klein buendel

Financial Statements,
Independent Auditors' Report,
and Accompanying Information
December 31, 2016 and 2015

EKS&H
AUDIT | TAX | CONSULTING

KLEIN BUENDEL, INC.

Table of Contents

EKS&H
AUDIT | TAX | CONSULTING

7979 E. Tufts Avenue, Suite 400
Denver, Colorado 80237-2521
P: 303-740-9400
F: 303-740-9009
www.EKSH.com

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Klein Buendel, Inc.
Golden, Colorado

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Klein Buendel, Inc. (the "Company"), which are comprised of the balance sheets as of December 31, 2016 and 2015, and the related statements of income, changes in stockholders' equity, and cash flows for the years 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider 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 Klein Buendel, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis 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 audits 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 schedule of expenditures of federal awards 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 April 6, 2017, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Company's internal control over financial reporting and compliance.

EKS+H LLLP

EKS&H LLLP

April 6, 2017
Denver, Colorado

KLEIN BUENDEL, INC.

Balance Sheets

	December 31, 2016	December 31, 2015
Assets		
Current assets		
Cash	$ 353,023	$ 421,402
Accounts receivable	659,593	244,823
Accounts receivable, related party	9,359	19,410
Other current assets	7,507	11,657
Total current assets	1,029,482	697,292
Non-current assets		
Furniture and equipment, net	93,812	26,392
Deposit	15,294	15,294
Total non-current assets	109,106	41,686
Total assets	$ 1,138,588	$ 738,978
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 386,618	$ 153,453
Accounts payable, related party	-	18,453
Accrued compensation	101,326	65,265
Accrued vacation	35,835	34,028
Accrued expenses - other	393	16,062
Deferred revenue	63,710	68,239
Deferred rent, current portion	10,709	13,772
Total current liabilities	598,591	369,272
Non-current liabilities		
Deferred rent, less current portion	76,136	-
Total non-current liabilities	76,136	-
Total liabilities	674,727	369,272
Commitments and contingencies		
Stockholders' equity	463,861	369,706
Total liabilities and stockholders' equity	$ 1,138,588	$ 738,978

See notes to financial statements.

KLEIN BUENDEL, INC.

Statements of Income

	For the Years Ended December 31,	
	2016	2015
Revenues	$ 4,316,600	$ 3,548,599
Cost of revenues	3,383,717	2,746,445
Gross profit	932,883	802,154
Operating expenses	787,506	743,769
Net income	$ 145,377	$ 58,385

See notes to financial statements.

KLEIN BUENDEL, INC.

Statement of Changes in Stockholders' Equity
For the Years Ended December 31, 2016 and 2015

	Common Stock		Retained	Total Stockholders'
	Shares	Amount	Earnings	Equity
Balance - December 31, 2014	49,440	$ 49,440	$ 313,282	$ 362,722
Stockholder draws	-	-	(51,401)	(51,401)
Net income	-	-	58,385	58,385
Balance - December 31, 2015	49,440	49,440	320,266	369,706
Stockholder draws	-	-	(51,222)	(51,222)
Net income	-	-	145,377	145,377
Balance - December 31, 2016	49,440	$ 49,440	$ 414,421	$ 463,861

See notes to financial statements.

KLEIN BUENDEL, INC.

Statements of Cash Flows

	For the Years Ended December 31, 2016	2015
Cash flows from operating activities		
Net income	$ 145,377	$ 58,385
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expense	21,909	10,331
Changes in assets and liabilities		
Accounts receivable	(414,770)	75,661
Accounts receivable, related party	10,051	20,700
Other current assets	4,150	12,299
Accounts payable	233,165	(55,066)
Accounts payable, related party	(18,453)	11,163
Accrued compensation	36,061	6,175
Accrued vacation	1,807	(19,166)
Accrued expenses - other	(15,669)	9,104
Deferred revenue	(4,529)	65,370
Deferred rent	4,030	(16,527)
	(142,248)	120,044
Net cash provided by operating activities	3,129	178,429
Cash flows from investing activities		
Purchase of furniture and equipment	(20,286)	(6,880)
Net cash used in investing activities	(20,286)	(6,880)
Cash flows from financing activities		
Stockholder draws	(51,222)	(44,111)
Net cash used in financing activities	(51,222)	(44,111)
Net (decrease) increase in cash	(68,379)	127,438
Cash - beginning of year	421,402	293,964
Cash - end of year	$ 353,023	$ 421,402

