



STATE OF INDIANA
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June 5, 2014

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., for the period January 1, 2013 to December 31, 2013. 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 Early Childhood Alliance, Inc., as of December 31, 2013, 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

EARLY CHILDHOOD ALLIANCE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2013

With Summarized Information for December 31, 2012

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	18
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	19
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	20
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	24
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	26



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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, 2013, 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 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 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, 2013, 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 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 8, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

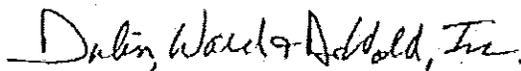
Other Matters

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 February 26, 2014 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.



Fort Wayne, Indiana
February 26, 2014

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2013 with Summarized Information for December 31, 2012

	2013	2012
ASSETS		
Cash and cash equivalents	\$ 404,103	\$ 407,966
Short-term investments	25,207	76,012
Pledges receivable	352,062	365,000
Claims receivable	424,366	502,377
Prepaid expenses and deposits	33,398	15,213
Long-term investments	305,292	263,813
Beneficial interest	16,166	14,063
Cash restricted to investment in fixed assets	-	5,144
Fixed assets - net	<u>1,680,404</u>	<u>1,742,862</u>
Total Assets	<u><u>\$ 3,240,998</u></u>	<u><u>\$ 3,392,450</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable:		
Trade	\$ 20,846	\$ 28,303
Food and service reimbursements	107,397	200,282
Employees' payroll deductions and accrued expenses	<u>236,296</u>	<u>271,367</u>
Total Liabilities	364,539	499,952
Net Assets:		
Unrestricted net assets	2,510,683	2,505,954
Temporarily restricted net assets	<u>365,776</u>	<u>386,544</u>
Total Net Assets	<u>2,876,459</u>	<u>2,892,498</u>
Total Liabilities and Net Assets	<u><u>\$ 3,240,998</u></u>	<u><u>\$ 3,392,450</u></u>

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

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013 with Summarized
Information for the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted
CHANGES IN NET ASSETS		
Support, Revenue and Gains:		
Contributions	\$ 585,852	\$ 423,375
United Way	-	140,000
Grants - federal	2,730,687	-
Grants - other	8,794	-
Fund raising events	42,888	-
Less direct benefit to donors	(1,311)	-
Program service fees	1,762,326	-
Investment revenue	11,106	-
Gain on investments	35,845	-
Miscellaneous	26,706	-
Net Assets Released From Restrictions:		
Satisfaction of program requirements	401,735	(401,735)
Satisfaction of time requirements	175,000	(175,000)
Satisfaction of purchase requirements	4,147	(4,147)
	<hr/>	<hr/>
Total Support, Revenue and Gains	5,783,775	(17,507)
Expenses and Losses:		
Children's learning centers	2,870,617	-
Childcare resource and referral	775,413	-
Childcare food program	1,567,958	-
Parenting programs	202,223	-
Administration	280,815	-
Fund raising	80,903	-
Loss on disposal of fixed assets	1,117	-
Returned unused grant	-	3,261
	<hr/>	<hr/>
Total Expenses and Losses	5,779,046	3,261
	<hr/>	<hr/>
CHANGE IN NET ASSETS	4,729	(20,768)
	<hr/>	<hr/>
NET ASSETS - beginning of year	2,505,954	386,544
	<hr/>	<hr/>
NET ASSETS - end of year	<u>\$ 2,510,683</u>	<u>\$ 365,776</u>

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

Total	
2013	2012
\$ 1,009,227	\$ 715,368
140,000	140,000
2,730,687	2,555,780
8,794	266,019
42,888	59,845
(1,311)	(1,879)
1,762,326	1,832,268
11,106	7,909
35,845	23,873
26,706	10,870
-	-
-	-
-	-
5,766,268	5,610,053
2,870,617	3,061,445
775,413	692,783
1,567,958	1,476,809
202,223	285,868
280,815	234,020
80,903	64,925
1,117	585
3,261	-
5,782,307	5,816,435
(16,039)	(206,382)
2,892,498	3,098,880
\$ 2,876,459	\$ 2,892,498

