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May 30, 2014

Board of Directors  
Child Care Network, Inc.  
113 North Chestnut St., 305  
P.O. Box 346  
Seymour, IN 47274

We have reviewed the audit report prepared by Rodefer Moss & Co, PLLC, for the period October 1, 2011 to September 30, 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 Child Care Network, Inc., as of September 30, 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.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**CHILD CARE NETWORK, INC.**  
**Financial Statements and Supplementary Information**  
**Years Ended September 30, 2012 and 2011**

CHILD CARE NETWORK, INC.  
Financial Statements and Supplementary Information  
Years Ended September 30, 2012 and 2011

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Audited Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information:	
Schedule of Expenditures of Federal Awards	9
Note to Schedule of Expenditures of Federal Awards	10
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	12
Schedule of Findings and Questioned Costs	14



### Independent Auditors' Report

To the Board of Directors  
Child Care Network, Inc.

We have audited the accompanying statements of financial position of Child Care Network, Inc. (a nonprofit organization) as of September 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. The prior year summarized comparative information included on the Statement of Functional Expenses has been derived from the Organization's 2011 financial statements and, in our report dated January 19, 2012, we expressed an unqualified opinion on those financial statements.

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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Child Care Network, Inc. as of September 30, 2012 and 2011, 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 January 22, 2013, on our consideration of Child Care Network, 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Rodefer Moss & Co, PLLC*

Rodefer Moss & Co, PLLC  
New Albany, Indiana  
January 22, 2013

CHILD CARE NETWORK, INC.  
 Statements of Financial Position  
 September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 230,564	\$ 177,860
Certificates of deposits	115,339	45,850
Accounts receivable	76,486	94,004
Prepaid expenses	3,563	2,861
Property and equipment, net	<u>7,725</u>	<u>2,694</u>
Total assets	<u>\$ 433,677</u>	<u>\$ 323,269</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Unearned income	\$ -	\$ 633
Accrued expenses	<u>67,473</u>	<u>72,447</u>
Total liabilities	<u>67,473</u>	<u>73,080</u>
Net Assets		
Unrestricted net assets		
Unrestricted funds	262,385	223,058
Board designated funds	54,000	5,000
Temporarily restricted net assets	<u>49,819</u>	<u>22,131</u>
Total net assets	<u>366,204</u>	<u>250,189</u>
Total liabilities and net assets	<u>\$ 433,677</u>	<u>\$ 323,269</u>

CHILD CARE NETWORK, INC.  
 Statements of Activities  
 Years Ended September 30, 2012 and 2011

	2012				Total
	Child Care Network	Kids Klub	Food Program	Caring for Kids	
<b>Support and Revenue</b>					
Federal grant funds	\$ -	\$ 11,411	\$ 643,100	\$ -	\$ 654,511
Fees collected	10,620	260,698	-	9,890	281,208
Grant income	2,175	34,129	800	88,625	125,729
Program reimbursements	66,654	-	-	-	66,654
Program income	10,063	12,130	-	1,435	23,628
Donations	910	9,672	-	1,000	11,582
Fundraising income	-	-	-	9,009	9,009
Other income	3,742	1,458	8	422	5,630
In-kind income	-	1,791	-	2,115	3,906
Interest income	224	1,121	-	110	1,455
<b>Total support and revenue</b>	<u>94,388</u>	<u>332,410</u>	<u>643,908</u>	<u>112,606</u>	<u>1,183,312</u>
<b>Expenses</b>					
Program services	38,586	211,032	647,488	63,680	960,786
Management and general	60,600	45,911	-	-	106,511
<b>Total expenses</b>	<u>99,186</u>	<u>256,943</u>	<u>647,488</u>	<u>63,680</u>	<u>1,067,297</u>
<b>Net change in assets</b>	(4,798)	75,467	(3,580)	48,926	116,015
<b>Net assets at September 30, 2011</b>	<u>48,836</u>	<u>169,995</u>	<u>12,659</u>	<u>18,699</u>	<u>250,189</u>
<b>Net assets at September 30, 2012</b>	<u>\$ 44,038</u>	<u>\$ 245,462</u>	<u>\$ 9,079</u>	<u>\$ 67,625</u>	<u>\$ 366,204</u>

See notes to financial statements.

