B45176

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June 9, 2015

Board of Directors
Huffer Memorial Children's Center, Inc.
2000 N. Elgin Street

Muncie, IN 47303

We have reviewed the audit report prepared by Agresta, Storms & O'Leary, PC, 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 Huffer Memorial Children's Center, 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.

We call your attention to the finding in the report. The report disclosed one major program finding. Please see the Schedule of Findings and Questioned Costs for detail on the finding and management's planned corrective action.

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

HUFFER MEMORIAL
CHILDREN'S CENTER, INC.
MUNCIE, INDIANA

FINANCIAL STATEMENTS
DECEMBER 31, 2012

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

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AGRESTA, STORMS
& O'LEARY PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
HUFFER MEMORIAL CHILDREN'S CENTER, INC.
Muncie, Indiana

We have audited the accompanying financial statements of Huffer Memorial Children's Center, Inc. (the Company) (an Indiana Not-For-Profit Corporation) which comprise the statements of financial position as of December 31, 2012, and the related statements of activities, changes in unrestricted net assets, 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 control 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 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 Corporation'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 Corporation'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Huffer Memorial Children's Center, Inc. as of December 31, 2012, and the changes in its unrestricted net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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 the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 30, 2013, on our consideration of Huffer Memorial Children's Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This 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.

Capretto, Storms + O'Leary, PC

Indianapolis, Indiana
September 30, 2013

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

STATEMENT OF FINANCIAL POSITION
December 31, 2012

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	80,222
Accounts and pledges receivable		500,414
Prepaid insurance		6,139
Total Current Assets	$	586,775
PROPERTY AND EQUIPMENT		
Land	$	20,243
Building and leasehold improvements		1,028,908
Kitchen equipment		40,085
Office furniture and equipment		141,987
Classroom and playground equipment		201,336
Vehicles		32,358
	$	1,464,917
Accumulated depreciation		(877,071)
Total Property and Equipment	$	587,846
OTHER ASSETS		
Investments	$	21,972
Security deposits		500
Total Other Assets	$	22,472
Total Assets	$	1,197,093

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	$	68,958
Grant payable		45,000
Line of credit - First Merchants Bank		28,555
Accrued salaries and wages		40,788
Accrued vacation pay		21,864
Total Current Liabilities	$	205,165
NET ASSETS		
Unrestricted	$	666,174
Temporarily restricted		325,754
Total Net Assets	$	991,928
Total Liabilities and Net Assets	$	1,197,093

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUE AND OTHER SUPPORT			
Child care grants and vouchers	$ 569,207		$ 569,207
Program service fees	139,450		139,450
School lunch program	97,507		97,507
United Way	11,390	$ 369,407	380,797
Other public funding	518,779	12,500	531,279
Contributions	7,837		7,837
Investment income	1,881		1,881
Other income	48,752		48,752
	$ 1,394,803	$ 381,907	$ 1,776,710
Net assets released from restrictions:	178,024	(178,024)	
Total Revenue and Other Support	$ 1,572,827	$ 203,883	$ 1,776,710
EXPENSES			
Salaries	$ 963,564		$ 963,564
Payroll taxes	80,940		80,940
Employee benefits	88,796		88,796
Professional fees	65,661		65,661
Educational program supplies	10,198		10,198
Grant expense	8,079		8,079
Food costs	63,179		63,179
Other supplies	17,442		17,442
Telephone	21,105		21,105
Postage	2,480		2,480
Insurance	26,535		26,535
Utilities	30,989		30,989
Building and grounds maintenance	8,780		8,780
Other occupancy cost	12,000		12,000
Subscription and dues	1,941		1,941
Travel	31,420		31,420
Conference and meetings	1,972		1,972
Interest expense	3,605		3,605
Depreciation	46,445		46,445
Miscellaneous expense	60,537		60,537
Total Expenses	$ 1,545,668		$ 1,545,668
CHANGE IN NET ASSETS	$ 27,159	$ 203,883	$ 231,042
NET ASSETS AT BEGINNING OF YEAR	639,015	121,871	760,886
NET ASSETS AT END OF YEAR	$ 666,174	$ 325,754	$ 991,928

