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February 2, 2010

Board of Directors
Tippecanoe County Child Care, Inc.
100 Saw Mill Rd., #3300
P.O. Box 749
Lafayette, IN 47902

We have reviewed the audit report prepared by Huth Thompson, LLP, 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 Tippecanoe County Child Care, 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 16 through 18 contain the status of five prior audit findings. Pages 24 and 25 contain one current audit finding.

STATE BOARD OF ACCOUNTS

**Tippecanoe County
Child Care, Inc.**

**Financial Statements
For The Year Ended
December 31, 2008
(With Single Audit Section)**



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

Certified Public Accountants

**TIPPECANOE COUNTY CHILD CARE, INC.
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BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

Independent Auditor's Report

Board of Directors
Tippecanoe County Child Care, Inc.
Lafayette, Indiana

We have audited the accompanying statement of financial position of Tippecanoe County Child Care, Inc. as of December 31, 2008 and the related statement of activities, functional expenses, and cash flows for the year 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 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. 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 Tippecanoe County Child Care, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2009 on our consideration of Tippecanoe County Child Care, 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 audit was performed for the purpose of forming an opinion on the basic financial statements of Tippecanoe County Child Care, 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 audits 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.

April 24, 2009

TIPPECANOE COUNTY CHILD CARE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

ASSETS

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|-----------------------------------|---------------------|-----------------------------------|---------------------|
| Current assets: | | | |
| Cash and cash equivalents | \$ 40,724 | \$ 137 | \$ 40,861 |
| Accounts receivable | 2,088 | - | 2,088 |
| Grants receivable | 205,436 | - | 205,436 |
| Program accounts receivable | 96,575 | - | 96,575 |
| Unconditional promises to give | - | 525,000 | 525,000 |
| Inventory | 583 | - | 583 |
| Prepaid expenses | 9,368 | - | 9,368 |
| | <hr/> | <hr/> | <hr/> |
| Total current assets | 354,774 | 525,137 | 879,911 |
| Property and equipment: | | | |
| Building | 748,832 | - | 748,832 |
| Leasehold improvements | 54,657 | - | 54,657 |
| Equipment, furniture and fixtures | 384,227 | - | 384,227 |
| Accumulated depreciation | (639,599) | - | (639,599) |
| | <hr/> | <hr/> | <hr/> |
| Total property and equipment | 548,117 | - | 548,117 |
| Other assets: | | | |
| Intangible asset - Condo | 2,000 | - | 2,000 |
| | <hr/> | <hr/> | <hr/> |
| Total assets | \$ 904,891 | \$ 525,137 | \$ 1,430,028 |

LIABILITIES AND NET ASSETS

| | | | |
|--|-------------------|-------------------|---------------------|
| Current liabilities: | | | |
| Current portion of long term debt | \$ 20,203 | \$ - | \$ 20,203 |
| Accounts payable - vendors | 73,093 | - | 73,093 |
| Accounts payable - providers | 44,697 | - | 44,697 |
| Accrued payroll and taxes | 122,562 | - | 122,562 |
| | <hr/> | <hr/> | <hr/> |
| Total current liabilities | 260,555 | - | 260,555 |
| Long-term debt, less current portion: | | | |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities | 314,521 | - | 314,521 |
| Net assets: | | | |
| Unrestricted | 590,370 | - | 590,370 |
| Temporarily restricted | - | 525,137 | 525,137 |
| | <hr/> | <hr/> | <hr/> |
| Total net assets | 590,370 | 525,137 | 1,115,507 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities and net assets | \$ 904,891 | \$ 525,137 | \$ 1,430,028 |

See accompanying notes to financial statements.

