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August 27, 2014

Board of Directors
Day Care Service, Inc.
29831 Florida Avenue
Elkhart, IN 46516

We have reviewed the audit report prepared by Cullar & Associates, P.C., for the period October 1, 2012 to September 30, 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 Day Care Service, Inc., as of September 30, 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

FINANCIAL REPORT

DAY CARE SERVICE, INC.

September 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Day Care Service, Inc.
Elkhart, Indiana

We have audited the accompanying financial statements of Day Care Service, Inc., which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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 Day Care Service, Inc. as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cullen & Associates, P.C.

South Bend, Indiana
April 15, 2014

DAY CARE SERVICE, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2013 and 2012

Assets:	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents	\$ 403	\$ 259
Service fees receivable	<u>21,542</u>	<u>23,184</u>
<i>Total current assets</i>	<u>21,945</u>	<u>23,443</u>
Property and Equipment:		
Furniture and equipment	4,484	4,484
Less accumulated depreciation	<u>(4,484)</u>	<u>(4,484)</u>
<i>Net property and equipment</i>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 21,945</u>	<u>\$ 23,443</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable	\$ 19,035	\$ 20,402
Payroll withholdings	<u>603</u>	<u>654</u>
<i>Total current liabilities</i>	<u>19,638</u>	<u>21,056</u>
Net Assets, unrestricted	<u>2,307</u>	<u>2,387</u>
<i>Total liabilities and net assets</i>	<u>\$ 21,945</u>	<u>\$ 23,443</u>

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

DAY CARE SERVICE, INC.
STATEMENTS OF ACTIVITIES
Years Ended September 30, 2013 and 2012

Revenues and Other Support:	<u>2013</u>	<u>2012</u>
Child and Adult Care Food Program:		
Provider fees	\$ 270,353	\$ 277,951
Administrative fees	31,600	33,041
Membership dues and donations	<u>3,850</u>	<u>1,690</u>
<i>Total revenues and other support</i>	<u>305,803</u>	<u>312,682</u>
Expenses:		
Nutrition services	270,353	277,951
Management and general	<u>35,530</u>	<u>36,963</u>
<i>Total expenses</i>	<u>305,883</u>	<u>314,914</u>
Change in net assets	(80)	(2,232)
Net assets, unrestricted - beginning of year	<u>2,387</u>	<u>4,619</u>
<i>Net assets, unrestricted - end of year</i>	<u>\$ 2,307</u>	<u>\$ 2,387</u>

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

DAY CARE SERVICE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended September 30, 2013 and 2012

	2013			2012		
	Nutrition Services	Management and General	Total	Nutrition Services	Management and General	Total
Subcontracted nutrition services	\$ 270,353	\$ -	\$ 270,353	\$ 277,951	\$ -	\$ 277,951
Salaries and wages	-	21,238	21,238	-	21,383	21,383
Payroll-related expenses	-	1,625	1,625	-	1,636	1,636
Legal and accounting	-	3,165	3,165	-	3,510	3,510
Supplies	-	414	414	-	1,190	1,190
Postage	-	159	159	-	314	314
Communications	-	833	833	-	744	744
Insurance	-	4,034	4,034	-	3,955	3,955
Travel and conferences	-	2,647	2,647	-	2,882	2,882
Bank charges	-	984	984	-	997	997
Other	-	431	431	-	352	352
<i>Totals</i>	<u>\$ 270,353</u>	<u>\$ 35,530</u>	<u>\$ 305,883</u>	<u>\$ 277,951</u>	<u>\$ 36,963</u>	<u>\$ 314,914</u>

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

DAY CARE SERVICE, INC.
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2013 and 2012

Change in Cash and Cash Equivalents:	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Cash received from grantors and others	\$ 307,445	\$ 315,142
Cash paid to employees, suppliers, and others	<u>(307,301)</u>	<u>(316,986)</u>
<i>Net cash provided by (used in) operating activities</i>	144	(1,844)
Cash and cash equivalents, beginning of year	<u>259</u>	<u>2,103</u>
Cash and cash equivalents, end of year	<u>\$ 403</u>	<u>\$ 259</u>

