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January 26, 2010

Board of Directors  
DeKalb County Parent Group for  
Handicapped Children, Inc.  
d/b/a Children First Center  
1752 Wesley Rd.  
P.O. Box 562  
Auburn, IN 46706

We have reviewed the audit report prepared by Baden, Gage & Schroeder, LLC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the DeKalb County Parent Group for Handicapped Children, Inc. d/b/a Children First Center, as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

*Financial Statements*

**Dekalb County Parent Group For  
Handicapped Children, Inc.  
d/b/a Children First Center**

December 31, 2008 and 2007

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Financial Statements  
December 31, 2008 and 2007

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Certified Public Accountants • Business Consultants

## Independent Auditors' Report

Board of Directors  
DeKalb County Parent Group For Handicapped Children, Inc.  
d/b/a Children First Center  
Auburn, Indiana

We have audited the accompanying statements of financial position of DeKalb County Parent Group For Handicapped Children, Inc. d/b/a Children First Center as of December 31, 2008 and 2007, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 DeKalb County Parent Group For Handicapped Children, Inc. d/b/a Children First Center, as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years 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 June 3, 2009 on our consideration of DeKalb County Parent Group For Handicapped Children, Inc. d/b/a Children First Center'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 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 important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.

*Baden, Gage & Schroeder, LLC*

**BADEN, GAGE & SCHROEDER, LLC**

Fort Wayne, Indiana  
June 3, 2009

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Statements of Financial Position  
December 31, 2008 and 2007

|   | <b>2008</b>         | <b>2007</b>         |
|---|---------------------|---------------------|
| <b><u>ASSETS</u></b>  |                     |                     |
| Cash  | \$ 262,875          | \$ 555,928          |
| Certificates of deposit                                       | 210,058             | 202,146             |
| Receivables - government agencies                             | 328,233             | 225,233             |
| Receivables - other   | 1,740               | 11,826              |
| Prepaid expenses  | 18,766              | 3,618               |
| Investments   | 225,491             | 335,091             |
| Property and equipment at cost, less accumulated depreciation | 555,446             | 545,672             |
| <b>TOTAL ASSETS</b>   | <b>\$ 1,602,609</b> | <b>\$ 1,879,514</b> |
| <b><u>LIABILITIES AND NET ASSETS</u></b>                      |                     |                     |
| <b>LIABILITIES</b>  |                     |                     |
| Accounts payable  | \$ 18,499           | \$ 20,698           |
| Accrued wages and payroll withholdings                        | 10,404              | 59,090              |
| Accrued vacation  | 4,847               | 5,312               |
| Deferred grants   | 31,403              | 34,784              |
| Total Liabilities   | 65,153              | 119,884             |
| <b>NET ASSETS</b>   |                     |                     |
| Unrestricted  | 1,514,521           | 1,714,491           |
| Temporarily restricted  | 11,935              | 34,139              |
| Permanently restricted  | 11,000              | 11,000              |
| Total Net Assets  | 1,537,456           | 1,759,630           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                       | <b>\$ 1,602,609</b> | <b>\$ 1,879,514</b> |

**See Notes to Financial Statements.**

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Statement of Activities  
Year Ended December 31, 2008