TIPPECANOE COUNTY CHILD CARE, INC.
STATEMENT OF ACTIVITIES
DECEMBER 31, 2008

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|---------------------|-----------------------------------|---------------------|
| PUBLIC SUPPORT AND REVENUE | | | |
| Public Support: | | | |
| United way grants and allocations | \$ 1,259 | \$ 525,000 | \$ 526,259 |
| Contributions | 15,620 | - | 15,620 |
| Special events | 69,027 | - | 69,027 |
| Net assets released from restrictions | 516,894 | (516,894) | - |
| Total support from public | <u>602,800</u> | <u>8,106</u> | <u>610,906</u> |
| Program Services: | | | |
| Grants | 2,926,419 | - | 2,926,419 |
| Program fees | 531,092 | - | 531,092 |
| Miscellaneous | 8,844 | - | 8,844 |
| Total program services | <u>3,466,355</u> | <u>-</u> | <u>3,466,355</u> |
| Other Revenue: | | | |
| Interest income | 774 | - | 774 |
| Total support and revenue | <u>4,069,929</u> | <u>8,106</u> | <u>4,078,035</u> |
| Expenses | | | |
| Program Services | 3,602,577 | - | 3,602,577 |
| Management and general | 411,527 | - | 411,527 |
| Fundraising | 6,387 | - | 6,387 |
| Total expenses | <u>4,020,491</u> | <u>-</u> | <u>4,020,491</u> |
| Increase (decrease) in net assets | <u>49,438</u> | <u>8,106</u> | <u>57,544</u> |
| NET ASSETS, BEGINNING OF YEAR | 567,015 | 517,031 | 1,084,046 |
| PRIOR PERIOD ADJUSTMENT | <u>(26,083)</u> | <u>-</u> | <u>(26,083)</u> |
| NET ASSETS, END OF YEAR | <u>\$ 590,370</u> | <u>\$ 525,137</u> | <u>\$ 1,115,507</u> |

See accompanying notes to financial statements.

TIPPECANOE COUNTY CHILD CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

| | Program Services | Management & General | Fundraising | Total |
|---|---------------------|-------------------------|-----------------|---------------------|
| OPERATING EXPENSES: | | | | |
| Salaries | \$ 1,821,808 | \$ 276,763 | \$ 338 | \$ 2,098,909 |
| Employee benefits | 356,361 | 53,216 | 29 | 409,606 |
| Insurance expense | 34,370 | 198 | - | 34,568 |
| Professional fees and contractual services | 35,685 | 20,021 | - | 55,706 |
| Supplies | 125,327 | 6,632 | 1,898 | 133,857 |
| Food | 265,529 | - | - | 265,529 |
| Occupancy and telephone | 209,900 | 28,952 | - | 238,852 |
| Printing | 16,325 | 3,350 | 739 | 20,414 |
| Postage | 6,192 | 1,394 | - | 7,586 |
| Conferences and professional development | 18,008 | 2,052 | - | 20,060 |
| Travel | 30,377 | 686 | - | 31,063 |
| Dues and licensing | 11,713 | 815 | - | 12,528 |
| Other expenses | 1,086 | - | - | 1,086 |
| Special projects | 4,646 | 2,291 | 3,114 | 10,051 |
| Advertising | 23,095 | 1,632 | - | 24,727 |
| Miscellaneous expenses | 6,837 | 8,408 | - | 15,245 |
| Bad debt | 12,240 | - | - | 12,240 |
| Equipment expenses | 121,418 | 2,434 | 269 | 124,121 |
| Payments to home providers | 543,385 | - | - | 543,385 |
| Total program expenses by function prior to GAAP adjustments | 3,644,302 | 408,844 | 6,387 | 4,059,533 |
| Capital expenditures | (85,527) | - | - | (85,527) |
| Depreciation expense | 53,170 | 2,683 | - | 55,853 |
| Prepaid expenses | (9,368) | - | - | (9,368) |
| Total operating expenses after GAAP adjustments | <u>\$ 3,602,577</u> | <u>\$ 411,527</u> | <u>\$ 6,387</u> | <u>\$ 4,020,491</u> |

See accompanying notes to financial statements.