	2011				Total
	Child Care Network	Kids Klub	Food Program	Caring for Kids	
<b>Support and Revenue</b>					
Federal grant funds	\$ -	\$ 9,531	\$ 647,815	\$ -	\$ 657,346
Fees collected	20,786	243,989	-	-	264,775
Grant income	4,555	33,158	-	34,911	72,624
Program reimbursements	62,681	-	-	-	62,681
Program income	-	11,677	-	11,743	23,420
Donations	17,647	-	-	3,196	20,843
Fundraising income	2,000	-	-	9,038	11,038
Other income	8,359	517	-	4,432	13,308
In-kind income	3,420	-	-	-	3,420
Interest income	20	617	-	192	829
<b>Total support and revenue</b>	<b>119,468</b>	<b>299,489</b>	<b>647,815</b>	<b>63,512</b>	<b>1,130,284</b>
<b>Expenses</b>					
Program services	42,935	206,744	615,952	65,568	931,199
Management and general	56,752	45,035	28,287	-	130,074
<b>Total expenses</b>	<b>99,687</b>	<b>251,779</b>	<b>644,239</b>	<b>65,568</b>	<b>1,061,273</b>
<b>Net change in assets</b>	<b>19,781</b>	<b>47,710</b>	<b>3,576</b>	<b>(2,056)</b>	<b>69,011</b>
<b>Net assets at September 30, 2010</b>	<b>29,055</b>	<b>122,285</b>	<b>9,083</b>	<b>20,755</b>	<b>181,178</b>
<b>Net assets at September 30, 2011</b>	<b>\$ 48,836</b>	<b>\$ 169,995</b>	<b>\$ 12,659</b>	<b>\$ 18,699</b>	<b>\$ 250,189</b>

**CHILD CARE NETWORK, INC.**  
Statement of Functional Expenses  
For the Year Ended September 30, 2012  
(With Comparative Totals for 2011)

	Program Service Expenses					Total	September 30, 2011 Total All Funds (Memorandum Only)
	Child Care Network	Kids Klub	Food Program	Caring for Kids	Total Program Services		
Provider reimbursement	\$ 6,421	\$ 138,453	\$ 573,187	\$ 23,652	\$ 573,187	\$ -	\$ 573,065
Salaries and wages	-	10,620	45,159	23,652	213,685	90,474	297,406
Administrative reimbursement	491	10,266	2,695	12,046	25,361	-	16,140
Payroll taxes	67	16,433	3,550	1,137	15,484	6,921	23,753
Program supplies	10,706	31	1,764	150	20,645	-	13,146
Insurance	4,328	2,624	5,495	-	12,651	-	12,377
Professional fees	5,138	3,669	2,412	-	11,219	-	9,430
Rent expense	-	186	-	10,663	10,849	-	11,740
Fundraising expenses	-	9,572	-	-	9,572	-	2,436
Assistance to others	-	-	1,250	-	1,250	8,009	7,759
Employee benefits	-	100	-	8,468	8,568	-	8,787
Contracted services	2,720	1,250	3,477	-	7,447	-	10,496
Travel	1,722	3,092	2,463	-	7,277	-	7,247
Office supplies and expense	1,575	2,597	1,782	-	5,954	-	5,807
Telephone and internet	-	4,641	840	-	5,481	-	6,271
Gain share	317	814	1,866	-	2,997	-	6,000
Equipment expense	1,056	1,575	-	131	2,762	-	3,425
Miscellaneous	731	767	421	806	2,725	-	13,666
Advertising and printing	1,168	730	434	-	2,332	-	4,304
Training	-	177	-	2,115	2,292	-	3,221
In-kind expense	765	1,042	143	-	1,950	-	2,420
Dues and subscriptions	-	1,429	442	18	1,429	-	701
Program expenses	636	216	-	-	1,312	-	9,597
Postage	-	-	-	-	-	1,107	1,464
Depreciation expense	388	408	108	-	904	-	742
Copier expense	342	143	-	-	485	-	822
Meals	15	177	-	110	302	-	1,282
Gift expense	-	-	-	259	259	-	777
Family Preschool expense	-	-	-	-	-	-	2,268
Kids Fest expense	-	-	-	-	-	-	2,286
Unrelated business income tax	-	-	-	-	-	-	438
<b>Total expenses</b>	<b>\$ 38,586</b>	<b>\$ 211,032</b>	<b>\$ 647,488</b>	<b>\$ 63,680</b>	<b>\$ 960,786</b>	<b>\$ 106,511</b>	<b>\$ 1,061,273</b>

See notes to financial statements.

