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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513

Fax: (317) 232-4711

Web Site: www.in.gov/sboa

October 18, 2013

Board of Directors
Early Childhood Alliance, Inc.
3320 Fairfield Ave.
Fort Wayne, IN 46807

We have reviewed the audit report prepared by Dulin, Ward & DeWald, Inc., Independent Public Accountants, for the period January 1, 2010 to December 31, 2010. 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 Early Childhood Alliance, Inc., as of December 31, 2010, 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

EARLY CHILDHOOD ALLIANCE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2010

With Summarized Information for December 31, 2009

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Dulin, Ward & DeWald, Inc.
CPAs & ADVISORS

9921 Dupont Circle Drive West, Suite 300
Fort Wayne, IN 46825
260.423.2414
800.232.8913
Fax: 260.423.2419
www.dwdcpa.com

Offices Located in Ft. Wayne and Marion, Indiana

INDEPENDENT AUDITORS' REPORT

Board of Directors
Early Childhood Alliance, Inc.
Fort Wayne, Indiana

We have audited the accompanying statement of financial position of Early Childhood Alliance, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and in our report dated March 23, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Early Childhood Alliance, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 23, 2011 on our consideration of Early Childhood Alliance, Inc.'s internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Early Childhood Alliance, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards and related notes is presented for the purpose 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.

Dubin, Ward + DeWald, Inc.

Fort Wayne, Indiana
March 23, 2011

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2010 with Summarized Information for December 31, 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 496,523	\$ 401,224
Short-term investments	75,000	169,360
Pledges receivable	175,000	395,000
Claims receivable	376,605	266,732
Prepaid expenses and deposits	2,138	12,593
Long-term investments	236,592	215,278
Beneficial interest	2,709	2,468
Cash restricted to investment in fixed assets	14,537	-
Fixed assets - net	<u>1,785,010</u>	<u>1,779,579</u>
Total Assets	<u><u>\$ 3,164,114</u></u>	<u><u>\$ 3,242,234</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable:		
Trade	\$ 21,516	\$ 25,193
Food and service reimbursements	91,945	75,926
Employees' payroll deductions and accrued expenses	<u>278,989</u>	<u>209,810</u>
Total Liabilities	392,450	310,929
Net Assets:		
Unrestricted net assets	2,414,752	2,324,135
Temporarily restricted net assets	<u>356,912</u>	<u>607,170</u>
Total Net Assets	<u>2,771,664</u>	<u>2,931,305</u>
Total Liabilities and Net Assets	<u><u>\$ 3,164,114</u></u>	<u><u>\$ 3,242,234</u></u>

The accompanying notes are an integral part of these financial statements.

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2010 with Summarized
Information for the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted
CHANGES IN NET ASSETS		
Support, Revenue and Gains:		
Contributions	\$ 536,911	\$ 6,500
United Way	169	140,000
Grants - federal	-	2,354,292
Grants - other	67,442	406,889
Fund raising events	27,509	-
Less direct benefit to donors	(2,751)	-
Program service fees	1,582,780	-
Investment revenue	7,191	-
Gain on investments	16,652	-
Miscellaneous	8,031	-
Net Assets Released From Restrictions:		
Satisfaction of program requirements	2,892,476	(2,892,476)
Satisfaction of time requirements	220,000	(220,000)
Satisfaction of purchase requirements	45,463	(45,463)
	<hr/>	<hr/>
Total Support, Revenue and Gains	5,401,873	(250,258)
Expenses and Losses:		
Child care	2,777,265	-
Training	118,696	-
Resource and referral	521,867	-
Food program	1,297,790	-
Parents as Teachers	258,214	-
Mentoring	70,993	-
Administration	190,082	-
Fund raising	76,349	-
Loss on disposal of fixed assets	-	-
	<hr/>	<hr/>
Total Expenses and Losses	5,311,256	-
	<hr/>	<hr/>
CHANGE IN NET ASSETS	90,617	(250,258)
	<hr/>	<hr/>
NET ASSETS - beginning of year	2,324,135	607,170
	<hr/>	<hr/>
NET ASSETS - end of year	<u>\$ 2,414,752</u>	<u>\$ 356,912</u>

The accompanying notes are an integral part of these financial statements.

