

KIDS ON THE MOVE, INC.

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

Year Ended June 30, 2011

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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, 2011 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 2010 financial statements and, in our report dated October 22, 2010, 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, 2011, 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 September 23, 2011 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 performed for the purpose of forming an opinion on the basic financial statements of Kids on the Move, Inc. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Squire & Company, PC

September 23, 2011

KIDS ON THE MOVE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2011, with Comparative Totals for 2010

	2011	2010
Assets:		
Cash	\$ 375,547	\$ 188,402
Accounts receivable	358,059	520,929
Marketable securities	2,202,914	1,839,471
Other assets	15,134	102,819
Net capital assets	<u>2,348,264</u>	<u>2,409,609</u>
Total assets	<u><u>\$ 5,299,918</u></u>	<u><u>\$ 5,061,230</u></u>
Liabilities:		
Accounts payable	\$ 25,201	\$ 61,745
Accrued wages and related benefits	<u>304,432</u>	<u>269,860</u>
Total liabilities	329,633	331,605
Net Assets:		
Unrestricted, undesignated	480,241	173,824
Unrestricted, designated for quasi-endowment	2,111,270	2,111,270
Unrestricted, designated for net capital assets	2,348,264	2,409,609
Temporarily restricted	10,510	14,922
Permanently restricted	<u>20,000</u>	<u>20,000</u>
Total net assets	<u>4,970,285</u>	<u>4,729,625</u>
Total liabilities and net assets	<u><u>\$ 5,299,918</u></u>	<u><u>\$ 5,061,230</u></u>

The accompanying notes are an integral part of this statement.

KIDS ON THE MOVE, INC.
STATEMENT OF ACTIVITIES

Year Ended June 30, 2011, with Comparative Totals for 2010

	2011	2010
Unrestricted Net Assets:		
Revenue, gains, and support:		
State revenues	\$ 1,141,799	\$ 1,133,560
Federal revenues	4,142,854	3,494,845
Program service revenue	287,073	186,250
United Way allocation	17,600	20,199
Contributions and fundraising	278,433	124,951
In-kind contributions	-	7,650
Rental income	33,961	37,606
Interest	60,171	50,319
Net gain on investment in marketable securities	300,672	130,495
Net assets released from restrictions	6,940	1,096
Total revenue, gains, and support	<u>6,269,503</u>	<u>5,186,971</u>
Expenses:		
Program services:		
Early Intervention	3,458,142	3,154,897
Early Head Start	1,936,445	1,305,228
Other	455,094	237,191
Supporting services:		
Management and general	60,219	80,850
Fundraising	114,531	109,409
Total expenses	<u>6,024,431</u>	<u>4,887,575</u>
Change in unrestricted net assets	245,072	299,396
Temporarily Restricted Net Assets:		
Contributions	2,528	8,700
Net assets released from restrictions	<u>(6,940)</u>	<u>(1,096)</u>
Change in temporarily restricted net assets	<u>(4,412)</u>	<u>7,604</u>
Change in Net Assets	240,660	307,000
Net Assets at July 1	<u>4,729,625</u>	<u>4,422,625</u>
Net Assets at June 30	<u><u>\$ 4,970,285</u></u>	<u><u>\$ 4,729,625</u></u>

The accompanying notes are an integral part of this statement.

