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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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February 6, 2024

Board of Directors
Early Childhood Alliance, Inc.
Allen County, Indiana

We have reviewed the audit report of Early Childhood Alliance, Inc., which was opined upon by Dulin, Ward & DeWald, Inc., Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Early Childhood Alliance, Inc. as of December 31, 2022, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Dulin, Ward & DeWald, Inc. prepared the audit report in accordance with the guidelines established by the Indiana State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

Tammy R. White

Tammy R. White, CPA
Deputy State Examiner

EARLY CHILDHOOD ALLIANCE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2022
With Summarized Information for December 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Early Childhood Alliance, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Early Childhood Alliance, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Early Childhood Alliance, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Early Childhood Alliance, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Early Childhood Alliance, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Early Childhood Alliance, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by <u>Government Auditing Standards</u>

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated April 10, 2023 on our consideration of the 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 solely 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 effectiveness of the Early Childhood Alliance, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> in considering the Early Childhood Alliance, Inc.'s internal control over financial reporting and compliance.

Dulin, Ward & DeWald, Inc.

Fort Wayne, Indiana
April 10, 2023

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2022 with Summarized Information for December 31, 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 2,716,500	$ 2,831,849
Accounts receivable	2,466	3,409
Claims receivable	273,776	258,971
Contributions receivable - net	945,964	1,527,032
Prepaid expenses and deposits	22,292	28,066
Investments	422,634	522,328
Beneficial interest	23,592	27,595
Operating leases right-of-use assets	42,090	-
Fixed assets - net	1,310,225	1,221,680
Total Assets	$ 5,759,539	$ 6,420,930
LIABILITIES AND NET ASSETS		
Accounts payable:		
Trade	$ 53,147	$ 55,566
Food and service reimbursements	135,949	140,138
Employees' payroll deductions and accrued expenses	257,239	299,566
Operating leases liabilities	42,090	-
Total Liabilities	488,425	495,270
Net Assets:		
Without donor restrictions	2,445,184	3,108,995
With donor restrictions	2,825,930	2,816,665
Total Net Assets	5,271,114	5,925,660
Total Liabilities and Net Assets	$ 5,759,539	$ 6,420,930

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

Total	
2022	2021
$ 756,700	$ 1,732,962
77,334	203,420
65,645	73,743
-	1,397,600
3,156,684	3,204,865
-	767,250
6,450	6,750
(9,117)	(10,771)
1,927,897	1,969,099
35,317	1,323
32,292	18,300
-	41,940
-	-
6,049,202	9,406,481
3,161,892	2,918,206
2,041,410	2,329,304
416,786	426,693
108,467	7,139
727,331	619,905
133,534	113,138
114,328	-
6,703,748	6,414,385
(654,546)	2,992,096
5,925,660	2,933,564
$ 5,271,114	$ 5,925,660

Administration	Fundraising	Total 2022	Total 2021
$ 388,753	$ 106,142	$ 2,865,794	$ 2,629,287
56,454	5,593	352,956	303,713
33,859	2,094	208,189	185,514
479,066	113,829	3,426,939	3,118,514
-	-	1,798,650	2,108,592
113,512	2,924	648,815	581,566
-	-	217,900	224,288
7,557	739	140,894	129,144
53,184	(498)	105,459	92,620
20,943	1,920	44,598	5,767
32,269	-	39,953	10,037
1,237	-	24,519	30,757
8,435	335	23,127	8,451
-	-	17,933	14,449
1,860	14,285	16,145	8,544
718,063	133,534	6,504,932	6,332,729
9,268	-	84,488	81,656
727,331	133,534	6,589,420	6,414,385
-	9,117	9,117	10,771
$ 727,331	$ 142,651	$ 6,598,537	$ 6,425,156

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022 with Summarized Information
for the Year Ended December 31, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	$ 1,380,885	$ 1,340,326
Cash received from grants - federal	3,141,879	3,208,028
Cash received from program service income	1,964,157	2,023,609
Cash received from interest income - net fees	21,565	1,929
Cash received from fundraising events	107,224	119,089
Cash paid for operations	(6,557,210)	(6,116,410)
Cash Flows From Operating Activities	58,500	576,571
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of short term investments	-	525,968
Purchase of short term investments	(816)	-
Proceeds from refundable advance	-	720,000
Purchase of fixed assets	(173,033)	(53,585)
Cash Flows from Investing Activities	(173,849)	1,192,383
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(115,349)	1,768,954
CASH AND CASH EQUIVALENTS BALANCE - beginning of year	2,831,849	1,062,895
CASH AND CASH EQUIVALENTS BALANCE - end of year	$ 2,716,500	$ 2,831,849

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Early Childhood Alliance, Inc., (Organization) located in Fort Wayne, Indiana, operates two children's centers in Fort Wayne and one center in Warsaw, Indiana. Its services include early childhood education, professional training and development, parent education, advocacy, and corporate consultation on childcare benefits in northeast Indiana. The Organization's main source of revenue includes grants from the government and foundations and program service fees.

Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles (US GAAP) 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.

Recent Accounting Guidance

During 2022, the Organization adopted Accounting Standards update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* as required by accounting principles generally accepted in the United States of America (U.S. GAAP). This ASU changes requirements on how contributed nonfinancial assets are reported on the financial statement. There was no effect on net assets in connection with the implementation of ASU 2020-07.

Also during 2022, the Organization adopted ASU 2016-02, *Leases* (Topic 842), as required by U.S. GAAP. This ASU will require organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by the leases. The Organization adopted this standard on January 1, 2022, and elected not to restate comparative periods in the period of adoption. The cumulative effect of initially applying the new standard resulted in the addition of $42,090 of right-of-use assets and lease liabilities to the statement of financial position.

(continued)

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

The Organization elected the package of practical expedients and to not separate lease and non-lease components for all leases. The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

Net Assets

Net assets without donor restrictions are available for use at the discretion of the Organization's management and the board of directors. From time to time the board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Receivables

The Organization recognizes contributions as public support in the year the pledge is made. Contributions and claims receivable are due from government and other significant funding sources. The Organization uses the direct write off method for claims that become uncollectible.

Due to the uncertainty of collection, daycare program fee revenue is recognized when collected rather than when earned. Occasionally, uncollected daycare program fees are sent to a collection agency. Any subsequent collection of these fees is recorded as miscellaneous revenue.

Revenue and Revenue Recognition

The Organization recognizes contributions and grants as public support when cash, other assets or an unconditional promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met.

(continued)

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No advances have been received on the grants and no deferred revenue is recognized.

The Organization recognizes revenue from daycare center fees when collected, normally weekly, and program income when the services are provided. The Organization records fundraising event revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. All goods and services are transferred at a point in time.

Contributions of noncash financial assets are recognized as revenue and expense or capital assets and are recorded at market value on the date received.

Miscellaneous income is recognized as revenue when received.

Cash Equivalents

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.

Functional Allocation of Expenses

The costs of providing program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All allowable direct costs are charged directly to programs. All allowable joint or shared costs are allocated individually using a base most appropriate to the cost being allocated. Expenses that are allocated include the following:

Expenses	**Method of Allocation**
Salaries and related expenses	Time spent on each program
Program travel / transportation	Vehicle usage
Program supplies	Usage
Printing / public relations	Usage
Occupancy, depreciation	Square footage

(continued)

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

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair 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. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities.

Fixed 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. All items with a cost in excess of $1,000 and a useful life in excess of one year are capitalized.

Leases

The Organization determines if an arrangement is a lease at the inception of the contract. The right of use assets represent the Organization's right to use the underlying assets for the lease term and the lease liabilities represent the Organization's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease term includes any option to extend the lease when it is reasonably certain that the Organization will exercise that option. Absent an implicit rate, the Organization will use a risk-free rate in determining the present value of lease payments. Lease expense for payments on these leases is recognized on a straight-line basis over the terms of the leases and reflected in the statements of functional expenses as occupancy.

Unemployment

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.

Summarized Information

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, 2021, from which the summarized information was derived.

(continued)

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

Subsequent Events

Management has evaluated subsequent events through April 10, 2023, the date which the financial statements were available for issue.

Reclassifications

Certain reclassifications have been made to conform prior years' financial statements to the current presentation. These reclassifications have no effect on previously reported operational results.

2. **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 $49,855 at December 31, 2022 and $56,005 at December 31, 2021, for the benefit of the Organization for which it has the retained variance power. These investments are not recorded as assets of the Organization.

3. **CONTRIBUTIONS RECEIVABLE – NET**

Contributions receivable consist of the following:

	2022	2021
Contributions receivable	$ 958,964	$ 1,553,932
Less unamortized present value discount (1.45% - 3.29%)	(13,000)	(26,900)
Net contributions receivable	$ 945,964	$ 1,527,032
Amounts due in:		
Less than one year	$ 480,368	$ 599,968
One to five years	478,596	953,964
	$ 958,964	$ 1,553,932

4. INVESTMENTS

Investments as of December 31 are summarized as follows:

	2022	2021
Investments:		
Mutual funds	$ 175,749	$ 412,061
Exchange traded funds	239,636	101,395
	415,385	513,456
Cash and cash equivalents	7,249	8,872
	$ 422,634	$ 522,328

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.

