KIDS ON THE MOVE, INC.

FINANCIAL STATEMENTS
AND OTHER REPORTS

Year Ended June 30, 2016
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INDEPENDENT AUDITOR’S REPORT

Board of Trustees
Kids on the Move, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Kids on the Move, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 audit. 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 from 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.
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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Kids on the Move, Inc.’s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2016 on our consideration of Kids on the Move, Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Kids on the Move, Inc.’s internal control over financial reporting and compliance.

Squire Company, PC

Orem, Utah
November 30, 2016
## KIDS ON THE MOVE, INC.
### STATEMENT OF FINANCIAL POSITION
June 30, 2016 with Comparative Totals for 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$358,634</td>
<td>$336,955</td>
</tr>
<tr>
<td>Investment in marketable securities</td>
<td>2,041,585</td>
<td>2,115,562</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>888,869</td>
<td>1,075,482</td>
</tr>
<tr>
<td>Other assets</td>
<td>26,055</td>
<td>25,062</td>
</tr>
<tr>
<td>Net capital assets</td>
<td>1,978,189</td>
<td>2,022,003</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$5,303,332</td>
<td>$5,575,064</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Liabilities:</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$41,037</td>
<td>$65,230</td>
</tr>
<tr>
<td>Accrued wages and related benefits</td>
<td>265,610</td>
<td>289,295</td>
</tr>
<tr>
<td>Due to other organization</td>
<td>14,000</td>
<td>14,000</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>320,647</td>
<td>368,525</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Net Assets:</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Designated for quasi-endowment</td>
<td>2,150,006</td>
<td>2,211,270</td>
</tr>
<tr>
<td>Designated for net capital assets</td>
<td>1,978,189</td>
<td>2,022,003</td>
</tr>
<tr>
<td>Undesignated</td>
<td>831,958</td>
<td>946,663</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>2,532</td>
<td>6,603</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>4,982,685</td>
<td>5,206,539</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$5,303,332</td>
<td>$5,575,064</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
# KIDS ON THE MOVE, INC.
## STATEMENT OF ACTIVITIES
Year Ended June 30, 2016 with Comparative Totals for 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted Net Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue, gains, and support:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State revenues</td>
<td>$1,459,415</td>
<td>$1,434,577</td>
</tr>
<tr>
<td>Federal revenues</td>
<td>4,591,288</td>
<td>4,288,751</td>
</tr>
<tr>
<td>Program service revenue</td>
<td>488,971</td>
<td>506,452</td>
</tr>
<tr>
<td>United Way allocation</td>
<td>4,223</td>
<td>23,062</td>
</tr>
<tr>
<td>Contributions and fundraising</td>
<td>369,280</td>
<td>437,609</td>
</tr>
<tr>
<td>Rental income</td>
<td>21,232</td>
<td>19,312</td>
</tr>
<tr>
<td>Interest</td>
<td>41,170</td>
<td>67,292</td>
</tr>
<tr>
<td>Net gain (loss) on investments</td>
<td>(59,829)</td>
<td>51,056</td>
</tr>
<tr>
<td>Loss from disposal of capital assets</td>
<td>(2,787)</td>
<td>(2,378)</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>4,072</td>
<td>58,902</td>
</tr>
<tr>
<td>Total revenue, gains, and support</td>
<td>6,917,045</td>
<td>6,884,635</td>
</tr>
<tr>
<td>Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early Intervention</td>
<td>3,393,034</td>
<td>3,272,478</td>
</tr>
<tr>
<td>Early Head Start</td>
<td>1,877,562</td>
<td>1,846,825</td>
</tr>
<tr>
<td>Bridges - Autism</td>
<td>1,154,918</td>
<td>1,261,760</td>
</tr>
<tr>
<td>Other</td>
<td>290,748</td>
<td>350,462</td>
</tr>
<tr>
<td>Supporting services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>179,235</td>
<td>202,865</td>
</tr>
<tr>
<td>Fundraising</td>
<td>241,330</td>
<td>230,427</td>
</tr>
<tr>
<td>Total expenses</td>
<td>7,136,827</td>
<td>7,164,817</td>
</tr>
<tr>
<td>Change in unrestricted net assets</td>
<td>(219,782)</td>
<td>(280,182)</td>
</tr>
<tr>
<td><strong>Temporarily Restricted Net Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>3,000</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>(4,072)</td>
<td>(58,902)</td>
</tr>
<tr>
<td>Change in temporarily restricted net assets</td>
<td>(4,072)</td>
<td>(55,902)</td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>(223,854)</td>
<td>(336,084)</td>
</tr>
<tr>
<td><strong>Net Assets at Beginning of Year</strong></td>
<td>5,206,539</td>
<td>5,542,623</td>
</tr>
<tr>
<td><strong>Net Assets at End of Year</strong></td>
<td>$4,982,685</td>
<td>$5,206,539</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
## KIDS ON THE MOVE, INC.
### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016 with Comparative Totals for 2015

