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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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February 2, 2010

Board of Directors
Early Childhood Alliance, Inc.
3320 Fairfield Ave.
Fort Wayne, IN 46807

We have reviewed the audit report prepared by Dulin, Ward & DeWald, Inc., 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 Early Childhood Alliance, 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 finding in the report. Pages 22 and 23 contain one current audit finding.

STATE BOARD OF ACCOUNTS

EARLY CHILDHOOD ALLIANCE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2008
With Summarized Information for December 31, 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Early Childhood Alliance, Inc.
Fort Wayne, Indiana

We have audited the accompanying statement of financial position of Early Childhood Alliance, Inc. (a nonprofit organization) as of December 31, 2008, and the related statements 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 audit. The prior year summarized comparative information has been derived from the Organization's 2007 financial statements and in our report dated April 9, 2008, we expressed an unqualified opinion on those financial statements.

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 audit provides 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 Early Childhood Alliance, 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 a report dated April 9, 2009 on our consideration of Early Childhood Alliance, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Early Childhood Alliance, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards and related notes is presented for the purpose of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dulin, Ward & DeWald, Inc.

Fort Wayne, Indiana
April 9, 2009

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2008 with Summarized Information for December 31, 2007

	2008	2007
ASSETS		
Cash and cash equivalents	$ 133,636	$ 175,098
Short-term investments	568,513	628,160
Pledges receivable - net	10,000	290,000
Claims receivable	212,632	198,792
Prepaid expenses and deposits	7,500	9,942
Long-term investments	178,785	242,183
Beneficial interest	2,070	2,998
Fixed assets - net	1,826,297	1,870,899
Total Assets	$ 2,939,433	$ 3,418,072
LIABILITIES AND NET ASSETS		
Accounts payable:		
Trade	$ 28,744	$ 58,707
Food and service reimbursements	65,945	96,803
Employees' payroll deductions and accrued expenses	197,599	112,229
Total Liabilities	292,288	267,739
Net Assets:		
Unrestricted net assets	2,361,448	2,492,500
Temporarily restricted net assets	285,697	657,833
Total Net Assets	2,647,145	3,150,333
Total Liabilities and Net Assets	$ 2,939,433	$ 3,418,072

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

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2008 with Summarized
Information for the Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted
CHANGES IN NET ASSETS		
Support, Revenue and Gains:		
Contributions	$ 116,274	$ 15,000
United Way	2,624	210,000
Grants - federal	-	1,868,869
Grants - other	30,717	486,743
Fund raising events	22,095	-
Less direct benefit to donors	(1,211)	-
Program service fees	836,060	-
Investment revenue	34,647	-
Gain on investments	-	-
Miscellaneous	4,740	-
Net Assets Released From Restrictions:		
Satisfaction of program requirements	2,665,606	(2,665,606)
Satisfaction of time requirements	287,142	(287,142)
Total Support, Revenue and Gains	3,998,694	(372,136)
Expenses and Losses:		
Child care	1,526,262	-
Training	196,933	-
Resource and referral	530,250	-
Family Day Care Homes	941,738	-
Child Care and Early Education Partnership	90,208	-
Parents as Teachers	291,205	-
Mentoring	173,421	-
Administration	193,809	-
Fund raising	104,578	-
Loss on investments	81,343	-
Total Expenses and Losses	4,129,746	-
CHANGE IN NET ASSETS	(131,052)	(372,136)
NET ASSETS - beginning of year	2,492,500	657,833
NET ASSETS - end of year	$ 2,361,448	$ 285,697

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

Total	
2008	2007
$ 131,274	$ 141,905
212,624	196,116
1,868,869	1,530,100
517,460	591,504
22,095	22,426
(1,211)	(640)
836,060	870,926
34,647	44,214
-	11,787
4,740	4,923
-	-
-	-
3,626,558	3,413,261
1,526,262	1,422,956
196,933	239,567
530,250	352,364
941,738	733,855
90,208	161,992
291,205	259,651
173,421	148,318
193,809	159,812
104,578	68,729
81,343	-
4,129,746	3,547,244
(503,188)	(133,983)
3,150,333	3,284,316
$ 2,647,145	$ 3,150,333

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2008 with Summarized
Financial Information for the Year Ended December 31, 2007

