

**KIDS WHO COUNT, INC.**

FINANCIAL STATEMENTS  
AND REPORT IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Year Ended June 30, 2016

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## Independent Auditor's Report

Board of Directors  
Kids Who Count, Inc.

### **Report on the Basic Financial Statements**

We have audited the accompanying financial statements of Kids Who Count, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2016 and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the basic financial statements.

### ***Management's Responsibility for the Basic 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 Who Count, 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 Who Count, Inc.'s 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 20, 2016. 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016 on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

*Squire & Company, PC*

Orem, Utah  
December 5, 2016

**KIDS WHO COUNT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2016 with Comparative Totals for 2015

	2016	2015
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash	\$ 146,486	\$ 147,220
Grants receivable	70,294	58,173
Total current assets	216,780	205,393
<b>Net Capital Assets</b>	137,048	120,801
Total assets	<u>\$ 353,828</u>	<u>\$ 326,194</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 7,453	\$ 5,045
Accrued expenses	70,327	59,951
Total current liabilities	77,780	64,996
<b>Unrestricted Net Assets:</b>		
Designated for capital assets	137,048	120,801
Undesignated	139,000	140,397
Total unrestricted net assets	276,048	261,198
Total liabilities and net assets	<u>\$ 353,828</u>	<u>\$ 326,194</u>

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

**KIDS WHO COUNT, INC.**  
**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2016 with Comparative Totals for 2015

	2016	2015
<b>Unrestricted Net Assets:</b>		
<b>Revenues and Support:</b>		
Federal and state grants	\$ 1,088,557	\$ 978,307
Other	<u>16,820</u>	<u>8,136</u>
Total revenues and support	1,105,377	986,443
<b>Expenses:</b>		
Program services:		
Early intervention	911,173	808,728
Supporting services:		
Administration	<u>179,354</u>	<u>153,502</u>
Total expenses	<u>1,090,527</u>	<u>962,230</u>
<b>Change in Net Assets</b>	14,850	24,213
<b>Net Assets at Beginning of Year</b>	<u>261,198</u>	<u>236,985</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 276,048</u></u>	<u><u>\$ 261,198</u></u>

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

**KIDS WHO COUNT, INC.****STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended June 30, 2016 with Comparative Totals for 2015

	Early		Totals	
	<u>Intervention</u>	<u>Administration</u>	<u>2016</u>	<u>2015</u>
Salaries and benefits	\$ 736,149	\$ 150,777	\$ 886,926	\$ 785,803
Professional insurance	8,099	-	8,099	8,504
Office supplies	6,625	6,626	13,251	6,947
Program materials	4,154	-	4,154	13,199
Postage	333	-	333	269
Inservice	10,573	-	10,573	6,928
Telephone	7,559	1,548	9,107	8,909
Utilities	4,189	858	5,047	3,978
Repairs and maintenance	18,724	-	18,724	7,350
Operating expenses	35,573	-	35,573	19,886
Professional fees	39,370	19,545	58,915	69,267
Transportation	39,252	-	39,252	31,127
Family travel and education	573	-	573	63
Total	<u>\$ 911,173</u>	<u>\$ 179,354</u>	<u>\$ 1,090,527</u>	<u>\$ 962,230</u>

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

**KIDS WHO COUNT, INC.**  
**STATEMENT OF CASH FLOWS**

Year Ended June 30, 2016 with Comparative Totals for 2015

	2016	2015
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 14,850	\$ 24,213
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,783	9,204
Changes in operating assets and liabilities:		
Grants receivable	(12,121)	(2,577)
Prepaid expenses	-	4,220
Accounts payable	2,408	1,402
Accrued expenses	10,376	(3,489)
Total adjustments	<u>9,446</u>	<u>8,760</u>
Net cash provided by operating activities	24,296	32,973
<b>Cash Flows from Investing Activities:</b>		
Purchases of capital assets	<u>(25,030)</u>	<u>(1,100)</u>
<b>Net Change in Cash</b>	(734)	31,873
<b>Cash at Beginning of Year</b>	<u>147,220</u>	<u>115,347</u>
<b>Cash at End of Year</b>	<u>\$ 146,486</u>	<u>\$ 147,220</u>

**Supplemental Data:**

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

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

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

**KIDS WHO COUNT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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

The financial statements of Kids Who Count, Inc. (the Organization) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization – Kids Who Count, Inc. was incorporated as a nonprofit organization in the State of Utah for the purpose of utilizing early intervention treatments for infants and children from birth through age two. The Organization’s mission is to be a resource for families and to enhance care for young children.

The Organization has no general membership other than the Board of Directors consisting of individuals who have an interest in the programs administered by the Organization. The Board establishes policies and procedures within the guidelines of the Organization’s grantors.

Summarized 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 the Organization’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.

Grants Receivable – Grants receivable consist of state and federal funds that have been earned but not yet received at year-end; the amounts were subsequently received by the Organization.

Cash – At June 30, 2016, the carrying amount of cash deposits is \$146,486 and the bank balance is \$151,905, all of which was covered by federal depository insurance.

Donated Services – The Organization received donated labor and materials in which the fair value is not readily determinable. As such, these donations are not reflected in the financial statements.

Allocation of Costs – Direct costs are charged to the appropriate program and indirect costs are allocated to the programs proportionate to each program’s usage.

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 revenues, 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.

**KIDS WHO COUNT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

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Subsequent Events – The Organization has evaluated subsequent events through December 5, 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. Capital Assets**

Capital assets are carried at cost or, if donated, the approximate fair value at the date of donation. Capital assets valued at \$1,000 or more are capitalized and depreciated, using the straight-line method, over the estimated useful lives of the assets. Depreciation expense was \$8,783 for the year ended June 30, 2016. Capital assets were as follows at June 30, 2016:

		<u>Depreciable Lives (Years)</u>
Land	\$ 11,928	
Building	230,913	20 to 40
Equipment and furniture	<u>58,414</u>	3 to 10
	301,255	
Accumulated depreciation	<u>(164,207)</u>	
Net capital assets	<u><u>\$ 137,048</u></u>	

**Note 3. Economic Dependency**

Nearly all of the Organization’s revenue comes from grants and related funding, which are federal programs with matching funds received from the state of Utah.

**Note 4. Retirement Plan**

The Organization adopted a tax-sheltered deferred compensation plan for employees who meet certain eligibility requirements. The Organization matches up to 7 percent of employee contributions on eligible earnings. The Organization made contributions to the plan totaling \$31,508 for the year ended June 30, 2016.

**REPORT IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Year Ended June 30, 2016



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 Directors  
Kids Who Count, 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 Who Count, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows, and functional expense for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 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 from 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  
December 5, 2016