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <b>PUBLIC SUPPORT AND REVENUES</b>       |                     |                                   |                                   |                     |
| Public Support:                          |                     |                                   |                                   |                     |
| Grants                                   | \$ 29,873           | \$ -                              | \$ -                              | \$ 29,873           |
| Contributions                            | 52,016              | 3,205                             | -                                 | 55,221              |
| United Way contributions                 | 62,696              | -                                 | -                                 | 62,696              |
| County contributions                     | 5,000               | -                                 | -                                 | 5,000               |
| Federal funds                            | 1,001,899           | -                                 | -                                 | 1,001,899           |
| State funds                              | 137,234             | -                                 | -                                 | 137,234             |
| Local funds                              | 502,550             | -                                 | -                                 | 502,550             |
| Other                                    | <u>3,467</u>        | <u>-</u>                          | <u>-</u>                          | <u>3,467</u>        |
| Total Public Support                     | 1,794,735           | 3,205                             | -                                 | 1,797,940           |
| Revenues:                                |                     |                                   |                                   |                     |
| Interest and dividends                   | 30,339              | -                                 | -                                 | 30,339              |
| Unrealized loss on investments           | (119,016)           | -                                 | -                                 | (119,016)           |
| Loss on sale of property and equipment   | <u>(1,402)</u>      | <u>-</u>                          | <u>-</u>                          | <u>(1,402)</u>      |
| Total Revenues (Loss)                    | <u>(90,079)</u>     | <u>-</u>                          | <u>-</u>                          | <u>(90,079)</u>     |
| Net Assets Released From Restriction     | <u>25,409</u>       | <u>(25,409)</u>                   | <u>-</u>                          | <u>-</u>            |
| <b>TOTAL PUBLIC SUPPORT AND REVENUES</b> | 1,730,065           | (22,204)                          | -                                 | 1,707,861           |
| <b>EXPENSES</b>                          |                     |                                   |                                   |                     |
| Program services                         | 1,674,389           | -                                 | -                                 | 1,674,389           |
| Management and general                   | 238,795             | -                                 | -                                 | 238,795             |
| Fundraising                              | <u>16,851</u>       | <u>-</u>                          | <u>-</u>                          | <u>16,851</u>       |
| Total Expenses                           | <u>1,930,035</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,930,035</u>    |
| <b>CHANGE IN NET ASSETS</b>              | (199,970)           | (22,204)                          | -                                 | (222,174)           |
| <b>NET ASSETS, BEGINNING OF YEAR</b>     | <u>1,714,491</u>    | <u>34,139</u>                     | <u>11,000</u>                     | <u>1,759,630</u>    |
| <b>NET ASSETS, END OF YEAR</b>           | <u>\$ 1,514,521</u> | <u>\$ 11,935</u>                  | <u>\$ 11,000</u>                  | <u>\$ 1,537,456</u> |

See Notes to Financial Statements.

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Statement of Activities  
Year Ended December 31, 2007

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|
| <b>PUBLIC SUPPORT AND REVENUES</b>       |                     |                                   |                                   |                     |
| Public Support:                          |                     |                                   |                                   |                     |
| Grants                                   | \$ 91,422           | \$ -                              | \$ -                              | \$ 91,422           |
| Contributions                            | 59,025              | 34,139                            | 11,000                            | 104,164             |
| United Way contributions                 | 64,363              | -                                 | -                                 | 64,363              |
| County contributions                     | 40,000              | -                                 | -                                 | 40,000              |
| Federal funds                            | 931,615             | -                                 | -                                 | 931,615             |
| State funds                              | 563,346             | -                                 | -                                 | 563,346             |
| Local funds                              | 28,024              | -                                 | -                                 | 28,024              |
| Other                                    | <u>6,228</u>        | <u>-</u>                          | <u>-</u>                          | <u>6,228</u>        |
| Total Public Support                     | 1,784,023           | 34,139                            | 11,000                            | 1,829,162           |
| Revenues:                                |                     |                                   |                                   |                     |
| Interest and dividends                   | 39,170              | -                                 | -                                 | 39,170              |
| Realized gain on investments             | 13,316              | -                                 | -                                 | 13,316              |
| Unrealized loss on investments           | (29,277)            | -                                 | -                                 | (29,277)            |
| Loss on sale of property and equipment   | <u>(118)</u>        | <u>-</u>                          | <u>-</u>                          | <u>(118)</u>        |
| Total Revenues                           | <u>23,091</u>       | <u>-</u>                          | <u>-</u>                          | <u>23,091</u>       |
| <b>TOTAL PUBLIC SUPPORT AND REVENUES</b> | 1,807,114           | 34,139                            | 11,000                            | 1,852,253           |
| <b>EXPENSES</b>                          |                     |                                   |                                   |                     |
| Program services                         | 1,624,453           | -                                 | -                                 | 1,624,453           |
| Management and general                   | 299,698             | -                                 | -                                 | 299,698             |
| Fundraising                              | <u>13,644</u>       | <u>-</u>                          | <u>-</u>                          | <u>13,644</u>       |
| Total Expenses                           | <u>1,937,795</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,937,795</u>    |
| <b>CHANGE IN NET ASSETS</b>              | (130,681)           | 34,139                            | 11,000                            | (85,542)            |
| <b>NET ASSETS, BEGINNING OF YEAR</b>     | <u>1,845,172</u>    | <u>-</u>                          | <u>-</u>                          | <u>1,845,172</u>    |
| <b>NET ASSETS, END OF YEAR</b>           | <u>\$ 1,714,491</u> | <u>\$ 34,139</u>                  | <u>\$ 11,000</u>                  | <u>\$ 1,759,630</u> |