Supplemental disclosure of non-cash activity:

During the year ended December 31, 2016, the Company received a tenant improvement allowance of $69,043 included in furniture and equipment and deferred rent.

During the year ended December 31, 2015, the Company purchased $14,809 of furniture and equipment, which is included in accounts payable.

During the year ended December 31, 2015, the Company had $7,290 of stockholder draws included in accounts payable, related party.

See notes to financial statements.

KLEIN BUENDEL, INC.

Notes to Financial Statements

Note 1 - Description of Business and Summary of Significant Accounting Policies

Klein Buendel, Inc. (the "Company") is a communications firm specializing in the development of programs to educate communities about health issues that impact our daily lives through research grants as well as partnerships with various research institutions. The Company applies an effective mix of traditional and emerging media to create professional and engaging training and education materials.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. As of December 31, 2016 and 2015, the Company had no cash equivalents. The Company continually monitors its positions with and the credit quality of the financial institutions with which it invests.

Concentrations of Credit Risk

Approximately 89% and 87% of revenue is from various federal grants for the years ended December 31, 2016 and 2015, respectively. Approximately 65% and 41% of receivables were due from a federal agency at December 31, 2016 and 2015, respectively.

Accounts Receivable

Accounts receivable represent billings and expenses incurred related to governmental reimbursement grants and other projects and sales. The Company considers substantially all receivables to be collectible based on past experience with similar accounts. Accordingly, no allowance for doubtful accounts is deemed necessary. If amounts become uncollectible, they will be charged to operations when that determination is made.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is provided utilizing the straight-line method over the estimated useful lives for owned assets, ranging from three to five years.

Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company looks primarily to the estimated undiscounted future cash flows in its assessment of whether long-lived assets have been impaired. Upon review of the Company's long-lived assets, no impairments were identified for the years ended December 31, 2016 and 2015.

Note 1 - Description of Business and Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company records grant revenue when the related expenditures are made. Amounts received in advance are included in deferred revenue until the related expenses are incurred. All other revenues are recognized upon completion of service.

Income Taxes

The Company has elected to be treated as an S corporation for income tax purposes. Accordingly, taxable income and losses of the Company are reported on the income tax returns of the Company's stockholders, and no provision for federal income taxes has been recorded in the accompanying financial statements.

The Company applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in a tax return. If tax authorities were to disallow any tax positions taken by the Company, the additional income taxes, if any, would be imposed on the stockholders rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

Interest and penalties associated with tax positions are recorded in the period assessed as operating expenses. No interest or penalties have been assessed as of December 31, 2016 and 2015.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which will require lessees to recognize a right-of-use asset and a lease liability for all leases that are not short-term in nature. For a lessor, the accounting applied is also largely unchanged from previous guidance. The new rules will be effective for the Company in 2020. The Company is currently in the process of evaluating the impact of adoption of the new rules on the Company's financial condition, results of operations, and cash flows.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes current revenue recognition requirements and industry-specific guidance. The codification was amended through additional ASUs and, as amended, requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. The Company is required to adopt the new standard in 2019 and may adopt either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption using one of two retrospective application methods. The Company is continuing to evaluate the provisions of this new guidance and has not determined the impact this standard may have on its financial condition, results of operations, cash flows, and related disclosures or decided upon the method of adoption.