	Child Care	Training	Resource and Referral	Family Day Care Homes	Child Care and Early Education Partnership
Salaries	$ 979,204	$ 126,582	$ 352,681	$ 79,790	$ 59,125
Employee health and retirement benefits	107,045	4,829	36,211	7,528	6,142
Payroll taxes	65,422	8,457	23,563	5,331	3,950
Total Salaries and Related Expenses	1,151,671	139,868	412,455	92,649	69,217
Specific assistance to individuals	71	5,688	531	816,597	933
Occupancy	137,744	4,129	19,684	7,448	3,061
Food service	143,067	-	-	-	-
Program supplies	15,506	27,595	15,105	5,457	1,082
Printing / public relations	7,651	1,333	47,754	3,724	25
Program travel / transportation	2,809	7,952	14,647	4,662	246
Professional fees	63	6,740	5,903	1,510	12,709
Professional development	721	3,628	10,842	4,879	2,525
Contracted services	2,427	-	1,432	1,440	360
Miscellaneous	10,433	-	486	-	-
Administrative fees	1,912	-	791	241	50
Board of directors	-	-	19	15	-
Total Expenses Before Depreciation	1,474,075	196,933	529,649	938,622	90,208
Depreciation	52,187	-	601	3,116	-
Total Expenses	$ 1,526,262	$ 196,933	$ 530,250	$ 941,738	$ 90,208

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

Parents as Teachers	Mentoring	Administration	Fund Raising	Total 2008	Total 2007
$ 193,580	$ 73,083	$ 55,074	$ 64,998	$ 1,984,117	$ 1,761,069
33,910	1,897	25,212	431	223,205	206,106
12,933	4,883	3,680	4,343	132,561	116,086
240,423	79,863	83,966	69,772	2,339,883	2,083,261
-	5,899	550	-	830,269	655,873
14,079	20,197	19,047	5,466	230,855	218,510
-	-	-	974	144,041	133,728
5,674	40,148	9,907	1,234	121,708	130,026
50	11,009	6,991	24,454	102,991	53,902
29,773	6,388	60	240	66,777	60,877
-	3,854	17,959	392	49,130	64,523
837	6,063	15,448	172	45,115	31,777
-	-	13,460	-	19,119	13,567
-	-	432	1,334	12,685	9,717
240	-	6,687	540	10,461	15,374
-	-	2,216	-	2,250	1,629
291,076	173,421	176,723	104,578	3,975,284	3,472,764
129	-	17,086	-	73,119	74,480
$ 291,205	$ 173,421	$ 193,809	$ 104,578	$ 4,048,403	$ 3,547,244

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2008 with Summarized Information
for the Year Ended December 31, 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (503,188)	$ (133,983)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	73,119	74,480
(Gain) loss on investments	81,343	(11,787)
Change in beneficial interest	928	(119)
Change in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	280,000	154,167
Claims receivable	(13,840)	(92,102)
Prepaid expenses and deposits	2,442	8,492
Increase (decrease) in:		
Accounts payable	(60,821)	85,357
Employees' payroll deductions and accrued expenses	85,370	(377)
Cash Flows From Operating Activities	(54,647)	84,128
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(333,298)	(432,411)
Proceeds from sale of investments	375,000	342,150
Purchase of fixed assets	(28,517)	(94,883)
Payments received on note receivable	-	26,000
Decrease (increase) in cash restricted to investment in fixed assets	-	20,000
Cash Flows From Investing Activities	13,185	(139,144)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(41,462)	(55,016)
CASH AND CASH EQUIVALENTS - beginning of year	175,098	230,114
CASH AND CASH EQUIVALENTS - end of year	$ 133,636	$ 175,098

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Early Childhood Alliance, Inc.'s services include early childhood education, professional training and development, family child care network, parent education, advocacy, child care resource and referral and corporate consultation on child care benefits in northeast Indiana. The Organization's main source of revenue includes grants from the government and foundations and program service fees.

The Organization is a nonprofit voluntary health and welfare organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

As allowed by FIN 48-3, the Organization has deferred the implementation of FIN No. 48, Accounting for Uncertainty in Income Taxes, until 2009. Currently, the Organization accounts for contingencies associated with certain tax positions in accordance with SFAS No. 5, Accounting for Contingencies.

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.

Gifts of cash and other assets are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit their use. In the case of temporarily restricted support, when the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these net assets do not expire and no assets are reclassified in the statement of activities.