See Notes to Financial Statements.

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Statements of Cash Flows  
Years Ended December 31, 2008 and 2007

|  | <u>2008</u>       | <u>2007</u>       |
|--|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |                   |
| Change in net assets   | \$ (222,174)      | \$ (85,542)       |
| Adjustments to Reconcile Change in Net Assets to Net<br>Cash Used In Operating Activities: |                   |                   |
| Depreciation   | 34,200            | 39,029            |
| Unrealized loss on investments   | 119,016           | 29,277            |
| Realized gain on investments   | -                 | (13,316)          |
| Reinvested dividends and interest  | (15,002)          | (13,038)          |
| Loss on sale of property and equipment   | 1,402             | 118               |
| (Increase) Decrease in Assets:   |                   |                   |
| Receivables - government agencies  | (103,000)         | 69,384            |
| Receivables - other  | 10,086            | (11,826)          |
| Prepaid expenses   | (15,148)          | 16,609            |
| Increase (Decrease) in Liabilities:  |                   |                   |
| Accounts payable   | (2,203)           | (5,660)           |
| Accrued wages and payroll withholdings   | (48,686)          | 2,464             |
| Accrued vacation   | (465)             | (3,052)           |
| Deferred grants  | <u>(3,381)</u>    | <u>(56,422)</u>   |
| Net Cash Used In Operating Activities  | (245,355)         | (31,975)          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                   |
| Acquisition of property and equipment  | (45,875)          | (17,258)          |
| Proceeds from sale of property and equipment   | 500               | -                 |
| Purchase of marketable equity securities   | <u>(2,323)</u>    | <u>(14,350)</u>   |
| Net Cash Used In Investing Activities  | <u>(47,698)</u>   | <u>(31,608)</u>   |
| <b>NET DECREASE IN CASH</b>  | (293,053)         | (63,583)          |
| <b>CASH, BEGINNING OF YEAR</b>   | <u>555,928</u>    | <u>619,511</u>    |
| <b>CASH, END OF YEAR</b>   | <u>\$ 262,875</u> | <u>\$ 555,928</u> |

See Notes to Financial Statements.

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Statement of Functional Expenses  
Year Ended December 31, 2008

|   | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u> | <u>Total</u>        |
|---|-----------------------------|-----------------------------------|--------------------|---------------------|
| Salaries and wages                                | \$ 1,160,774                | \$ 150,520                        | \$ 7,574           | \$ 1,318,868        |
| Employee benefits, payroll taxes<br>and insurance | 218,629                     | 36,385                            | -                  | 255,014             |
| Travel and conferences                            | 124,789                     | 1,681                             | 323                | 126,793             |
| Supplies  | 27,832                      | 3,829                             | 607                | 32,268              |
| Building and equipment rental                     | 9,849                       | 1,791                             | -                  | 11,640              |
| Utilities   | 38,610                      | 4,704                             | 63                 | 43,377              |
| Repairs and maintenance                           | 16,081                      | 3,933                             | 12                 | 20,026              |
| Other   | 24,457                      | 8,694                             | 5,396              | 38,547              |
| Professional fees                                 | 22,735                      | 23,746                            | 52                 | 46,533              |
| Depreciation                                      | 30,633                      | 3,512                             | 55                 | 34,200              |
| Special events                                    | <u>-</u>                    | <u>-</u>                          | <u>2,769</u>       | <u>2,769</u>        |
| <b>TOTAL EXPENSES</b>                             | <u>\$ 1,674,389</u>         | <u>\$ 238,795</u>                 | <u>\$ 16,851</u>   | <u>\$ 1,930,035</u> |

See Notes to Financial Statements.