(continued)

5. FAIR VALUE MEASUREMENT (continued)

Beneficial interest. Value based upon the Organization's proportionate share of the Community Foundation of Greater Fort Wayne's pooled investment portfolio.

Fair value of assets and liabilities measured on a recurring basis at December 31, 2022 are as follows:

	Level 1	Level 3
Investments:		
Exchange traded funds:		
Equities	$ 85,569	$ -
Fixed income	154,067	-
Mutual funds:		
Fixed income	30,980	-
Equities	144,769	-
Beneficial interest	-	23,592
	$ 415,385	$ 23,592

Fair value of assets and liabilities measured on a recurring basis at December 31, 2021 are as follows:

	Level 1	Level 3
Investments:		
Exchange traded funds:		
Equities	$ 101,395	$ -
Mutual funds:		
Fixed income	203,645	-
Equities	208,416	-
Beneficial interest	-	27,595
	$ 513,456	$ 27,595

(continued)

5. FAIR VALUE MEASUREMENT (continued)

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	
	2022	2021
Balance – beginning of year	$ 27,595	$ 22,706
Contribution	-	-
Total income (loss) included in change in net assets:		
Income	734	855
Investment fees	(214)	(219)
Investment income - net	520	636
Unrealized gain (loss)	(4,098)	3,660
Realized gain (loss)	487	593
Gain (loss) on investments	(3,611)	4,253
Distribution	(912)	-
Balance – end of year	$ 23,592	$ 27,595

6. FIXED ASSETS

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

	2022	2021
Land and improvements	$ 361,991	$ 361,991
Buildings	1,803,277	1,803,277
Equipment	435,395	412,577
	2,600,663	2,577,845
Accumulated depreciation	1,426,640	1,356,165
	1,174,023	1,221,680
Construction in process	136,202	-
	$ 1,310,225	$ 1,221,680

7. 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 employees that work over 20 hours per week and are over eighteen years of age. Employees must work for one year to be eligible for the employer match. The Organization matches a certain percentage contributed by the employees. Contributions to the plan charged to operations were $38,008 in 2022 and $39,334 in 2021.

8. NET ASSETS

Net assets with donor restrictions as of December 31 are restricted as follows:

	2022	2021
Time requirement:		
Contributions receivable	$ 316,500	$ 470,700
Purpose requirement:		
Family engagement	207,766	391,149
Children's learning centers	1,522,676	1,268,896
Shared services	226,940	92,873
Early education incubator	-	15,000
Right-of-use asset – in-kind	387,964	562,332
Scholarships	149,285	-
Other	10,159	11,075
Rolland Legacy fund	4,640	4,640
	$ 2,825,930	$ 2,816,665

Net assets released from net assets with donor restrictions are as follows:

	2022	2021
Time requirement:		
Contributions receivable	$ 160,000	$ 160,000
Purpose requirement:		
Children's learning centers	892,648	337,298
Family engagement	254,372	346,749
Early education incubator	15,000	10,000
Shared services	115,157	9,746
Right-of-use asset – in-kind	181,368	-
Other	3,115	8,467
Purchase of capital assets	-	6,016
	$ 1,621,660	$ 878,276

(continued)

8. NET ASSETS (continued)

Net assets without donor restrictions are as follows:

	2022	2021
Undesignated	$ 2,022,550	$ 2,586,667
Board designated for endowment	422,634	522,328
	$ 2,445,184	$ 3,108,995

9. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations was $32,556 in 2022 and $5,801 in 2021.

10. 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 finance strategic investments in the future of the Organization or the pursuit of advanced credentials and professional development by Organization staff. 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.

Interpretation of Relevant Law

The Board of Directors of Early Childhood Alliance, Inc. has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted

(continued)

10. ENDOWMENT (continued)

endowment fund not retained in perpetuity is appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization.

