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June 3, 2009

Board of Directors
Child and Parent Services, Inc.
1000 W. Hively Ave., P.O. Box 773
Elkhart, IN 46517

We have reviewed the audit report prepared by McGladrey & Pullen, LLP, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. 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 Child and Parent Services, Inc., as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

Child And Parent Services, Inc.

Financial and Compliance Report
12.31.2007

McGladrey & Pullen
Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International
— an affiliation of separate and independent legal entities.

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report On The Financial Statements

To the Board of Directors
Child And Parent Services, Inc.
Elkhart, Indiana

We have audited the accompanying statements of financial position of **Child And Parent Services, Inc.** (a non-profit organization) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the **Child And Parent Services, Inc.'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 audit 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Child And Parent Services, Inc.** as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2008 on our consideration of **Child And Parent Services, Inc.'s** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements 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 of 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.

McGladrey & Pullen, LLP

Goshen, Indiana
April 30, 2008

Child And Parent Services, Inc.

Statements of Financial Position
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 223,547	\$ 192,354
Pledges and accounts receivable	54,409	125,186
Investments	1,472,220	1,497,640
Grants receivable	202,766	292,638
Prepaid expenses	7,307	9,828
Total current assets	1,960,249	2,117,646
Property and Equipment		
Land	120,998	127,918
Building	124,229	124,229
Building improvements	706,003	560,467
Furniture and equipment	229,597	415,173
Construction in process	-	25,449
Total property and equipment	1,180,827	1,253,236
Less accumulated depreciation	452,772	572,676
Net property and equipment	728,055	680,560
Beneficial Interest in Foundation	168,529	171,731
Total assets	\$ 2,856,833	\$ 2,969,937
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 68,690	\$ 80,721
Accrued payroll and withholdings	82,548	59,921
Accrued vacation	55,002	46,860
Total current liabilities	206,240	187,502
Net Assets		
Unrestricted		
Operating	1,273,584	1,494,280
Property and equipment	728,055	680,560
Total unrestricted net assets	2,001,639	2,174,840
Temporarily restricted	502,954	511,595
Permanently restricted	146,000	96,000
Total net assets	2,650,593	2,782,435
Total liabilities and net assets	\$ 2,856,833	\$ 2,969,937

See Notes to Financial Statements.

Child And Parent Services, Inc.

Statements of Activities
Years Ended December 31, 2007 and 2006

	2007			2006				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Contributions	\$ 243,048	\$ 222,451	\$ 50,000	\$ 515,499	\$ 65,046	\$ 419,890	\$ -	\$ 484,936
Grant income	-	1,647,773	-	1,647,773	-	1,308,480	-	1,308,480
Service fees	59,714	-	-	59,714	54,920	-	-	54,920
Special fundraising events	135,528	-	-	135,528	301,976	-	-	301,976
Memorials	5,879	-	-	5,879	10,614	-	-	10,614
Other income	-	-	-	-	8,193	-	-	8,193
Change in beneficial interest in foundation	(3,202)	-	-	(3,202)	19,296	-	-	19,296
Investment income	103,763	-	-	103,763	68,464	-	-	68,464
Release from restrictions - used for programs	1,878,865	(1,878,865)	-	-	2,009,052	(2,009,052)	-	-
Total support and revenue	2,423,595	(8,641)	50,000	2,464,954	2,537,561	(280,682)	-	2,256,879
Program Expenses								
Child and Family Advocacy Center	116,227	-	-	116,227	104,471	-	-	104,471
Court appointed special advocate	228,238	-	-	228,238	177,131	-	-	177,131
Healthy Families	834,362	-	-	834,362	717,754	-	-	717,754
Building Blocks Preschool	250,796	-	-	250,796	254,747	-	-	254,747
Parent education	154,155	-	-	154,155	179,986	-	-	179,986
Supervised visits	113,677	-	-	113,677	96,548	-	-	96,548
Families First	427,638	-	-	427,638	135,450	-	-	135,450
Total program expenses	2,125,093	-	-	2,125,093	1,666,087	-	-	1,666,087
Supporting Services								
General and administrative	402,080	-	-	402,080	296,614	-	-	296,614
Fundraising	69,623	-	-	69,623	54,470	-	-	54,470
Total supporting services	471,703	-	-	471,703	351,084	-	-	351,084
Total expenses	2,596,796	(8,641)	-	2,596,796	2,017,171	-	-	2,017,171
Change in net assets	(173,201)	(8,641)	50,000	(131,842)	520,390	(280,682)	-	239,708
Net assets, beginning of year	2,174,840	511,595	96,000	2,782,435	1,654,450	792,277	96,000	2,542,727
Net assets, end of year	\$ 2,001,639	\$ 502,954	\$ 146,000	\$ 2,650,593	\$ 2,174,840	\$ 511,595	\$ 96,000	\$ 2,782,435

See Notes to Financial Statements.