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Statement of Functional Expenses  
Year Ended December 31, 2007

|   | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Fundraising</u>      | <u>Total</u>               |
|---|-----------------------------|-----------------------------------|-------------------------|----------------------------|
| Salaries and wages                                | \$ 1,142,784                | \$ 175,313                        | \$ 7,756                | \$ 1,325,853               |
| Employee benefits, payroll taxes<br>and insurance | 212,812                     | 36,371                            | -                       | 249,183                    |
| Travel and conferences                            | 110,605                     | 2,236                             | 211                     | 113,052                    |
| Supplies  | 31,642                      | 5,416                             | 661                     | 37,719                     |
| Building and equipment rental                     | 13,218                      | 2,270                             | -                       | 15,488                     |
| Occupancy   | 42,104                      | 8,962                             | 37                      | 51,103                     |
| Repairs and maintenance                           | 16,512                      | 9,060                             | 24                      | 25,596                     |
| Other   | 26,294                      | 8,497                             | 2,877                   | 37,668                     |
| Professional fees                                 | 18,486                      | 22,540                            | 251                     | 41,277                     |
| Depreciation                                      | 9,996                       | 29,033                            | -                       | 39,029                     |
| Special events                                    | <u>-</u>                    | <u>-</u>                          | <u>1,827</u>            | <u>1,827</u>               |
| <b>TOTAL EXPENSES</b>                             | <b><u>\$ 1,624,453</u></b>  | <b><u>\$ 299,698</u></b>          | <b><u>\$ 13,644</u></b> | <b><u>\$ 1,937,795</u></b> |

**See Notes to Financial Statements.**

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Notes to Financial Statements  
December 31, 2008 and 2007

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

Business Operations:

The Dekalb County Parent Group For Handicapped Children, Inc. d/b/a Children First Center (the Center) is a non-profit, volunteer health and welfare organization. The Center is adamant in its belief that every child, regardless of limitations, deserves the opportunity to grow, to learn, and to achieve at the highest potential. Its mission is to help children become all they can possibly be.

The Dekalb County Parent Group for Handicapped Children, Inc. was established and incorporated in 1971 to provide a means by which the parents of handicapped children could associate together to discuss and face their problems; to share information and special resources; and to encourage and increase the public support and understanding of the needs of handicapped persons. In 1973, this group of parents realized the value of early intervention programs and created the Dekalb County Preschool for the Handicapped. After fifteen years of being housed in a church, the Preschool moved to its own facility in 1987 and became the Children First Center. The Center currently operates in 3 northeastern Indiana counties - Dekalb, Noble and Steuben and provides a full array of prevention, early intervention and preservation services to children and their families.

Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation:

The financial statement presentation follows the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted Net Assets:* Unrestricted net assets include expendable resources over which the Organization's Board of Directors has discretionary control and are used to carry out the Organizations' operations in accordance with its bylaws.

*Temporarily Restricted Net Assets:* Temporarily restricted net assets include resources expendable only for those purposes specified by the donor or grantor. The restrictions are satisfied either by the passage of time or by actions of the Organization.

*Permanently Restricted Net Assets:* Permanently restricted net assets include resources subject to donor-imposed stipulations that they be maintained permanently by the Organization.

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

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

Public Support and Revenue:

All contributions are generally available for unrestricted use in the related year received unless specifically restricted by the donor. Grants and other contributions of cash that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, donor restricted support whose restrictions are met in the same reporting period in which the support is received is reported as unrestricted support.

Investments:

Investments are composed of mutual funds and marketable securities. Mutual funds are carried at the current fair market value which is based on net asset value. Marketable securities with readily determinable fair values are reported at their fair values. Unrealized gains and losses are included in the statement of activities.