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

Year Ended June 30, 2011, with Comparative Totals for 2010

	Program Services			Supporting Services		Totals	
	Early Intervention	Early Head Start	Other	Management and General	Fundraising	2011	2010
Compensation	\$ 2,238,172	\$ 1,194,704	\$ 318,531	\$ 10,648	\$ 73,910	\$ 3,835,965	\$ 3,068,402
Employee benefits	475,622	322,331	64,549	2,209	15,330	880,041	562,026
Depreciation	78,865	43,683	8,889	7,329	-	138,766	127,208
Insurance	8,345	5,548	974	2,994	-	17,861	18,441
Dues	18,587	7,412	953	533	-	27,485	14,195
Building maintenance	26,177	83,003	2,270	875	-	112,325	62,529
Equipment maintenance	41,114	17,907	3,445	1,095	-	63,561	143,010
Utilities	19,932	18,787	2,509	3,945	-	45,173	36,012
Postage	5,389	2,681	599	208	-	8,877	6,826
Printing	14,527	2,817	361	106	-	17,811	8,765
Professional services	81,243	36,395	6,227	2,548	-	126,413	127,569
Supplies:							
Cleaning	2,574	1,311	395	103	-	4,383	14,833
Office	26,774	3,064	960	323	-	31,121	65,249
Program	74,482	88,586	23,673	1,643	25,291	213,675	264,621
Communications	65,670	12,238	2,864	808	-	81,580	54,502
In-service	100,014	29,963	5,594	1,740	-	137,311	73,456
Transportation	174,662	62,840	7,651	1,176	-	246,329	206,191
Other	5,993	3,175	4,650	21,936	-	35,754	33,740
Total expenses	<u>\$ 3,458,142</u>	<u>\$ 1,936,445</u>	<u>\$ 455,094</u>	<u>\$ 60,219</u>	<u>\$ 114,531</u>	<u>\$ 6,024,431</u>	<u>\$ 4,887,575</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, 2011, with Comparative Totals for 2010

	2011	2010
Cash Flows from Operating Activities:		
Cash received from grantors	\$ 4,704,568	\$ 3,721,687
Cash received from donors	295,453	146,402
Cash received from service recipients	1,066,654	892,667
Interest received	60,171	50,319
Cash paid to employees	(4,681,434)	(3,551,243)
Cash paid to suppliers	<u>(1,162,796)</u>	<u>(1,185,086)</u>
Net cash provided by operating activities	282,616	74,746
Cash Flows from Investing Activities:		
Net purchases of marketable securities	(62,771)	(282,438)
Purchases of capital assets	<u>(32,700)</u>	<u>(196,003)</u>
Net cash used by investing activities	<u>(95,471)</u>	<u>(478,441)</u>
Net Change in Cash	187,145	(403,695)
Cash at July 1	<u>188,402</u>	<u>592,097</u>
Cash at June 30	<u><u>\$ 375,547</u></u>	<u><u>\$ 188,402</u></u>

Supplemental Data:

A reconciliation of the change in net assets to cash flows provided by operating activities for the year ended June 30, 2011 with comparative totals for 2010 follows:

	2011	2010
Change in net assets	\$ 240,660	\$ 307,000
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	138,766	127,208
In-kind contributions	-	(7,650)
Net gain on investment in marketable securities	(300,672)	(130,495)
Change in operating assets and liabilities:		
Accounts receivable	162,870	(244,683)
Other assets	42,964	(84,452)
Accounts payable	(36,544)	28,633
Accrued wages and related liabilities	<u>34,572</u>	<u>79,185</u>
Net cash provided by operating activities	<u><u>\$ 282,616</u></u>	<u><u>\$ 74,746</u></u>

The accompanying notes are an integral part of this 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, 2010, 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.

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 \$2,202,914 invested in equity securities (common stock) and mutual funds at June 30, 2011 (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.

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, 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

KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Subsequent Events - The Organization evaluated subsequent events through September 23, 2011, the date the financial statements were available to be issued.

Note 2. Cash

At June 30, 2011, the carrying amount of cash deposits is \$366,982 and the bank balance is \$473,700, all of which is covered by federal depository insurance. The Organization also had \$8,565 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, 2011:

Early Intervention grant	\$ 170,622
Early Head Start grant	139,688
Other	47,749
	<u>\$ 358,059</u>

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

Note 4. Marketable Securities

Marketable securities consist of the following at June 30, 2011:

Equity securities:	
Common stock - domestic value	\$ 429,127
Common stock - domestic growth	414,501
Mutual funds - fixed income	760,277
Mutual funds - emerging markets stock	66,412
Mutual funds - international stock	409,653
Real estate investment fund	122,944
Total marketable securities	<u>\$ 2,202,914</u>

KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

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 – 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, 2011 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, 2011 are summarized as follows:

		<u>Estimated Useful Life (Years)</u>
Land	\$ 235,000	
Building	2,475,762	40
Land improvements	70,350	15
Equipment	<u>805,883</u>	5 to 7
	3,586,995	
Accumulated depreciation	<u>(1,238,731)</u>	
Capital assets	<u><u>\$ 2,348,264</u></u>	

Note 7. Line of Credit

The Organization established a \$75,000 line of credit with a bank. The outstanding balance was \$0 at June 30, 2011.

