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June 30, 2009

Board of Directors
Community Coordinated Child Care
of St. Joseph County, Inc.
3606 E. Jefferson Blvd., Ste. 215
South Bend, IN 46615

We have reviewed the audit report prepared by Cullar & Associates, PC, 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 Community Coordinated Child Care of St. Joseph County, 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.

We call your attention to the findings in the report. Pages 19 through 21 contain three current audit findings. The status of five prior audit findings can be found on pages 22 and 23.

STATE BOARD OF ACCOUNTS

FINANCIAL AND COMPLIANCE REPORTS

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**

December 31, 2007 and 2006

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS
AND SUPPORTING SCHEDULE**

To the Board of Directors
COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
South Bend, Indiana

We have audited the accompanying statements of financial position of COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED (the "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 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of *Child Care Food Program – Audit Supplement for Nonprofit Institutions*, issued by the Indiana Department of Education, Division of Food and Nutrition Programs. 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 COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED 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 June 23, 2008 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 and 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 important for assessing the results of our audits.

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 on page 12 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 audits 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.

Culler & Associates, P.C.

June 23, 2008

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

Assets:	<u>2007</u>	<u>2006</u>
Current Assets:		
Cash and cash equivalents	\$ 70,862	\$ 61,066
Service fees receivable	200,069	136,687
Contributions receivable	5,000	7,410
Prepaid expenses	<u>4,650</u>	<u>5,752</u>
<i>Total current assets</i>	<u>280,581</u>	<u>210,915</u>
 Property and Equipment:		
Office equipment	22,813	22,813
Less accumulated depreciation	<u>(15,706)</u>	<u>(12,584)</u>
<i>Net property and equipment</i>	<u>7,107</u>	<u>10,229</u>
 <i>Total assets</i>	 <u>\$ 287,688</u>	 <u>\$ 221,144</u>
 Liabilities and Net Assets:		
Current Liabilities:		
Current portion of capital lease obligation	\$ 1,835	\$ 1,494
Accounts payable	162,024	108,308
Accrued liabilities	6,624	4,833
Deferred revenues	<u>2,289</u>	<u>2,302</u>
<i>Total current liabilities</i>	<u>172,772</u>	<u>116,937</u>
 Long-Term Capital Lease Obligation	 <u>-</u>	 <u>1,835</u>
 <i>Total liabilities</i>	 <u>172,772</u>	 <u>118,772</u>
 Net Assets:		
Unrestricted	109,916	94,962
Temporarily restricted	<u>5,000</u>	<u>7,410</u>
<i>Total net assets</i>	<u>114,916</u>	<u>102,372</u>
 <i>Total liabilities and net assets</i>	 <u>\$ 287,688</u>	 <u>\$ 221,144</u>

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

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
STATEMENTS OF ACTIVITIES

Years Ended December 31, 2007 and 2006

	2007			2006		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Gains:						
Service fees	\$ 1,475,412	\$ -	\$ 1,475,412	\$ 1,464,924	\$ -	\$ 1,464,924
United Way of St. Joseph County	8,286	10,000	18,286	402	14,130	14,532
Program income	28,943	-	28,943	14,937	-	14,937
Grants and contributions	3,702	-	3,702	1,750	-	1,750
Interest income	92	-	92	91	-	91
Other	4,401	-	4,401	2,477	-	2,477
Net assets released from restrictions	12,410	(12,410)	-	13,470	(13,470)	-
<i>Total revenues and gains</i>	<u>1,533,246</u>	<u>(2,410)</u>	<u>1,530,836</u>	<u>1,498,051</u>	<u>660</u>	<u>1,498,711</u>
Expenses:						
Child care services	1,445,203	-	1,445,203	1,408,652	-	1,408,652
Management and general	73,089	-	73,089	77,376	-	77,376
<i>Total expenses</i>	<u>1,518,292</u>	<u>-</u>	<u>1,518,292</u>	<u>1,486,028</u>	<u>-</u>	<u>1,486,028</u>
Change in net assets						
Net assets, beginning of year	14,954	(2,410)	12,544	12,023	660	12,683
<i>Net assets, end of year</i>	<u>\$ 94,962</u>	<u>7,410</u>	<u>102,372</u>	<u>\$ 82,939</u>	<u>6,750</u>	<u>\$ 89,689</u>
	<u>\$ 109,916</u>	<u>\$ 5,000</u>	<u>\$ 114,916</u>	<u>\$ 94,962</u>	<u>\$ 7,410</u>	<u>\$ 102,372</u>

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

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED
STATEMENTS OF FUNCTIONAL EXPENSES**
Years Ended December 31, 2007 and 2006