Reconciliation of Change in Net Assets to Net Cash

Provided by (Used in) Operating Activities:

Change in net assets	\$ (80)	\$ (2,232)
Add (deduct) items not requiring (providing) cash:		
Decrease in service fees receivable	1,642	2,460
(Decrease) in accounts payable	(1,367)	(2,062)
(Decrease) in payroll withholdings	<u>(51)</u>	<u>(10)</u>
<i>Net cash provided by (used in) operating activities</i>	<u>\$ 144</u>	<u>\$ (1,844)</u>

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

DAY CARE SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Day Care Service, Inc. (the "Organization") is an Indiana nonprofit corporation organized to provide local access for licensed home day cares to the Child and Adult Care Food Program. Its operations are primarily supported by service fees from contracts with the State of Indiana.

Significant Accounting Policies:

Use of estimates:

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.

Significant estimates used in the accompanying financial statements include:

- The majority of the Organization's revenue is earned from cost-reimbursement awards from governmental agencies that are governed by federal and State cost principles and other administrative and programmatic regulations and are subject to audit by regulatory authorities. It is at least reasonably possible that revenue earned under such awards will be adjusted upon audit.
- The costs of providing the program and the supporting service have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain expenses have been allocated between the program and the supporting service benefited based on management's best estimates. In addition, because the Organization receives the majority of its support from grants from governmental agencies, fund raising costs are not material and are not separately presented in the accompanying financial statements.

Net asset classes:

The Organization reports its activities and financial position by the following classes of net assets:

Unrestricted net assets are those currently available for use by the Organization.

Temporarily restricted net assets are those received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

DAY CARE SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

Cash and cash equivalents:

The Organization considers all time deposits, certificates of deposits, and highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Property and equipment:

Property and equipment is stated at cost if purchased, or at fair market value at the date of receipt if donated. Depreciation is recorded by the straight-line method over the estimated useful lives of the assets, which are generally from three to seven years.

Service fees:

The Organization receives fees for administration and subcontracted childcare services on a cost-reimbursement basis. Revenue is recognized in the period in which reimbursable costs are incurred.

Contributions:

The Organization reports gifts and grants of cash and other assets as income when unconditionally promised and are considered to be available for unrestricted use unless specifically restricted by donor. 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 statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. Typically, the Organization has not received restricted contributions.

Income taxes:

The Organization is exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, except for taxes on unrelated business income. Consequently, the accompanying financial statements generally contain no provision for income taxes. The Organization is classified by the Internal Revenue Service as other than a private foundation under Internal Revenue Code Section 509(a)(1).

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include the tax-exempt status of the Organization and positions related to the potential sources of unrelated business taxable income. Management has not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. The Organization classifies interest and penalties, if any, associated with uncertain tax positions as a

DAY CARE SERVICE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2013 and 2012

component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax benefits at September 30, 2013 or 2012, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. The Organization is no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to September 30, 2010.

NOTE 2. SERVICE FEES AND SUBCONTRACTED SERVICES

The Organization contracts with the Indiana Department of Education to coordinate and administer the Child and Adult Care Food Program. These services are provided by other entities under subcontract agreements with the Organization. The Organization earns administrative fees under this contract. Administrative fees earned for the years ended September 30, 2013 and 2012 were \$31,600 and \$33,041, respectively. Amounts received to reimburse subcontractors for the years ended September 30, 2013 and 2012 were \$270,353 and \$277,951, respectively.

NOTE 3. CONCENTRATIONS

The Organization's contributors and program recipients are concentrated in the Elkhart County Indiana area. Accordingly, its contributions, grants, and service fees may be affected by conditions in that area.

For both years ended September 30, 2013 and 2012, approximately 99% and 100%, respectively, of total revenues were received from the Indiana Department of Education for the Child and Adult Care Food Program. In addition, 100% of service fees receivable at both September 30, 2013 and 2012 are due from the Indiana Department of Education, which represents a concentration of credit risk.

NOTE 4. SUBSEQUENT EVENTS INFORMATION

The date through which events occurring subsequent to September 30, 2013 have been evaluated for possible adjustment to the financial statements or disclosure is April 15, 2014, the date on which the financial statements were available to be issued.