Child And Parent Services, Inc.
Statement of Functional Expenses
Year Ended December 31, 2007

	Child and Family Advocacy Center	Court Appointed Special Advocate	Healthy Families	Building Blocks Preschool	Parent Education	Supervised Visits	Families First	Total Program	General and Administrative	Fund Raising	Supporting Services	Total Expenses
Salaries	\$ 88,609	\$ 165,483	\$ 594,041	\$ 163,106	\$ 113,224	\$ 81,083	\$ 194,667	\$ 1,350,213	\$ 241,320	\$ 44,848	\$ 286,168	\$ 1,636,381
Employee benefits	1,581	10,259	22,073	7,606	1,366	2,799	6,755	52,429	21,003	3,373	24,376	76,805
Payroll taxes	6,618	11,654	42,791	11,900	8,629	6,236	11,289	99,117	16,664	2,640	19,304	118,421
Professional fees	441	239	458	124	82	60	18,012	19,416	48,562	33	48,595	68,011
Food supplies	57	49	375	10,388	2,166	-	14	13,049	82	-	82	13,131
Supplies	2,481	2,901	15,193	4,732	7,731	1,425	57,835	92,298	26,286	660	26,946	119,244
Telephone	1,179	2,495	13,997	1,604	1,122	773	1,286	22,456	2,903	430	3,333	25,789
Postage	334	744	3,102	770	854	360	1,092	7,256	1,780	596	2,356	9,612
Utilities	1,047	2,240	13,978	2,345	1,549	1,130	1,549	23,838	1,800	628	2,428	26,266
Repairs and maintenance	1,765	3,776	17,539	5,790	3,000	1,906	3,374	37,150	4,147	1,059	5,206	42,356
Printing	159	1,839	1,579	355	229	488	56,395	61,044	3,134	95	3,229	64,273
Fund raising expense	-	-	-	-	-	-	-	-	-	8,847	8,847	8,847
Local transportation	137	5,406	31,211	400	1,012	589	970	39,725	1,730	6	1,736	41,461
Staff development	2,840	2,285	11,576	865	887	1,582	23,470	43,505	8,407	1,700	10,107	53,612
Subscriptions and membership	315	124	362	131	11	133	26	1,102	1,294	124	1,418	2,520
Insurance	1,994	4,267	16,471	4,467	2,951	2,157	2,951	35,258	3,328	1,196	4,524	39,782
Advertising	13	1,947	1,716	30	1,532	274	77,517	83,029	1,546	8	1,554	84,583
Contracted transportation	-	-	-	24,348	-	6,972	-	31,320	-	-	-	31,320
Depreciation	4,282	9,163	35,369	9,592	6,337	4,625	6,337	75,705	7,653	2,569	10,222	85,927
Bank service charges	293	628	2,424	657	434	317	434	5,187	2,205	427	2,632	7,819
Investment management fees	-	-	-	-	-	-	-	-	12,821	-	12,821	12,821
Rent expense	-	-	14,222	-	-	-	-	14,222	-	-	-	14,222
Computer support and repair	655	1,392	5,369	1,450	959	702	3,575	14,102	2,701	348	3,049	17,151
Miscellaneous	-	-	-	-	-	-	-	-	209	-	209	209
Bad debts	1,366	1,217	-	-	-	-	-	2,583	(7,579)	-	(7,579)	(4,996)
Security services	61	130	516	136	90	66	90	1,089	104	36	140	1,229
Total expenses	\$ 116,227	\$ 228,238	\$ 834,362	\$ 250,796	\$ 154,155	\$ 113,677	\$ 427,638	\$ 2,125,093	\$ 402,080	\$ 69,623	\$ 471,703	\$ 2,596,796

See Notes to Financial Statements.

Child And Parent Services, Inc.
Statement of Functional Expenses
Year Ended December 31, 2006