	2007			2006		
	Child Care Services	Management and General	Total	Child Care Services	Management and General	Total
Subcontracted child care services	\$ 1,012,629	\$ -	\$ 1,012,629	\$ 1,017,866	\$ -	\$ 1,017,866
Salaries and wages	256,075	34,555	290,630	224,146	37,522	261,668
Payroll taxes and fringe benefits	37,791	5,100	42,891	27,381	4,583	31,964
Professional services	-	9,194	9,194	-	11,509	11,509
Office supplies	21,474	2,124	23,598	24,469	2,719	27,188
Program supplies	1,455	-	1,455	5,612	-	5,612
Postage	5,750	569	6,319	6,170	686	6,856
Communications	10,982	1,086	12,068	16,867	1,874	18,741
Printing and publications	5,796	-	5,796	2,482	-	2,482
Occupancy	20,258	7,118	27,376	19,097	7,426	26,523
Insurance	-	2,282	2,282	-	2,523	2,523
Equipment rental and maintenance	8,434	834	9,268	8,988	999	9,987
Advertising	4,912	1,009	5,921	6,931	1,821	8,752
Travel	15,639	-	15,639	23,326	-	23,326
Education and conferences	40,541	-	40,541	22,362	-	22,362
Dues	-	6,052	6,052	-	3,025	3,025
Interest	-	1,179	1,179	-	247	247
Criminal history checks	626	-	626	799	-	799
Depreciation	2,841	281	3,122	2,156	239	2,395
Other	-	1,706	1,706	-	2,203	2,203
Totals	\$ 1,445,203	\$ 73,089	\$ 1,518,292	\$ 1,408,652	\$ 77,376	\$ 1,486,028

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

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006

Change in Cash and Cash Equivalents:	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities:		
Cash received from service fees, contributors, and others	\$ 1,469,759	\$ 1,500,978
Interest income received	92	91
Cash paid to employees, subcontractors, and others	(1,457,382)	(1,475,891)
Interest paid	<u>(1,179)</u>	<u>(247)</u>
<i>Net cash provided by operating activities</i>	<u>11,290</u>	<u>24,931</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>-</u>	<u>(5,766)</u>
Cash Flows from Financing Activities:		
Payment of capital lease obligation	<u>(1,494)</u>	<u>(421)</u>
Net change in cash and cash equivalents	9,796	18,744
Cash and cash equivalents, beginning of year	61,066	42,322
<i>Cash and cash equivalents, end of year</i>	<u>\$ 70,862</u>	<u>\$ 61,066</u>
Reconciliation of Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Change in net assets	\$ 12,544	\$ 12,683
Add (deduct) items not providing (requiring) cash:		
Depreciation	3,122	2,395
Decrease (increase) in service fees receivable	(63,382)	716
Decrease (increase) in contributions receivable	2,410	(660)
Decrease (increase) in prepaid expenses	1,102	(1,956)
Increase in accounts payable	53,716	12,409
Increase (decrease) in accrued liabilities	1,791	(2,958)
Increase (decrease) in deferred revenues	<u>(13)</u>	<u>2,302</u>
<i>Net cash provided by operating activities</i>	<u>\$ 11,290</u>	<u>\$ 24,931</u>

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

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED (the "Organization") is an Indiana nonprofit corporation organized to provide a coordinated resource and referral service for childcare. Its operations are supported primarily by fees from contracts with the State of Indiana.

Significant Accounting Policies:

Use of estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The costs of providing the program and supporting service have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated between the programs and supporting service benefited based on management's estimates.

Because the Organization receives the majority of its support from grants and contracts awarded through competitive bidding and from private entities interested in the Organization's purpose, fund raising costs are not material and are not separately presented in the accompanying financial statements.

Net asset classes:

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

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

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

Cash and cash equivalents:

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

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
NOTES TO FINANCIAL STATEMENTS
- December 31, 2007 and 2006

Property and equipment:

Property and equipment is stated at cost, if purchased or at fair market value at the date of receipt, if donated. Depreciation is recorded by the straight-line method over the estimated useful lives of the assets, generally from three to five years. Most of the Organization's equipment has been purchased with governmental grant funds. Disposition of these assets, as well as the ownership of any sale proceeds, is subject to funding source and other regulatory directives.

Service fees:

The Organization receives fees for administration and subcontracted childcare services on a cost-reimbursement basis. Revenue is recognized in the period in which reimbursable costs are incurred. Costs incurred prior to reimbursement are reported as service fees receivable in the statements of financial position, while funds received prior to costs being incurred are reported as deferred revenue.