Note 2 - Furniture and Equipment

Furniture and equipment consist of the following:

	December 31, 2016	December 31, 2015
Equipment	$ 95,251	$ 94,075
Furniture and fixtures	52,140	52,206
Leasehold improvements	83,305	552
	230,696	146,833
Less accumulated depreciation and amortization	(136,884)	(120,441)
	$ 93,812	$ 26,392

Depreciation expense for the years ended December 31, 2016 and 2015 was $21,909 and $10,331, respectively.

Note 3 - Line-of-Credit

The Company has a $150,000 line-of-credit with a bank. The line-of-credit bears interest at prime plus 1.05% (4.80% as of December 31, 2016) and has no set maturity date. The line-of-credit is guaranteed by a stockholder of the Company and collateralized by all assets of the Company. At December 31, 2016 and 2015, there was no balance outstanding on the line-of-credit.

Note 4 - Operating Leases

The Company leases facilities and equipment under non-cancelable operating leases expiring through February 2022. Rent expense for the years ended December 31, 2016 and 2015 was approximately $184,000 and $180,000, respectively.

Future minimum lease payments under these leases are approximately as follows:

Year Ending December 31,	
2017	$ 203,000
2018	208,000
2019	204,000
2020	164,000
2021	166,000
Thereafter	28,000
	$ 973,000

Note 5 - Stockholders' Equity

The Board of Directors authorized 500,000 shares of common stock at $1 par value. As of December 31, 2016 and 2015, 49,440 shares of common stock were issued and outstanding.

Note 6 - Related Party Transactions

As of December 31, 2016 and 2015, the Company had accounts receivable of $9,359 and $19,410, respectively, from a related party related to expenses paid on behalf of the related party by the Company.

The Company performed services and licensed a product for the same related party during the years ended December 31, 2016 and 2015. The Company recognized service, royalty, and licensing fees of $145,879 and $255,333 as of December 31, 2016 and 2015, respectively, from this related party.

As of December 31, 2016 and 2015, the Company had accounts payable of $0 and $18,453, respectively, due to related parties related to stockholder draws and employee reimbursements.

Note 7 - Employee Benefit Plan

The Company provides a defined contribution plan pursuant to Internal Revenue Code Section 401(k). Employees who have attained the age of 21 and worked for 6 months and 1,000 hours are eligible to participate on the first of the month after 90 days of employment. Employee contributions are fully vested in various investments as directed by participants. During the years ended December 31, 2016 and 2015, the Company matched 100% of employee contributions up to 3% of each employee's salary and then an additional 50% up to 2% of total employee contributions.

The Company made total contributions of $65,541 and $63,339 during the years ended December 31, 2016 and 2015, respectively.

Note 8 - Grants

The Company receives certain revenues from grants with various governmental agencies. The disbursement of funds received under these grants generally requires compliance with terms and conditions specified in the grants and is subject to audit by the granting agencies. The amount of charges to these grants that may be disallowed, if any, by such audits cannot presently be determined, and no provision for any liability that may result has been made in the financial statements. However, management believes the Company is in compliance with its grant requirements, and no liability has arisen in the past or is currently expected.

Note 9 - Subsequent Events

The Company has evaluated all subsequent events through the auditors' report date, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

ACCOMPANYING INFORMATION

EKS&H
AUDIT | TAX | CONSULTING

7979 E. Tufts Avenue, Suite 400
Denver, Colorado 80237-2521
P: 303-740-9400
F: 303-740-9009
www.EKSH.com

INDEPENDENT AUDITORS' 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 and Stockholders
Klein Buendel, Inc.
Golden, Colorado

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 Klein Buendel, Inc. (the "Company"), which are comprised of the balance sheets as of December 31, 2016, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 6, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 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 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 Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standard*s.

PURPOSE OF THIS REPORT

The purpose of this report is intended 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 Company'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EKS+H LLLP

EKS&H LLLP

April 6, 2017
Denver, Colorado

EKS&H
AUDIT | TAX | CONSULTING

7979 E. Tufts Avenue, Suite 400
Denver, Colorado 80237-2521
P: 303-740-9400
F: 303-740-9009
www.EKSH.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors and Stockholders
Klein Buendel, Inc.
Golden, Colorado

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Klein Buendel, Inc.'s (the "Company") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Company's major federal programs for the year ended December 31, 2016. The Company's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Company'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 non-compliance 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 Company'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 Company's compliance.