	Child and Family Advocacy Center	Court Appointed Special Advocate	Healthy Families	Building Blocks Preschool	Parent Education	Supervised Visits	Families First	Total Program	General and Administrative	Fund Raising	Total Supporting Services	Total Expenses
Salaries	\$ 79,680	\$ 132,133	\$ 522,358	\$ 148,407	\$ 117,712	\$ 70,646	\$ 67,121	\$ 1,138,057	\$ 139,236	\$ 43,034	\$ 182,270	\$ 1,320,327
Employee benefits	1,306	4,770	12,050	5,544	-	1,780	589	26,019	21,460	159	21,619	47,638
Payroll taxes	5,839	9,000	37,659	10,501	8,676	5,157	4,845	81,677	9,767	2,487	12,254	93,931
Professional fees	545	431	1,800	469	590	238	118	4,191	19,049	147	19,196	23,387
Food supplies	-	15	175	16,457	1,079	-	51	17,777	143	65	208	17,985
Supplies	2,566	2,276	10,644	2,462	30,102	1,014	15,290	64,354	4,174	649	4,823	69,177
Telephone	246	1,365	10,685	1,083	1,469	556	642	16,046	3,020	341	3,361	19,407
Postage	447	664	2,882	719	567	368	329	5,976	1,794	229	2,023	7,999
Utilities	1,892	2,985	12,000	3,229	2,549	1,655	1,235	25,545	2,992	1,012	4,004	29,549
Repairs and maintenance	2,750	3,273	13,321	3,556	2,969	2,019	2,478	30,366	4,784	1,114	5,898	36,264
Printing	188	322	1,573	348	290	354	17,341	20,416	2,609	594	3,203	23,619
Local transportation	81	4,890	24,445	366	928	386	288	31,364	1,419	517	1,936	33,320
Conferences	270	1,697	11,046	379	842	178	16,796	31,208	6,598	81	6,679	37,887
Subscriptions and membership	445	100	4,201	-	-	110	500	5,356	982	239	1,221	6,577
Insurance	2,021	3,233	13,050	3,588	2,400	2,002	1,472	27,766	3,305	1,062	4,367	32,133
Advertising	115	167	1,187	327	365	113	1,640	3,914	2,886	71	2,757	6,671
Contracted transportation	-	-	-	47,023	-	4,681	-	51,704	-	-	-	51,704
Depreciation	4,169	6,570	26,458	7,105	5,621	3,645	3,081	56,649	6,628	2,238	8,866	65,515
Bank service charges	193	314	1,318	342	268	205	142	2,782	303	109	412	3,194
Investment management fees	-	-	-	-	-	-	-	-	8,139	-	8,139	8,139
Rent expense	-	-	2,161	-	-	-	-	2,161	-	-	-	2,161
Computer support and repair	1,414	2,231	5,570	2,413	2,301	1,237	594	15,760	3,497	757	4,254	20,014
Miscellaneous	259	624	2,885	352	1,190	165	879	6,354	4,922	(459)	4,463	10,817
Bad debts	-	-	-	-	-	-	-	-	49,021	-	49,021	49,021
Security services	45	71	286	77	68	39	39	625	86	24	110	735
Total expenses	\$ 104,471	\$ 177,131	\$ 717,754	\$ 254,747	\$ 179,986	\$ 96,548	\$ 135,450	\$ 1,666,087	\$ 296,614	\$ 54,470	\$ 351,084	\$ 2,017,171

See Notes to Financial Statements.

Child And Parent Services, Inc.

Statements Of Cash Flows
Years Ended December 31, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities		
Change in net assets	\$ (131,842)	\$ 239,708
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	85,927	65,515
Undistributed change in beneficial interest in foundation	3,202	(19,296)
Loss on sale of assets	4,285	-
Realized (gain) loss on sale of investments	(76,216)	5,398
Unrealized (gain) loss on investments	55,323	(6,030)
(Increase) decrease in:		
Grants receivable	89,872	92,468
Pledges and accounts receivable	70,777	(65,536)
Prepaid expenses	2,521	(1,760)
(Decrease) increase in:		
Accounts payable	(12,031)	55,758
Accrued payroll and withholdings	22,627	42,681
Accrued vacation	8,142	20,307
Net cash provided by operating activities	122,587	429,213
Cash Flows From Investing Activities		
Purchase of property and equipment	(148,993)	(145,972)
Proceeds from sale of assets	11,286	-
Purchase of investments	(1,340,523)	(1,553,705)
Proceeds from sale of investments	1,386,836	1,019,445
Net cash (used in) investing activities	(91,394)	(680,232)
Increase (decrease) in cash and cash equivalents	31,193	(251,019)
Cash and cash equivalents, beginning	192,354	443,373
Cash and cash equivalents, ending	\$ 223,547	\$ 192,354

See Notes to Financial Statements.

Note 1. Nature of Organization

Child And Parent Services, Inc. (the Organization), a not-for-profit corporation, was originally organized in 1943 to provide preventative health care for children. In the early 1970's, the Organization changed its mission and focus to child abuse prevention and early intervention with children and families.

The Organization's programs include Child and Family Advocacy Center, Court Appointed Special Advocate, Building Blocks Preschool, Healthy Families, Parent Education, Supervised Visitation and Families First.

Child and family advocacy center:

The Child and Family Advocacy Center (CFAC) is a resource to families and to the agencies which investigate and intervene into child abuse cases in Elkhart County. CFAC provides a kid-friendly environment, forensic interviews and assessments for children, advocacy and support for family members, and other programs focused on assisting the child victims and their families.