Contribution and grants:

The Organization reports contributions and grants of cash and other assets as income when unconditionally promised and are considered to be available for unrestricted use unless specifically restricted by donor. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Advertising costs:

Advertising costs, except for costs associated with direct-response advertising, are charged to expense when incurred. Total advertising costs charged to expense were \$5,921 and \$8,752 for the years ended December 31, 2007 and 2006, respectively. There were no direct-response advertising costs reported as assets at either December 31, 2007 or 2006.

Income taxes:

The Organization is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Indiana Code. Consequently, no provision is made for income taxes. The Internal Revenue Service classifies the Organization as other than a private foundation.

NOTE 2. CONTRIBUTIONS RECEIVABLE

Contributions receivable of \$5,000 and \$7,410 at December 31, 2007 and 2006, respectively, represent unconditional promises to give from United Way of St. Joseph County that are expected to be collected in the next year. No allowance for uncollectibles is considered necessary.

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 3. BANK LINE OF CREDIT

The Organization has a \$15,000 bank line of credit, secured by substantially all of the Organization's assets. No amount was outstanding at either December 31, 2007 or 2006.

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2007 and 2006 consist of contributions receivable from United Way of St. Joseph County that are available for the next year.

Net assets were released from donor restrictions for both the years ended December 31, 2007 and 2006 by the expiration of time for contributions receivable from United Way of St. Joseph County.

NOTE 5. SERVICE FEES AND SUBCONTRACTED SERVICES

The Organization contracts with various public and private entities to coordinate and administer childcare. These services are provided by other entities under subcontract agreements with the Organization. The Organization earns administrative fees under these contracts. Administrative fees were earned from the following sources for the years ended December 31, 2007 and 2006, respectively:

	<u>2007</u>	<u>2006</u>
Indiana Department of Education - Child Care Food Program	\$ 125,282	\$ 121,647
South Bend Community Development Program - Title I Housing and Community Development	7,758	6,925
Indiana Association for the Education of Young Children	322,572	306,990
Ancilla College	<u>7,171</u>	<u>11,496</u>
<i>Total administrative fees earned</i>	<u>\$ 462,783</u>	<u>\$ 447,058</u>

A summary of amounts received to reimburse subcontractors is as follows for the years ended December 31, 2007 and 2006, respectively:

Child Care Food Program	\$ 958,388	\$ 964,293
Community Development	<u>54,241</u>	<u>53,573</u>
<i>Total pass-through amounts</i>	<u>\$ 1,012,629</u>	<u>\$ 1,017,866</u>

NOTE 6. LEASE INFORMATION

The Organization leases certain office equipment under a capital lease that expires in October 2008. Capital leased assets of \$3,750 are included in the cost of property and equipment, with related accumulated depreciation of \$938 and \$188, at December 31, 2007 and 2006, respectively. Amortization of capital-leased assets (which is included in

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

depreciation expense) was \$750 and \$188 for the years ended December 31, 2007 and 2006, respectively.

The Organization also leases other office equipment under an operating lease that expires in March 2010.

The Organization leased its office facilities under an operating lease expiring in January 2008. Subsequent to December 31, 2007, the Organization entered into a new noncancelable operating lease for its office facilities under an operating lease expiring in March 2013 that requires minimum monthly rent plus any pro-rata increases in taxes and operating expenses over such expenses in a base period.

Minimum future lease payments under the above leases as of December 31, 2007, plus the office lease entered into subsequent to December 31, 2007, for the each of the next five years and in the aggregate are as follows:

	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
2008	\$ 37,386	\$ 2,104	\$ 39,490
2009	54,139	-	54,139
2010	53,410	-	53,410
2011	55,310	-	55,310
2012	55,816	-	55,816
Subsequent to 2012	<u>9,303</u>	<u>-</u>	<u>9,303</u>
<i>Total minimum future lease payments</i>	<u>\$ 265,364</u>	2,104	<u>\$ 267,468</u>
Discount for imputed interest		<u>(269)</u>	
<i>Total capital lease obligation</i>		<u>\$ 1,835</u>	

Total rent expense under the operating leases was \$31,883 and \$30,251 for the years ended December 31, 2007 and 2006, respectively.

NOTE 7. RETIREMENT PLAN

The Organization maintains a tax-deferred annuity pension plan covering substantially all of its employees. Pension costs are funded in the period that they accrue. There was no pension expense for the year ended December 31, 2007.