Parents as Teachers	Mentoring	Admini- stration	Fund Raising	Total	
				2010	2009
\$ 154,069	\$ 44,377	\$ 41,406	\$ 56,106	\$ 2,521,524	\$ 1,792,954
38,963	2,673	37,007	181	345,846	305,056
10,823	3,118	2,910	3,941	177,139	130,664
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
203,855	50,168	81,323	60,228	3,044,509	2,228,674
-	1,552	2,019	-	1,170,006	937,056
9,022	4,067	26,512	4,484	403,024	214,296
-	164	164	27	277,520	165,823
6,850	9,704	10,906	1,188	95,948	105,890
29,111	2,360	1,341	224	59,289	57,957
1,643	1,243	19,218	20	47,338	36,291
483	970	1,089	1,010	46,152	46,082
-	465	12,799	300	42,772	28,910
524	-	11,656	53	25,116	14,764
6,486	-	191	8,327	18,142	18,337
240	300	1,712	300	8,787	10,975
-	-	1,295	188	1,483	7,464
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
258,214	70,993	170,225	76,349	5,240,086	3,872,519
-	-	19,857	-	71,170	70,857
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 258,214</u>	<u>\$ 70,993</u>	<u>\$ 190,082</u>	<u>\$ 76,349</u>	<u>\$ 5,311,256</u>	<u>\$ 3,943,376</u>

	Total	
	2010	2009
\$	543,411	\$ 94,208
	140,169	169,750
	2,354,292	1,989,541
	474,331	1,051,464
	27,509	38,430
	(2,751)	(927)
	1,582,780	839,191
	7,191	10,489
	16,652	31,511
	8,031	4,298
	-	-
	-	-
	-	-
	<hr/> 5,151,615	<hr/> 4,227,955
	2,777,265	1,543,628
	118,696	139,601
	521,867	496,075
	1,297,790	1,068,896
	258,214	238,774
	70,993	133,323
	190,082	216,830
	76,349	106,249
	-	419
	<hr/> 5,311,256	<hr/> 3,943,795
	(159,641)	284,160
	<hr/> 2,931,305	<hr/> 2,647,145
\$	<u><u>2,771,664</u></u>	<u><u>\$ 2,931,305</u></u>

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2010 with Summarized
Financial Information for the Year Ended December 31, 2009

	Child Care	Training	Resource and Referral	Food Program
Salaries	\$ 1,731,331	\$ 63,250	\$ 343,407	\$ 87,578
Employee health and retirement benefits	197,036	2,727	54,098	13,161
Payroll taxes	121,627	4,443	24,125	6,152
	<hr/>	<hr/>	<hr/>	<hr/>
Total Salaries and Related Expenses	2,049,994	70,420	421,630	106,891
Specific assistance to individuals	115	7,298	386	1,158,636
Occupancy	329,247	3,883	18,948	6,861
Food service	276,970	-	-	195
Program supplies	31,216	16,858	12,636	6,590
Program travel / transportation	2,567	2,522	16,274	4,890
Professional development	1,617	12,390	5,278	5,929
Printing / public relations	5,749	3,612	31,134	2,105
Professional fees	19,033	1,390	5,837	2,948
Contracted services	5,170	169	4,991	2,553
Miscellaneous	3,138	-	-	-
Administrative fees	1,136	154	4,753	192
Board of directors	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses Before Depreciation	2,725,952	118,696	521,867	1,297,790
Depreciation	51,313	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 2,777,265</u>	<u>\$ 118,696</u>	<u>\$ 521,867</u>	<u>\$ 1,297,790</u>

The accompanying notes are an integral part of these financial statements.