See accompanying Notes to Financial Statements.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received grants and program services	$	1,484,832
Cash paid to suppliers and employees		(1,449,512)
Cash received from contributions		10,191
Rent received		375
Interest received		1,164
Interest expense		(3,605)
Cash received from other sources		16,626
Net Cash Provided By Operating Activities	$	60,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	$	(16,633)
Purchases of investments		(5,358)
Proceeds from sale of investments		5,044
Net Cash Used For Investing Activities	$	(16,947)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net payments on line of credit	$	(2,149)
Net Cash Used For Investing Activities	$	(2,149)
NET INCREASE IN CASH AND CASH EQUIVALENTS	$	40,975
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		39,247
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	80,222

See accompanying Notes to Financial Statements.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

RECONCILIATION OF CHANGE IN NET ASSETS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

CHANGE IN NET ASSETS	$ 231,042
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	$ 46,445
Unrealized gain on investments	(635)
Gain on sale of investments	(82)
Changes in assets	
Accounts and pledges receivable	(258,540)
Prepaid expenses	(2,904)
Changes in liabilities	
Accounts payable	1,628
Grant payable	45,000
Accrued payroll and liabilities	(1,883)
TOTAL ADJUSTMENTS	$ (170,971)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 60,071

See accompanying Notes to Financial Statements.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Huffer Memorial Children's Center, Inc. (the Center) is an Indiana nonprofit corporation, incorporated on February 18, 1965, for the purpose of providing childcare for the economically disadvantaged. The Center also operates a child care resource and referral program (CCR&R) that delivers referrals to families, trains child care providers, and works with community initiatives to increase the quality of early childhood education within the 10 counties they serve. The Center is supported through a block grant from Indiana Family and Social Services, Indiana Department of Education, service fees, United Way, and contributions.

Basis of Presentation

The financial statements are in conformity with the provisions of ASC 958. This statement established standards for external financial reporting for not-for-profit organizations.

ASC 958 primarily affects the display of the financial statements and requires that the amounts for each of three classes – unrestricted, temporarily restricted, and permanently restricted – be displayed in an aggregate statement of financial position and the amounts of change in each of those classes be displayed in the statement of changes in net assets.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. It is the policy of the Center to capitalize property and equipment over $1,000.

Revenue Recognition

Revenue and other support are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence and/or nature of any donor restrictions. Contract revenues are recorded in the period in which the service was provided. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

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

Income Taxes

The Center is exempt from federal income tax under the provisions of *Section 501(c)(3)* of the *Internal Revenue Code* and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Center has been determined by the Internal Revenue Service not to be a private foundation within the meaning of *Section 509(a)* of the *Internal Revenue Code*. Accordingly, no accounting for federal or state income taxes is required in the accompanying financial statements.

The Center's federal and state income tax returns for 2009, 2010, and 2011 are subject to examination by taxing authorities, generally for three years after they were filed.

Accounts Receivable and Pledges

Accounts receivable are stated at unpaid balances. Management of the Center believes the amounts are fully collectible and, therefore, have not recorded a reserve for uncollectible amounts at December 31, 2012. No interest is charged on past due amounts. (See Note 10)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Statement of Cash Flows

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Economic Dependency

The Center is economically dependent on the funding received from the State of Indiana and the United Way. The following percentages make up the contributions to the Center for support and revenue for the year ended December 31, 2012:

Indiana Association for CCR&R	24.6 %
CCDF Welfare Vouchers for Child Care	21.0 %
CCDF Contract	11.0 %

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

Credit Risks

The Center, at any point in time, has significant receivables principally from federal, state, and county welfare programs. Management does not believe there are any undue credit risks resulting from these assets due to the approval status of the contracts. At December 31, 2012, 90% of the receivables are from 3 funding sources.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

In accordance with ASC Topic 855, Subsequent Events, the Center has evaluated subsequent events through September 30, 2013, which is the date these financial statements were issued and has determined that there are no subsequent events that require disclosure in the financial statements.

2. **INVESTMENTS**

Marketable securities consist of equity investments. Marketable securities have been designated by the board for future building and equipment needs.

Investment gain in the statements of activities is comprised of the following:

Dividends and interest	$ 1,163
Gain on investments	718
	$ 1,881

The aggregate carrying value of investments in the statements of financial position is as follows:

	Cost	Market Value
Equity securities	$ 21,262	$ 21,972

The fair value of equity securities has been determined using market value at December 31, 2012.

3. Property, Equipment, and Depreciation

A summary of property and equipment is as follows:

Building and leasehold improvements	10 to 50 years
Kitchen equipment	5 to 12 years
Office furniture and equipment	3 to 12 years
Classroom and playground equipment	3 to 10 years
Vehicles	7 years

Depreciation expense was $46,445 for the year ended December 31, 2012.