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013 with Summarized
Financial Information for the Year Ended December 31, 2012

	Children's Learning Centers	Childcare Resource & Referral	Childcare Food Program	Parenting Programs
Salaries	\$ 1,730,720	\$ 508,776	\$ 100,632	\$ 137,314
Employee health and retirement benefits	265,240	69,995	21,287	24,845
Payroll taxes	123,707	36,366	7,193	9,815
	<hr/>	<hr/>	<hr/>	<hr/>
Total Salaries and Related Expenses	2,119,667	615,137	129,112	171,974
Food program payments	-	-	1,401,734	-
Occupancy	344,532	30,442	7,726	3,208
Food service	286,747	-	-	-
Program supplies	27,706	36,947	4,428	7,842
Program travel / transportation	4,093	42,785	5,506	17,129
Printing / public relations	6,612	15,658	3,296	53
Contracted services	8,585	5,293	3,153	375
Professional fees	180	10,024	1,150	-
Miscellaneous	4,642	6,633	7,557	1,322
Professional development	4,931	10,911	4,145	20
Administrative fees	1,816	1,583	151	300
Board of directors	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses Before Depreciation	2,809,511	775,413	1,567,958	202,223
Depreciation	61,106	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 2,870,617</u>	<u>\$ 775,413</u>	<u>\$ 1,567,958</u>	<u>\$ 202,223</u>

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

Admini- stration	Fund Raising	Total	
		2013	2012
\$ 83,223	\$ 54,764	\$ 2,615,429	\$ 2,688,918
67,483	748	449,598	424,855
5,949	3,914	186,944	190,830
<hr/>	<hr/>	<hr/>	<hr/>
156,655	59,426	3,251,971	3,304,603
-	-	1,401,734	1,329,445
29,128	5,063	420,099	441,240
-	-	286,747	290,835
11,469	1,324	89,716	114,953
767	20	70,300	64,394
3,803	6,422	35,844	47,415
16,716	60	34,182	31,262
20,125	-	31,479	39,456
2,761	8,542	31,457	32,057
466	20	20,493	22,531
6,244	26	10,120	10,256
3,663	-	3,663	3,203
<hr/>	<hr/>	<hr/>	<hr/>
251,797	80,903	5,687,805	5,731,650
29,018	-	90,124	84,200
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<u>\$ 280,815</u>	<u>\$ 80,903</u>	<u>\$ 5,777,929</u>	<u>\$ 5,815,850</u>

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2013 with Summarized Information
for the Year Ended December 31, 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (16,039)	\$ (206,382)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	90,124	84,200
(Gain) loss on investments	(35,845)	(23,873)
Loss on disposal of fixed assets	1,117	585
Reinvested interest - net of fees	(7,190)	(4,524)
Change in beneficial interest	(547)	(254)
In-kind contribution of fixed assets	-	(45,049)
Contributions restricted to long-term purposes	(77,560)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	12,938	238,300
Claims receivable	78,011	(133,624)
Prepaid expenses and deposits	(18,185)	(12,653)
Increase (decrease) in:		
Accounts payable	(100,342)	106,762
Employees' payroll deductions and accrued expenses	(35,071)	(14,277)
Cash Flows From Operating Activities	(108,589)	(10,789)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	50,805	-
Purchase of fixed assets	(28,783)	(63,501)
Change in cash restricted to investment in fixed assets	5,144	1,270
Cash Flows From Investing Activities	27,166	(62,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to long-term purposes	77,560	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,863)	(73,020)
CASH AND CASH EQUIVALENTS - beginning of year	407,966	480,986
CASH AND CASH EQUIVALENTS - end of year	\$ 404,103	\$ 407,966

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

EARLY CHILDHOOD ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Early Childhood Alliance, Inc., located in Fort Wayne, Indiana, operates two 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, 2009. 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)

I. 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, 2012, from which the summarized information was derived.

Management has evaluated subsequent events through February 26, 2014, the date which the financial statements were available for issue.