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2010 with Summarized Information
for the Year Ended December 31, 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (159,641)	\$ 284,160
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	71,170	70,857
(Gain) loss on investments	(16,652)	(31,511)
Loss on disposal of fixed assets	-	419
Change in beneficial interest	(241)	(398)
In-kind contribution of fixed assets	(14,353)	-
Contributions restricted to long-term purposes	(60,000)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	220,000	(385,000)
Claims receivable	(109,873)	(54,100)
Prepaid expenses and deposits	10,455	(5,093)
Increase (decrease) in:		
Accounts payable	12,342	6,430
Employees' payroll deductions and accrued expenses	69,179	12,211
	69,179	12,211
Cash Flows From Operating Activities	22,386	(102,025)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(4,870)	(27,547)
Proceeds from sale of investments	94,568	21,718
Certificates of deposit redeemed	-	400,000
Purchase of fixed assets	(62,248)	(24,558)
Change in cash restricted to investment in fixed assets	(14,537)	-
	(14,537)	-
Cash Flows From Investing Activities	12,913	369,613
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to long-term purposes	60,000	-
	60,000	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	95,299	267,588
CASH AND CASH EQUIVALENTS - beginning of year	401,224	133,636
CASH AND CASH EQUIVALENTS - end of year	\$ 496,523	\$ 401,224

The accompanying notes are an integral part of these financial statements.

EARLY CHILDHOOD ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

With the addition of one center in 2010, Early Childhood Alliance, Inc., located in Fort Wayne, Indiana, operates three children's centers. Its services include early childhood education, professional training and development, family child care network, parent education, advocacy, child care resource and referral and corporate consultation on child care benefits in northeast Indiana. The Organization's main source of revenue includes grants from the government and foundations and program service fees.

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods include years ending December 31, 2007 - 2010. The Organization's management has determined that there are no events that would more likely than not cause the above tax position to change within the next twelve months.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Gifts of cash and other assets are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit their use. In the case of temporarily restricted support, when the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these net assets do not expire and no assets are reclassified in the statement of activities.

For purposes of the statement of cash flows, the Organization considers all highly liquid investments, not held at brokerage firms, with a maturity of three months or less at the time of purchase to be cash equivalents.

(continued)

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(continued)

The Organization recognizes pledges as public support in the year the pledge is made. Pledges and claims receivable are due from government and other significant funding sources. Based upon historical collection experience with these agencies, no allowance for doubtful accounts is deemed necessary.

Due to the uncertainty of collection, daycare program fee revenue is recognized when collected rather than when earned.

Investments are carried at fair value. Substantially all of the investments have readily determinable values. Fair value is determined by brokerage statements received from reputable brokerage firms.

Fixed assets are stated at cost, or if donated, at fair value at the date of the gift. The cost of fixed assets is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. It is not the Organization's policy to imply time restrictions expiring over the useful life of donated assets. All items with a cost in excess of \$1,000 and a useful life in excess of one year are capitalized.

For Indiana Employment Security Act purposes, the Organization has elected to reimburse the State for unemployment compensation claims paid rather than to fund the State unemployment compensation reserve. Such reimbursements are recognized as expense as they are paid.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Certain reclassifications have been made to conform prior years' financial statements to the current presentation. These reclassifications have no effect on previously reported operational results.

Management has evaluated subsequent events through March 23, 2011, the date which the financial statements were available for issue.

2. **PLEDGES RECEIVABLE**

All pledges receivable are due within one year.

The Organization has received notification of an intention to give in the amount of \$70,000 from the United Way of Allen County. The expected funding is to be used for programs in 2011 and has not been recorded as an asset of the Organization as of December 31, 2010.

Also, the Organization has received notification of an intention to give from Parkview Hospital, Inc. in the amount of \$18,114 per month over the term of the lease described in Note 10. The expected funding is to be used for rental of facilities and equipment in 2011-2013 and has not been recorded as an asset of the Organization as of December 31, 2010.

3. **INVESTMENTS**

Investments as of December 31, 2010 are summarized as follows:

	Cost	Market
Short Term:		
Certificate of deposit	\$ 75,000	\$ 75,000
Long Term:		
Equities	\$ 136,323	\$ 150,057
ETF – fixed income	4,982	5,376
Mutual funds - fixed income	72,893	72,325
Money market	<u>8,834</u>	<u>8,834</u>
	<u>\$ 223,032</u>	<u>\$ 236,592</u>

4. BENEFICIAL INTEREST

The beneficial interest consists of funds held by the Community Foundation of Greater Fort Wayne (Foundation) which are the result of an agreement whereby the Organization transferred assets to the Foundation and specified itself as the beneficiary of those assets. The Organization may draw up to a certain percent of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundation.