The Center's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statement of financial position and the statement of activities.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes:

The Center is a tax-exempt not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is included in these statements. The Center has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

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

Accounts Receivable:

Accounts receivable are recorded at their contract amounts adjusted for any charge-offs and the allowance for doubtful accounts. Receivables are considered past due based on their individual contract terms. The amount of the allowance is based on management's evaluation of the collectibility of the accounts, including the credit concentrations, trends in historical loss experience, specific impaired accounts receivable, and economic conditions. Management of the Center has not provided an allowance for doubtful accounts because the estimate of any loss has been deemed immaterial to the financial statements.

Property and Equipment:

Property and equipment are stated at cost if purchased and at fair values if donated, following the policy of capitalizing assets costing over \$1,000. Depreciation is computed by using the straight-line method based over estimated useful lives.

Functional Allocation of Expenses:

The costs of providing the program services have been summarized on a functional basis in the statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the program services based on employees' time incurred and on resource usage.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year's presentation.

**Note 2. Property and Equipment**

Property and equipment at December 31, 2008 and 2007 consisted of the following:

|                                | <b>Estimated<br/>Useful Lives</b> | <b>2008</b> | <b>2007</b> |
|--------------------------------|-----------------------------------|-------------|-------------|
| Land                           |                                   | \$ 45,865   | \$ 45,865   |
| Building                       | 40 years                          | 901,166     | 860,906     |
| Equipment                      | 3 - 10 years                      | 117,854     | 185,672     |
| Transportation equipment       | 5 - 7 years                       | 56,088      | 69,938      |
|                                |                                   | 1,120,973   | 1,162,381   |
| Less: Accumulated depreciation |                                   | 565,527     | 616,709     |
|                                |                                   | \$ 555,446  | \$ 545,672  |

Depreciation expense for the years ended December 31, 2008 and 2007 totaled \$34,200 and \$39,029, respectively.

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

**Note 3. Investments**

Investments consisted of the following at December 31, 2008:

|              | <b>Cost</b> | <b>Fair Value</b> |
|--------------|-------------|-------------------|
| Mutual Funds | \$ 243,771  | \$ 175,241        |
| Common Stock | 77,500      | 50,250            |
|              | \$ 321,271  | \$ 225,491        |

Investments consisted of the following at December 31, 2007:

|              | <b>Cost</b> | <b>Fair Value</b> |
|--------------|-------------|-------------------|
| Mutual Funds | \$ 234,761  | \$ 260,841        |
| Common Stock | 77,500      | 74,250            |
|              | \$ 312,261  | \$ 335,091        |

The following schedule summarizes the investment return, including interest on certificates of deposit and cash accounts, and its classification in the statements of activities for the years ended December 31, 2008 and 2007:

|                                |             |
|--------------------------------|-------------|
| December 31, 2008:             |             |
| Interest and dividends         | \$ 30,339   |
| Unrealized loss on investments | (119,016)   |
|                                | \$ (88,677) |
| December 31, 2007:             |             |
| Interest and dividends         | \$ 39,170   |
| Realized gain on investments   | 13,316      |
| Unrealized loss on investments | (29,277)    |
|                                | \$ 23,209   |

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

**Note 4. Fair Value Measurements**

Effective January 1, 2008, the Organization adopted SFAS No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement.

The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices (Level 1) that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable in the market for the asset or liability; and inputs that are derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect the Organization's own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include internally developed pricing models, discounted cash flow methodologies, and may require significant management judgment.

The following table summarizes assets measured at fair value on a recurring basis.

|                                       | <b>Fair Value Measurements Using</b>  |  |  |                             |
|---------------------------------------|---|--|--|-----------------------------|
|                                       | <b>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical<br/>Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> | <b>Total<br/>Fair Value</b> |
| <b><u>As of December 31, 2008</u></b> |   |  |  |                             |
| Investment in mutual funds            | \$ 175,241  | \$ -   | \$ -   | \$ 175,241                  |
| Investment in common<br>stock         | <u>50,250</u>   | <u>-</u>   | <u>-</u>   | <u>50,250</u>               |
| Total assets                          | <u>\$ 225,491</u>   | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ 225,491</u>           |

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

**Note 4. Fair Value Measurements (Continued)**

Fair values for investments are determined by reference to quoted market prices and other relevant information gathered by market transactions.