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

	2022	2021
Net assets without donor restrictions:		
Board designated endowment funds	$ 422,634	$ 522,328

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

	2022	2021
Net assets without donor restrictions:		
Endowment net assets – January 1	$ 522,328	$ 468,906
Contribution	816	-
Investment return – net	(100,510)	53,422
Appropriations	-	-
Endowment net assets – December 31	$ 422,634	$ 522,328

Spending Policy

As part of the annual budgeting process, with the recommendation of the finance committee and approval of the board, the Organization may take an annual distribution (disbursement) of up to 5% of the endowment fund (the fund) to help finance strategic investments in the future of the Organization or the pursuit of advanced credentials and professional development by Organization staff. The amount against which the disbursement will be calculated will be the average market value of the fund as defined by the rolling average of the fund over the 12-quarter period ending as of the most recent quarter in the current fiscal year. The disbursement will be transferred to the Organization's cash operating account. This spending policy may be modified from time to time as appropriate.

11. OPERATING LEASES – RIGHT OF USE ASSET AND LIABILITY

The following lease related assets and liabilities are recorded on the statement of financial position as of December 31, 2022.

Assets:	
Operating leases right-of-use assets	$ 42,090
Liabilities:	
Operating leases liabilities	$ 42,090

Early Childhood Alliance, Inc. leases office equipment under operating leases expiring through 2028. The Organization will pay monthly payments of approximately $870 with implied interest rates between .4% and 1.37%. Total rental expense and additional charges were $18,047 for 2022 and $12,285 for 2021.

The Organization leases their administrative offices under an operating lease that expires in 2023. The Organization will pay monthly payments of approximately $2,552 with an implied interest rate of .78%. Total rental expense under this lease was $30,627 for 2022 and $35,196 for 2021.

Minimum future lease payments under noncancelable leases having initial or remaining terms of one year or more as of December 31, 2022 for each of the next five years and in the aggregate are:

2023	$ 21,832
2024	6,519
2025	6,519
2026	4,274
2027	3,526
2028 and thereafter	294
	42,964
Less imputed interest	874
Operating lease liabilities	$ 42,090
Weighted average remaining lease term	2.5 years
Weighted average discount rate	1.05%

(continued)

11. OPERATING LEASES – RIGHT OF USE ASSET AND LIABILITY (continued)

During 2021, the Organization entered into an agreement for the right to use a building for a childcare center at no cost to the Organization. The agreement expires in February 2025. The Organization records rental expenses monthly based on the fair value of the donated property. Total rental expense under this agreement was $181,368 for 2022 and $151,140 for 2021.

The Organization leased facilities from Parkview Health System, Inc. at no cost to the Organization. The Organization recorded rental expenses monthly based on the fair value of the donated property which was $17,633 per month under the month-to-month operating lease which expired February 28, 2021. Total rental expense under this lease was $-0- for 2022 and $30,228 for 2021.

The Organization also leases equipment from Parkview Hospital, Inc. at no cost to the Organization. The Organization records rental expenses monthly based on the fair value of the donated property which is $481 per month under the month-to-month operating lease. Total rental expense under this lease was $5,775 for 2022 and 2021.

12. 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 received 20% of its total revenue in 2021 and 13% of its total revenue in 2022 from a single donor. 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.

The Organization has investments in stocks, bonds, mutual funds and certificates of deposit 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.

The Organization maintains cash accounts in a local bank. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. As of December 31, 2022, deposits in excess of the insured amount totaled $1,702,648.

13. CONTRIBUTED NONFINANCIAL ASSETS

The Organization recognizes contributions of revenue for the right to use donated property at the fair value of that property. Revenue recognized for in-kind contributions totaled $-0- in 2022 and $767,250 in 2021. Expenses for the use of this property is included in the following:

	2022	2021
Children's Learning Center		
Occupancy	$ 187,143	$ 187,143

The donated property is valued at the average rental rate for like properties. The property is restricted for use as a childcare center.

14. AVAILABILITY AND LIQUIDITY

The following represents Early Childhood Alliance, Inc.'s financial assets at December 31, 2022 and 2021:

Financial assets at year end:	2022	2021
Cash and cash equivalents	$ 2,716,500	$ 2,831,849
Accounts receivable	2,466	3,409
Claims receivable	273,776	258,971
Contributions receivable	945,964	1,527,032
Long-term investments	422,634	522,328
Beneficial interest	23,592	27,595
Total financial assets	4,384,932	5,171,184
Less assets not to be used in one year:		
Contributions receivable in greater than one year - operations	(212,300)	(477,140)
Contributions receivable in greater than one year – programs	(46,700)	(68,960)
Right of use asset – in-kind	(387,964)	(562,332)
Shared services	(226,940)	(92,873)
Family engagement	(207,766)	(391,149)
Beneficial interest	(23,592)	(27,595)
Board designated endowment	(422,634)	(522,328)
Total assets not to be used in one year	(1,527,896)	(2,142,377)
Financial assets available to meet general expenditures within one year	$ 2,857,036	$ 3,028,807

(continued)

14. AVAILABILITY AND LIQUIDITY (continued)

The financial assets available to be used within one year represents approximately 92% of the annual children's learning centers and administration expenses. The expenses of the Organization that are incurred for the childcare food program are directly funded by the government, foundations and corporations, and could be discontinued upon cessation of direct funding.

