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May 9, 2008

Board of Directors
Community Coordinated Child Care
of Southern Indiana, Inc.
600 SE Sixth St.
Evansville, IN 47713

We have reviewed the audit report prepared by Riney, Hancock & Co., PSC, Independent Public Accountants, for the period October 1, 2004 to September 30, 2006. 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 the Community Coordinated Child Care of Southern Indiana, Inc., as of September 30, 2006 and 2005, and the results of its operations for the periods then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**COMMUNITY COORDINATED CHILD CARE
OF SOUTHERN INDIANA, INC.**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Years Ended September 30, 2006 and 2005

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Coordinated Child Care of Southern Indiana, Inc.

We have audited the accompanying statements of assets, liabilities, and net assets (modified cash basis) of Community Coordinated Child Care of Southern Indiana, Inc. (a nonprofit organization), as of September 30, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets (modified cash basis) for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Community Coordinated Child Care of Southern Indiana, Inc. as of September 30, 2006 and 2005, and its revenues and expenses and changes in net assets for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2006, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Community Coordinated Child Care of Southern Indiana, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office and Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Piney, Hancock & Co., PSC

Evansville, Indiana
November 30, 2006

COMMUNITY COORDINATED CHILD CARE OF SOUTHERN INDIANA, INC.

**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS
(MODIFIED CASH BASIS)**

September 30, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and cash equivalents	\$ 67,747	\$ 80,426
Property and equipment:		
Furniture and equipment	37,213	34,690
Vehicles	10,500	10,500
Buildings	291,125	-
Land	93,750	-
	<u>432,588</u>	<u>45,190</u>
Accumulated depreciation	(31,148)	(16,230)
	<u>401,440</u>	<u>28,960</u>
Other assets	<u>2,051</u>	<u>-</u>
Total assets	<u>\$ 471,238</u>	<u>\$ 109,386</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Payroll withholdings	\$ 11,604	\$ 9,432
Current maturities of long-term debt	<u>6,787</u>	<u>-</u>
Total current liabilities	<u>18,391</u>	<u>9,432</u>
Long-term debt	<u>364,125</u>	<u>-</u>
Total liabilities	<u>382,516</u>	<u>9,432</u>
Unrestricted net assets	<u>88,722</u>	<u>99,954</u>
Total liabilities and net assets	<u>\$ 471,238</u>	<u>\$ 109,386</u>

See Notes to Financial Statements.

COMMUNITY COORDINATED CHILD CARE OF SOUTHERN INDIANA, INC.

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
(MODIFIED CASH BASIS)**

Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenues and support:		
Federal grants	\$ 755,960	\$ 733,928
Local grants	521,142	248,967
Contributions	-	1,000
Interest income	-	452
Miscellaneous	21,545	17,820
	<hr/>	<hr/>
Total unrestricted revenues and support	1,298,647	1,002,167
Expenses:		
Salaries and benefits	499,335	389,549
Payroll taxes	38,671	30,944
Provider reimbursements	346,937	313,086
Advertising	60,058	11,495
Conferences and speakers	14,318	19,384
Depreciation	14,918	7,452
Insurance	10,121	5,762
Interest	12,033	67
Maintenance and repairs	21,545	4,621
Miscellaneous	34,602	7,865
Occupancy	15,247	19,365
Supplies - office	27,347	19,791
Supplies - program	76,375	27,967
Postage and delivery	15,785	7,916
Printing	26,368	20,201
Professional fees	10,325	21,003
Telephone	14,630	9,263
Training	34,429	8,060
Travel	36,835	20,978
	<hr/>	<hr/>
Total expenses	1,309,879	944,769
Increase (decrease) in unrestricted net assets	(11,232)	57,398
Unrestricted net assets, beginning of year	<hr/> 99,954	<hr/> 42,556
Unrestricted net assets, end of year	<hr/> <u>\$ 88,722</u>	<hr/> <u>\$ 99,954</u>

See Notes to Financial Statements.

COMMUNITY COORDINATED CHILD CARE OF SOUTHERN INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 2006 and 2005

1. Organization and Summary of Significant Accounting Policies

Nature of Organization

Community Coordinated Child Care of Southern Indiana, Inc. (the Organization) is a nonprofit child care resource and referral agency serving parents, children, and child care providers in Evansville, Indiana and surrounding counties. The Organization is a sponsor of the U.S. Department of Agriculture's Child and Adult Care Food Program, a government reimbursement program for day care providers. The Organization also receives funding from the U.S. Department of Health and Human Service's Child Care and Development Block Grant.

Basis of Accounting and Income Recognition

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, certain revenues and the related assets are recognized when received rather than when earned or promised, and certain expenses and the related liabilities are recognized when paid rather than when incurred. Consequently, the Organization has not recognized pledges receivable from donors, accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor imposed stipulations that may or will be met with the passage of time or by actions of the Organization. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenues, expenses, and changes in net assets as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor imposed stipulations that shall be maintained permanently by the Organization.

There were no restricted net assets as of September 30, 2006 and 2005.

COMMUNITY COORDINATED CHILD CARE OF SOUTHERN INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 2006 and 2005

1. Organization and Summary of Significant Accounting Policies, Continued

Property and Equipment

Property and equipment are carried at cost. Depreciation expense is computed by the straight-line method over estimated useful lives of the related assets. Acquisitions of property and equipment in excess of \$300 are capitalized.