Additionally, the Foundation holds investment assets, with a value of \$9,617 at December 31, 2010, for the benefit of the Organization for which it has the retained variance power. These investments are not recorded as assets of the Organization.

5. FAIR VALUE MEASUREMENT

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1. Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2. Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in active markets.

Level 3. Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Investments. Value determined by reference to quoted market prices and other relevant information generated by market transactions.

(continued)

5. FAIR VALUE MEASUREMENT (continued)

Community Foundation of Greater Fort Wayne. Value based upon the Organization's proportionate share of the Community Foundation of Greater Fort Wayne's pooled investment portfolio.

Fair value of assets and liabilities measured on a recurring basis at December 31, 2010 are as follows:

	Level 1	Level 3
Investments:		
ETF - fixed income	\$ 5,376	\$ -
ETF - equities	38,021	-
Mutual funds - fixed income	72,325	-
Mutual funds - equities	112,036	-
Beneficial interests:		
Community Foundation of Greater Fort Wayne	<u>-</u>	<u>2,709</u>
	<u>\$ 227,758</u>	<u>\$ 2,709</u>

Following is a reconciliation of activity for assets and liabilities measured at fair value based on significant unobservable inputs for the year ending December 31, 2010:

Beginning balance - January 1, 2010	\$ 2,468
Total gains or losses (realized and unrealized) included in earnings:	
Income	94
Unrealized gain	324
Realized loss	(71)
Investment fees	(106)
Grants	-
Distribution	<u>-</u>
Ending balance - December 31, 2010	<u>\$ 2,709</u>

6. FIXED ASSETS

The components of fixed assets as of December 31, 2010 are as follows:

Land and improvements	\$ 347,594
Buildings	1,969,249
Equipment	<u>214,094</u>
	2,530,937
Accumulated depreciation	<u>745,927</u>
	<u>\$ 1,785,010</u>

7. NET ASSETS

Unrestricted net assets in the amount of \$236,592 at December 31, 2010 have been designated by the Board of Directors for endowment purposes.

Temporarily restricted net assets as of December 31, 2010 are restricted as follows:

Time requirement	\$ 175,000
Programming requirements	167,375
Capital improvements	<u>14,537</u>
	<u>\$ 356,912</u>

8. EMPLOYEE BENEFIT PLAN

The Organization sponsors a tax deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees over eighteen years of age with at least one year of service. The Organization matches a certain percentage contributed by the employees. Contributions to the plan charged to operations were \$30,046 in 2010.

9. **ENDOWMENT**

Early Childhood Alliance, Inc. has currently invested its board designated endowment funds in an investment account with a mixture of equities, fixed income and cash and cash equivalents. The Organization has adopted investment policies for endowment assets that attempts to generate a reasonable return from interest, dividends, and capital appreciation consistent with the Organizations need to fund the activities supported by the endowment fund, having due regard not only for the safety of principal but also for the desirability of some long term appreciation of principal to offset inflation. The purpose of the endowment is to hold and invest monies and other properties to provide for emergencies and expansion, and to enable the Organization to better achieve the objectives of its mission. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of December 31, 2010:

Unrestricted net assets:

Board designated endowment funds	\$ 236,592
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Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2010:

Unrestricted net assets:

Endowment net assets – beginning of year	\$ 215,278
Investment return:	
Investment income	6,810
Net appreciation (realized and unrealized)	17,321
Fees	<u>(3,000)</u>
Total investment return	21,131
Contributions	183
Appropriation of endowment assets for expenditures	<u>-</u>
Endowment net assets – end of year	<u>\$ 236,592</u>

10. OPERATING LEASES

Early Childhood Alliance, Inc. leases office equipment under an operating lease expiring in 2013. Thereafter, the lease is automatically renewed for consecutive 60 day periods. Total rental expense was \$2,568 for 2010.

Minimum future lease payments under the noncancelable lease having initial or remaining terms of one year or more as of December 31, 2010 for each of the next five years and in the aggregate are:

2011	\$	2,568
2012		2,568
2013		428
2014		-
2015 and thereafter		-
		<hr/>
	\$	<u>5,564</u>

The Organization leases facilities from Parkview Health System, Inc. for \$17,633 per month and equipment from Parkview Hospital, Inc. for \$481 per month under operating leases that expire February 2013. The leases may be terminated by either party given a 60 day written notice. In 2010, \$181,143 was recorded as rental expense under this lease.

Additionally, the Organization rents additional office equipment on a month-to-month basis. Total rental expense under cancelable operating leases was \$824 for 2010.

11. CREDIT RISK AND CONCENTRATIONS

The Organization receives substantial support from the federal government. A significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's programs and activities. Claims for federally supported programs are filed and reimbursed on a bi-weekly basis.

12. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations in 2010 was \$24,624.

13. IN-KIND CONTRIBUTIONS

The Organization recognizes contributions of revenue for certain services and supplies received at the fair value of those services and supplies. Those services and supplies include the following for the year ended December 31, 2010:

Childcare:		
Equipment	\$	14,353
Mentoring:		
Supplies		5,086
Fund raising:		
Printing for special events		<u>5,250</u>
	\$	<u>24,689</u>

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2010

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Revenue Recognized	Expenditures
U.S. Department of Agriculture:				
Passed through Indiana Department of Education:				
Child and Adult Care				
Food Program	10.558	102-0001	\$ 1,487,927	\$ 1,487,927
U.S. Department of Health and Human Services:				
Passed through Indiana Family and Social Service Administration:				
Child Care Mandatory and				
Matching Funds of the Child Care and Development Fund	93.596	02-04-1A-0201 & 02-05-1A-0201	278,564	278,564
Passed through Indiana Association for Child Care Resource & Referral:				
Child Care Mandatory and				
Matching Funds of the Child Care and Development Fund	93.596	49-08-87-0491	502,768	502,768
ARRA - Childcare and Development Block Grant				
	93.713	n/a	24,545	24,545
Passed through Indiana Association for the Education of Young Children:				
Child Care Mandatory and				
Matching Funds of the Child Care and Development Fund	93.596	n/a	<u>60,488</u>	<u>60,488</u>
Total Federal Assistance			<u><u>\$ 2,354,292</u></u>	<u><u>\$ 2,354,292</u></u>

The accompanying notes are an integral part of this schedule.

EARLY CHILDHOOD ALLIANCE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2010

1. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Early Childhood Alliance, Inc. 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 preparation of, the basic financial statements.



Dulin, Ward & DeWald, Inc.
CPAs & ADVISORS

9921 Dupont Circle Drive West, Suite 300
Fort Wayne, IN 46825
260.423.2414
800.232.8913
Fax: 260.423.2419
www.dwdcpa.com

Offices Located in Ft. Wayne and Marion, Indiana

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Early Childhood Alliance, Inc.
Fort Wayne, Indiana

We have audited the financial statements of Early Childhood Alliance, Inc. (a nonprofit organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated March 23, 2011. 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 Early Childhood Alliance, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Early Childhood Alliance, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Early Childhood Alliance, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated March 23, 2011.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dellin, Ward + DeWald, Inc.

Fort Wayne, Indiana
March 23, 2011



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Early Childhood Alliance, Inc.
Fort Wayne, Indiana

Compliance

We have audited Early Childhood Alliance, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Early Childhood Alliance, Inc.'s major federal programs for the year ended December 31, 2010. Early Childhood Alliance, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Early Childhood Alliance, Inc.'s management. Our responsibility is to express an opinion on Early Childhood Alliance, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Early Childhood Alliance, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Early Childhood Alliance, Inc.'s compliance with those requirements.

In our opinion, Early Childhood Alliance, Inc. complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of Early Childhood Alliance, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Early Childhood Alliance, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Early Childhood Alliance, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Dubin, Ward & DeWald, Inc.

Fort Wayne, Indiana
March 23, 2011

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 December 31, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

Type of 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

(continued)

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2010

(continued)

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Audited qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

No reportable conditions, material weaknesses or instances of noncompliance noted.

Section III - Federal Award Findings and Questioned Costs

No material weaknesses or instances of noncompliance, including questioned costs noted.

EARLY CHILDHOOD ALLIANCE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2010

No prior year findings.