CHILD CARE NETWORK, INC.  
 Statements of Cash Flows  
 Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 116,015	\$ 69,011
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,107	742
Decrease (increase) in assets:		
Accounts receivable	17,518	(5,292)
Prepaid expenses	(702)	(695)
Increase (decrease) in liabilities:		
Unearned revenue	(633)	(21,228)
Accrued expenses	(4,974)	7,443
	<u>128,331</u>	<u>49,981</u>
Net cash flows from operating activities		
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(4,524)	(563)
Donated equipment	(1,614)	(1,000)
Purchases of certificates of deposit	(100,249)	(35,150)
Redemptions of certificates of deposit	30,760	15,000
	<u>(75,627)</u>	<u>(21,713)</u>
Net cash flows from investing activities		
Net change in cash and cash equivalents	52,704	28,268
Cash and cash equivalents at September 30, 2011	<u>177,860</u>	<u>149,592</u>
Cash and cash equivalents at September 30, 2012	<u>\$ 230,564</u>	<u>\$ 177,860</u>
Non-cash transactions included above:		
Donated equipment	<u>\$ 1,614</u>	<u>\$ 1,000</u>

CHILD CARE NETWORK, INC.  
Notes to Financial Statements  
September 30, 2012 and 2011

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization Activities** - Child Care Network, Inc. (the Organization) provides early childhood education and runs the Kids Klub program, an affordable day care within different elementary schools in Jackson County. The Organization works in a partnership with Court Appointed Special Advocates (CASA) for Children to aid abused and neglected children in the courtroom and other settings. The agency is also responsible for operating the Food Program through a contract with the Indiana Department of Education.

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

**Basis of Presentation** - 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.

The unrestricted net asset class includes general and board-designated assets and liabilities of the Organization and may be used at the discretion of management to support the Organization's purposes and operations.

**Estimates** - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Accounts Receivable** - Accounts receivable represent amounts due for services provided in months prior to year end. Management determines if an allowance for uncollectible amounts is necessary based on historical collection of receivables. As of September 30, 2012 and 2011, no allowance was considered necessary.

**Income Taxes** - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is included in the accompanying financial statements. The Organization evaluates its uncertain tax positions in accordance with applicable standards. It has evaluated its tax positions, and believes that it has none that are uncertain. At the Statement of Financial Position date, the Organization's Form 990s for the years ending September 30, 2012, 2011 and 2010 remained subject to examination by the Internal Revenue Service.

**Property and Equipment** - Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The range of estimated useful lives for the assets is 5-10 years. The Organization's policy is to expense assets costing \$500 or less. Assets costing \$5,000 or less, which are purchased with funding through Federal funding grants, are expensed, per the Federal program's guidelines.

**Statement of Cash Flows** - For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Donated Materials** - Donations other than cash are recorded at their fair market value as of the date of donation. For the years ended September 30, 2012 and 2011, the Organization received \$3,906 and \$3,420 in donated materials.

**Restricted Donations** - The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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.

**Advertising** - The Organization uses advertising to promote various programs. The costs of advertising are expensed as incurred. For the years ended September 30, 2012 and 2011, advertising costs totaled \$2,725 and \$4,304, respectively.

CHILD CARE NETWORK, INC.  
Notes to Financial Statements (Continued)

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

**Date of Management's Review** - Management has evaluated events and transactions occurring subsequent to the Statement of Financial Position date of September 30, 2012 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 22, 2013, the date these financial statements were available to be issued.

NOTE 2 - CONCENTRATION OF REVENUE

For the years ended September 30, 2012 and 2011, the Organization received 55% and 58%, respectively, of its revenue from the Indiana Department of Education for the services it provides to its home daycare centers.

NOTE 3 - CONTINGENCIES / STATE CONTRACTS

The Organization is substantially funded by grants and contracts awarded directly and indirectly by the Federal Government and the State of Indiana. The majority of the agreements contain provisions which permit the arrangements to be terminated or the funds provided to be reduced if the unit of government does not appropriate any or adequate funds to maintain the current funding levels. Any excess funds on hand at the termination date would be subject to refund if such funds exceeded the accrued expenditures allowable under the grants and contracts at that date.

The agreement was not terminated at September 30, 2012 and 2011 and therefore, there were no excess funds at September 30, 2012 and 2011. Amounts received from state sources and included in income for the years ended September 30, 2012 and 2011 are as follows:

	2012	2011
Food Program	\$ <u>654,511</u>	\$ <u>657,346</u>

The Food Program amounts are pass-throughs from the Indiana Department of Education under the Child and Adult Food Care Program (CFDA 10.558). The contract reimburses the Food Program on a unit per service basis, and currently is in effect through September 30, 2013. Amounts due from services rendered totaled \$48,594 and \$53,442 as of September 30, 2012 and 2011, respectively. Amounts owed to the providers totaled \$42,162 and \$42,469 as of September 30, 2012 and 2011, respectively. The Food Program currently operates in the following Indiana counties: Jackson, Bartholomew, Clark, Washington, Jennings, Scott, Jefferson, and Ripley.

