



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B34978

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

August 20, 2009

Board of Directors
Community Alliance and Services
for Young Children, Inc.
1101 S. 13th, 2nd Floor
Terre Haute, IN 47802

We have reviewed the audit report prepared by Comer, Nowling and Associates, P.C., Independent Public Accountants, for the period October 1, 2006 to September 30, 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 Alliance and Services for Young Children, Inc., as of September 30, 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

**Community Alliance and
Services For Young
Children, Inc.**

**Financial Statements
For The Years Ended
September 30, 2007 and 2006**



**COMER
NOWLING AND
ASSOCIATES, P.C.**

Certified Public Accountants

**COMMUNITY ALLIANCE AND SERVICES
FOR YOUNG CHILDREN, INC.**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
 FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10
 SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards.....	16
Note to Schedule of Expenditures of Federal Awards.....	17
Summary Schedule of Prior Audit Findings.....	18
Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on a Audit of Financial Statements performed in Accordance with <i>Government Auditing Standard</i>	19
Report on Compliance with Requirements Applicable to Each Major Program And on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	21
Schedule of Findings and Questioned Costs.....	23



BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

Independent Auditor's Report

Board of Directors
Community Alliance and Services For Young Children, Inc.
Terre Haute, Indiana

We have audited the accompanying statements of financial position of Community Alliance and Services For Young Children, Inc. (a nonprofit organization) as of September 30, 2007 and 2006 and the related statements of activities and changes in net assets, 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 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 Community Alliance and Services For Young Children, Inc. as of September 30, 2007 and 2006, and the changes in its net assets and cash flows for the years then ended in conformity accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2008 on our consideration of Community Alliance and Services For Young Children, Inc.'s internal control over financial reporting and 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 or on 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 read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Community Alliance and Services For Young Children, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office 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 aspects, in relation to the basic financial statements taken as a whole.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

February 20, 2008

**COMMUNITY ALLIANCE AND SERVICES
FOR YOUNG CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2007 AND 2006**

ASSETS	<u>2007</u>	<u>2006</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 24,190	\$ 19,135
Certificates of deposit	24,084	23,291
Grants receivable	253,411	248,317
Prepaid expenses	5,390	-
Total current assets	307,075	290,743
PROPERTY AND EQUIPMENT:		
Property and equipment, net of accumulated depreciation	19,687	14,268
Total assets	\$ 326,762	\$ 305,011
LIABILITIES AND UNRESTRICTED NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 144,323	\$ 143,261
Accrued payroll and payroll expenses	9,215	24,298
Current portion of long term liabilities	2,375	2,088
Total current liabilities	155,913	169,647
LONG-TERM LIABILITIES, net of current portion	-	2,372
Total liabilities	155,913	172,019
UNRESTRICTED NET ASSETS	170,849	132,992
	\$ 326,762	\$ 305,011

See accompanying notes to financial statements.

**COMMUNITY ALLIANCE AND SERVICES
FOR YOUNG CHILDREN, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

UNRESTRICTED NET ASSETS	<u>2007</u>	<u>2006</u>
Support		
United Way allocations	\$ 13,394	\$ 15,450
Contributions	3,835	70
Total support	<u>17,229</u>	<u>15,520</u>
Revenue		
Federal grants	2,259,031	2,178,219
Memberships	2,790	1,530
Program service fees	3,450	2,650
Interest income	1,200	963
Other income	19,054	17,234
Total revenue	<u>2,285,525</u>	<u>2,200,596</u>
Total support and revenue	<u>2,302,754</u>	<u>2,216,116</u>
Operating Expenses:		
Child and Adult Care Food Program (CACFP)	1,495,171	1,467,303
Child and Adult Care Food Program (CACFP-RM)	71,938	52,854
Resource and Referral Child Care Development Block Grant (R&R)	129,074	93,916
Minimum Standards	37,704	68,515
Better Baby Care	83,500	72,953
Inclusion	24,870	25,212
Child Care and Development Fund (CCDF)	178,763	208,057
United Way allocation	930	5,269
Other	26,182	28,022
Management and general	216,764	195,827
Total operating expenses	<u>2,264,897</u>	<u>2,217,928</u>
Increase/(decrease) in net assets	37,857	(1,812)
NET ASSETS AT BEGINNING OF YEAR	<u>132,992</u>	<u>134,804</u>
UNRESTRICTED NET ASSETS AT END OF YEAR	<u><u>\$ 170,849</u></u>	<u><u>\$ 132,992</u></u>

See accompanying notes to financial statements.