The Organization has net assets without donor restrictions that have been designated by the board for endowment purposes. While the Organization does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

15. RISKS AND UNCERTAINTIES

On March 11, 2020, the COVID-19 virus had been declared a global pandemic. The extent of the impact of the COVID-19 outbreak on the financial performance of the Organization will depend on future developments, including the duration and severity of the outbreak and its impact on the overall economy. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

16. GRANTS – SMALL BUSINESS ADMINISTRATION

The Organization received $677,600 on April 20, 2020 and $720,000 on March 25, 2021 from the Small Business Administration (SBA) as a part of the Paycheck Protection Program (PPP) through the Coronavirus Aid, Relief, and Economic Securities (CARES) Act. The loans were uncollateralized and fully guaranteed by the Federal government. The loans were subsequently forgiven on April 16, 2021 and November 15, 2021 respectively. The Organization initially recorded the loans as a refundable advance and subsequently recognized grant revenue in accordance with the guidance for conditional contributions; that is, once the measurable performance or barrier and right of return of the loan no longer existed. The Organization recognized $1,397,600 as grant revenue for the year ended December 31, 2021.

17. RELATED PARTIES

The Organization has members of the Board of Directors who have direct relationships with a major corporate donor.

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2022

Federal Agency/ Pass-Through Agency/Program Title	Federal Assistance Listing Number	Agency or Pass-Through Number	Sub-recipients	Revenue Recognized	Expenditures
U.S. Department of Agriculture:					
Passed through Indiana Department of Education:					
Child and Adult Care Food Program	10.558	102-0001	$ -	$ 2,157,750	$ 2,157,750
CCDF CLUSTER					
U.S. Department of Health and Human Services:					
Passed through Indiana Family and Social Service Administration:					
Child Care and Development Block Grant	93.575	18278	-	21,531	21,531
Total CCDF Cluster			-	21,531	21,531
U.S. Department of Education					
Passed through Indiana Family and Social Service Administration:					
Governor's Emergency Education Relief Fund (COVID)	84.425c	n/a	-	877,403	362,401
U.S. Department of the Treasury					
Passed through Launchpad:					
Coronavirus State and Local Fiscal Recovery Funds (COVID)	21.027	n/a	-	100,000	19,378
Total Federal Assistance			$ -	$ 3,156,684	$ 2,561,060

The accompanying notes are an integral part of this schedule.

EARLY CHILDHOOD ALLIANCE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2022

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Early Childhood Alliance, Inc. under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Early Childhood Alliance, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated April 10, 2023.

Report on 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.

Report on 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.

Dulin, Ward & DeWald, Inc.

Fort Wayne, Indiana
April 10, 2023

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Early Childhood Alliance, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Early Childhood Alliance's major federal programs for the year ended December 31, 2022. 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.

In our opinion, Early Childhood Alliance, Inc. complied, in all material respects, with the types of 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, 2022.

Basis for Opinion on Each Major Federal Program

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 in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Early Childhood Alliance, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Early Childhood Alliance, Inc.'s compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Early Childhood Alliance, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Early Childhood Alliance, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about Early Childhood Alliance, Inc.'s compliance with the requirements of each major federal program as whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Early Childhood Alliance, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Early Childhood Alliance, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Early Childhood Alliance, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dulin, Ward & DeWald, Inc.

Fort Wayne, Indiana
April 10, 2023

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
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:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	____ Yes __X__ No

(continued)

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2022

(continued)

Identification of Major Programs:

Assistance Listing Number	Name of Federal Program or Cluster
10.558	Child & Adult Care Food Program
84.425c	Governor's Emergency Education Relief Fund

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as low-risk? _X_ Yes ____ No

Section II - Financial Statement Findings

No material weaknesses or instances of noncompliance noted.

Section III - Federal Award Findings and Questioned Costs

No material weaknesses or instances of noncompliance, including questioned costs noted.

EARLY CHILDHOOD ALLIANCE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2022

No prior year findings.