For purposes of the statement of cash flows, the Organization considers all highly liquid investments, not held at brokerage firms, with a maturity of three months or less at the time of purchase to be cash equivalents.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

The Organization recognizes pledges as public support in the year the pledge is made. Pledges and claims receivable are due from government and other significant funding sources. Based upon historical collection experience with these agencies, no allowance for doubtful accounts is deemed necessary.

Due to the uncertainty of collection, daycare program fee revenue is recognized when collected rather than when earned.

Investments are carried at fair value. Substantially all of the investments have readily determinable values. Fair value is determined by brokerage statements received from reputable brokerage firms.

Fixed assets are stated at cost, or if donated, at fair value at the date of the gift. The cost of fixed assets is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. It is not the Organization's policy to imply time restrictions expiring over the useful life of donated assets. All items with a cost in excess of $1,000 and a useful life in excess of one year are capitalized.

For Indiana Employment Security Act purposes, the Organization has elected to reimburse the State for unemployment compensation claims paid rather than to fund the State unemployment compensation reserve. Such reimbursements are recognized as expense as they are paid.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

The Organization adopted applicable portions of the following accounting standards during 2008:

Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). This standard defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities under current U.S. GAAP standards and expands the disclosure of the methods used and the effect of fair value measurements on earnings.

FASB Staff Position 117-1, Endowments for Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosure for All Endowment Funds. This staff position provides guidance on the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of UPMIFA.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Certain reclassifications have been made to conform prior years' financial statements to the current presentation. The reclassifications have no effect on previously reported operating results.

2. PLEDGES RECEIVABLE

All pledges receivable are due within one year.

The Organization has received notification of an intention to give in the amount of $99,750 from the United Way of Allen County. The expected funding is to be used for programs in 2009 and has not been recorded as an asset of the Organization as of December 31, 2008.

3. INVESTMENTS

Investments as of December 31, 2008 are summarized as follows:

	Cost	Market
Short Term:		
Cash and cash equivalents	$ 303,197	$ 303,197
US Government obligations	98,692	100,000
Bonds	40,000	40,000
Certificates of deposit	125,316	125,316
	$ 567,205	$ 568,513
Long Term:		
Equities	$ 138,107	$ 93,748
Mutual funds - fixed income	75,103	72,539
Money funds	12,498	12,498
	$ 225,708	$ 178,785

4. BENEFICIAL INTEREST

The beneficial interest consists of funds held by the Community Foundation of Greater Fort Wayne which are the result of an agreement whereby the Organization transferred assets to the Foundation and specified itself as the beneficiary of those assets. The Organization may draw up to a certain percent of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundation.

Additionally, the Foundation holds investment assets, with a value of $6,398 at December 31, 2008, for the benefit of the Organization for which it has the retained variance power. These investments are not recorded as assets of the Organization.

5. FAIR VALUE MEASUREMENT

Assets measured at fair value on a recurring basis are summarized as follows:

	Fair Value at December 31, 2008
Investments	$ 747,298
Beneficial interest in funds held by Community Foundation of Greater Fort Wayne	2,070
Total	$ 749,368

Fair value was determined as follows:

	Quoted prices in Active Markets	Other Observable Inputs	Unobservable Inputs
Investments	$ 747,298	$ -	$ -
Beneficial interest in funds held by Community Foundation of Greater Fort Wayne	-	-	2,070
Total	$ 747,298	$ -	$ 2,070

(continued)

5. FAIR VALUE MEASUREMENT (continued)

For all investments fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the beneficial interest in funds held by Community Foundation of Greater Fort Wayne (Community Foundation) is based on the Organization's proportionate share of the Community Foundation's pooled investment portfolio. The Organization's management reviews the valuations and returns in comparison to industry benchmarks and other information provided by the Community Foundation.

Following is the reconciliation of activity for 2008 for assets measured at fair value based on significant unobservable (non-market) information:

Beginning balance - January 1, 2008	$ 2,998
Total gains or losses (realized and unrealized) included in earnings:	
Investment revenue	94
Loss on investments	(913)
Administrative fees	(109)
Ending Balance - December 31, 2008	$ 2,070

6. FIXED ASSETS

The components of fixed assets as of December 31, 2008 are as follows:

Land and improvements	$ 317,459
Buildings	1,946,156
Equipment	167,469
	2,431,084
Accumulated depreciation	604,787
	$ 1,826,297

7. NET ASSETS

Unrestricted net assets in the amount of $178,785 at December 31, 2008 have been designated by the Board of Directors for endowment purposes.