**COMMUNITY ALLIANCE AND SERVICES
FOR YOUNG CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	CACFP	CACFP-RM	R & R	Minimum Standards	Better Baby Care
OPERATING EXPENSES					
Salaries and wages	\$ 68,799	\$ 4,945	\$ 69,605	\$ 25,406	\$ 47,506
Employee benefits	5,983	411	5,877	2,308	4,070
Payroll taxes	7,200	-	3,226	1,903	5,079
CACFP - direct service	1,367,220	65,733	-	-	-
Educational materials	234	-	1,269	214	5,157
Provider resources	2,127	350	9,924	837	8,481
Accounting	444	-	74	28	53
Technology	6,752	-	3,373	181	596
Telecommunications	2,311	-	2,616	1,004	858
Postage and supplies	8,497	7	8,805	1,178	2,351
Occupancy	10,438	-	8,320	1,535	3,267
Equipment leases and maintenance	2,804	250	5,990	827	2,136
Staff related expenses	11,862	242	8,081	2,025	3,613
Van expense	-	-	-	-	-
Other administrative expenses	501	-	1,913	258	332
Depreciation and equipment expense	-	-	-	-	-
Insurance	-	-	-	-	-
Total program expenses by function prior to GAAP adjustment	1,495,171	71,938	129,074	37,704	83,500
Capital expenditures	-	-	-	-	-
Total operating expenses after GAAP adjustment	\$ 1,495,171	\$ 71,938	\$ 129,074	\$ 37,704	\$ 83,500

See accompanying notes to financial statement.

Inclusion	CCDF	United Way	Other	Management and General	2007 Totals
\$ 14,853	\$ 85,313	\$ -	\$ 11,095	\$ 100,337	\$ 427,860
1,341	8,300	-	1,022	8,156	37,469
2,361	6,625	-	2,457	3,356	32,207
-	-	-	-	-	1,432,953
(346)	142	35	1,802	952	9,460
1,610	5,352	329	6,128	1,145	36,284
19	910	-	411	35,634	37,574
124	4,629	38	459	180	16,332
328	3,915	-	75	1,602	12,710
942	20,792	-	86	643	43,301
1,180	17,552	-	-	2,669	44,961
323	5,373	-	987	14,742	33,433
1,739	18,009	311	1,559	1,112	48,552
-	-	-	-	2,106	2,106
394	1,851	217	99	30,960	36,525
-	-	-	-	21,151	21,151
-	-	-	-	5,304	5,304
24,870	178,763	930	26,182	230,049	2,278,182
-	-	-	-	(13,285)	(13,285)
\$ 24,870	\$ 178,763	\$ 930	\$ 26,182	\$ 216,764	\$ 2,264,897

**COMMUNITY ALLIANCE AND SERVICES
FOR YOUNG CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

	CACFP	CACFP-RM	R & R	Minimum Standards	Better Baby Care
OPERATING EXPENSES					
Salaries and wages	\$ 71,502	\$ 2,581	\$ 36,108	\$ 37,855	\$ 36,849
Employee benefits	7,650	-	2,818	3,628	3,354
Payroll taxes	6,367	238	3,258	3,710	3,260
CACFP - direct service	1,332,991	49,335	78	-	-
Educational materials	1,513	-	4,810	1,677	1,924
Provider resources	1,183	-	15,291	1,972	13,222
Accounting	1,537	-	1,317	-	-
Technology	2,027	-	974	929	580
Telecommunications	2,734	-	2,008	1,812	769
Postage and supplies	13,188	252	8,047	3,678	2,730
Occupancy	9,689	-	4,798	4,511	2,532
Equipment leases and maintenance	5,079	339	6,754	3,326	1,863
Staff related expenses	11,373	109	6,940	5,249	5,716
Van expense	-	-	-	-	-
Other administrative expenses	470	-	715	168	154
Depreciation and equipment expense	-	-	-	-	-
Insurance	-	-	-	-	-
Total program expenses by function prior to GAAP adjustment	1,467,303	52,854	93,916	68,515	72,953
Capital expenditures	-	-	-	-	-
Total operating expenses after GAAP adjustment	\$ 1,467,303	\$ 52,854	\$ 93,916	\$ 68,515	\$ 72,953

See accompanying notes to financial statement.

Inclusion	CCDF	United Way	Other	Management and General	2006 Totals
\$ 13,462	\$ 96,078	\$ -	\$ 14,752	\$ 104,411	\$ 413,598
1,763	8,300	-	1,156	4,993	33,662
1,240	9,370	-	1,241	8,715	37,399
-	-	-	-	-	1,382,404
473	4,650	3,162	210	248	18,667
824	5,741	139	5,400	776	44,548
-	1,278	-	-	31,790	35,922
232	7,180	-	116	3,753	15,791
302	4,048	-	235	1,726	13,634
612	30,180	829	1,469	4,723	65,708
1,128	18,689	-	564	2,552	44,463
1,250	6,081	-	1,017	5,341	31,050
3,684	15,287	1,139	1,841	3,162	54,500
-	-	-	-	4,848	4,848
242	1,175	-	21	4,121	7,066
-	-	-	-	7,705	7,705
-	-	-	-	8,061	8,061
25,212	208,057	5,269	28,022	196,925	2,219,026
-	-	-	-	(1,098)	(1,098)
\$ 25,212	\$ 208,057	\$ 5,269	\$ 28,022	\$ 195,827	\$ 2,217,928

(Page intentionally left blank.)

