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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

December 31, 2009

Board of Directors
Community Coordinated Child Care
of St. Joseph County, Inc.
3606 E. Jefferson Blvd., Ste. 215
South Bend, IN 466015

We have reviewed the audit report prepared by Cullar & Associates, PC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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, 2008, 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 and 20 contain two current audit findings. Pages 21 and 22 contain the status of three prior audit findings. Management's response and corrective action plan is on pages 23 and 24.

STATE BOARD OF ACCOUNTS

FINANCIAL AND COMPLIANCE REPORTS

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED

December 31, 2008 and 2007

CONTENTS

CULLAR & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS
209 N. Main Street, Suite 200
South Bend, Indiana 46601
Ph: 574.288.8320 Fax: 574.288.8328
www.cullar.com

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 ñOrganizationò) as of December 31, 2008 and 2007, 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 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 COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED as of December 31, 2008 and 2007, 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 19, 2009 on our consideration of the Organizationôs 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.

Cullen & Associates, P.C.

June 19, 2009

COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	2008	2007
Assets:		
Current Assets:		
Cash and cash equivalents	$ 41,145	$ 70,862
Service fees receivable	182,710	200,069
Contributions receivable	12,500	5,000
Prepaid expenses	9,637	4,650
Total current assets	245,992	280,581
Property and Equipment:		
Office equipment	22,813	22,813
Less accumulated depreciation	(17,800)	(15,706)
Net property and equipment	5,013	7,107
Total assets	$ 251,005	$ 287,688
Liabilities and Net Assets:		
Current Liabilities:		
Current portion of capital lease obligation	$ -	$ 1,835
Accounts payable	123,908	162,024
Accrued liabilities	10,653	6,624
Deferred revenues	19,772	2,289
Total liabilities	154,333	172,772
Net Assets:		
Unrestricted	71,253	109,916
Temporarily restricted	25,419	5,000
Total net assets	96,672	114,916
Total liabilities and net assets	$ 251,005	$ 287,688

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, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues and Gains:						
Service fees	$ 1,534,953	$ 17,830	$ 1,552,783	$ 1,475,412	$ -	$ 1,475,412
United Way of St. Joseph County	4,826	25,000	29,826	8,286	10,000	18,286
Program income	26,258	-	26,258	28,943	-	28,943
Grants and contributions	1,535	-	1,535	3,702	-	3,702
Interest income	92	-	92	92	-	92
Other	2,564	-	2,564	4,401	-	4,401
Net assets released from restrictions	22,411	(22,411)	-	12,410	(12,410)	-
Total revenues and gains	1,592,639	20,419	1,613,058	1,533,246	(2,410)	1,530,836
Expenses:						
Child care services	1,545,059	-	1,545,059	1,445,203	-	1,445,203
Management and general	86,243	-	86,243	73,089	-	73,089
Total expenses	1,631,302	-	1,631,302	1,518,292	-	1,518,292
Change in net assets	(38,663)	20,419	(18,244)	14,954	(2,410)	12,544
Net assets, beginning of year	109,916	5,000	114,916	94,962	7,410	102,372
Net assets, end of year	$ 71,253	$ 25,419	$ 96,672	$ 109,916	$ 5,000	$ 114,916

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, 2008 and 2007

	2008			2007		
	Child Care Services	Management and General	Total	Child Care Services	Management and General	Total
Subcontracted child care services	$ 1,083,502	$ -	$ 1,083,502	$ 1,012,629	$ -	$ 1,012,629
Salaries and wages	273,735	37,236	310,971	256,075	34,555	290,630
Payroll taxes and fringe benefits	43,281	5,887	49,168	37,791	5,100	42,891
Professional services	-	13,365	13,365	-	9,194	9,194
Office supplies	17,711	1,752	19,463	21,474	2,124	23,598
Program supplies	-	-	-	1,455	-	1,455
Postage	4,959	491	5,450	5,750	569	6,319
Communications	13,361	1,321	14,682	10,982	1,086	12,068
Printing and publications	4,266	-	4,266	5,796	-	5,796
Occupancy	27,396	9,625	37,021	20,258	7,118	27,376
Insurance	-	2,309	2,309	-	2,282	2,282
Equipment rental and maintenance	10,033	992	11,025	8,434	834	9,268
Advertising	3,644	1,009	4,653	4,912	1,009	5,921
Travel	17,782	-	17,782	15,639	-	15,639
Education and conferences	43,367	-	43,367	40,541	-	40,541
Dues	-	3,043	3,043	-	6,052	6,052
Interest	-	308	308	-	1,179	1,179
Criminal history checks	116	-	116	626	-	626
Depreciation	1,906	188	2,094	2,841	281	3,122
Other	-	8,717	8,717	-	1,706	1,706
Totals	$ 1,545,059	$ 86,243	$ 1,631,302	$ 1,445,203	$ 73,089	$ 1,518,292