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Supporting Services</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Early Intervention</td>
<td>Early Head Start</td>
<td>Bridges - Autism</td>
</tr>
<tr>
<td>Compensation</td>
<td>$2,359,422</td>
<td>$1,218,962</td>
<td>$824,063</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>504,478</td>
<td>279,441</td>
<td>158,036</td>
</tr>
<tr>
<td>Depreciation</td>
<td>49,648</td>
<td>25,685</td>
<td>15,822</td>
</tr>
<tr>
<td>Insurance</td>
<td>9,187</td>
<td>5,283</td>
<td>3,333</td>
</tr>
<tr>
<td>Dues and subscriptions</td>
<td>15,230</td>
<td>11,505</td>
<td>6,758</td>
</tr>
<tr>
<td>Building maintenance</td>
<td>25,401</td>
<td>21,488</td>
<td>8,370</td>
</tr>
<tr>
<td>Equipment maintenance</td>
<td>7,606</td>
<td>3,863</td>
<td>2,701</td>
</tr>
<tr>
<td>Utilities</td>
<td>21,220</td>
<td>12,089</td>
<td>7,435</td>
</tr>
<tr>
<td>Postage</td>
<td>1,963</td>
<td>1,167</td>
<td>651</td>
</tr>
<tr>
<td>Printing</td>
<td>2,580</td>
<td>3,784</td>
<td>641</td>
</tr>
<tr>
<td>Professional services</td>
<td>99,711</td>
<td>101,670</td>
<td>46,084</td>
</tr>
<tr>
<td>Supplies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleaning</td>
<td>4,340</td>
<td>7,751</td>
<td>1,664</td>
</tr>
<tr>
<td>Office</td>
<td>21,510</td>
<td>11,535</td>
<td>2,941</td>
</tr>
<tr>
<td>Program</td>
<td>77,688</td>
<td>70,893</td>
<td>17,587</td>
</tr>
<tr>
<td>Communications</td>
<td>28,077</td>
<td>12,149</td>
<td>11,306</td>
</tr>
<tr>
<td>In-service</td>
<td>28,132</td>
<td>14,334</td>
<td>9,297</td>
</tr>
<tr>
<td>Transportation</td>
<td>127,544</td>
<td>75,412</td>
<td>35,827</td>
</tr>
<tr>
<td>Other</td>
<td>9,287</td>
<td>541</td>
<td>2,402</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$3,393,034</strong></td>
<td><strong>$1,877,562</strong></td>
<td><strong>$1,154,918</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this financial statement.
KIDS ON THE MOVE, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2016 with Comparative Totals for 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from grantors</td>
<td>$ 5,559,554</td>
<td>$ 4,294,973</td>
</tr>
<tr>
<td>Cash received from donors</td>
<td>373,513</td>
<td>463,671</td>
</tr>
<tr>
<td>Cash received from service recipients</td>
<td>1,177,965</td>
<td>1,570,786</td>
</tr>
<tr>
<td>Interest received</td>
<td>38,383</td>
<td>64,914</td>
</tr>
<tr>
<td>Cash paid to employees and for employee benefits</td>
<td>(5,950,916)</td>
<td>(6,066,775)</td>
</tr>
<tr>
<td>Cash paid to suppliers</td>
<td>(1,129,771)</td>
<td>(1,050,090)</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td>68,728</td>
<td>(722,521)</td>
</tr>
</tbody>
</table>

| **Cash Flows from Investing Activities:** |         |         |
| Net sales of investment in marketable securities | 14,148  | 763,847  |
| Purchases of capital assets            | (61,197) | (12,210) |
| **Net cash provided (used) by investing activities** | (47,049) | 751,637 |

| **Net Change in Cash** |         |         |
| 21,679                  | 29,116  |

| **Cash at Beginning of Year** |         |         |
| 336,955                  | 307,839 |

| **Cash at End of Year** |         |         |
| $ 358,634               | $ 336,955 |