4. Line Of Credit

The Center has a $50,000 line of credit. Borrowings bear interest at prime and the note is unsecured with required monthly interest payments and any outstanding principal is due on demand. At December 31, 2012, the outstanding balance on the line of credit was $28,555.

5. Restrictions/Limitations On Net Assets

Temporarily restricted net assets are available for the following purposes:

Future building additions	$ 35,871
Community Foundation playground grant	2,056
United Way (Educare and Resource and Referral)	287,827
	$ 325,754

6. Functional Allocation

The costs of providing programs and activities have been summarized on a functional basis below. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Program services	$ 1,394,193
Management and general	151,475
	$ 1,545,668

7. Retirement Plan

The Center has a *403(b)* savings plan whereby an employee can contribute and defer taxes on compensation contributed to the plan. The Center does not contribute to the plan.

8. FAIR VALUE MEASUREMENTS

The Center adopted ASC 820 for financial assets and liabilities.

ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires that the Center maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, similar assets and liabilities in markets that are not active or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The asset'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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Intermediate bond fund	$ 2,556	$ 0	$ 0	$ 2,556
World bond fund	4,610	0	0	4,610
Bond ETF funds	10,906	0	0	10,906
Corporate bonds	3,900	0	0	3,900
Total	$ 21,972	$ 0	$ 0	$ 21,972

9. **OPERATING LEASE**

The Center has entered into a lease agreement with South Earl Avenue LLC expiring September 30, 2013. The agreement is for use of an office building, located in Muncie, Indiana. The monthly rent on this lease is $1,000.

The Center also leases office equipment from Ikon Financial Solutions under a noncancelable agreement. Minimum future lease payments under these leases for the next five years are summarized as follows:

Years ended December 31,	
2013	$ 20,607
2014	14,738
	$ 35,345

10. **PLEDGES RECEIVABLE**

Pledges receivable have been adjusted to reflect the net present value of the future cash flows. At December 31, 2012, pledges receivable were as follows:

Total	$ 332,125
Less adustment for present value	(44,298)
	$ 287,827

Pledge receivables are scheduled to be collected as follows:

Year Ended December 31,	Amount
2013	$ 132,000
2014	132,000
2015	68,125
	$ 332,125

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services		
Pass-through Indiana Family and Social Services Administration - Social Service Block Grant-Child Care	93.596	$ 195,877
Pass-through Indiana Association for the Education of Young Children, Inc. Non Formal CDA Project	93.575	17,119
Pass-through Indiana Child Care Fund, Inc. CCDF Resource and Referral	93.575	436,304
Subtotal Department of Health and Human Services		$ 649,300
U.S. Department of Agriculture		
Pass-through Indiana Department of Education Division of Child Care Food Program	10.558	$ 97,507
Total Expenditures of Federal Awards		$ 746,807

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Huffer Memorial Children's Center, 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.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued?	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?		yes	X	no
Reportable condition(s) 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
Reportable condition(s) identified that are not considered to be material weakness(es)?	X	yes		no
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 *Circular A-133* ?	X	yes		no

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Section 1 - Summary of Auditors' Results (continued)

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.575	Pass-through Indiana Family and Social Services Administration CCDF Resource and Referral

Dollar threshold used to distinguish between type A and type B programs:	$300,000		
Auditee qualified as low-risk auditee?	X yes		no

Section 2 - Financial Statement Findings

No matters were reported for the year ending December 31, 2012

Section 3 - Federal Awards Findings and Questioned Costs

See finding 2012-1

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY

FINDING NO. 2012-1

Statement of Condition:	The Organization's cost allocation plan and its procedures for allocating indirect salaries and benefits require enhancement to fully comply with federal regulations.
Criteria:	A cost allocation plan and procedures that are in accordance with federal regulations are required to ensure that personnel expenses are proper and charged to the appropriate fund or grant.
Effect:	The Organization has a risk that payroll charges may be improper or be posted to an improper fund or grant and not be identified and corrected on a timely basis.
Cause:	The Organization has not recently updated its cost allocation plan. In addition, management has allocated indirect payroll based on reasonable estimates.
Questioned costs:	None
Recommendation:	Action should be taken to ensure that an updated cost allocation plan is implemented and that procedures are in place to document and allocate indirect payroll.
Management response:	Management is in the process of implementing procedures and documentation to ensure that appropriate internal controls over payroll are in place and working properly. In addition, the Organization is in the process of updating its cost allocation plan.