Board of Directors and Stockholders
Klein Buendel, Inc.

<u>Opinion on Each Major Federal Award</u>

In our opinion, the Company 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 December 31, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Company 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 Company'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 Company'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, non-compliance 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 non-compliance 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.

PURPOSE OF THIS REPORT

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.

EKS+H LLLP

EKS&H LLLP

April 6, 2017
Denver, Colorado

KLEIN BUENDEL, INC.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2016

Section I - Summary of Audit Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

• Material weaknesses identified?	☐ Yes	☒ No
• Significant deficiencies identified?	☐ Yes	☒ None reported
Is a material non-compliance disclosed?	☐ Yes	☒ No

Federal Awards

Internal control over major programs:

• Material weaknesses identified?	☐ Yes	☒ No
• Significant deficiencies identified?	☐ Yes	☒ None reported

Type of auditors' report issued on compliance for the major program: *Unmodified*

Any audit findings that are required to be reported in accordance with 2CFR 200.516(a)?	☐ Yes	☒ None

Major program: Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

Not applicable - Only one federal program (Research and Development)

Auditee qualified as a low-risk auditee?	☒ Yes	☐ No

Section II - Findings - Financial Statement Audit

None.

Section III - Current-Year Findings and Questioned Costs Relating to Federal Awards

None.

Section IV - Prior-Year Findings and Questioned Costs Relating to Federal Awards

No findings in the prior year.

KLEIN BUENDEL, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Grantor/Pass-Through Grantor	Program Title	Federal CFDA Number	Contract Number/Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
<u>Major Program - Research and Development Cluster</u>					
U.S. Department of Health and Human Services					
Direct awards					
National Institutes of Health/National Cancer Institute	Sun Safe Workplaces: Assessment of Benefits and Costs of a Policy Intervention	93.394	CA187191	$ 513,542	$ 56,736
National Institutes of Health/National Cancer Institute	Web App Technology for Boys and Parents: Improving HPV Vaccine Uptake	93.393	CA210125	124,032	42,937
National Institutes of Health/National Cancer Institute	Norms and Built Environment: Use of Shade in U.S. and Australian City Parks	93.394	CA140367	82,870	18,824
National Institutes of Health/National Institute on Drug Abuse	Intervening to Prevent Youth Access to Marijuana	93.279	DA038933	375,597	25,513
National Institutes of Health/National Institute on Minority Health and Health Disparities	Likes Pins and Views: Engaging Moms on Teen Indoor Tanning Thru Social Media	93.393	CA192652	600,782	272,057
National Institutes of Health/National Institute on Aging	Smart Television and Exercise Promotion for Independent Living Facilities	93.866	AG046670	111,050	-
National Institutes of Health/National Institute on Alcohol Abuse and Alcoholism	Smartphone Help for DWI Offenders and Their Families: A B-Smart App	93.273	AA022850	17,840	-

(Continued on the following page)

See notes to schedule of expenditures of federal awards.

KLEIN BUENDEL, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

(Continued from the previous page)