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, 2008 and 2007

Change in Cash and Cash Equivalents:	2008	2007
Cash Flows from Operating Activities:		
Cash received from service fees, contributors, and others	$ 1,640,308	$ 1,469,759
Interest income received	92	92
Cash paid to employees, subcontractors, and others	(1,667,974)	(1,457,382)
Interest paid	(308)	(1,179)
Net cash provided by (used in) operating activities	(27,882)	11,290
Cash Flows from Financing Activities:		
Payment of capital lease obligation	(1,835)	(1,494)
Net change in cash and cash equivalents	(29,717)	9,796
Cash and cash equivalents, beginning of year	70,862	61,066
Cash and cash equivalents, end of year	$ 41,145	$ 70,862

Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	$ (18,244)	$ 12,544
Add (deduct) items not providing (requiring) cash:		
Depreciation	2,094	3,122
(Increase) decrease in service fees receivable	17,359	(63,382)
(Increase) decrease in contributions receivable	(7,500)	2,410
(Increase) decrease in prepaid expenses	(4,987)	1,102
Increase (decrease) in accounts payable	(38,116)	53,716
Increase in accrued liabilities	4,029	1,791
Increase (decrease) in deferred revenues	17,483	(13)
Net cash provided by (used in) operating activities	$ (27,882)	$ 11,290

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

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED (the ñOrganizationò) 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 and other nonprofit organizations.

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 Organizationôs 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.

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 Organizationós 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 revenues.

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 are charged to expense when incurred. Total advertising costs charged to expense were $4,653 and $5,921 for the years ended December 31, 2008 and 2007, respectively.

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 under Internal Revenue Code Section 509(a)(1).

NOTE 2. SERVICE FEES AND CONTRIBUTIONS RECEIVABLE

Service fees receivable consist of reimbursements due under cost-reimbursement contracts. All amounts are due within one year and no allowance for uncollectibles is considered necessary. Contributions receivable 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.

NOTE 3. BANK LINE OF CREDIT

The Organization has a $15,000 bank line of credit, secured by substantially all of the Organizationốs assets. No amount was outstanding at either December 31, 2008 or 2007.

NOTE 4. RESTRICTED NET ASSETS INFORMATION

Temporarily restricted net assets are available for the following purposes or periods at December 31, 2008 and 2007, respectively:

	2008	2007
United Way support for next year	$ 12,500	$ 5,000
Dekko Foundation for programs in Kosciusko County	12,919	-
Total temporarily restricted net assets	$ 25,419	$ 5,000

Net assets were released from donor restrictions by the expiration of time or by incurring expenses satisfying restricted purposes as follows for the years ended December 31, 2008 and 2007, respectively:

Expiration of United Way time restrictions	$ 17,500	$ 12,410
Costs of programs in Kosciusko County	4,911	-
Total net assets released from restrictions	$ 22,411	$ 12,410

NOTE 5. SERVICE FEES

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, 2008 and 2007, respectively:

	2008	2007
Indiana Department of Education - Child and Adult Food Program	$ 117,650	$ 125,282
South Bend Community Development - Title I Housing and Community Development	5,648	7,758
Indiana Association for the Education of Young Children	321,972	322,572
Dekko Foundation	17,830	-

Ancilla College	6,181	7,171
Total administrative fees earned	$ 469,281	$ 462,783

A summary of amounts received to reimburse subcontractors is as follows for the years ended December 31, 2008 and 2007, respectively:

	2008	2007
Indiana Department of Education - Child and Adult Food Program	$1,045,878	$ 958,388
South Bend Community Development - Title I Housing and Community Development	37,624	54,241
Total pass-through amounts earned	$1,083,502	$1,012,629

NOTE 6. LEASE INFORMATION

The Organization leased certain office equipment under a capital lease that expired in October 2008 and for which the Organization obtained ownership. Capital leased assets of $3,750 are included in the cost of property and equipment, with related accumulated depreciation of $938, at December 31, 2007. Amortization of capital-leased assets (which is included in depreciation expense) was $750 for the year ended December 31, 2007.

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

Minimum future lease payments under the above leases as of December 31, 2008 for each of the next five years and in the aggregate are as follows:

2009	$ 54,139
2010	53,410
2011	55,310
2012	55,816
2013	9,302
Total minimum future lease payments	$ 227,977

Total rent expense under all operating leases was $43,566 and $31,883 for the years ended December 31, 2008 and 2007, 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 years ended December 31, 2008 and 2007.