NOTE 8. RELATED PARTY INFORMATION

The Organization subcontracted \$99,282 and \$47,871 of child care services for the years ended December 31, 2007 and 2006, respectively, to entities controlled by members of its Board of Directors, and subcontracted \$16,295 and \$9,649 of child care services for the years ended December 31, 2007 and 2006, respectively, to an entity in which a member of its Board of Directors was in senior management. The Organization also paid members of its Board of Directors \$9,975 and \$960 for teaching services for the years ended December 31, 2007 and 2006, respectively. At December 31, 2007, the Organization owed the above

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

entities \$7,953 which is included in accounts payable in the accompanying 2007 statement of financial position.

NOTE 9. CONCENTRATIONS

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization has cash on deposit with financial institutions which, at times, may exceed the insurance limits of the Federal Deposit Insurance Corporation. Cash and cash equivalents are maintained at high-quality financial institutions, and the Organization has not experienced any losses on such deposits.

The Organization's contributors and program recipients are concentrated in Northern Indiana. Accordingly, its contributions, grants, and service fees may be affected by conditions in that area. For the years ended December 31, 2007 and 2006, approximately 71% and 72% of total revenues, respectively, were received from the Indiana Department of Education under the Child and Adult Care Food Program and approximately 18% of total revenues for each year were received from Indiana Association for Child Care Resource and Referral.

NOTE 10. SUPPLEMENTAL CASH FLOWS INFORMATION

In 2006, the Organization acquired equipment costing \$3,750 under a capital lease in a non-cash transaction.

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grantor's Agreement Number</u>	<u>Federal Expenditures</u>
 <u>U. S. Department of Agriculture</u>			
Passed-Through Indiana Department of Education:			
Child and Adult Care Food Program	10.558	1710210	\$ <u>1,084,481</u>
 <u>U. S. Department of Housing and Urban Development</u>			
Passed-Through City of South Bend:			
Community Development Block Grants/ Entitlement Grants	14.218	CD07-8161	<u>62,000</u>
 <u>U. S. Department of Health and Human Services</u>			
Passed-Through Indiana Family and Social Services Administration:			
Passed-Through Indiana Association for Child Care Resource and Referral:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	49-07-87-0491	282,121
Passed-Through Indiana Association for The Education of Young Children:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	n/a	<u>37,636</u>
			<u>319,757</u>
<i>Total federal expenditures</i>			<u>\$ 1,466,238</u>

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2007

NOTE A. BASIS OF PRESENTATION

The accompanying schedule includes the federal grant activities of COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED (the "Organization"), and is presented in conformity with accounting principles generally accepted in the United States of America. The information in the schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**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
COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
South Bend, Indiana

We have audited the financial statements of COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED (the "Organization") as of and for the year ended December 31, 2007, and have issued our report thereon dated June 23, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 07-1, 07-2, and 07-3 to be significant deficiencies in internal control over financial reporting.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding 07-1 to be a material weakness.

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*.

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, the Indiana State Board of Accounts, 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.

Culler & Associates, P.C.

June 23, 2008



**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
COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
South Bend, Indiana

Compliance

We have audited the compliance of COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED (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, COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED 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 COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED 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 the 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.

A *control deficiency* in an entity'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 entity'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 entity'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 the entity'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 Board of Directors, others within the Organization, the Indiana State Board of Accounts, 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.

Cullen & Associates, P.C.

June 23, 2008

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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:	
Significant deficiencies identified?	Yes
Material weakness identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Significant deficiencies identified	No
Material weakness identified?	No
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133	No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program
93.596	Child Care Mandatory and Matching Funds of the Child care and Development Fund
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

Contact Information of Independent Public Accounting Firm

Richard J. Cullar, CPA
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**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

Contact Information of Auditee

Melanie Rigdon, Executive Director
Community Coordinated Child Care of St. Joseph County, Inc.
401 East Colfax, Suite 210
South Bend, IN 46615
(574) 289-7815
Melanie@4csindiana.org

SECTION II - FINANCIAL STATEMENT FINDINGS

FINDING 07-1

Statement of Condition:

Mail is opened by only one person, the Receptionist. Although she prepares a log of cash receipts that is signed by the Executive Director, the Director is not involved in opening mail. In addition, the log does not include the date the cash was received.

Criteria:

Internal control over cash receipts should prevent one person from having access to cash receipts and the original record of receipt.

Effect of Condition:

The Receptionist could skim cash receipts without detection.

Recommendations:

We recommend management adopt a policy requiring two employees to open mail and log cash receipts together. Both individuals should both sign and date the log to document the procedures. One employee should take the cash and a copy of the signed log to the Executive Director for deposit. The other employee should take a copy of the signed log to the Bookkeeper so that he can later verify the bank deposit receipt agrees with the signed cash receipts log.