2. **PLEDGES RECEIVABLE**

Pledges receivable consist of the following:

	2013	2012
Pledges receivable	\$ 352,062	\$ 375,000
Less unamortized present value discount (3.55%)	<u>-</u>	<u>10,000</u>
Net pledges receivable	<u>\$ 352,062</u>	<u>\$ 365,000</u>
Amounts due in:		
Less than one year	\$ 352,062	\$ 185,000
One to five years	-	190,000
More than five years	<u>-</u>	<u>-</u>
	<u>\$ 352,062</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 2014 and has not been recorded as an asset of the Organization as of December 31, 2013.

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

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 \$27,387 at December 31, 2013 and \$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, 2013 are summarized as follows:

	Cost	Market
Short Term:		
Certificate of deposit	\$ 25,000	\$ 25,207
Long Term:		
Mutual funds:		
Equities	\$ 179,338	\$ 199,522
Fixed income	81,554	82,259
Alternative investments	16,338	14,787
Money market	<u>8,724</u>	<u>8,724</u>
	<u>\$ 285,954</u>	<u>\$ 305,292</u>

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

	Cost	Market
Short Term:		
Certificate of deposit	\$ 75,000	\$ 76,012
Long Term:		
Mutual funds:		
Equities	\$ 134,507	\$ 164,707
Fixed income	79,798	83,248
Alternative investments	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.

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.

(continued)

5. FAIR VALUE MEASUREMENT (continued)

Fair value of assets and liabilities measured on a recurring basis at December 31, 2013 are as follows:

	Level 1	Level 3
Investments:		
Mutual funds:		
Bank loan	\$ 13,607	\$ -
Commodities broad basket	4,113	-
Diversified emerging markets	6,582	-
Foreign large blend	24,883	-
Inflation protected bond	5,495	-
Intermediate term bond	54,866	-
Large growth	61,560	-
Large value	62,187	-
Mid cap	19,497	-
Non traditional bond	5,077	-
Multi-alternative	5,595	-
Real estate	7,338	-
Small growth	2,895	-
Small value	3,580	-
World bond	8,291	-
World stock	11,000	-
Beneficial interests	<u>-</u>	<u>16,166</u>
	<u>\$ 296,566</u>	<u>\$ 16,166</u>

(continued)

5. FAIR VALUE MEASUREMENT (continued)

Fair value of assets and liabilities measured on a recurring basis at December 31, 2012 are as follows:

	Level 1	Level 3
Investments:		
Mutual funds:		
Bank loan	\$ 12,985	\$ -
Commodities broad basket	4,829	-
Diversified emerging markets	7,125	-
Foreign large blend	21,217	-
Inflation protected bond	6,071	-
Intermediate term bond	56,096	-
Large growth	47,883	-
Large value	37,225	-
Mid cap	37,599	-
Multi-alternative	5,165	-
Real estate	8,935	-
Small growth	2,076	-
Small value	2,647	-
World bond	8,096	-
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:

	Beneficial Interest	
	2013	2012
Balance – beginning of year	\$ 14,063	\$ 12,553
Contribution	-	-
Total gains or losses (realized and unrealized) included in change in net assets:		
Income	679	385
Unrealized gain	312	795
Realized gain	1,244	461
Investment fees	(132)	(131)
Grants	-	-
Distribution	<u>-</u>	<u>-</u>
Balance – end of year	<u>\$ 16,166</u>	<u>\$ 14,063</u>

6. **FIXED ASSETS**

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

	2013	2012
Land and improvements	\$ 372,203	\$ 347,594
Buildings	1,998,404	1,998,404
Equipment	<u>267,699</u>	<u>270,149</u>
	2,638,306	2,616,147
Accumulated depreciation	<u>957,902</u>	<u>904,378</u>
	1,680,404	1,711,769
Construction in progress	<u>-</u>	<u>31,093</u>
	<u>\$ 1,680,404</u>	<u>\$ 1,742,862</u>

7. **NET ASSETS**

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

	2013	2012
Time requirement	\$ 190,000	\$ 365,000
Programming requirements	101,597	15,643
Capital improvements	73,772	5,144
Board development	<u>407</u>	<u>757</u>
	<u>\$ 365,776</u>	<u>\$ 386,544</u>

Unrestricted net assets in the amount of \$305,292 at December 31, 2013 and \$263,813 at December 31, 2012 have been designated by the Board of Directors for endowment purposes.