TIPPECANOE COUNTY CHILD CARE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|-----------|
| Change in net assets | \$ 31,461 |
| Adjustments to reconcile decrease in net assets to net cash used in operating activities: | |
| Depreciation expense | 55,853 |
| Increase (decrease) in cash from changes in: | |
| Accounts receivable | 6,515 |
| Grants receivable | (23,424) |
| Program accounts receivable | (1,364) |
| Unconditional promises to give | (25,000) |
| Prepaid expenses | 1,918 |
| Inventory | 180 |
| Accounts payable | (44,023) |
| Accrued expenses | 46,630 |
| Net cash provided by operating activities | 48,746 |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|----------|
| Purchase of property, plant and equipment | (85,527) |
| Net cash used in investing activities | (85,527) |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|---|----------|
| Proceeds from note payable | 92,342 |
| Principle payments on long-term debt | (88,823) |
| Net cash provided by financing activities | 3,519 |

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (33,262)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 74,123

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 40,861

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | |
|--|----------|
| Cash paid during the year for interest expense | \$ 5,361 |
|--|----------|

See accompanying notes to financial statements.

TIPPECANOE COUNTY CHILD CARE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of Tippecanoe County Child Care, Inc.'s significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

NATURE OF OPERATIONS

Tippecanoe County Child Care, Inc. (the Organization) provides childcare for children of low-income, working parents at five sites in Lafayette and West Lafayette, Indiana. The Organization is supported primarily through grants, program fees and the United Way.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with original maturities of three months or less when purchased to be cash equivalents. There were no cash equivalents as of December 31, 2008.

ACCOUNTS, GRANTS, AND PROGRAMS RECEIVABLE

Accounts receivable include reimbursements owed to the Organization. Grants receivable include various federal, state, and local claim amounts owed to the Organization for services provided to the public along with additional grants awarded to the Organization from other sources. Programs receivable includes program fees owed to the Organization. Accounts, grants, and programs receivable are charged directly against income when they are determined to be uncollectible. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

INVENTORY

Inventory is stated at the lower of cost or market. Inventory consists of office supplies on hand. Cost is determined using the first-in, first-out method.

TIPPECANOE COUNTY CHILD CARE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – (Continued)**

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation. If donated, the cost is the fair market value at the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line method. Maintenance, repairs, and minor renewals are charged to operations as incurred. Improvements and major renewals are capitalized. Upon the sale or disposition of properties, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale. Any resultant gain or loss is credited or charged to operations. Depreciation expense was \$55,853 for the year ended December 31, 2008. The Organization's policy is to capitalize fixed assets additions that exceed \$2,500.

NET ASSETS

In accordance with the Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profits*, the Organization records its net assets in each of the following classes:

- (1) *Unrestricted Net Assets*--Net assets that are not subject to donor-imposed stipulations.
- (2) *Temporarily Restricted Net Assets*--Net assets subject to donor- imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.
- (3) *Permanently Restricted Net Assets*--Net assets subject to donor- imposed restrictions that stipulate the assets be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

All donor-restricted contributions are recorded as increases in temporarily or permanently restricted net assets, depending on the restriction. When a 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 statement of activities as net assets released from restrictions. Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise stipulated by the donor. This method of accounting is also followed when the restrictions on contributions are met in the same period that the contributions were received.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

TIPPECANOE COUNTY CHILD CARE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES – (Continued)**

DONATED GOODS AND SERVICES

The Organization records various types of in-kind support including property and equipment, professional services, and materials. Contributed professional services are recognized if the services either create or enhance long-lived assets, or require specialized skills that would typically need to be purchased if not provided by the donation. Contributions of supplies and materials are recognized at fair market value when received. There were no in-kind contributions received during 2008.

The Organization also receives donations of time from volunteers that do not meet the two recognized criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the financial statements.

INCOME TAXES

The Organization is a not-for-profit voluntary health and welfare organization incorporated under the laws of the State of Indiana and as such is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3). In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a)(1) of the code.

FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 2 – GRANTS RECEIVABLE

For the year ended December 31 2008, grants receivable due directly or indirectly from governmental grants consisted of the following:

| | |
|--------------------------------------|-------------------|
| School Age Child Care | \$ 8,846 |
| Child Development Associate | 3,156 |
| Child and Adult Care Food Program | 64,593 |
| Community Development Block Grants | 15,645 |
| CCDF Resource and Referral | <u>94,698</u> |
| Total Governmental Grants Receivable | <u>\$ 186,938</u> |

TIPPECANOE COUNTY CHILD CARE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 – GRANTS RECEIVABLE – (Continued)

Grants receivable due from other sources consisted of the following:

| | |
|---|------------------|
| Community Foundation of Greater Lafayette | \$ 13,598 |
| Lafayette Life Foundation | <u>5,000</u> |
| Total Other Grants Receivable | <u>\$ 18,598</u> |

NOTE 3 – LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

| | |
|--|------------------|
| Monthly payments of \$1,328, including interest at 6.75%. Due March 2013. Note is unsecured. | \$ 56,868 |
| Monthly payments of \$794, including interest at 8.75%. Due July 2011. Note is unsecured. | <u>17,301</u> |
| Total long-term debt | 74,169 |
| Less current maturities | <u>(20,203)</u> |
| | <u>\$ 53,966</u> |

Aggregate maturities of long-term debt consist of the following at December 31:

| | |
|------|------------------|
| 2009 | \$ 20,203 |
| 2010 | 21,801 |
| 2011 | 14,886 |
| 2012 | 15,100 |
| 2013 | <u>2,179</u> |
| | <u>\$ 74,169</u> |

NOTE 4 – OPERATING LEASES

The Organization leases space for its Centers and its administrative office under leases expiring at various dates through September 2011. Expense for these leases for the year ended December 31, 2008 was \$119,276. Options to extend various leases beyond the lease term exist. The Organization leases the land for the Dennis Burton Center. The cost of this lease is \$1 for a 99-year lease ending in 2081. The facility will revert to the lessor at the completion of the lease term.

TIPPECANOE COUNTY CHILD CARE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 4 – OPERATING LEASES – (Continued)

The Organization also leases two copiers under a lease expiring in March 2013. Monthly lease payments decreased from \$1,100 to \$615, plus cost of excess images in April 2008. Expense for office equipment leases for the year ended December 31, 2008 was \$8,835.

The total annual lease obligations beyond one year for the facilities and equipment under operating leases as of December 31 are as follows:

| | |
|------------|-------------------|
| 2009 | \$ 67,492 |
| 2010 | 46,794 |
| 2011 | 35,011 |
| 2012 | 7,381 |
| 2013 | 1,846 |
| Thereafter | <u>68</u> |
| | <u>\$ 158,592</u> |

NOTE 5 – CONCENTRATION OF CREDIT RISK AND MAJOR SOURCES OF REVENUE

The Organization's major source of receivables and revenue is federal awards, passed through from state and local agencies. The agreements with these agencies specify that funding is conditional upon the availability of funds from federal sources. During 2008, the Organization received 45.7%, in grants and program fees of its total revenue directly and indirectly from the State of Indiana Family Social Services Administration (IFSSA).

The Organization places its cash in accounts with a local financial institution. At times such accounts may be in excess of FDIC insured limits. As of December 31, 2008, the Organization did not have deposits in excess of FDIC limits.

NOTE 6 – PENSION PLAN

The Organization may make a matching contribution equal to a discretionary percentage of the participants' elected deferrals. For the years ended December 31, 2008, the Organization matched fifty cents on every dollar of elected deferrals up to 2% of an employee's wages after one year of service. Pension expense for the years ended December 31, 2008 was \$14,511.

TIPPECANOE COUNTY CHILD CARE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 7 – COLLABORATION AGREEMENT

The Organization enters into yearly collaboration agreements with another not-for-profit organization. This allows for both organizations to share personnel and operating costs and minimize overhead costs. Reimbursed costs of personnel and other operating costs utilized in this collaboration agreement from the other organization and as such not recorded as Organizational expenses amounted to \$4,104 for the year ended December 31, 2008.

The Organization incurred expenses for personnel, rent, and overhead costs totaling \$35,805 for the year ended December 31, 2008 in connection with the collaboration agreements.

The Organization also has a yearly contract to provide Early Head Start services at one child care educational site for the nonprofit collaborator. This service generated revenue totaling \$231,907 for the year ended December 31, 2008.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

For the year ended December 31, 2007, the accrued vacation balance was incorrectly calculated and understated by \$26,083. For the year ended December 31, 2008, the effect of this adjustment was to reduce beginning of year net assets by \$26,083.