Court appointed special advocate:

Court Appointed Special Advocate (CASA) volunteers spend time weekly to advocate for children in the court system. A judge appointed CASA volunteers to an abuse or neglect case and is trained to interview everyone involved, including the child. They provide the judge with well-rounded and objective information and recommendations. CASA volunteers are a consistent voice for a child that has no voice.

Building blocks preschool:

The Building Blocks Preschool program is a preschool for children between the ages of 3-5 that have been abused, have emotional, social, or behavioral problems, or developmental delays. The safe, consistent and structured environment fosters growth in all those areas as well as prepares the child for success in school. This is a unique partnership with Oaklawn and requires intense parental involvement including home visitation and parenting classes.

Healthy families:

Healthy Families of Elkhart County exists to help parents of newborn infants by offering support and information about child development and what to expect as a new parent. Parenting requires enormous amounts of patience, self-control and sheer stamina. Healthy families support specialists visit homes on a regular basis to provide new parents with information, encouragement and support.

Parent education:

The Organization offers parent education programs in a variety of settings and formats. Series of classes and a Support Group are held regularly at the Joy Rose Center and in the community. These include Baby Think It Over, where computerized babies are used by eighth graders to learn about caring for a baby, and Welcome Baby, an initiative in partnership with the hospitals where information about child development and ways to access support services are distributed to all parents of newborns. In addition, parenting classes are offered at various times and locations in the community.

Notes To Financial Statements

Supervised visitation:

The supervised visitation program provides an opportunity for children to enjoy a safe, neutral, visit with a non-custodial parent. Sometimes a judge may order that visits be supervised if more information is needed about the relationship between the parent and child, or if there are safety concerns. During the visit, each family has a private, home-like space for visiting. The environment is safe and secure. There are toys, play rooms, a gym and playground equipment available. During the visit, staff members document observation of the family on a form which is reviewed by the family services coordinator and then sent to the referring caseworker or judge and attorneys involved. The facilitator may be in and out of the room depending on the court order.

Families first:

The Organization is the managing partner of Families First. This community partnership brings together key community organizations who are dedicated to supporting parents in those critical years between birth and school. Families First operates under the guidance of several local agencies, businesses and volunteer leaders who have made the financial leadership commitment to see every child in Elkhart County enter kindergarten prepared to succeed.

Note 2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the financial statements to the reader.

Basis of presentation:

The Organization classifies its net assets into three categories, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are reflective of revenues and expenses associated with the principal programs and activities of the Organization and are not subject to donor-imposed restrictions.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

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

Child And Parent Services, Inc.

Notes To Financial Statements

Accounts receivable:

Management periodically reviews the accounts receivable aging and writes off any accounts that appear to be uncollectible. However, management has determined that no allowance relating to accounts receivable is necessary at the balance sheet date.

Investments:

Investments in marketable securities including certificates of deposit, U.S. treasury bonds, and common stocks with readily determinable fair values are stated at fair market value based on quoted market prices. Donated securities are recorded at fair value on the date of donation.

Property and equipment:

Property and equipment are stated at cost, or for donated property and equipment, at fair market value as of the date of donation, and include expenditures for new additions and repairs that substantially increase the useful lives of existing property and equipment. Normal repairs and maintenance are recorded as operating expenditures. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is credited to or charged against operations for the period. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	10-30
Furniture and equipment	3-10

Contributions, grants, and investment earnings:

It is the Organization's policy to record contributions, grants, and investment earnings that are restricted as to time of use or purpose of use as temporarily restricted net assets, and then transfer them to unrestricted net assets once the restriction is met. This policy is applied even if the restriction is met within the same year the contribution, grant, or earnings are received or earned. All other contributions, grants, and investment earnings are recorded as unrestricted or permanently restricted net assets depending on the presence or absence of donor restrictions.

Income taxes:

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation.

Functional allocation of expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Notes To Financial Statements

Third party reimbursement:

Certain revenues are obtained under governmental programs. Amounts claimed are credited to income; however, final determination may vary because of regulations pertaining to reimbursement. Differences in estimated amounts and actual settlements are reflected as charges and credits upon settlement or payment.

Recently issued accounting pronouncements:

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109". FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return. If there are changes in net assets as a result of application of FIN 48 these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will be required also. In February 2008, the FASB delayed the effective date of FIN 48 for certain nonpublic enterprises to annual financial statements for fiscal years beginning after December 15, 2007. The Organization will be required to adopt FIN 48 in its 2008 annual financial statements. Management has not assessed the impact of FIN 48 on its financial position and results of operations and has not determined if the adoption of FIN 48 will have a material effect on its financial statements.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until fiscal years beginning after November 15, 2008. The Organization is currently assessing the potential effect of SFAS No. 157 on its financial position, results of operations and cash flows.