**COMMUNITY ALLIANCE AND SERVICES
FOR YOUNG CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 37,857	\$ (1,812)
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	7,866	6,607
Increase (decrease) in cash from changes in:		
Grants receivable	(8,380)	(4,578)
Other assets	(5,390)	-
Accounts payable	1,062	(31,309)
Accrued payroll and payroll expenses	<u>(8,568)</u>	<u>6,478</u>
Net cash provided by (used in) operating activities	<u>24,447</u>	<u>(24,614)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(13,285)	(1,098)
Interest on certificates of deposit	<u>(793)</u>	<u>(582)</u>
Net cash used in investing activities	<u>(14,078)</u>	<u>(1,680)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on auto loan	<u>(2,085)</u>	<u>(1,980)</u>
Net cash used in financing activities	<u>(2,085)</u>	<u>(1,980)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,284	(28,274)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>19,135</u>	<u>47,409</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 27,419</u>	<u>\$ 19,135</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 539</u>	<u>\$ 498</u>

See accompanying notes to financial statements.

**COMMUNITY ALLIANCE AND SERVICES
FOR YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 1 – NATURE OF OPERATIONS

Community Alliance and Services For Young Children, Inc. (the "Organization") promotes developmentally appropriate early education and quality care for children throughout the Organization's service delivery area in west central Indiana. The Organization is proud to provide a resilient support system that educates, advocates and facilitates programs and services for child care providers, educators, early childhood professionals, families, and community.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Organization's significant accounting policies applied in the preparation of the accompanying financial statements follows:

BASIS OF ACCOUNTING

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

REVENUE RECOGNITION

The Organization receives grants from the State of Indiana (State) and the federal government to carry out certain program activities. The grants are received under contracts which require the Organization to submit to the State appropriate records of services provided to eligible individuals. Revenues under the contracts are recognized as funds are received.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and depreciated over estimated useful lives of three to seven years using the straight-line method. The following is a summary of the lives for each class of asset:

Software	3 years
Computers	5 years
Vehicle	7 years

Expenditures for improvements and major renewals are capitalized. When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred.

CASH AND CASH EQUIVALENTS

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**COMMUNITY ALLIANCE AND SERVICES
FOR YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONCENTRATION OF CREDIT RISK

The Organization's cash and cash equivalents are on deposit with three financial institutions having branches in the local area. Each account is insured by the FDIC for up to \$100,000. At various times throughout the year, the Organization maintained balances in excess of the insured limits.

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

CONTRIBUTIONS

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

CONTRIBUTED SERVICES

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requires specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, solicitations, and various committee assignments.

**COMMUNITY ALLIANCE AND SERVICES
FOR YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GOVERNMENT GRANTS

Support funded by grants is recognized as the Organization performs the contracted services under grant agreements. Grant revenue is recognized as funds are received. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Amounts required prior to expenditures being incurred are reflected as refundable advances on the statements of financial position.

EXPENSE ALLOCATION

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

NOTE 3 – GRANTS RECEIVABLE

The Organization's grant receivables as of September 30, 2007 and 2006, consisted of the following:

	<u>2007</u>	<u>2006</u>
CACFP	\$ 142,426	\$ 143,966
CCDF	5,020	25,860
R&R	85,935	72,660
INAEYC	-	5,831
Total	<u>\$ 253,411</u>	<u>\$ 248,317</u>

**COMMUNITY ALLIANCE AND SERVICES
FOR YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 4 – PROPERTY AND EQUIPMENT

The Organization's property and equipment are as follows at September 30, 2006 and 2005:

	<u>2007</u>	<u>2006</u>
Vehicle	\$ 13,700	\$ 13,700
Computer equipment	21,088	7,803
Software	<u>11,795</u>	<u>11,795</u>
	46,584	33,298
Accumulated depreciation	<u>(26,896)</u>	<u>(19,030)</u>
	<u>\$ 19,687</u>	<u>\$ 14,268</u>

Depreciation expense was \$7,866 and \$6,607 for the years ended September 30, 2007 and 2006, respectively.

NOTE 5 – NOTE PAYABLE

The Organization obtained a note payable with Old National Bank in the amount of \$10,000 to purchase an agency vehicle. The amount owed on this loan amounted to \$2,375 as of September 30, 2007 and \$4,460 as of September 30, 2006. The agreement was entered into on October 31, 2003 and matures on October 30, 2008. The monthly payments are \$187.87 and the interest rate is 4.75% per annum.