Note 8. Restricted Net Assets

The Organization receives donations that are specifically restricted by the donor. Restricted donations held at June 30, 2011 are for the following purposes:

Temporarily Restricted:	
Early Intervention	\$ 2,774
Early Head Start	5,340
Other	<u>2,396</u>
	10,510
Permanently Restricted:	
Endowment	<u>20,000</u>
	<u><u>\$ 30,510</u></u>

KIDS ON THE MOVE, INC.
NOTES TO FINANCIAL STATEMENTS

Note 9. Operating Leases

The Organization leases office equipment under an operating lease. Monthly payments on this lease are \$959 through May 2012. Payments on this lease were \$11,830 during the year ending June 30, 2011. The Organization's future minimum lease payments for the year ending June 30, 2012 will be \$9,590.

Note 10. Supplemental Disclosures of Cash Flows Information

The Organization paid no interest or income taxes for the year ended June 30, 2011.

The Organization had no noncash investing or financing activities during the year ended June 30, 2011.

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 \$80,190 for the year ended June 30, 2011. The Organization's matching contributions were \$16,449 for the year ended June 30, 2011.

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, 2011, 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, 2011.

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, 2011

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

Year Ended June 30, 2011

Department/Pass-Through Grantor/Program Title	Grantor Number	Federal CFDA Number	Receivable July 1, 2010	Received	Expended	Receivable June 30, 2011
U.S. Department of Housing and Urban Development:						
Passed through the City of Orem, Utah:						
Community Development Block Grant/Entitlement Grants	n/a	14.218	\$ -	\$ 6,350	\$ 6,350	\$ -
U.S. Department of Education:						
Passed through State of Utah Department of Health:						
Special Education - Grants for Infants and Families	10-2316	84.181	288,633	1,230,009	1,097,022	155,646
Special Education - Grants for Infants and Families, Recovery Act	10-0922	84.393	* 17,721	274,487	271,742	14,976
Department of Health and Human Services:						
Direct Programs:						
Head Start	08CH0141/08	93.600	30,468	578,489	603,410	55,389
ARRA - Head Start	08SE0141/01	93.708	* 5,303	14,355	9,052	-
ARRA - Early Head Start	08SA0141/02	93.709	* 132,233	1,338,214	1,290,280	84,299
Passed through the State of Utah Department of Workforce Services:						
Child Care and Development Block Grant	06-6263	93.575	17,624	69,767	73,596	21,453
Passed through Utah State University:						
Healthy Marriage Promotion and Responsible Fatherhood Grants	061878-008	93.068	8,000	40,000	32,000	-
Head Start	080113-004	93.600	3,553	20,000	16,447	-
Total federal awards			<u>\$ 503,535</u>	<u>\$ 3,571,671</u>	<u>\$ 3,399,899</u>	<u>\$ 331,763</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	\$ 3,399,899
Medicaid monies received	<u>742,955</u>
Total federal revenues	<u>\$ 4,142,854</u>

The Organization provided \$702,877 to a subrecipient from the ARRA - Early Head Start (Federal CFDA Number 93.709) program during the year ended June 30, 2011.

The Organization also received \$1,141,799 in state matching funds related to the Special Education - Grants for Infants and Families (Federal CFDA Number 84.181).



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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, 2011, and have issued our report thereon dated September 23, 2011. 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

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, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 23, 2011



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Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Program and 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 are applicable to each of its major federal programs for the year ended June 30, 2011. 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 are applicable to each of its major federal programs for the year ended June 30, 2011.

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 applicable requirements of laws, regulations, contracts, and grants that would be material in relation to 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 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, and 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

September 23, 2011

KIDS ON THE MOVE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011

No matters were reported in the prior year audit.

KIDS ON THE MOVE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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>
	Head Start Cluster:
93.600	Head Start
93.708	ARRA - Head Start
93.709	ARRA - Early Head Start

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.