Note 3. Investments

Investment activity at December 31, 2007 and 2006 is summarized as follows:

	2007	2006
Common stocks	\$ 645,529	\$ 427,817
U.S. treasury bonds	717,490	737,550
Certificates of deposit	109,201	332,273
	<u>\$ 1,472,220</u>	<u>\$ 1,497,640</u>

Investment securities in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

Child And Parent Services, Inc.

Notes To Financial Statements

Investment return at December 31, 2007 and 2006 is summarized as follows:

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 82,870	\$ 67,832
Net unrealized gains (losses)	(55,323)	6,030
Net realized gains (losses) on sale of investments	76,216	(5,398)
	<u>\$ 103,763</u>	<u>\$ 68,464</u>

Note 4. Pledges Receivable

Unconditional promises expected to be collected within one year are reported at net realizable value. Those expected in more than one year, if material to the financial statements, are reported at the present value of their estimated future cash flows using a risk-free interest rate at the date of the pledge to determine the discounts. Amortization of the discounts, if any, is included in contribution revenue. At December 31, 2007 and 2006, pledges receivable are approximately \$35,000 and none, respectively.

Note 5. Beneficial Interest in Foundation

Contributions made to the Organization's fund with the Elkhart County Community Foundation (the "Foundation") by donors intending to benefit the Organization are recognized by the Organization as contributions and as a part of the beneficial interest in foundation, unless donors' intentions were to benefit the Foundation through the granting of variance power over the gifts placed with the Foundation.

The Foundation has been granted the power to invest the monies received by the Organization, for the purpose of generating income that is to be used to further the charitable purposes of the Organization. These assets are to be held by the Foundation in perpetuity, unless the Foundation loses its tax-exempt status as a public charitable organization, or is liquidated, at which time the assets are to revert back to the Organization. The amount of income to be distributed to the Organization by the Foundation is determined annually by its board of directors.

The guiding principle in determining the amount of the distribution is the preservation of the original principal transferred to the Foundation by the Organization.

Each year the net change in this asset is to be reflected in the statement of activities. For the years ended December 31, 2007 and 2006, the net change in the beneficial interest in foundation was approximately (\$3,200) and \$19,000, respectively.

Note 6. Line of Credit

The Organization has a \$200,000 line of credit with a bank, none of which is outstanding at December 31, 2007 or 2006. Borrowings against the line of credit bear interest at prime (7.25% at December 31, 2007) less .5% payable monthly, are collateralized by certificate of deposit, and due on demand.

Child And Parent Services, Inc.

Notes To Financial Statements

Note 7. Lease Commitments – Operating

During 2006, the Organization began leasing an office building with an unrelated party. The operating lease requires monthly payments of \$1,161 through October 2011, which includes maintenance, taxes, and insurance. Rent expense for the office was approximately \$14,000 and \$2,000 for the years ended December 31, 2007 and 2006 respectively.

Future minimum lease payments are as follows:

Year Ending December 31,	
2008	\$ 13,932
2009	13,932
2010	13,932
2011	11,610
	<u>\$ 53,406</u>

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2007 and 2006 are restricted for the following purposes:

	<u>2007</u>	<u>2006</u>
Healthy Families Program	\$ 253,760	\$ 224,233
Building Blocks Program	-	60,676
Supervised Visits	71,273	121,646
CFAC Program	96,505	86,205
Families First	81,416	18,835
	<u>\$ 502,954</u>	<u>\$ 511,595</u>

Note 9. Permanently Restricted Net Assets

Permanently restricted net assets are invested in perpetuity for the purpose of generating income to be used for the Vision 2005 – Building Healthy Families for Generations project. This project is expected to generate enough earnings to enable the Organization to be a prominent community resource to parents by providing meaningful contact with every new family with a newborn child residing in Elkhart County. In 2007, the Organization received a donation from the Rose family in the amount of \$50,000. The corpus is permanently restricted with the earnings to be used for the Angel Fund which provides reimbursement to our clients for special needs such as GED costs, camps, lessons and other extras that do not fit in their household budgets.

Note 10. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, and pledges receivable.

The Organization maintains deposits in insured financial institutions. At December 31, 2007, and at various times throughout the year, these deposits exceeded insured limits.

Child And Parent Services, Inc.

Notes To Financial Statements

The Organization also receives reimbursement for services from governmental sources that are included in grant income in the Statements of Activities. During the years ended December 31, 2007 and 2006, the Organization received reimbursements from governmental sources of approximately \$1,200,000 and \$1,300,000, respectively.

Note 11. Reclassifications

Certain items on the statement of financial position as of December 31, 2006, have been reclassified to be consistent with the classifications adopted as of December 31, 2007.