**Supplemental Data:**

A reconciliation of the change in net assets to cash flows used by operating activities for the year ended June 30, 2016 with comparative totals for 2015 follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$ (223,854)</td>
<td>$ (336,084)</td>
</tr>
</tbody>
</table>

Adjustments to reconcile change in net assets to net cash used by operating activities:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>102,224</td>
<td>112,250</td>
</tr>
<tr>
<td>Net loss (gain) on investments</td>
<td>59,829</td>
<td>(51,056)</td>
</tr>
<tr>
<td>Loss on disposal of capital assets</td>
<td>2,787</td>
<td>2,378</td>
</tr>
</tbody>
</table>

Change in operating assets and liabilities:

|                                | 2016    | 2015    |
| Accounts receivable            | 176,613 | (383,333) |
| Other assets                   | (993)   | (7,458)  |
| Accounts payable               | (24,193)| (1,391)  |
| Accrued wages and related benefits | (23,685)| (57,827) |
| **Net cash provided (used) by operating activities** | 68,728  | (722,521) |

The accompanying notes are an integral part of this financial statement.
KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

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, 2015, from which the summarized information was derived.

Tax Status - The Organization is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

Investment in Marketable Securities - Investments in marketable securities are reported at their fair values in the statement of financial position. Net investment gains (losses) 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, 2016 (see Note 4).

Capital Assets - Capital assets are recorded 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.

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

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.

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.

Subsequent Events - The Organization evaluated subsequent events through November 30, 2016, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 2. **Cash**

At June 30, 2016, the carrying amount of cash deposits is $358,634 and the bank balance is $332,224, of which $250,000 is covered by federal depository insurance. The Organization also had $27,522 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, 2016:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Intervention grant</td>
<td>$371,492</td>
</tr>
<tr>
<td>Early Head Start grant</td>
<td>$212,432</td>
</tr>
<tr>
<td>Other</td>
<td>$314,945</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$898,869</td>
</tr>
</tbody>
</table>

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

Note 4. Investments

Investments consisted of the following marketable securities at June 30, 2016:

<table>
<thead>
<tr>
<th>Security Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td></td>
</tr>
<tr>
<td>Common stock - domestic value</td>
<td>$357,359</td>
</tr>
<tr>
<td>Common stock - domestic growth</td>
<td>385,307</td>
</tr>
<tr>
<td>Mutual funds:</td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>751,338</td>
</tr>
<tr>
<td>Emerging markets stock</td>
<td>56,234</td>
</tr>
<tr>
<td>International stock</td>
<td>374,006</td>
</tr>
<tr>
<td>Real estate investment trust</td>
<td>117,341</td>
</tr>
<tr>
<td><strong>Total marketable securities</strong></td>
<td><strong>$ 2,041,585</strong></td>
</tr>
</tbody>
</table>

**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 (totaling $20,000) 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

Note 4. Investments (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, 2016 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

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, 2016 are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Estimated Useful Life (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$ 235,000</td>
</tr>
<tr>
<td>Building</td>
<td>2,567,397</td>
</tr>
<tr>
<td>Land improvements</td>
<td>90,954</td>
</tr>
<tr>
<td>Equipment</td>
<td>640,422</td>
</tr>
<tr>
<td></td>
<td>3,533,773</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(1,555,584)</td>
</tr>
<tr>
<td>Net capital assets</td>
<td>$ 1,978,189</td>
</tr>
</tbody>
</table>

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, 2016.

Note 8.  Restricted Net Assets

The Organization receives donations that are specifically restricted by the donor. Restricted donations held at June 30, 2016 are for the following purposes:

Temporarily Restricted:
  - Literacy/Library: $ 2,532

Permanently Restricted:
  - Endowment: 20,000

$ 22,532
KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 9. Operating Leases

The Organization leased office equipment under an operating lease. Monthly payments on this lease are $688 through May 2017. Payments on this lease were $8,395 during the year ended June 30, 2016. The Organization’s future minimum lease payments for the year ending June 30, 2017 are $7,568.