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 \$38,556 in 2013 and \$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.

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

	2013	2012
Unrestricted net assets:		
Board designated endowment funds	\$ 305,292	\$ 263,813

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

	2013	2012
Unrestricted net assets:		
Endowment net assets – January 1	\$ 263,813	\$ 236,672
Investment return:		
Investment income	10,427	7,524
Net appreciation (realized and unrealized)	34,289	22,617
Fees	<u>(3,237)</u>	<u>(3,000)</u>
Total investment return	<u>41,479</u>	<u>27,141</u>
Endowment net assets – December 31	<u>\$ 305,292</u>	<u>\$ 263,813</u>

10. OPERATING LEASES

Early Childhood Alliance, Inc. leases office equipment under an operating lease expiring in 2018. Total rental expense was \$1,909 for 2013 and \$2,568 for 2012.

In addition, Early Childhood Alliance, Inc. leases facilities under an operating lease that expired in 2013. Total rental expense was \$39,388 for 2013 and \$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, 2013 for each of the next five years and in the aggregate are:

2014	\$	2,963
2015		2,963
2016		2,963
2017		2,963
2018 and thereafter		<u>1,481</u>
	\$	<u>13,333</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 2014. The leases may be terminated by either party given a 60 day written notice. In 2013 and 2012, \$217,731 was recorded as rental expense under these leases.

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.

As of January 1, 2013 the temporary unlimited deposit insurance coverage for non interest bearing transaction accounts at Federal Deposit Insurance Corporation (FDIC) institutions ended. As a result, total cash balances are insured up to \$250,000 per bank. As of December 31, 2013, deposits in excess of the insured amount totaled \$171,386.

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:

	2013	2012
Administration:		
Occupancy	\$ -	\$ 3,200
Program travel/transportation	-	636
Contracted services	-	500
Fund raising:		
Miscellaneous	4,015	4,500
Printing/public relations	<u>5,250</u>	<u>-</u>
Children's learning centers:		
Program supplies	<u>695</u>	<u>-</u>
	<u>\$ 9,960</u>	<u>\$ 8,836</u>

13. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations was \$18,304 in 2013 and \$30,577 in 2012.

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2013

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	\$ 1,801,112	\$ 1,801,112
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 Care and Development Fund				
	93.596	02-04-1A-0201 & 02-05-1A-0201	210,492	210,492
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	657,853	657,853
Passed through Indiana Association for the Education of Young Children:				
Child Care and Development Block Grant				
	93.575	n/a	37,015	37,015
Passed through Community Action of Northeast Indiana, Inc.:				
Refugee and Entrant Assistance - Discretionary Grant				
	93.576	n/a	<u>24,215</u>	<u>24,215</u>
Total Federal Assistance			<u>\$ 2,730,687</u>	<u>\$ 2,730,687</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, 2013

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

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

We have audited, in accordance with the 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, the financial statements of Early Childhood Alliance, Inc. which comprise the statement of financial position as of December 31, 2013, 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 February 26, 2014.

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.

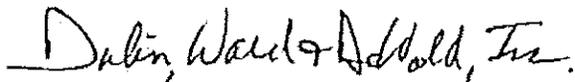
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Fort Wayne, Indiana
February 26, 2014



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**INDEPENDENT AUDITORS' 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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Early Childhood Alliance, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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.

Opinion on Each Major Federal Program

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, 2013.

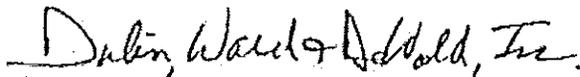
Report on Internal Control Over Compliance

Management of Early Childhood Alliance, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Early Childhood Alliance, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Fort Wayne, Indiana
February 26, 2014

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2013

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, 2013

(continued)

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.575	Child Care and Development Block Grant

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

\$ 300,000

Auditee qualified as low-risk?

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, 2013

No prior year findings.