HUFFER MEMORIAL CHILDREN'S CENTER, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

No findings.

AGRESTA, STORMS & O'LEARY PC
CERTIFIED PUBLIC ACCOUNTANTS

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*

To the Board of Directors of
HUFFER MEMORIAL CHILDREN'S CENTER, INC.
(an Indiana Not-For-Profit Corporation)
Muncie, Indiana

We have audited, 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, the financial statements of Huffer Memorial Children's Center, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, changes in unrestricted net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Huffer Memorial Children's Center, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Huffer Memorial Children's Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Huffer Memorial Children's Center, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Huffer Memorial Children's Center, Inc.'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.

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Compliance and Other Matters

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

We noted certain matters that we reported to the management of Huffer Memorial Children's Center, Inc. in a separate letter dated September 30, 2013.

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 results of that testing, and not to provide an opinion on the effectiveness of Huffer Memorial Children's Center, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Huffer Memorial Children's Center, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Agresta, Storms + O'Leary, PC

Indianapolis, Indiana
September 30, 2013

AGRESTA, STORMS
— & O'LEARY —PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Directors of
HUFFER MEMORIAL CHILDREN'S CENTER, INC.
(an Indiana Not-For-Profit Corporation)
Muncie, Indiana

Report on Compliance for Each Major Program

We have audited Huffer Memorial Children's Center, 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 Huffer Memorial Children's Center, Inc.'s major federal program for the year ended December 31, 2012. Huffer Memorial Children's Center, Inc.'s major federal program is 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 its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Huffer Memorial Children's Center, Inc.'s major federal program based on our audit of the specific 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* (OMB Circular A-133). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about Huffer Memorial Children's Center, 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 on compliance with the major federal program. However, our audit does not provide a legal determination of Huffer Memorial Children's Center, Inc.'s compliance.

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Opinion on Each Major Federal Program

In our opinion, Huffer Memorial Children's Center, 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 identified above for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures also disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-1. Our opinion on each major federal program is not modified with respect to these matters.

Huffer Memorial Children's Center, Inc.'s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Huffer Memorial Children's Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Huffer Memorial Children's Center, 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 of compliance, we considered Huffer Memorial Children's Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 Huffer Memorial Children's Center, 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 the attention by those charged with governance.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-1, that we consider to be a significant deficiency.

Huffer Memorial Children's Center, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Huffer Memorial Children's Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 our testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Agresta, Storms & O'Leary, PC

Indianapolis, Indiana
September 30, 2013

AGRESTA, STORMS
— & O'LEARY —PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Supplementary Information

To the Board of Directors of
HUFFER MEMORIAL CHILDREN'S CENTER, INC.
Muncie, Indiana

We have audited the financial statements of Huffer Memorial Children's Center, Inc. as of and for the year ended December 31, 2012, and have issued our report thereon dated September 30, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The accompanying schedule of Revenue and Other Support is presented for the 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.

Agresta, Storms & O'Leary, PC

Indianapolis, Indiana
September 30, 2013

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HUFFER MEMORIAL CHILDREN'S CENTER, INC.

SCHEDULE OF REVENUE AND OTHER SUPPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

	Amount	Percent of Total
REVENUE FUNDING SOURCE		
CCDF Welfare Vouchers for Child Care	$ 373,330	21.0 %
CCDF contract	195,877	11.0
School Age Child Care Project Fund	7,694	0.4
Total Indiana Family Social Services	$ 576,901	32.4 %
Indiana Association for Child Care Resource and Referral	436,304	24.6
Indiana Association for the Education of Young Children, Inc.	17,119	1.0
Indiana Department of Education - School and Community Nutrition	97,507	5.5
Program Service Fees	139,450	7.8
United Way donations	380,797	21.4
Muncie Community Schools	14,630	0.8
Head Start	3,047	0.2
Ball State University - 21st Century / MP3	52,534	3.0
Ball State University - workstudy	4,569	0.3
Ball Brothers Foundation	2,500	0.1
Community Foundation of Muncie	10,000	0.6
Contributions	7,837	0.4
Investment income	1,881	0.1
Farm rent income	375	
Other	31,259	1.8
Total Revenue and Other Support	$ 1,776,710	100.0 %

See accompanying Notes to Financial Statements.