SINGLE AUDIT SECTION

TIPPECANOE COUNTY CHILD CARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

| FEDERAL GRANTOR AGENCY | Federal | Grant or | Federal |
|--|----------------|--------------------|----------------------------|
| Passthrough Agency | CFDA | Identifying | Expenditures |
| Program Title | Number | Number | |
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through the Indiana Department of Education: | | | |
| Child and Adult Care Food Program | 10.558 | (07) 1790155 | <u>\$ 802,529</u> |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | |
| Passed through the Indiana Department of Family and Social Services (FSSA): | | | |
| Child Care Development Fund | 93.596 | 79-07-1A-0343-01 | 214,310 |
| Passed through Indiana Association for Child Care Resource and Referral Association: | | | |
| Child Care Development Fund, Resource and Referral | 93.596 | 49-05-87-0491-25 | 427,154 |
| Passed through Area V Agency on Aging: | | | |
| Child Care Development Fund, Intake Funding | 93.596 | 79-05-34-0343 | 64,158 |
| Passed through Indiana Association of Young Children: | | | |
| Child Care Development Fund, CDA Grant | 93.596 | * | <u>13,950</u> |
| Sub-total--CFDA 93.596 | 93.596 | | <u>719,572</u> |
| Passed through Community and Family Resource Center: | | | |
| Early Head Start | 93.600 | * | <u>238,384</u> |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
| Passed through City of West Lafayette: | | | |
| Community Development Block Grant | 14.218 | * | 19,410 |
| Passed through City of Lafayette: | | | |
| Community Development Block Grant | 14.218 | * | <u>18,581</u> |
| Sub-total--CFDA 14.218 | | | <u>37,991</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 1,798,476</u></u> |

* These awards were from pass through agencies and did not have a unique contract number.

See accompanying note to Schedule of Expenditures of Federal Awards

TIPPECANOE COUNTY CHILD CARE, INC.
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2008

| STATE/LOCAL GRANTOR AGENCY Passthrough Agency Program Title | Grant or Identifying Number | State and Local Awards |
|---|-----------------------------------|------------------------------|
| Indiana Department of Family and Social Services (FSSA): | | |
| Child Care Development Fund | 79-07-1A-0343-01 | \$ 56,969 |
| School Age Child Care | 79-07-03-0343 | 32,661 |
| Passed through Indiana Association for Child Care Resource and Referral Association: | | |
| Child Care Development Fund, Resource and Referral | 49-05-87-0491-25 | 113,547 |
| Passed through Area V Agency on Aging: | | |
| Child Care Development Fund, Intake Funding | 79-05-34-0343 | 18,055 |
| Passed through Indiana Association of Young Children: | | |
| Child Care Development Fund, CDA Grant | * | <u>3,708</u> |
| Total Expenditures of State and Local Grants | | <u><u>\$ 224,940</u></u> |

* This award was from pass through agency and did not have a unique contract number.

TIPPECANOE COUNTY CHILD CARE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Tippecanoe County Child Care, Inc. and 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.

TIPPECANOE COUNTY CHILD CARE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2008

CF/FA 07-1—All Federal Awards

Condition: In testing internal controls over Human Resource/Personnel functions, dual tests of internal controls and compliance requirements were performed.

Criteria: Personnel files were tested for required documentation and the following was noted:

- In one out of thirty-eight employee files, a signed non-discrimination policy statement was not obtained.
- In one out of thirty-eight files an employee tested positive for THC and remains an employee. Ten days after the employee was notified of the drug test results, the employee was tested again with negative results.

Recommendation: Recommend the Organization continue training programs for all payroll and human resource personnel on grant compliance requirements and on internal control personnel processes. We also recommend the Organization create and implement an effective internal control monitoring system around human resources to ensure personnel files comply with all special tests compliance requirements.

Management's Updated Status: The newly adopted Employee Handbook was distributed to all personnel in the spring of 2008 and all have signed acknowledgement forms (which includes the non-discrimination policy) pertaining to all policies therein. Before a new employee starts, they are given the Handbook which is reviewed during their orientation, and then asked to sign the acknowledgement before they start working for TCCC.