Note 10. Supplemental Disclosures of Cash Flow Information

The Organization paid no interest or income taxes for the year ended June 30, 2016.

The Organization had no noncash investing or financing activities during the year ended June 30, 2016.

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 $121,356 for the year ended June 30, 2016. The Organization’s matching contributions were $22,775 for the year ended June 30, 2016.

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, 2016, 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, 2016.

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.
SUPPLEMENTARY INFORMATION
AND OTHER REPORTS

Year Ended June 30, 2016
KIDS ON THE MOVE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

<table>
<thead>
<tr>
<th>Department/Pass-Through Grantor/Program Title</th>
<th>Pass-Through Entity Identifying Number</th>
<th>Federal CFDA Number</th>
<th>Receivable June 30, 2016</th>
<th>Received</th>
<th>Expended</th>
<th>Receivable June 30, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Agriculture:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed Through State of Utah Board of Education:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child and Adult Care Food Program</td>
<td>n/a</td>
<td>10.558</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>U.S. Department of Housing and Urban Development:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through the City of Orem, Utah:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Development Block Grant/Entitlement Grants</td>
<td>n/a</td>
<td>14.218</td>
<td>6,000</td>
<td>11,000</td>
<td>5,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>U.S. Department of Education:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passed through State of Utah Department of Health:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Education - Grants for Infants and Families</td>
<td>1412610</td>
<td>84.181</td>
<td>518,231</td>
<td>518,231</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Special Education - Grants for Infants and Families</td>
<td>1518812</td>
<td>84.181</td>
<td>-</td>
<td>600,775</td>
<td>972,267</td>
<td>371,492</td>
</tr>
<tr>
<td><strong>Department of Health and Human Services:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Programs:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Head Start</td>
<td>08CH0141/02</td>
<td>93.600</td>
<td>334,981</td>
<td>334,981</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Head Start</td>
<td>08CH0141/02</td>
<td>93.600</td>
<td>-</td>
<td>1,683,517</td>
<td>1,895,949</td>
<td>212,432</td>
</tr>
<tr>
<td>Passed through the State of Utah Department of Workforce Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Care and Development Block Grant</td>
<td>06-6263</td>
<td>93.575</td>
<td>37,706</td>
<td>87,237</td>
<td>49,531</td>
<td>-</td>
</tr>
<tr>
<td>Passed through Utah State University:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthy Marriage Promotion and Responsible Fatherhood Grants</td>
<td>061878-008</td>
<td>93.068</td>
<td>7,500</td>
<td>37,500</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total federal awards</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>904,418</td>
<td>3,295,284</td>
<td>2,974,790</td>
</tr>
</tbody>
</table>

-13-
KIDS ON THE MOVE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A.  General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of Kids on the Move, Inc. (the Organization) for the year ended June 30, 2016. All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included on the schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended and does not present the financial position, changes in net assets or cash flows of the Organization.

Note B.  Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note C.  Reconciliation of Federal Awards

The Organization also received $1,616,498 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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal awards expended</td>
<td>$2,974,790</td>
</tr>
<tr>
<td>Medicaid monies received</td>
<td>$1,616,498</td>
</tr>
</tbody>
</table>

Total federal revenues $4,591,288

The Organization also received $1,458,401 in state matching funds related to Special Education – Grants for Infants and Families (Federal CFDA Number 84.181).
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, in accordance with the 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, the financial statements of Kids on the Move, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’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.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Squire & Company, PC

Orem, Utah
November 30, 2016
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with the Uniform Guidance

Board of Trustees
Kids on the Move, Inc.

Report on Compliance for Each Major Federal Program

We have audited the compliance of Kids on the Move, Inc. (the Organization) with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2016.

The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above.

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance 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, 2016.
Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Squire & Company, PC

Orem, Utah
November 30, 2016
KIDS ON THE MOVE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

No matters were reported in the prior year audit.
I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:
- Material weaknesses identified? ___ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal control over major programs:
- Material weaknesses identified? ___ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? ___ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.156(a)? ___ yes X no

Identification of major programs:

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Name of Federal Program or Cluster</th>
</tr>
</thead>
<tbody>
<tr>
<td>84.181</td>
<td>Special Education – Grants for Infants and Families</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? X yes ___ no

II. Financial statement findings:
No matters were reported.

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