Federal Grantor/Pass-Through Grantor	Program Title	Federal CFDA Number	Contract Number/Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
National Institutes of Health/National Institute on Aging	Enhancing Care of Aged and Dying in Prisons	93.866	AG049570	75,244	25,420
National Institutes of Health/National Institute on Minority Health and Health Disparities	PINPOINT: Gaming Technology to Engage Adolescent Sickle Cell Patients in Precision Pain Mgmt.	93.307	MD010746	123,650	33,567
National Institutes of Health/National Institute on Minority Health and Health Disparities	WayToServe Espanol: A Culturally-Appropriate Online Responsible Beverage Service Training for Spanish-Speaking Servers	93.307	MD010405	86,163	14,188
National Institutes of Health/National Institute on Minority Health and Health Disparities	Caminamos: A Location-based Smartphone App for Latinas to Connect with Nearby Walking Partners	93.393	MD009652	161,544	11,693
Centers for Disease Control	Location-based Smartphone Technology to Guide College Students??? Healthy Choices Phase II	93.103	DP004995	609,583	299,548
National Institutes of Health/National Institute on Minority Health and Health Disparities	Mobile Phone Intervention for Physical Activity Maintenance in African American Men (MobileMen)	93.307	MD010304	37,738	3,018
National Institutes of Health/National Institute on Aging	Enhancing Care of Aged and Dying Prisons	93.866	AG049570	4,343	42
National Institutes of Health/National Institute on Minority Health and Health Disparities	Smartphone Technology for Parents and Teens: Improving Vaccination Uptake	93.865	HD082901	160,625	78,209
Subtotal direct awards				3,084,603	881,752

(Continued on the following page)

See notes to schedule of expenditures of federal awards.

KLEIN BUENDEL, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

(Continued from the previous page)

Federal Grantor/Pass-Through Grantor	Program Title	Federal CFDA Number	Contract Number/Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
Pass-through awards					
Claremont Graduate University	Translation of District Sun Safe Policies to Schools	93.865	KR-2234-01	259,308	-
San Diego State University Research Foundation	Comprehensive Sun Protection in Recreation: An Advanced Go Sun Smart Program	93.394	56687E P2128 7802 211	10,836	-
Pacific Institute for Research and Evaluation	Web-Based Family Prevention of Alcohol and Risky Sex for Older Teens	93.393	0655	113,311	-
Pacific Institute for Research and Evaluation	Group-Based Intervention for Alcohol, Drugs and Aggression among Club Patrons	93.273	0734	159,576	-
Sloan Kettering Institute	Personalized Genomic Testing for Melanoma: Maximizing Personal Utility and Reach	93.394	BD517247	28,455	-
Northeastern University	Partner Violence Prevention for Middle School Boys: A Dyadic Web-Based Intervention	16.560	504616-78050	100,453	-
Pacific Institute for Research and Evaluation	Addressing High School Marijuana Use in Context of Increasing Social Acceptance	93.279	0727	24,472	-
Rush University Medical Center	Parent Training in Pediatric Primary Care: A Self-Directed Tablet-Based Approach	93.226	15012705	46,303	-

(Continued on the following page)

See notes to schedule of expenditures of federal awards.

KLEIN BUENDEL, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

(Continued from the previous page)

Federal Grantor/Pass-Through Grantor	Program Title	Federal CFDA Number	Contract Number/Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
Old Dominion University Research Foundation	Efficacy and Mechanisms of Technology-Based Behavioral Interventions	93.273	16-142-100551-010	4,180	-
RRF Field Services, LLC	Stop Service to Obviously-Intoxicated Patrons	16.560	1R43AA024992-01	13,708	-
Subtotal pass-through awards				760,602	-
Total expenditures of federal awards				$ 3,845,205	$ 881,752

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

(1) Method of Accounting

The supplemental schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. 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*.

(2) Subrecipients

Klein Buendel, Inc. (the "Company") provided $881,752 of federal funds to subrecipients for the year ended December 31, 2016 from its research and development program.

(3) Reconciliation to Financial Statements

In addition to federal awards, the Company receives grants and contracts from non-federal sources, such as state agencies and other private sources. The following analysis reconciles amounts on the accompanying schedule of expenditures of federal awards to the financial statements:

Total revenues in financial statements	$ 4,316,600
Non-federal revenue	(471,395)
Total expenditures of federal awards	$ 3,845,205

(4) Indirect Cost Rate

The Company did not elect to use the 10% de minimis indirect cost rate. The Company negotiates and receives approval on an indirect cost rate from the Division of Financial Advisory Services.