Child And Parent Services, Inc.

**Schedule of Expenditures of Federal Awards
For The Year Ended December 31, 2007**

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Grantor's Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Pass-Through Indiana Family and Social Services Administration: Division of Family and Children Children Welfare Services	20-07-72-0640-01	93.645	\$ 70,438
Temporary Assistance for Needy Families	Various	93.558	<u>654,589</u>
Total Department of Health and Human Services			<u><u>725,027</u></u>
U.S. Department of Agriculture:			
Pass-Through Indiana Department of Education Child and Adult Care Food Program	1200220	10.558	<u>6,298</u>
Total Department of Agriculture			<u><u>6,298</u></u>
U.S. Department of Justice:			
Pass-Through Indiana Criminal Justice Institute Crime Victim Assistance	Various	16.575	45,856
Crime Victim Assistance (National Children's Alliance)	9801	16.543	<u>10,000</u>
Total Department of Justice			<u><u>55,856</u></u>
Total Federal Awards Expended			<u><u>\$ 787,181</u></u>

CFDA = Catalog of Federal Domestic Assistance

Note 1. Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of Child And Parent Services, 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.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's 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
Child And Parent Services, Inc.
Elkhart, Indiana

We have audited the financial statements of **Child And Parent Services, Inc.** (the "Organization") as of and for the year ended December 31, 2007, and have issued our report thereon dated April 30, 2008. 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 the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 finance committee, 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 those specified parties.

McGladrey & Pullen, LLP

Goshen, Indiana
April 30, 2008

McGladrey & Pullen

Certified Public Accountants

**Independent Auditor's Report
On Compliance With Requirements
Applicable To Each Major Program And On Internal Control Over
Compliance In Accordance With OMB Circular A-133**

To the Board of Directors
Child And Parent Services, Inc.
Elkhart, Indiana

Compliance

We have audited the compliance of **Child And Parent Services, Inc.** (the "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 December 31, 2007. The Organization's major federal programs are identified in the summary of auditor's 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 the Organization'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, the Organization 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 December 31, 2007.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization'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 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 the Organization's internal control over compliance.

To the Board of Directors
Child And Parent Services, Inc.
Page 2

A *control deficiency* in the Organization's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any Organization's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the finance committee, 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 those specified parties.

McGladrey & Pullen, LLP

Goshen, Indiana
April 30, 2008

Child And Parent Services, Inc.

**Schedule Of Findings And Questioned Costs
For The Year Ended December 31, 2007**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported

Type of auditor's report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
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Identification of major programs:

Temporary Assistance for Needy Families	93.558
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Dollar threshold used to distinguish between type A and type B programs	\$300,000
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Auditee qualified as low-risk auditee?	Yes
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SECTION II - FINANCIAL STATEMENT FINDINGS

There were no significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, or abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit.

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS

There were no audit findings required to be reported by Section 510(a) of Circular A-133.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report On Supplementary Information

To the Board of Directors
Child And Parent Services, Inc.
Elkhart, Indiana

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis 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.

McGladrey & Pullen, LLP

Goshen, Indiana
April 30, 2008

Child And Parent Services, Inc.

**Schedule of Federal, State, and Local Grant Awards
For The Year Ended December 31, 2007
See Auditor's Report on Supplementary Information**

	Pass-Through Grantor's Number	Revenues	Expenses
U.S. Department of Health and Human Services			
Passed Through:			
Indiana Family and Social Services Administration:			
Division of Family and Children:			
Temporary assistance for needy families	20-05-60-0640-05	\$ 411,739	\$ 411,739
Temporary assistance for needy families	20-05-60-0640-07	242,850	242,850
Child welfare services (Title IV B I)	20-07-72-0640-01	70,438	70,438
U.S. Department of Agriculture Passed Through:			
Indiana Department of Education:			
Child and adult care food program	1200220	6,298	6,298
U.S. Department of Justice Passed Through:			
Indiana Criminal Justice Institute:			
Crime victim assistance (ICJI)	06VA028	10,440	10,440
Crime victim assistance (ICJI)	07VA022	10,441	10,441
Crime victim assistance (ICJI)	06VA029	12,488	12,488
Crime victim assistance (ICJI)	07VA021	12,487	12,487
Crime victim assistance (NCA)	ELKH-IN-PS07	10,000	10,000
State of Indiana:			
Indiana Family and Social Services Administration:			
Division of Family and Children:			
Court appointed special advocate	N/A	65,824	65,824
Elkhart County Office of the Division of Family and Children:			
Temporary assistance for needy families	20-05-60-0640-08	51,850	51,850
Child welfare services (Title IV B I)	97-07-72-0640	236,555	236,555
N/A - Not applicable			

Child And Parent Services, Inc.