The change in value of mutual funds and common stock is included in support and revenue in the statement of activities and is related to assets still held at the financial position date.

**Note 5. Line of Credit**

As of December 31, 2008 and 2007, the Center had a line of credit in the amount of \$84,025 and \$125,125, respectively, with an investment company. The maximum amount available on the line of credit is equal to 50% of the fair value of investments held at the investment company and is secured by those investments. As of December 31, 2008 and 2007, no amounts were outstanding.

**Note 6. Deferred Grants**

Deferred grants consist of the amounts not used as of December 31, 2008 and 2007 related to the following grants and programs:

|                                    | <b>2008</b>      | <b>2007</b>      |
|------------------------------------|------------------|------------------|
| March of Dimes - prenatal grant    | \$ 16,540        | \$ -             |
| Dekko grant - Early Intervention   | 12,371           | 34,784           |
| Pre-sale tickets for special event | 2,492            | -                |
|                                    | <u>\$ 31,403</u> | <u>\$ 34,784</u> |

**Note 7. Net Assets**

Temporarily restricted net assets are restricted for the following purposes:

|   | <b>2008</b>      | <b>2007</b>      |
|---|------------------|------------------|
| Smoking cessation                             | \$ 242           | \$ 242           |
| Renovation of visitation room                 | -                | 2,500            |
| Personalized Mother Goose books               | -                | 321              |
| Before 5 mini moment                          | -                | 398              |
| Women's forum                                 | -                | 1,000            |
| Greatest Need grant -staff and board training | 13,621           | 30,000           |
| United Way Power of Purse                     | 1,500            | -                |
| Lotz endowment                                | (3,428)          | (322)            |
|   | <u>\$ 11,935</u> | <u>\$ 34,139</u> |

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Notes to Financial Statements (Continued)  
December 31, 2008 and 2007

**Note 7. Net Assets (Continued)**

At December 31, 2008, permanently restricted net assets were \$11,000. All contributions were directed to the Early Literacy Fund which was established in 2007 with an initial contribution of \$10,000. Ninety percent of annual income may be spent on early literacy programs and ten percent will be reinvested.

**Note 8. Credit Risk and Concentrations**

The Center maintains general operating cash balances and investments in certificates of deposit at local banks. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the Organization's cash accounts exceed the FDIC limits.

The Center received 56% and 52% of its public support from the federal government for the years ended December 31, 2008 and 2007, respectively. A significant reduction in the level of this support, if this were to occur, may have an effect on the operations of the Center.

**Note 9. Pension Plan**

The Center sponsors a salary deferral plan that covers substantially all employees who have met certain age and service requirements. Eligible employees may defer from 1% to 20% of compensation. Employer contributions to the plan are at the discretion of the Board of Directors. The matching contribution is currently 50% of the deferral amount up to the first 6% of compensation. Contributions by the Center to the plan were approximately \$24,961 and \$23,208 for the years ended December 31, 2008 and 2007, respectively.

**Independent Auditors' Report on Accompanying Information**

Board of Directors  
DeKalb County Parent Group For Handicapped Children, Inc. d/b/a Children First Center  
Auburn, Indiana

Our audits were conducted for the purpose of forming opinions on the basic financial statements of DeKalb County Parent Group For Handicapped Children, Inc. d/b/a Children First Center taken as a whole. The schedules of program expenses on pages 16 and 17 are presented for purposes of additional analysis and are 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.