NOTE 6 – OPERATING LEASES

The Organization leases an operating facility under an annual operating lease arrangement. Rental expense for this lease included in the statement of activities for the years ended September 30, 2007 and 2006, was approximately \$30,000 for each year. Renewal terms are not addressed in the lease agreement.

**COMMUNITY ALLIANCE AND SERVICES
FOR YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 6 – OPERATING LEASES (Continued)

In addition, the Organization leases two office copiers under an operating lease arrangement which expires November 2011. The monthly lease amount is \$2,393 per month plus cost of images. Rental expense for this lease included in the statements of activities for the years ended September 30, 2007 and 2006 was approximately \$28,710 and \$21,480, respectively.

The Organization also leases a mailing machine under an operating lease arrangement which expires October 2009. The monthly lease amount is \$82 per month. Rental expense for this lease included in the statements of activities for the years ended September 30, 2007 and 2006 was approximately \$984 and \$0, respectively.

For the year ended September 30, 2007, future minimum lease payments for the leases referenced above total \$92,965.

NOTE 7 – EMPLOYEE BENEFITS

The Organization has a 403(b) defined contribution plan and makes contributions of \$200 per month for each employee eligible to participate in the plan. Contributions to the plan are made for all employees working 37.5 hours or more per week and with at least 90 days of service. Employee benefit expense under this plan was approximately \$36,145 and \$25,650 for the years ended September 30, 2007 and 2006, respectively.

NOTE 8 – CONCENTRATIONS

Approximately 97% of the Organization's support and revenue for the years ended September 30, 2007 and 2006, respectively, was provided by federal grants.

NOTE 9 - STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (SFAS) - NO. 144

SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*," requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 has not materially affected the Organization's net change in unrestricted net assets, statement of financial position or statement of cash flows.

**COMMUNITY ALLIANCE AND SERVICES
FOR YOUNG CHILDREN, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

NOTE 10 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 presentation.

SINGLE AUDIT SECTION

COMMUNITY ALLIANCE AND SERVICES FOR YOUNG CHILDREN, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2007

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Alliance and Services for Young Children, 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.

**COMMUNITY ALLIANCE AND SERVICES FOR YOUNG CHILDREN, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2007**

No findings were noted in the prior year audit report.



BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Community Alliance and Services for Young Children, Inc.
Terre Haute, Indiana

We have audited the financial statements of Community Alliance and Services for Young Children, Inc. (a nonprofit organization), as of and for the year ended September 30, 2007, and have issued our report thereon dated February 20, 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 Community Alliance and Services for Young Children, Inc.'s internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 accounting principles generally accepted in the United States of America 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 was for the limited purpose described in the second paragraph 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 that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Community Alliance and Services for Young Children, Inc.'s financial statements are free of material misstatement, we performed tests of its

compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

February 20, 2008



BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

**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 Alliance and Services for Young Children, Inc.
Terre Haute, Indiana

Compliance

We have audited the compliance of Community Alliance and Services for Young Children, Inc. (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to its major federal programs for the year ended September 30, 2007. Community Alliance and Services for Young Children, Inc.'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 its major federal program is the responsibility of Community Alliance and Services for Young Children, Inc.'s management. Our responsibility is to express an opinion on Community Alliance and Services for Young Children, Inc.'s compliance based on our audit.

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

In our opinion, Community Alliance and Services for Young Children, Inc., complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

Internal Control Over Compliance

The management of Community Alliance and Services for Young Children, Inc. 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 Community Alliance and Services for Young Children, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees within a timely period, in the normal course of performing their assigned functions, to prevent or detect noncompliance with applicable requirements of laws, regulations, contracts and grant agreements that would have a direct and material effect on a major federal program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Community Alliance and Services for Young Children, Inc.'s ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants such that there is more than a remote likelihood that the Organization's noncompliance 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 applicable requirements of laws, regulations, contracts and grants in relation to a major federal program will not be prevented or detected by the Organization's internal control.

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

February 20, 2008

**COMMUNITY ALLIANCE AND SERVICES FOR YOUNG CHILDREN, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED SEPTEMBER 30, 2007**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes ___ No x
- Significant deficiencies identified? Yes ___ No x

Noncompliance material to financial statements noted? Yes ___ No x

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes ___ No x
- Significant deficiencies identified? Yes ___ No x

Type of auditors report issued: Unqualified

Any audit findings disclosed required to be reported in
 Accordance with Section 510(a) of Circular A-133 Yes ___ No x

Programs tested as major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.558	Dept. of Agriculture, Child Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? Yes x No ___

Section II – Financial Statement Findings

None.

Section III – Federal Awards Findings

None.