Auditee's Response and Corrective Action Plan:

When mail is received the receptionist will alert someone (whomever may be in the office at the time) to tend to the mail with her. Any money received will be verified by both people by them both initialing the receipt that is written.

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

FINDING 07-2

Statement of Condition:

The Board of Directors met with a quorum only two times during the year. Other scheduled meetings could not be held due to lack of a quorum.

Criteria:

The Board is responsible for oversight of management, which includes monitoring financial performance and establishing and maintaining programs and systems designed to assure compliance with the terms of its contracts.

Effect of Condition:

The Board of Directors was unable to meet several times due to lack of a quorum, which may prevent it from conducting business and properly fulfilling its oversight responsibilities.

Recommendations:

We recommend that Board members be reminded of their responsibility to attend Board meetings and to exercise their role in monitoring and providing oversight of management.

Auditee's Response and Corrective Action Plan:

Board Members have already been reminded as to their responsibilities. We are in the process of rewriting our Bylaws to include over-the-phone and e-mail voting to meet quorum.

FINDING 07-3

Statement of Condition:

We noted that cash receipts were not deposited on a timely basis several different times during the year. The Organization's *Accounting and Financial Policy and Procedures Manual* requires daily bank deposits, unless the deposit is less than \$200. At a minimum, it requires a weekly deposit.

Criteria:

OMB Circular A-110 requires that a recipient's financial management system provide accurate, current, and complete disclosure of financial results.

Effect of Condition:

The Organization did not follow its policies over cash receipts, which are intended to provide proper internal control over cash.

Recommendations:

We recommend management follow its cash receipts deposit policy.

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2007

Auditee's Response and Corrective Action Plan:

Deposits are now made as we receive \$200. If \$200 is not on hand, we will automatically make a deposit on Friday. The deposits are created by the Executive Director, so if she is out of the office for a period of time deposits do not get made.

SECTION III - FEDERAL AWARD FINDINGS

There were no findings concerning federal awards.

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2007**

FINANCIAL STATEMENT FINDINGS

FINDING 06-1

Condition:

The Board of Directors met with quorum only three times during the year. Other scheduled meetings could not be held due to lack of a quorum.

Recommendation:

We recommend that Board members be reminded of their responsibility to attend Board meetings and to exercise their role in monitoring and providing oversight of management.

Current Status:

The Board met with a quorum only twice in 2007. The finding is repeated at finding 07-2.

FINDING 06-2

Condition:

The Organization established an electronic payment system for the Child and Adult Care Food Program during the year, in which the Accountant transmits ACH payments to providers. The Accountant also maintains the general ledger and reconciles bank statements. Because ACH payments clear the bank in lump sum with no supporting detail, no one outside the accounting system verifies that payments went to legitimate providers.

Recommendation:

We recommend that the Executive Director obtain a detail of Child and Adult Care Food Program ACH payments directly from the bank and verify the individual payments go to proper provider bank accounts.

Current Status:

The recommendation was adopted. No similar finding was noted during the 2007 audit.

FINDING 06-3

Condition:

We noted that cash receipts were not deposited for several weeks at different times during the year. The Organization's *Accounting and Financial Policy and Procedures Manual* requires daily bank deposits, unless the deposit is less than \$200. At a minimum, it requires a weekly deposit.

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2007**

Recommendation:

We recommend management follow its cash receipts deposit policy.

Current Status:

Management continues to deposit cash receipts every few weeks. The finding is repeated at finding 07-3.

FINDING 06-4

Condition:

During 2006, the Executive Director kept both the cash receipts and related registration records in her office after the annual conference. She reconciled them and made the bank deposit. The Organization's *Accounting and Financial Policy and Procedures Manual* requires separate employees perform the cashier and registration duties at off-site conferences and seminars. It also requires an end of day reconciliation of payment receipts and registrations to support the cash receipts collected.

Recommendation:

We recommend management follow its cash receipts deposit policy.

Current Status:

The recommendation was adopted. No similar finding was noted during the 2007 audit.

FEDERAL AWARD FINDINGS

U.S. DEPARTMENT OF AGRICULTURE

Passed-Through Indiana Department of Education Division of School and Community Nutrition Programs

CFDA Number 10.558

Child and Adult Care Food Program

QUESTIONED
COSTS

FINDING 06-5

Statement of Condition:

As discussed in Findings 06-2 above, the Organization's financial management system did not maintain a proper segregation of duties over its cash disbursements to its Child and Adult Care Food Program providers. See our recommendation and current status above for this condition.

None