**BADEN, GAGE & SCHROEDER, LLC**

Fort Wayne, Indiana  
June 3, 2009

**DEKALB COUNTY PARENT GROUP FOR HANDICAPPED CHILDREN, INC.  
D/B/A CHILDREN FIRST CENTER**

Schedule of Program Expenses  
Year Ended December 31, 2008

|  | <u>Early<br/>Intervention</u> | <u>Healthy<br/>Families</u> | <u>H.O.M.E.</u>          | <u>WIC</u>               | <u>Families<br/>First</u> | <u>Total</u>               |
|--|-------------------------------|-----------------------------|--------------------------|--------------------------|---------------------------|----------------------------|
| Salaries and wages                             | \$ 98,984                     | \$ 460,380                  | \$ 399,301               | \$ 102,395               | \$ 99,714                 | \$ 1,160,774               |
| Employee benefits, payroll taxes and insurance | 21,029                        | 97,576                      | 55,526                   | 13,422                   | 31,076                    | 218,629                    |
| Travel and conferences                         | 8,540                         | 42,935                      | 64,155                   | 1,882                    | 7,277                     | 124,789                    |
| Supplies                                       | 4,337                         | 8,577                       | 11,042                   | 2,040                    | 1,836                     | 27,832                     |
| Building and equipment rent                    | 477                           | 450                         | 1,875                    | 6,289                    | 758                       | 9,849                      |
| Utilities                                      | 1,936                         | 12,354                      | 15,454                   | 5,577                    | 3,289                     | 38,610                     |
| Repairs and maintenance                        | 495                           | 4,127                       | 8,985                    | 1,028                    | 1,446                     | 16,081                     |
| Other  | 1,400                         | 8,415                       | 10,550                   | 1,975                    | 2,117                     | 24,457                     |
| Professional fees                              | 2,059                         | 11,030                      | 6,479                    | 1,582                    | 1,585                     | 22,735                     |
| Depreciation                                   | <u>567</u>                    | <u>10,705</u>               | <u>14,940</u>            | <u>317</u>               | <u>4,104</u>              | <u>30,633</u>              |
| <b>TOTAL EXPENSES</b>                          | <b><u>\$ 139,824</u></b>      | <b><u>\$ 656,549</u></b>    | <b><u>\$ 588,307</u></b> | <b><u>\$ 136,507</u></b> | <b><u>\$ 153,202</u></b>  | <b><u>\$ 1,674,389</u></b> |

See Independent Auditors' Report on Accompanying Information on Page 15.

**DEKALB COUNTY PARENT GROUP FOR HANDICAPPED CHILDREN, INC.  
D/B/A CHILDREN FIRST CENTER**

Schedule of Program Expenses  
Year Ended December 31, 2007

|  | <u>Early<br/>Intervention</u> | <u>Healthy<br/>Families</u> | <u>H.O.M.E.</u>          | <u>WIC</u>               | <u>Families<br/>First</u> | <u>Other</u>           | <u>Total</u>               |
|--|-------------------------------|-----------------------------|--------------------------|--------------------------|---------------------------|------------------------|----------------------------|
| Salaries and wages                             | \$ 126,254                    | \$ 456,777                  | \$ 299,902               | \$ 132,604               | \$ 126,818                | \$ 429                 | \$ 1,142,784               |
| Employee benefits, payroll taxes and insurance | 21,998                        | 97,115                      | 46,514                   | 12,823                   | 34,105                    | 257                    | 212,812                    |
| Travel and conferences                         | 10,234                        | 40,625                      | 50,829                   | 917                      | 7,727                     | 273                    | 110,605                    |
| Supplies                                       | 2,151                         | 10,590                      | 6,348                    | 4,521                    | 8,032                     | -                      | 31,642                     |
| Building and equipment rental                  | 40                            | 160                         | 4,848                    | 8,090                    | 80                        | -                      | 13,218                     |
| Utilities                                      | 3,171                         | 12,361                      | 12,001                   | 11,644                   | 2,850                     | 77                     | 42,104                     |
| Repairs and maintenance                        | 1,005                         | 4,538                       | 6,236                    | 2,891                    | 1,842                     | -                      | 16,512                     |
| Other  | 1,795                         | 12,764                      | 7,704                    | 2,514                    | 1,517                     | -                      | 26,294                     |
| Professional fees                              | 2,904                         | 8,425                       | 3,885                    | 2,534                    | 738                       | -                      | 18,486                     |
| Depreciation                                   | <u>701</u>                    | <u>5,528</u>                | <u>2,397</u>             | <u>422</u>               | <u>948</u>                | <u>-</u>               | <u>9,996</u>               |
| <b>TOTAL EXPENSES</b>                          | <b><u>\$ 170,253</u></b>      | <b><u>\$ 648,883</u></b>    | <b><u>\$ 440,664</u></b> | <b><u>\$ 178,960</u></b> | <b><u>\$ 184,657</u></b>  | <b><u>\$ 1,036</u></b> | <b><u>\$ 1,624,453</u></b> |

See Independent Auditors' Report on Accompanying Information on Page 15.