Report to the Finance Committee

April 30, 2008

McGladrey & Pullen
Certified Public Accountants

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an affiliation of separate and independent legal entities.

McGladrey & Pullen

Certified Public Accountants

April 30, 2008

Finance Committee
Child And Parent Services, Inc.
1000 W. Hively Ave
Elkhart, Indiana 46515

Attention: Finance Committee

We are pleased to present this report related to our audit of the financial statements of Child And Parent Services, Inc. for the year ended December 31, 2007. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Child And Parent Services, Inc.'s financial reporting process. Also included is a summary of recently issued accounting standards that may affect future financial reporting by Child And Parent Services, Inc.

This report is intended solely for the information and use of the Finance Committee, board of directors, and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Child And Parent Services, Inc.

McGladrey & Pullen, LLP

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Required Communications

Summary of Accounting Estimates

Summary of Recorded Audit Adjustments

Exhibit A – Certain Written Communications Between Management and Our Firm
Representation Letter

Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

Area	Comments
Auditor's Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America; <i>Government Auditing Standards</i> issued by the Comptroller General of the United States; the provisions of the Single Audit Act; OMB Circular A-133; and OMB's <i>Compliance Supplement</i> has been described to you in our arrangement letter dated March 12, 2008.
Accounting Practices	Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Child And Parent Services, Inc. The Organization did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period.
	Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
	Alternative Treatments Discussed with Management We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.
Management's Judgments and Accounting Estimates	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached "Summary of Accounting Estimates."
Financial Statement Disclosures	In our meeting with you, we will discuss with you the following items as they relate to the neutrality, consistency and clarity of the disclosures in the financial statements: <ul style="list-style-type: none"><li data-bbox="805 1814 1203 1848">• Recently issued pronouncements

Area	Comments
Audit Adjustments	Audit adjustments recorded by Child And Parent Services, Inc. are summarized in the attached "Summary of Recorded Audit Adjustments."
Uncorrected Misstatements	We accumulated no uncorrected misstatements.
Disagreements with Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations with Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed with Management	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
Difficulties Encountered in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Letter Communicating Significant Deficiencies and Material Weaknesses	We identified no significant deficiencies or material weaknesses.
Certain Written Communications Between Management and Our Firm	Copies of certain written communications between our firm and the management of the Organization are attached as Exhibit A.

Child And Parent Services, Inc. Summary of Accounting Estimates Year Ended December 31, 2007

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the Organization's December 31, 2007 financial statements:

Area	Accounting Policy	Estimation Process	Comments
Pledges receivable	Revenue recognition	Management estimates pledges receivable based on communication with donor.	We reviewed the Organization's methodology and deemed the account balance and methodology to be reasonable.
Accumulated depreciation	Property and equipment	Management estimates accumulated depreciation based on estimated useful lives of capitalized assets.	We reviewed the Organization's methodology and deemed the account balance and methodology to be reasonable.

Child And Parent Services, Inc.
Summary of Recorded Audit Adjustments
Year Ended December 31, 2007

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expenses
To adjust depreciation expense	\$ (4,221)	\$ -	\$ (4,221)	\$ -	\$ 4,221
To adjust ECCF investment to market value	(3,202)	-	(3,202)	(3,202)	-
To reclassify loss on disposal of fixed assets	-	-	-	-	8,650
To reclassify loss on disposal of fixed assets	-	-	-	-	(8,650)
To reclassify net assets to appropriate categories	-	-	200,112	-	-
To reclassify net assets to appropriate categories	-	-	(200,112)	-	-
To reclassify investment cash	8,531	-	-	-	-
To reclassify investment cash	(8,531)	-	-	-	-
To reclassify realized gains and investment fees	-	-	-	(21,553)	(21,553)
Total pretax effect				<u>\$ (24,755)</u>	<u>\$ (17,332)</u>
Balance sheet effect (pretax)	<u>\$ (7,423)</u>	<u>\$ -</u>	<u>\$ (7,423)</u>		

**Exhibit A - Certain Written Communications Between Management
and Our Firm**



April 30, 2008

McGladrey & Pullen, LLP
1700 Shasta Drive
P.O. Box 135
Goshen, Indiana 46527

In connection with your audit of the statements of financial position of Child And Parent Services, Inc. as of December 31, 2007 and 2006 and the related statements of activities, functional expenses and cash flows for the years then ended, we confirm that we are responsible for the fair presentation in the financial statements of financial position, results of activities, functional expenses, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have made available to you all:
 - a. Financial records and related data.
 - b. Minutes of the meetings of directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. We have no knowledge of fraud or suspected fraud affecting the Organization involving:
 - a. Management,
 - b. Employees who have significant roles in the internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
4. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
5. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, analysts, regulators, or others.
6. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Organization's ability to record, process, summarize, and report financial data.
7. There have been no communications from grantors, lenders, other funding sources or regulatory agencies concerning noncompliance with, or deficiencies in:
 - a. Statutory, regulatory or contractual provisions or requirements.
 - b. Financial reporting practices that could have a material effect on the financial statements.

