\$ 404,476
Common stock - domestic growth	407,657
Mutual funds:	
Fixed income	758,636
Emerging markets stock	52,937
International stock	366,212
Real estate investment trust	<u>119,588</u>
Total marketable securities	<u>\$ 2,109,506</u>

Interest Rate Risk - Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The Organization does not have a formal investment policy that limits its investment choices in regard to managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit quality can be a depiction of potential variable cash flows and credit risk. The Organization does not have a formal investment policy that limits its investment choices in regard to credit quality ratings.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Organization will not be able to recover the value of the investments that are in the possession of an outside party. The Organization does not have a formal investment policy for custodial credit risk in regard to the custody of the Organization's investments.

Concentration of Credit Risk - Although investments intrinsically carry credit risk, when investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The Organization does not have a formal investment policy that limits its investment in any one issuer.

Donor-Designated Endowments - The Organization's endowment consists of two individual donations established for the purpose of providing investment returns sufficient to supplement the Organization's operations.

The Board of Trustees of the Organization has interpreted the State of Utah's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The

**KIDS ON THE MOVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 4. Marketable Securities (Continued)**

remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

**Note 5. Fair Value Measurements**

The Organization uses various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

A description of the valuation techniques applied to the Organization's major categories of assets and liabilities measured at fair value on a recurring basis follows:

Common Stock – Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds and Real Estate Investment Trusts – Valued at the net asset value (NAV) of shares held by the Organization at year end.

All investments held by the Organization at June 30, 2012 are categorized in Level 1 of the fair value hierarchy. There have been no changes in valuation techniques and related inputs.

**KIDS ON THE MOVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 6. Capital Assets**

The Organization's policy is to capitalize costs for property and equipment of \$1,000 or more. The Organization is required to maintain property records for all capital assets acquired using federal grant monies. For such property, any money received at the time of the asset's disposal must be retained in the program or returned to the federal government. Capital assets held by the Organization at June 30, 2012 are summarized as follows:

		<u>Estimated Useful Life (Years)</u>
Land	\$ 235,000	
Building	2,488,942	40
Land improvements	76,721	15
Equipment	<u>731,044</u>	5 to 7
	3,531,707	
Accumulated depreciation	<u>(1,284,863)</u>	
Net capital assets	<u><u>\$ 2,246,844</u></u>	

**Note 7. Line of Credit**

The Organization has established a \$75,000 line of credit with a bank. The outstanding balance was \$0 at June 30, 2012.

**Note 8. Restricted Net Assets**

The Organization receives donations that are specifically restricted by the donor. Restricted donations held at June 30, 2012 are for the following purposes:

Temporarily Restricted:	
Early Intervention	\$ 2,774
Bridges - Autism	148,053
Literacy/Library	<u>3,004</u>
	153,831
Permanently Restricted:	
Endowment	<u>20,000</u>
	<u><u>\$ 173,831</u></u>

**KIDS ON THE MOVE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 9. Operating Leases**

The Organization leased office equipment under an operating lease. Monthly payments on this lease were \$959 through May 2012. At the end of this lease, the Organization entered into a new five-year lease for office equipment. Monthly payments on this lease are \$688 through May 2017. Payments on these leases were \$10,549 during the year ending June 30, 2012. The Organization's future minimum lease payments for the years ending June 30 are as follows:

2013	\$ 8,256
2014	8,256
2015	8,256
2016	8,256
2017	7,568

**Note 10. Supplemental Disclosures of Cash Flows Information**

The Organization paid no interest or income taxes for the year ended June 30, 2012.

The Organization had no noncash investing or financing activities during the year ended June 30, 2012.

**Note 11. Retirement Plan**

A defined contribution plan is provided to all full-time employees. The Organization matches employee contributions. Employee contributions to the plan were \$93,434 for the year ended June 30, 2012. The Organization's matching contributions were \$15,326 for the year ended June 30, 2012.

**Note 12. Economic Dependency**

The Organization receives most of its revenue from Early Intervention and Early Head Start federal grants. State appropriations are also received as part of the Early Intervention program. The Organization is limited to providing Early Intervention services to residents living within the Alpine School District boundaries and Early Head Start services to residents living within Utah County boundaries.

**Note 13. Matching Contributions**

Under grant agreements with the U.S. Department of Health and Human Services (Early Head Start) for the year ended June 30, 2012, the Organization is required to match 20 percent of federal expenditures with non-federal contributions. The Organization exceeded the matching requirements of its Early Head Start grants for the year ended June 30, 2012.