NOTE 8. RELATED PARTY INFORMATION

The Organization subcontracted $12,254 and $99,282 of child care services for the years ended December 31, 2008 and 2007, respectively, to entities controlled by members of its Board of Directors, and subcontracted $18,888 and $16,295 of child care services for the years ended December 31, 2008 and 2007, 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 $16,853 and $9,975 for teaching services for the years ended December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, the Organization owed the above entities $4,459 and $7,953, respectively, which are included in accounts payable in the accompanying statements of financial position.

NOTE 9. CONCENTRATIONS

Financial instruments that expose the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and service fees receivable. The Organization has cash on deposit with financial institutions which, at times, may exceed the insurance limits of the Federal Deposit Insurance Corporation. At December 31, 2008, approximately 55% of total service fees receivable were due from the Indiana Department of Education and approximately 31% were due from Indiana Association for Child Care Resource and Referral.

The Organizationᅳs 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, 2008 and 2007, approximately 72% and 71% of total revenues, respectively, were received from the Indiana Department of Education under the Child and Adult Care Food Program and approximately 17% and 18% of total revenues, respectively, were received from Indiana Association for Child Care Resource and Referral.

COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Agreement Number	Federal Expenditures
U. S. Department of Agriculture			
Passed-Through Indiana Department of Education:			
Child and Adult Care Food Program	10.558	1710210	$ 1,163,528
U. S. Department of Housing and Urban Development			
Passed-Through City of South Bend:			
Community Development Block Grants/ Entitlement Grants	14.218	CD08-8161	43,272
U. S. Department of Health and Human Services			
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	49-08-87-0491	279,090
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	42,882
			321,972
Total federal expenditures			$ 1,528,772

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activities of COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED (the ñOrganizationò), 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.

NOTE 2. SUBRECIPIENTS

The Organization provided no federal awards to subrecipients during the year ended December 31, 2008.

CULLAR & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

209 N. Main Street, Suite 200
South Bend, Indiana 46601
Ph: 574.288.8320 Fax: 574.288.8328
www.cullar.com

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 ñOrganizationò) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 19, 2009. 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 Organizationôs 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 Organizationôs internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organizationôs 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 entityôs 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 entityôs financial statements that is more than inconsequential will not be prevented or detected by the entityôs internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 08-1 and 08-2 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 Organizationôs 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 08-2 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organizationôs 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 Organizationôs response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organizationôs 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.

Cullen & Associates, P.C.

June 19, 2009

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CERTIFIED PUBLIC ACCOUNTANTS

209 N. Main Street, Suite 200
South Bend, Indiana 46601
Ph: 574.288.8320 Fax: 574.288.8328
www.cullar.com

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 ñOrganizationò) 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, 2008. The Organizationôs major federal programs are identified in the summary of auditorôs 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 Organizationôs management. Our responsibility is to express an opinion on the Organizationôs 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 Organizationôs 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 Organizationôs 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, 2008.

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 Organizationôs 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 19, 2009

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditorþs report issued:	Unqualified
Internal control over financial reporting:	
Significant deficiencies identified?	Yes
Material weakness identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Significant deficiencies identified	No
Material weakness identified?	No
Type of auditorþs 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

CFDA Number	Name of Federal Program or Cluster
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

Section 2 – Findings in Financial Statements Audit

SIGNIFICANT DEFICIENCY

FINDING 08-1

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, neither the Director nor any other individual is involved in opening mail.

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 receipts 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.

Views of Responsible Officials:

We will have two employees open mail and log cash receipts together. Both individuals will sign and date the log for documentation. One employee should take the receipts, money and a copy of the signed log to the Executive Director for deposit. The other employee will 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.

MATERIAL WEAKNESS

FINDING 08-2

Statement of Condition:

As part of our audit, we proposed adjustments relating to complex accounting standards and drafted the Organizationôs financial statements and related notes, which were reviewed and approved by management. This service is necessary, in our opinion, because management would be unable to completely comply with such standards or to prepare financial statements and related disclosures in accordance with U.S. generally accepted accounting principles because of limited resources (i.e., time and accounting reporting services). Although this service has historically been part of our audit function, new professional standards require that we now communicate this because, as the independent auditor, we are not considered to be part of the Organizationôs internal control.

Criteria:

Statement on Auditing Standards No. 112 defines a material weakness in internal control as 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 Organizationôs internal control. Without adequate time or accounting reporting services, management is not able to completely comply with U.S. generally accepted accounting principles, including preparation of required disclosures to the financial statements.

Effect of Condition:

The overall financial statements, including disclosures, would not be completely in accordance with U.S. generally accepted accounting principles without our assistance.

Recommendations:

We recommend that accounting staff take such training courses on nonprofit accounting principles as necessary to develop a sufficient understanding of those principles to either completely comply with U.S. generally accepted accounting principles or to be able to request assistance from another accounting firm when circumstances require.