Our drug testing procedure has been changed since the 2007 audit. We have also changed drug testing providers and are able to obtain the results within two hours of the drug screening. Our procedures are now strictly enforced that a new employee will not start work, at the earliest, until the day following our having the results of the drug screening.

Periodically, a person independent of the human resource function is performing a review of the files to ensure that all documentation is complete.

Auditor's Assessment of Current Status: A checklist for all necessary documentation for all employees has been developed and implemented. Additionally, an independent, periodic review of the human resource files is being performed. Results of these reviews are documented and provided to the Executive Director, Controller and Human Resource Specialist. These procedures have strengthened the internal controls to ensure copies of all personnel records are included in the Central Business office files and that personnel policies are being followed appropriately. During the personnel file testing for the year ended December 31, 2008, no exceptions were noted.

TIPPECANOE COUNTY CHILD CARE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
YEAR ENDED DECEMBER 31, 2008

CF/FA 07-2—CFDA 93.596—Child Care Development Fund

Condition: In testing the employees' approved timesheet for identification of time spent per each program/grant and comparing it to the actual time charged to each grant per payroll registers, the following was noted:

- In one out of thirty-eight employees, time was not properly allocated to the CCDF-IACCRR grant. The approved timesheet identified 14.75 hours to be charged to the R&R budget line of this grant, and 71.75 hours to be charged to the Minimum Standards budget line of this grant. The 14.75 hours was improperly charged and reimbursed as Minimum Standards.
- In one out of thirty-eight employees, 1.5 hours was overcharged the CCDF-IACCRR grant (Minimum Standards budget line). These hours were not worked by the employee and were overpaid in total, improperly charged to the grant and reimbursed.

Criteria: Effective internal controls over payroll processing function must be designed to provide sufficient controls to ensure appropriate costs are charged to grants.

Recommendation: We recommend the Organization implement controls to verify hours worked per approved timesheets are properly entered into the payroll system, properly paid, and properly charged to federal grant awards. These findings related to payroll transactions occurred in January 2007. No additional findings as they relate to FA 07-2 were noted regarding subsequent 2007 payrolls.

Management's Updated Status: A person independent of the payroll function performs a review of the payroll function after each payroll to ensure that timesheets are properly signed and authorized, entered into the payroll system, and charged to the proper departments for grant reimbursement.

Auditor's Update: During the testing for the year ended December 31, 2008, no clerical errors were noted.

FA 07-3 CFDA 93.596—Child Care Development Fund

Condition: In testing personnel files and payroll costs, it was identified that incentives were charged to the CCDF-IACCRR grant (Minimum Standards budget line). These incentives were received by only six employees. The auditor's testing determined there was a lack of proper documentation as to how the Organization:

- Determined the total amount of the incentive
- Determined it was a reasonable cost to Federal activities
- Substantiated the incentive (criteria for earning a incentive within the Organization or had an established and documented plan)
- Allocated the incentive among specific employees

Criteria: Proper documentation should be maintained for all costs charged to federal grant awards in accordance with OMB Circular A-122 cost principles.

TIPPECANOE COUNTY CHILD CARE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED DECEMBER 31, 2008

Questioned Costs: The amount of the incentives charged totaled \$15,000.

Recommendation: It is recommended that the Organization continue training and education in the documentation requirements under OMB Circular A-122 cost principles.

Management's Updated Status: Administration has reviewed OMB Circular A-122 as it applies to incentives. It is the belief of Administration that the incentives paid were done in conformance with agency policy and procedures. If incentives are to be paid in the future, the agency will make improvements in its documentation procedures to ensure conformance with to OMB regulations.

Auditor's Update: No incentives were paid during the year ended December 31, 2008. The Organization has been working with the funding agency to determine a settlement for the questioned costs.



COMER
NOWLING AND
ASSOCIATES, P.C.

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 ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board of Directors
Tippecanoe County Child Care, Inc.
Lafayette, Indiana

We have audited the financial statements of Tippecanoe County Child Care, Inc. (a nonprofit organization), as of and for the year ended December 31, 2008, and have issued our report thereon dated April 24, 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 Tippecanoe County Child Care, 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with 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 Tippecanoe County Child Care, 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.