NOTE 4 - COMMITMENTS

Child Care Network, Inc. leases administrative office space under an agreement that began in December 2004, for a five year term. This lease was renewed on January 1, 2010 until December 31, 2015. The lease was revised on October 1, 2010 and runs until December 31, 2015. Lease expense under the revised agreement was \$725 per month until June 2012 when it decreased to \$675 per month for the year ended September 30, 2012. The monthly lease payment was made as follows for the years ended September 30, 2012 and 2011, respectively:

	2012	2011
Child Care Network	\$ 90	\$ 90
Americorp	100	150
Kids Club	213	213
Food Program	272	272
Total	\$ 675	\$ 725

CHILD CARE NETWORK, INC.  
Notes to Financial Statements (Continued)

NOTE 4 - COMMITMENTS - (Continued)

Child Care Network, Inc. also leases Suite 302 for their CASA program. This agreement began on November 1, 2010 and will terminate upon the Lessor or Lessee's written notice of intention to terminate within 30 days. Lease expense under this agreement was \$250 per month for the years ended September 30, 2012 and 2011, respectively.

The Organization leases a copier under an agreement that began on December 17, 2009 and will expire on December 17, 2014. Under this agreement, the lease expense was \$147 per month for the years ended September 30, 2012 and 2011, respectively.

The following is a schedule by years of future minimum payments required under the leases:

<u>Years ending September 30,</u>	
2013	\$ 10,114
2014	9,864
2015	8,394
2016	<u>2,025</u>
	<u>\$ 30,397</u>

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available for the year ending September 30, 2012 were as follows:

	Balance 10/1/2011	Contributions and Grants	Released from Restrictions	Balance 9/30/2012
Successful Schools Grant	\$ -	\$ 51,000	\$ 5,667	\$ 45,333
Jackson County United Way	<u>22,131</u>	<u>-</u>	<u>17,645</u>	<u>4,486</u>
Total	<u>\$ 22,131</u>	<u>\$ 51,000</u>	<u>\$ 23,312</u>	<u>\$ 49,819</u>

Temporarily restricted net assets available for the year ending September 30, 2011 were as follows:

	Balance 10/1/2010	Contributions and Grants	Released from Restrictions	Balance 9/30/2011
Jackson County United Way	<u>\$ 22,131</u>	<u>\$ 22,131</u>	<u>\$ 22,131</u>	<u>\$ 22,131</u>

There were no permanently restricted net assets at September 30, 2012 and 2011.

NOTE 6 - RELATED PARTY TRANSACTION

During the year ended September 30, 2012, the Organization opened an account with Edward Jones which includes maintaining certificates of deposits, cash, and a line of credit. Donjay Rice, the financial advisor for the account, is the husband of the bookkeeper of the Organization.

CHILD CARE NETWORK, INC.  
Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Awards Expended</u>
<b>Indiana Department of Education</b>			
Child and Adult Care Food Program	10.558	1360010	\$ <u>654,511</u>
Total			\$ <u>654,511</u>

CHILD CARE NETWORK, INC.  
Note to Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2012

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Child Care Network, 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 the preparation of, the basic financial statements.



**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**

To the Board of Directors  
Child Care Network, Inc.

We have audited the financial statements of Child Care Network, Inc. as of and for the year ended September 30, 2012, and have issued our report thereon dated January 22, 2013. 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**

Management of Child Care Network, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Child Care Network, 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 Child Care Network, 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 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 Child Care Network, 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*.

This report is intended solely for the information and use of management, Board of Directors, and 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.

*Rodefer Moss & Co, PLLC*

Rodefer Moss & Co, PLLC  
New Albany, Indiana  
January 22, 2013



**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

To the Board of Directors  
Child Care Network, Inc.

**Compliance**

We have audited Child Care Network, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Child Care Network, Inc.'s major federal programs for the year ended September 30, 2012. Child Care Network, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Child Care Network, Inc.'s management. Our responsibility is to express an opinion on Child Care Network, 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 Child Care Network, 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 of Child Care Network, Inc.'s compliance with those requirements.

In our opinion, Child Care Network, Inc., complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2012.

**Internal Control over Compliance**

Management of Child Care Network, Inc. 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 Child Care Network, Inc.'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 the 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 Child Care Network, 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 internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 management, Board of Directors, and 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.

*Rodefer Moss & Co, PLLC*

Rodefer Moss & Co, PLLC  
New Albany, Indiana  
January 22, 2013

CHILD CARE NETWORK, INC.  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 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  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 weakness(es) 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 OMB Circular A-133?  yes  no

Identification of major programs:

CFDA Number(s)

10.558

Name of Federal  
Program or Cluster

Child and Adult Care Food Program

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

Auditee qualified as low-risk auditee?  yes  no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None