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2008

| <u>Federal Grantor/Pass-Through<br/>Grantor/Program Title</u>   | <u>Federal<br/>CFDA<br/>Number</u> | <u>Award or<br/>Pass-Through<br/>Number</u> | <u>Federal<br/>Award<br/>Expended</u> |
|---|------------------------------------|---|---------------------------------------|
| <i>U.S. Department of Agriculture:</i>  |                                    |   |                                       |
| Pass-through from Indiana State Department<br>of Health:<br>Special Supplemental Food Program for<br>Women, Infants, and Children | 10.557                             | 3610-572900-142500                          | \$ 144,481                            |
| Pass-through from Indiana Department of<br>Education:<br>Summer Food Service Program  | 10.559                             |   | <u>2,725</u>                          |
| Subtotal of U.S. Department of Agriculture  |                                    |   | 147,206                               |
| <i>U.S. Department of Health and Human Services:</i>  |                                    |   |                                       |
| Pass-through from Indiana Family and Social<br>Services Administration:<br>Temporary Assistance for Needy Families                | 93.558                             | 17-05-60-2657                               | 723,956                               |
| Child Welfare Services - State Grants   | 93.645                             | 97-07-72-2657                               | <u>130,737</u>                        |
| Subtotal of U.S. Department of Health<br>and Human Services   |                                    |   | <u>854,693</u>                        |
|   |                                    |   | <u>\$ 1,001,899</u>                   |

**See Notes to Schedule of Expenditures of Federal Awards.**

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2008

**Note 1. Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Center's Federal awards program and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 2. Risk-Based Audit Approach**

The dollar threshold used to distinguish between Type A and Type B programs is \$300,000. The Center does qualify as a low-risk auditee.

**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  
DeKalb County Parent Group For Handicapped Children, Inc.  
d/b/a Children First Center  
Auburn, Indiana

We have audited the financial statements of DeKalb County Parent Group For Handicapped Children, Inc. d/b/a Children First Center (the Center) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 3, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Center'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 the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the the Center's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the Center'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 for the information and use of the finance committee, management and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Baden, Gage & Schroeder, LLC*  
BADEN, GAGE & SCHROEDER, LLC

Fort Wayne, Indiana  
June 3, 2009

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

Board of Directors  
DeKalb County Parent Group For Handicapped Children, Inc.  
d/b/a Children First Center  
Auburn, Indiana

**Compliance**

We have audited the compliance of DeKalb County Parent Group For Handicapped Children, Inc. d/b/a Children First Center (the Center) with the types of compliance requirements 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 December 31, 2008. The Center'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 the Center's management. Our responsibility is to express an opinion on the Center'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 the Center'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 of the Center's compliance with those requirements.

In our opinion, the Center 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 December 31, 2008.

**Internal Control Over Compliance**

The management of the Center 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 the Center'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 our auditing procedures for the purpose of expressing our opinion on compliance, 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 Center's internal control over compliance.*

A *control deficiency* in an organization's 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 for the information and use of the finance committee, management and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**BADEN, GAGE & SCHROEDER, LLC**

Fort Wayne, Indiana  
June 3, 2009

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2008

**Section I-Summary of Auditors' Results**

**Financial Statements**

**Type of auditors' 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 auditors' 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:**

CFDA Number(s)

Name of Federal Program or Cluster

93.558

Temporary Assistance for Needy Families

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

\$ 300,000

Auditee qualified as low-risk auditee?

YES  NO

**DEKALB COUNTY PARENT GROUP FOR  
HANDICAPPED CHILDREN, INC.  
d/b/a CHILDREN FIRST CENTER**

Summary Schedule of Prior Audit Findings  
Year Ended December 31, 2008

**Section II- Financial Statement Findings**

There were no financial statement findings.

**Section III-Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs.