



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2012 to December 31, 2012. 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, 2012, 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, 2012

With Summarized Information for December 31, 2011

TABLE OF CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements.....	7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	17
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	18
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING</u> <u>STANDARDS</u>	19
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	23
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	25



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Early Childhood Alliance, Inc., which comprise the statement of financial position, as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Early Childhood Alliance, Inc. as of December 31, 2012, 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.

Report on Summarized Comparative Information

We have previously audited Early Childhood Alliance, Inc.'s 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 19, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated March 8, 2013 on our consideration of Early Childhood Alliance, Inc.'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 in considering Early Childhood Alliance, Inc.'s internal control over financial reporting and compliance.

Dubin, Ward & DeWalt, Inc.

Fort Wayne, Indiana
March 8, 2013

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2012 with Summarized Information for December 31, 2011

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 407,966	\$ 480,986
Short-term investments	76,012	76,012
Pledges receivable	365,000	603,300
Claims receivable	502,377	368,753
Prepaid expenses and deposits	15,213	2,560
Long-term investments	263,813	236,672
Beneficial interest	14,063	12,553
Cash restricted to investment in fixed assets	5,144	6,414
Fixed assets - net	<u>1,742,862</u>	<u>1,719,097</u>
Total Assets	<u><u>\$ 3,392,450</u></u>	<u><u>\$ 3,506,347</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable:		
Trade	\$ 28,303	\$ 28,919
Food and service reimbursements	200,282	92,904
Employees' payroll deductions and accrued expenses	<u>271,367</u>	<u>285,644</u>
Total Liabilities	499,952	407,467
Net Assets:		
Unrestricted net assets	2,505,954	2,389,832
Temporarily restricted net assets	<u>386,544</u>	<u>709,048</u>
Total Net Assets	<u>2,892,498</u>	<u>3,098,880</u>
Total Liabilities and Net Assets	<u><u>\$ 3,392,450</u></u>	<u><u>\$ 3,506,347</u></u>

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

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012 with Summarized
Information for the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted
CHANGES IN NET ASSETS		
Support, Revenue and Gains:		
Contributions	\$ 715,368	\$ -
United Way	-	140,000
Grants - federal	2,555,780	-
Grants - other	29,544	236,475
Fund raising events	59,845	-
Less direct benefit to donors	(1,879)	-
Program service fees	1,832,268	-
Investment revenue	7,909	-
Gain on investments	23,873	-
Miscellaneous	10,870	-
Net Assets Released From Restrictions:		
Satisfaction of program requirements	459,410	(459,410)
Satisfaction of time requirements	163,300	(163,300)
Satisfaction of purchase requirements	76,269	(76,269)
	<hr/>	<hr/>
Total Support, Revenue and Gains	5,932,557	(322,504)
Expenses and Losses:		
Children's learning centers	3,061,445	-
Childcare resource & referral	692,783	-
Childcare food program	1,476,809	-
Parenting programs	285,868	-
Administration	234,020	-
Fund raising	64,925	-
Loss on disposal of fixed assets	585	-
Loss on investments	-	-
	<hr/>	<hr/>
Total Expenses and Losses	5,816,435	-
	<hr/>	<hr/>
CHANGE IN NET ASSETS	116,122	(322,504)
	<hr/>	<hr/>
NET ASSETS - beginning of year	2,389,832	709,048
	<hr/>	<hr/>
NET ASSETS - end of year	<u>\$ 2,505,954</u>	<u>\$ 386,544</u>

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

	Total	
	2012	2011
\$	715,368	\$ 606,257
	140,000	140,000
	2,555,780	2,421,697
	266,019	999,325
	59,845	57,405
	(1,879)	(836)
	1,832,268	1,671,228
	7,909	7,911
	23,873	-
	10,870	9,187
	-	-
	-	-
	-	-
	5,610,053	5,912,174
	3,061,445	3,035,339
	692,783	617,435
	1,476,809	1,349,015
	285,868	312,828
	234,020	198,373
	64,925	68,098
	585	-
	-	3,870
	5,816,435	5,584,958
	(206,382)	327,216
	3,098,880	2,771,664
\$	<u>2,892,498</u>	<u>\$ 3,098,880</u>

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2012 with Summarized
Financial Information for the Year Ended December 31, 2011

	Children's Learning Centers	Childcare Resource & Referral	Childcare Food Program	Parenting Programs
Salaries	\$ 1,872,536	\$ 427,625	\$ 92,614	\$ 177,964
Employee health and retirement benefits	279,421	68,505	15,389	34,551
Payroll taxes	<u>132,892</u>	<u>30,349</u>	<u>6,573</u>	<u>12,630</u>
Total Salaries and Related Expenses	2,284,849	526,479	114,576	225,145
Food program payments	-	-	1,329,445	-
Occupancy	363,685	28,104	8,328	11,134
Food service	290,835	-	-	-
Program supplies	33,850	53,640	4,391	10,208
Program travel / transportation	2,685	29,180	5,733	26,453
Printing / public relations	13,466	26,794	1,818	1,288
Professional fees	167	6,913	949	4,528
Contracted services	3,714	5,011	1,148	1,545
Professional development	4,484	10,086	4,277	1,420
Miscellaneous	6,298	4,970	5,964	3,997
Administrative fees	1,368	1,606	180	150
Board of directors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses Before Depreciation	3,005,401	692,783	1,476,809	285,868
Depreciation	<u>56,044</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 3,061,445</u>	<u>\$ 692,783</u>	<u>\$ 1,476,809</u>	<u>\$ 285,868</u>

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

Admini- stration	Fund Raising	Total	
		2012	2011
\$ 71,523	\$ 46,656	\$ 2,688,918	\$ 2,627,660
25,582	1,407	424,855	427,669
5,075	3,311	190,830	187,688
102,180	51,374	3,304,603	3,243,017
-	-	1,329,445	1,214,316
25,431	4,558	441,240	437,554
-	-	290,835	293,316
9,937	2,927	114,953	89,618
335	8	64,394	59,212
3,312	737	47,415	46,942
26,899	-	39,456	22,896
19,791	53	31,262	18,005
2,194	70	22,531	27,150
5,642	5,186	32,057	43,214
6,940	12	10,256	9,954
3,203	-	3,203	1,579
205,864	64,925	5,731,650	5,506,773
28,156	-	84,200	74,315
<u>\$ 234,020</u>	<u>\$ 64,925</u>	<u>\$ 5,815,850</u>	<u>\$ 5,581,088</u>

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2012 with Summarized Information
for the Year Ended December 31, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (206,382)	\$ 327,216
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	84,200	74,315
(Gain) loss on investments	(23,873)	3,870
Loss on disposal of fixed assets	585	-
Reinvested interest - net of fees	(4,524)	(4,768)
Change in beneficial interest	(254)	(38)
In-kind contribution of fixed assets	(45,049)	-
Contributions restricted to long-term purposes	-	(75,000)
Change in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	238,300	(428,300)
Claims receivable	(133,624)	7,852
Prepaid expenses and deposits	(12,653)	(422)
Increase (decrease) in:		
Accounts payable	106,762	8,362
Employees' payroll deductions and accrued expenses	(14,277)	6,655
Cash Flows From Operating Activities	(10,789)	(80,258)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to beneficial interest	-	(10,000)
Purchase of fixed assets	(63,501)	(8,402)
Change in cash restricted to investment in fixed assets	1,270	8,123
Cash Flows From Investing Activities	(62,231)	(10,279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to long-term purposes	-	75,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(73,020)	(15,537)
CASH AND CASH EQUIVALENTS - beginning of year	480,986	496,523
CASH AND CASH EQUIVALENTS - end of year	\$ 407,966	\$ 480,986

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

EARLY CHILDHOOD ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 is no longer subject to income tax examinations by taxing authorities for tax years ending on or before December 31, 2008. 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 in marketable securities with readily determinable fair values and all investments in debt securities are reported at their value in the statement of financial position. These investments are initially recorded at cost if they were purchased or at their fair market value on the date of the gift if they were received as a donation. Unrealized gains and losses are included in the statement of activities change in net assets.

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, 2011, 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 8, 2013, the date which the financial statements were available for issue.

2. PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2012 consist of the following:

Pledges receivable	\$ 375,000
Less unamortized present value discount (3.55%)	<u>10,000</u>
Net pledges receivable	<u>\$ 365,000</u>
Amounts due in:	
Less than one year	\$ 185,000
One to five years	190,000
More than five years	<u>-</u>
	<u>\$ 375,000</u>

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 2013 and has not been recorded as an asset of the Organization as of December 31, 2012.

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 2013-2014 and has not been recorded as an asset of the Organization as of December 31, 2012.

3. 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 \$23,067 at December 31, 2012, for the benefit of the Organization for which it has the retained variance power. These investments are not recorded as assets of the Organization.

4. INVESTMENTS

Investments as of December 31, 2012 are summarized as follows:

	Cost	Market
Short Term:		
Certificate of deposit	\$ 75,000	\$ 76,012
Long Term:		
Equities	\$ 134,507	\$ 164,707
Fixed income	79,798	83,248
Mutual funds	10,829	9,994
Money market	<u>5,864</u>	<u>5,864</u>
	<u>\$ 230,998</u>	<u>\$ 263,813</u>

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 inactive 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.

(continued)

5. FAIR VALUE MEASUREMENT (continued)

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.

Beneficial interest. 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, 2012 are as follows:

	Level 1	Level 3
Investments:		
Equities:		
Mutual funds	\$ 112,023	\$ -
Exchange traded funds (ETF)	52,684	-
Fixed income:		
Mutual funds	77,177	-
ETF	6,071	-
Alternative investments:		
Mutual funds	9,994	-
Beneficial interests	<u>-</u>	<u>14,063</u>
	<u>\$ 257,949</u>	<u>\$ 14,063</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, 2012:

(continued)

5. FAIR VALUE MEASUREMENT (continued)

	Beneficial Interest
Beginning balance - January 1, 2012	\$ 12,553
Contribution	-
Total gains or losses (realized and unrealized) included in earnings:	
Income	385
Unrealized gain	795
Realized gain	461
Investment fees	(131)
Grants	-
Distribution	<u>-</u>
Ending balance - December 31, 2012	<u>\$ 14,063</u>

6. FIXED ASSETS

The components of fixed assets as of December 31, 2012 are as follows:

Land and improvements	\$ 347,594
Buildings	1,998,404
Equipment	<u>270,149</u>
	2,616,147
Accumulated depreciation	<u>904,378</u>
	1,711,769
Construction in progress	<u>31,093</u>
	<u>\$ 1,742,862</u>

7. NET ASSETS

Unrestricted net assets in the amount of \$263,813 at December 31, 2012 have been designated by the Board of Directors for endowment purposes.

Temporarily restricted net assets as of December 31, 2012 are restricted as follows:

Time requirement	\$ 365,000
Programming requirements	15,643
Capital improvements	5,144
Board development	<u>757</u>
	<u>\$ 386,544</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 \$40,834 in 2012.

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. 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.

(continued)

9. **ENDOWMENT (continued)**

Endowment Net Asset Composition by Type of Fund as of December 31, 2012:

Unrestricted net assets:	
Board designated endowment funds	\$ 263,813

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2012:

Unrestricted net assets:	
Endowment net assets – beginning of year	\$ 236,672
Investment return:	
Investment income	7,524
Net appreciation (realized and unrealized)	22,617
Fees	<u>(3,000)</u>
Total investment return	<u>27,141</u>
Endowment net assets – end of year	<u>\$ 263,813</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 2012.

In addition, Early Childhood Alliance, Inc. leases facilities under an operating lease expiring in 2013. Total rental expense was \$54,960 for 2012.

Minimum future lease payments under noncancelable leases having initial or remaining terms of one year or more as of December 31, 2012 for each of the next five years and in the aggregate are:

2013	\$ 55,388
2014	-
2015	-
2016	-
2017 and thereafter	<u>-</u>
	<u>\$ 55,388</u>

(continued)

10. OPERATING LEASES (continued)

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 2014. The leases may be terminated by either party given a 60 day written notice. In 2012, \$217,731 was recorded as rental expense under these leases.

Additionally, the Organization rents additional office equipment on a month-to-month basis. Total rental expense under cancelable operating leases was \$824 for 2012.

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 monthly basis.

The Organization has significant investments in stocks, bonds and mutual funds and, therefore, is subject to concentration of credit risk. Investments are made by investment managers engaged by the Organization. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization and its beneficiaries.

12. 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, 2012:

Administration:	
Occupancy	\$ 3,200
Program travel/transportation	636
Contracted services	500
 Fund raising:	
Miscellaneous	<u>4,500</u>
	<u>\$ 8,836</u>

13. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations in 2012 was \$30,577.

14. COMMITMENTS

The Organization has entered into commitments to purchase fixed assets totaling \$32,387. As of December 31, 2012 \$16,707 has been paid on these commitments.

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2012

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	102-0010	\$ 1,735,604	\$ 1,735,604
U.S. Department of Health and Human Services:				
Passed through Community Action of Northeast Indiana, Inc.:				
Child Care Mandatory and				
Matching Funds of the Child		02-04-1A-0201&		
Care and Development Fund	93.596	02-05-1A-0201	182,280	182,280
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	539,227	539,227
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	38,815	38,815
Passed through Community Action of Northeast Indiana, Inc.:				
Refugee and Entrant Assistance -				
Discretionary Grant	93.576	n/a	<u>59,854</u>	<u>59,854</u>
Total Federal Assistance			<u><u>\$ 2,555,780</u></u>	<u><u>\$ 2,555,780</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, 2012

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.



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**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**

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Early Childhood Alliance, Inc., which comprise the statement of financial position, as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements which collectively comprise Early Childhood Alliance, Inc.'s basic financial statements, and have issued our report thereon dated March 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Early Childhood Alliance, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Early Childhood Alliance, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Early Childhood Alliance, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dubin, Ward & DeWald, Inc.

Fort Wayne, Indiana
March 8, 2013



Dulin, Ward & DeWald, Inc.
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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, 2012. 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, 2012.

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.

The purpose of this report is solely to describe the scope of our testing on compliance with the types of compliance requirements applicable to each of Early Childhood Alliance, Inc.'s major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Early Childhood Alliance, Inc.'s compliance but not to provide an opinion on the effectiveness of Early Childhood Alliance, Inc.'s internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Early Childhood Alliance, Inc.'s compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Dulkin, Ward & DeWalt, Inc.

Fort Wayne, Indiana

March 8, 2013

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal Control over financial reporting:

Material weakness(es) identified? ___ Yes X No

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

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? ___ Yes X 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 X No

(continued)

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2012

(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 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, 2012

No prior year findings.