Views of Responsible Officials:

As non-profit accounting training becomes available the Accountant will take it. In the meantime, we have been in contact with an outside firm that could help when circumstances require it.

Section 3 – Findings in Major Federal Award Programs Audit

There were no findings in the major federal awards program audit.

Findings in Financial Statements Audit

FINDING 07-1

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.

Recommendation:

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.

Current Status:

Management added dates to the log, but did not implement a two-person mail opening system. The finding is repeated at finding 08-1.

FINDING 07-2

Condition:

The Board of Directors met with quorum only two 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 recommendation was adopted. No similar finding was noted during the 2008 audit.

FINDING 07-3

Condition:

We noted that cash receipts were not deposited for several weeks at different times during the year. The Organizationós *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.

Recommendation:

We recommend management follow its cash receipts deposit policy.

Current Status:

The recommendation was adopted. No similar finding was noted during the 2008 audit.

Findings in Major Federal Awards Programs Audit

There were no findings in the major federal awards program audit.

Community Coordinated Child Care of St. Joseph County, Incorporated respectfully submits the following response and corrective action plan to the findings in the accompanying schedule of findings and questioned costs:

Contact Information of Independent Public Accounting Firm

Richard J. Cullar, CPA
Cullar & Associates, PC, Certified Public Accountants
209 North Main Street, Suite 200
South Bend, IN 46601
(574)-288-8320
RCullar@Cullar.com

Contact Information of Auditee

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

Section 2 - Findings in Financial Statements Audit

FINDING 08-1

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, neither the Director nor any other individual is involved in opening mail.

Auditee's Response and Corrective Action Plan:

We will have two employees open mail and log cash receipts together. Both individuals will sign and date the log for documentation. One employee should take the receipts, money and a copy of the signed log to the Executive Director for deposit. The other employee will 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.

FINDING 08-2

Statement of Condition:

As part of our audit, we proposed adjustments relating to complex accounting standards and drafted the Organizationôs financial statements and related notes, which were reviewed and approved by management. This service is necessary, in our opinion, because management would be unable to completely comply with such standards or to prepare financial statements and related disclosures in accordance with U.S. generally accepted accounting principles because of limited resources (i.e., time and accounting reporting services). Although this service has historically been part of our audit function, new professional standards require that we now communicate this because, as the independent auditor, we are not considered to be part of the Organization's internal control.

Auditee's Response and Corrective Action Plan:

As non-profit accounting training becomes available the Accountant will take it. In the meantime, we have been in contact with an outside firm that could help when circumstances require it.

CULLAR & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

209 N. Main Street, Suite 200
South Bend, Indiana 46601
Ph: 574.288.8320 Fax: 574.288.8328
www.cullar.com

COMMUNICATION OF AUDIT MATTERS TO THOSE CHARGED WITH GOVERNANCE

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") for the year ended December 31, 2008 and have issued our report thereon dated June 19, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 9, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free or material misstatement.

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material affect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Organization's compliance with the types of compliance requirements described in the OMB Circular A-133 "Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the Organization's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Organization's compliance with those requirements.

Significant Audit Findings

1. *Qualitative Aspects of Accounting Practices*

   Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during December 31, 2008. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

   Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

   - Management's estimate of the allocation of expenses between the program and supporting services is based on cost studies. We evaluated the key factors and assumptions used to develop the cost studies in determining that they are reasonable in relation to the financial statements taken as a whole.

2. *Difficulties Encountered in Performing the Audit*

   We encountered no significant difficulties in dealing with management in performing and completing our audit.

3. *Corrected and Uncorrected Misstatements*

   Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

   - Understatement of grants receivable and revenue by $12,500 for the balance of the 2008-2009 United Way promise to give made in 2008.

   - Overstatement of program service fee revenue and understatement of deferred revenue by approximately $13,500 for the unearned portion of prepaid provider training and development fees.

   Management has determined that the effects of the following uncorrected misstatements detected as a result of our audit procedures are immaterial to the financial statements as a whole:

   - Understatement of accrued rents payable and rent expense by approximately $10,000 for not accruing rents evenly over the lease term in accordance with Financial Accounting Standards No. 13.

- Understatement of service fees receivable and service fees revenue on cost-reimbursement contracts by approximately $10,000 for the above under-accrual of rent expense.

4. *Disagreements with Management*

   For the purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

5. *Management Representations*

   We have requested certain representations from management that are included in the management representation letter dated June 16, 2009.

6. *Management Consultations with Other Independent Accountants*

   In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. *Other Audit Findings or Issues*

   We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and the Organization's management and is not intended to be and should not be used by anyone other than these specified parties.

Cullen & Associates, P.C.

June 19, 2009