April 24, 2009



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
Tippecanoe County Child Care, Inc.
Lafayette, Indiana

Compliance

We have audited the compliance of Tippecanoe County Child Care, 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 December 31, 2008. Tippecanoe County Child Care, 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 Tippecanoe County Child Care, Inc.'s management. Our responsibility is to express an opinion on Tippecanoe County Child Care, 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 Tippecanoe County Child Care, 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 Tippecanoe County Child Care, Inc.'s compliance with those requirements.

As described in Finding FA-2008-1 in the accompanying schedule of findings and questioned costs, Tippecanoe County Child Care, Inc. did not comply with requirements regarding monitoring that are applicable to its Child and Adult Care Food Program. Compliance with such requirements is necessary, in our opinion, for Tippecanoe County Child Care, Inc. to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Tippecanoe County Child Care, Inc., complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Tippecanoe County Child Care, 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 Tippecanoe County Child Care, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis 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 the Organization's 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 Tippecanoe County Child Care, Inc.'s ability to administer a major federal program such that there is more than a remote likelihood that the Organization's noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Organization's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding FA-2008-1 to be a significant deficiency

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 Organization's internal control. Of the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider Finding FA-2008-1 to be a material weakness.

Our consideration of internal control 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. However, as discussed above, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, as defined above.

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.

April 24, 2009

TIPPECANOE COUNTY CHILD CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2008

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 x No ___
- Significant deficiencies identified? Yes x No ___

Type of auditor’s report issued: Qualified

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

Program tested as major program:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 10.558 | U.S. Department of Agriculture, Child and Adult Care Food Program |
| 93.596 | U.S. Department of Health and Human Services, Child Care Development Fund |

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

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

Section II – Financial Statement Findings

There were no financial statement findings for the current year.

TIPPECANOE COUNTY CHILD CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2008

Section III – Federal Award Findings and Questioned Costs

Finding 2008-1—CFDA # 10.558, Child and Adult Care Food Program (CACFP)--Failure to meet sub-recipient monitoring requirements

Condition: The Child and Adult Care Food Program staff failed to meet monitoring requirements of the day care homes. Of the 66 homes that were active during the year, 15 did not have the required number of monitoring visits.

Criteria: 7CFR 226.16(d)(4)(ii) states “Each sponsoring organization shall provide adequate supervisory and operational personnel for the effective management and monitoring of the program at all child care and adult day care facilities under its jurisdiction. At a minimum, such program assistance shall include....(4) Reviews of food service operations to assess compliance with meal pattern, recordkeeping and other Program requirements. Such reviews shall be made not less frequently than:...(ii) Three times each year at each day care home, provided at least one review is made during each day care home’s first four weeks of Program operations and not more than six months elapse between reviews.”

Cause: During the audit year ending December 31, 2008, the CACFP was in the process of converting to a new meal recordkeeping system. Additionally, there was not an oversight system in place to ensure the monitoring visits were scheduled appropriately.

Effect: Administrative funding could be jeopardized if monitoring requirements are not met. 7CFR226.16(e) states “Failure to maintain such records shall be grounds for the denial of reimbursement.”

Recommendation: It is recommended that a monitoring schedule for day care homes continuing in the CACFP be determined in advance and approved by the supervisor. Monthly or quarterly reviews should be completed to determine if the schedule has been met, or whether there are any obstacles hindering the schedule. Additionally the supervisor should review the monitoring reports and ensure any reports with corrective actions have had timely follow-up visits.

Management’s Response to Finding: In order to ensure that all monitoring of home providers are completed as required by regulation, the following program has been developed:

- Yearly, the Food Program Coordinator will develop an annual monitoring plan and submit it to the Program Director.
- Monthly, the Food Program Coordinator will submit a report of all completed home monitor visits to the Program Director, who in turn will compare the monthly report to the annual monitoring plan.

TIPPECANOE COUNTY CHILD CARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2008

- Quarterly, the Program Director will submit to the Executive Director a report detailing the results of the quarter's home monitor visits to the annual monitoring plan with an explanation of any differences noted.