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McGladrey & Pullen, LLP
April 30, 2008
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8. We have no plans or intentions that may materially affect the carrying value or classification of assets. In that regard:
 - a. The Organization has no significant amounts of idle property and equipment.
 - b. The Organization has no plans or intentions to discontinue the operations of any significant services or activities.
9. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Lines of credit or similar arrangements.
 - b. Security agreements in effect under the Uniform Commercial Code.
 - c. Investments in debt and equity securities.
 - d. All leases and material amounts of rental obligations under long-term leases.
 - e. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
 - f. Concentrations of credit risk.
 - g. All recordable contributions, by appropriate net asset class.
 - h. Reclassifications between net asset classes.
 - i. Allocations of functional expenses based on reasonable basis.
 - j. Composition of assets in amounts needed to comply with all donor restrictions.
 - k. Tax status.
 - l. Board designated unrestricted net assets.
 - m. The effects on the financial statements of FASB Statement No. 157, *Fair Value Measurements* and FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109*, which have been issued but which we have not yet adopted.
10. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, no provision is necessary to reduce receivables, including contributions, to their estimated net collectable amounts.
11. There are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.

McGladrey & Pullen, LLP
April 30, 2008
Page 3

- b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
 - d. Investments, intangibles, or other assets which have permanently declined in value.
 - e. Long-lived assets, including intangibles, which are impaired or to be disposed of.
 - f. Related party relationships or transactions.
 - g. Guarantees, whether written or oral, under which the Organization is contingently liable.
 - h. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - i. Agreements to repurchase assets previously sold.
 - j. All other liens or encumbrances on assets and all other pledges of assets.
 - k. Contractual obligations for plant construction and/or purchase of real property, equipment, other assets or intangibles.
 - l. Liabilities which are subordinated to any other actual or possible liabilities of the Organization.
 - m. Conditional promises to give.
 - n. Deferred revenue from exchange transactions.
 - o. Refundable advances.
 - p. Uninsured losses or loss retentions (deductibles) attributable to events occurring through December 31, 2007 or expected retroactive insurance premium adjustments applicable to periods through December 31, 2007.
 - q. Pension obligations, postretirement benefits other than pensions and deferred compensation agreements attributable to employee services rendered through December 31, 2007.
 - r. Material losses to be sustained in the fulfillment of or from the inability to fulfill any commitment, including promises to give.
 - s. Environmental clean up obligations.
 - t. Amounts held for others under agency and/or split interest agreements.
 - u. Derivative financial instruments.
12. We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Statement of Financial Accounting Standards No. 5, and we have not consulted a lawyer concerning litigation, claims or assessments.
13. The Company has satisfactory title to all owned assets.

McGladrey & Pullen, LLP
April 30, 2008
Page 4

14. We have received the determination from the Internal Revenue Service that we are exempt from federal income taxes as a Section 501(c)(3) not-for-profit corporation, and we have complied with the IRS regulations regarding this exemption.

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:

1. We are responsible for:
 - a. Compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the Organization.
 - b. Establishing and maintaining effective internal control over financial reporting.
2. We have identified and disclosed to you:
 - a. All laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
 - b. Violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor repository or noncompliance.
3. We have a process to track the status of audit findings and recommendations.
4. We have reviewed, approved and take full responsibility for all audit adjustments and acknowledge the auditors role in the preparation of the adjustments.

In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:

1. We are responsible for complying, and have complied, with the requirements of Circular A-133.
2. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, or other assistance).
3. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that Child And Parent Services, Inc. is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.
4. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of Child And Parent Services Inc.'s federal programs and have complied, in all material respects, with those requirements.
5. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
6. We have provided you with our interpretations of any compliance requirements that have varying interpretations.

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7. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies or pass-through entities related to federal programs.
8. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
9. We have charged costs to federal awards in accordance with applicable cost principles.
10. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
11. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
12. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
13. We have accurately completed the appropriate sections of the data collection form.
14. There has been no known noncompliance occurring subsequent to December 31, 2007 for which compliance is audited.

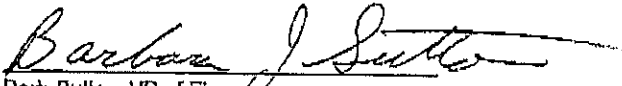
No events or transactions have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

CHILD AND PARENT SERVICES, INC.



Daryl Abbot, Executive Director


Barb Sutton, VP of Finance
Penny Smart, Accounting Manager