The amounts required for matching contributions have not been recorded in the financial statements as discussed in Note 1, but are submitted to grantors to demonstrate compliance with the Organization's Early Head Start grants.

**KIDS ON THE MOVE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2012

Department/Pass-Through Grantor/Program Title	Grantor Number	Federal CFDA Number	Receivable June 30, 2011	Received	Expended	Receivable June 30, 2012
<b>U.S. Department of Housing and Urban Development:</b>						
Passed through the City of Orem, Utah:						
Community Development Block Grant/Entitlement Grants	n/a	14.218	\$ -	\$ 8,500	8,500	\$ -
<b>U.S. Department of Education:</b>						
Passed through State of Utah Department of Health:						
Special Education - Grants for Infants and Families	10-2316	84.181	155,646	-	-	155,646
Special Education - Grants for Infants and Families	11-2227	84.181	-	448,474	598,036	149,562
Special Education - Grants for Infants and Families, Recovery Act	11-2225	84.393 *	14,976	714,976	700,000	-
<b>Department of Health and Human Services:</b>						
Direct Programs:						
Head Start	08CH0141/08	93.600	55,389	55,389	-	-
Head Start	08CH0141/09	93.600	-	1,340,659	1,518,496	177,837
ARRA - Early Head Start	08SA0141/02	93.709 *	84,299	463,753	379,454	-
Passed through the State of Utah Department of Workforce Services:						
Child Care and Development Block Grant	06-6263	93.575	21,453	75,097	74,145	20,501
Passed through Utah State University:						
Healthy Marriage Promotion and Responsible Fatherhood Grants	061878-008	93.068	-	-	25,500	25,500
Total federal awards			<u>\$ 331,763</u>	<u>\$ 3,106,848</u>	<u>\$ 3,304,131</u>	<u>\$ 529,046</u>

\* Indicates program is funded by Recovery Act

**Notes to Schedule:**

This schedule is prepared using the accrual method of accounting, the same basis of accounting that is used to prepare the financial statements. Federal awards are recognized as revenues at the time such monies are spent and award requirements have been met.

The Organization also received \$742,955 of Medical Assistance Program (Federal CFDA Number 93.778) monies through the State of Utah Department of Health. These Medicaid monies are included as federal revenues on the statement of activities but are not included on this schedule.

Federal awards expended	\$ 3,304,131
Medicaid monies received	<u>852,742</u>
Total federal revenues	<u>\$ 4,156,873</u>

The Organization provided \$127,316 to a subrecipient from the ARRA - Early Head Start (Federal CFDA Number 93.709) program during the year ended June 30, 2012.

The Organization also received \$897,054 in state matching funds related to the Special Education - Grants for Infants and Families (Federal CFDA Number 84.181).

**SUPPLEMENTARY INFORMATION  
AND OTHER REPORTS**

Year Ended June 30, 2012



1329 South 800 East • Orem, Utah 84097-7700 • (801) 225-6900 • Fax (801) 226-7739 • www.squire.com

Independent Auditor’s Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards*

Board of Trustees  
Kids on the Move, Inc.

We have audited the financial statements of Kids on the Move, Inc. (the Organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 9, 2012. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Kids on the Move, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Kids on the Move, Inc.’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kids on the Move, Inc.’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Kids on the Move, Inc.’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 9, 2012



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Independent Auditor's Report on Compliance With Requirements That  
Could Have a Direct and Material Effect on Each Major Program and on  
Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Trustees  
Kids on the Move, Inc.

**Compliance**

We have audited the compliance of the Kids on the Move, Inc. (a nonprofit Organization) with the types of compliance described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Kids on the Move, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Kids on the Move, Inc.'s management. Our responsibility is to express an opinion on Kids on the Move, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kids on the Move, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Kids on the Move, Inc.'s compliance with those requirements.

In our opinion, Kids on the Move, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

The management of Kids on the Move, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Kids on the Move, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kids on the Move, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent, or detect and correct noncompliance with a type of compliance requirement of a major federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Squire & Company, PC*

October 9, 2012

**KIDS ON THE MOVE, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2012

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No matters were reported in the prior year audit.

**KIDS ON THE MOVE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2012

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I. Summary of auditor's results:

*Financial Statements*

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weaknesses identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Early Intervention Services (IDEA) Cluster:
84.181	Special Education - Grants for Infants and Families
84.393	Special Education - Grants for Infants and Families, Recovery Act

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

II. Financial statement findings:  
No matters were reported.

III. Federal award findings and questioned costs:  
No matters were reported.