Contributions

The Organization records contributions and grants when they are received. All donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Advertising

The Organization expenses advertising costs as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Approximately 91% of the Organization's expenses related to program services, 8% to general and administrative expenses, and 1% to fundraising.

Income Taxes

The Organization is exempt from income taxes as a nonprofit corporation under Internal Revenue Code Section 501(c)(3), and accordingly, no provision for income taxes has been recorded in the financial statements.

Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMMUNITY COORDINATED CHILD CARE OF SOUTHERN INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS

Years Ended September 30, 2006 and 2005

2. Pension Plan

The Organization has a simplified employee pension plan covering all full time employees with one year of service. The Organization contributes five percent of eligible wages. Contributions were \$9,985 and \$2,034 for the years ended September 30, 2006 and 2005, respectively.

3. Long-term Debt

Long-term debt consists of a note payable to a private company at a 5.5 percent interest rate in the amount of \$370,912 at September 30, 2006. Monthly installments are \$2,303, with a balloon payment of \$337,132 due March 1, 2011. This note is secured by a building and land. The Organization had no long-term debt at September 30, 2005.

Long-term debt maturities are as follows for the years ended September 30:

2007	\$ 6,787
2008	7,804
2009	8,244
2010	8,709
2011	<u>339,368</u>
	<u>\$ 370,912</u>

4. Leases

The Organization leases equipment under a noncancelable operating agreement expiring in March 2009. Total rent expense was \$11,585 and \$20,013 for the years ended September 30, 2006 and 2005, respectively. Future minimum lease payments are as follows for the years ended September 30, 2007 through 2008 - \$648 each year, and 2009 - \$324.

5. Concentrations

Financial instruments that potentially subject the Organization to credit risk consist principally of cash on deposit at financial institutions. Cash in banks may, at times, exceed federal deposit insurance limits. The Organization attempts to minimize this risk by using high-credit, quality financial institutions.

The Organization received a substantial amount of revenue from the federal government and a local nonprofit organization. Total federal grants approximated 58 percent and 73 percent, respectively, of total revenues and support for the years ended September 30, 2006 and 2005. Total local grants approximated 40 percent and 25 percent of total revenues and support for the years ended September 30, 2006 and 2005, respectively.

COMMUNITY COORDINATED CHILD CARE OF SOUTHERN INDIANA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2006

Federal Agency Program or Cluster Title Pass-Through Entity	Federal CFDA Number	Pass-through Agreement Number	Federal Expenditures
U.S. Department of Agriculture			
Child and Adult Care Food Program			
Pass-Through Entity:			
Indiana Department of Education	10.558	1820350	\$ 391,775
U.S. Department of Health and Human Services			
Child Care and Development Block Grant			
Pass-Through Entity:			
Indiana Association for Child Care Resource and Referral	93.575	49-03-87-0491	326,177
Indiana Association for the Education of Young Children	93.575	N/A	35,552
Indiana Child Care Fund, Inc.	93.575	49-05-87-2247	<u>2,456</u>
Total U.S. Department of Health and Human Services			<u>364,185</u>
Total Expenditures of Federal Awards			<u><u>\$ 755,960</u></u>

Note 1: This schedule includes the federal grant activity of Community Coordinated Child Care of Southern Indiana, Inc. and is presented on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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*.



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**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
 Community Coordinated Child Care of Southern Indiana, Inc.

We have audited the financial statements of Community Coordinated Child Care of Southern Indiana, Inc. (a nonprofit organization), as of and for the year ended September 30, 2006, and have issued our report thereon dated November 30, 2006. The financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Coordinated Child Care of Southern Indiana, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Piney, Hancock & Co, PSC

Evansville, Indiana
November 30, 2006



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**REPORT ON COMPLIANCE WITH REQUIREMENTS
 APPLICABLE TO EACH MAJOR PROGRAM AND
 ON INTERNAL CONTROL OVER COMPLIANCE IN
 ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
 Community Coordinated Child Care of Southern Indiana, Inc.

Compliance

We have audited the compliance of Community Coordinated Child Care of Southern Indiana, Inc. (a nonprofit organization), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on Community Coordinated Child Care of Southern Indiana, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, Community Coordinated Child Care of Southern Indiana, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of Community Coordinated Child Care of Southern Indiana, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Community Coordinated Child Care of Southern Indiana, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Quincy, Hancock & Co., PSC

Evansville, Indiana
November 30, 2006

COMMUNITY COORDINATED CHILD CARE OF SOUTHERN INDIANA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2006

A. Summary of Auditors' Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Community Coordinated Child Care of Southern Indiana, Inc. (the Organization).
2. No reportable conditions were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Organization expresses an unqualified opinion on all major federal programs.
6. As indicated in Part C of this schedule, there were no audit findings relative to the major federal award programs for the Organization.
7. The programs tested as major programs include:
 U.S. Department of Agriculture's Child and Adult Care Food Program,
 CFDA 10.558
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Organization qualifies as a low-risk auditee.

B. Findings - Financial Statement Audit

None

C. Findings and Question Costs - Major Federal Award Programs

None