Temporarily restricted net assets as of December 31, 2008 are restricted as follows:

Programming requirements	$ 272,839
Time requirement	12,858
	$ 285,697

8. ENDOWMENT

Early Childhood Alliance, Inc. has currently invested its board designated endowment funds in an investment account with a mixture of equities, fixed income and cash and cash equivalents. The Organization has adopted investment policies for endowment assets that attempts to generate a reasonable return from interest, dividends, and capital appreciation consistent with the Organizations need to fund the activities supported by the endowment fund, having due regard not only for the safety of principal but also for the desirability of some long term appreciation of principal to offset inflation. The purpose of the endowment is to hold and invest monies and other properties to provide for emergencies and expansion, and to enable the Organization to better achieve the objectives of its mission. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of December 31, 2008:

Unrestricted net assets:	
Board designated endowment funds	$ 178,785

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2008:

Unrestricted net assets:	
Endowment net assets – beginning of year	$ 242,183
Investment return:	
Investment income	7,968
Net depreciation (realized and unrealized)	(68,975)
Fees	(2,556)
Total investment return	(63,563)
Contributions	165
Appropriation of endowment assets for expenditures	-
Other changes:	
Transfers to create board-designated endowment funds	-
Endowment net assets – end of year	$ 178,785

9. EMPLOYEE BENEFIT PLAN

The Organization sponsors a tax deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees over eighteen years of age with at least one year of service. The Organization matches a certain percentage contributed by the employees. Contributions to the plan charged to operations were $28,282 in 2008.

10. OPERATING LEASES

Early Childhood Alliance, Inc. leases certain of its operating facilities and equipment under operating leases expiring in various years through 2013. Thereafter, the leases are renewable annually. Total rental expense was $61,969 for 2008.

Minimum future lease payments under noncancelable leases having initial or remaining terms of one year or more as of December 31, 2008 for each of the next five years and in the aggregate are:

2009	$ 55,440
2010	2,568
2011	2,568
2012	2,568
2013	428
2014 and thereafter	-
	$ 63,572

11. CREDIT RISK AND CONCENTRATIONS

The Organization receives substantial support from the federal government. A significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's programs and activities. Claims for federally supported programs are filed and reimbursed on a bi-weekly basis.

12. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations in 2008 was $55,074.

13. IN-KIND CONTRIBUTIONS

The Organization recognizes contributions of revenue for certain services and supplies received at the fair value of those services and supplies. Those services and supplies include the following item:

		2008
Fundraising:		
Printing, publicity and supplies for special events	$	24,439

14. COMPENSATED ABSENCES

During 2008, the Organization changed its policy regarding compensated absences to paid time off (PTO) effective January 1, 2009. Previously, the Organization had separate policies regarding vacation, sick and personal days based on an employee's anniversary date. As a result of the change in policy, additional salary and wage expense of $129,932 was considered earned in 2008.

15. SUBSEQUENT EVENTS

Subsequent to the end of the fiscal year the Organization received notice that they are a recipient of a multi-year grant in the amount of $525,000.

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Revenue Recognized	Expenditures
U.S. Department of Agriculture:				
Passed through Indiana Department of Education:				
Child and Adult Care Food Program	10.558	102-0001	$ 1,047,757	$ 1,047,757
U.S. Department of Health and Human Services:				
Passed through Indiana Family and Social Service Administration:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	02-05-1A-0201	260,739	260,739
Passed through Indiana Association for Child Care Resource & Referral:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	49-08-87-0491	500,759	496,078
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	49-08-87-2247	59,614	59,614
Total Federal Assistance			$ 1,868,869	$ 1,864,188

The accompanying notes are an integral part of this schedule.

EARLY CHILDHOOD ALLIANCE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2008

1. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Early Childhood Alliance, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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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

Board of Directors
Early Childhood Alliance, Inc.
Fort Wayne, Indiana

We have audited the financial statements of Early Childhood Alliance, Inc. as of and for the year ended December 31, 2008, and have issued our report thereon dated April 9, 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 Early Childhood Alliance, Inc.'s internal control over financial reporting in order to determine 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 Early Childhood Alliance, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described in the accompanying schedule of finding and questioned costs as item 08-01 to be a significant deficiency over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Early Childhood Alliance, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Early Childhood Alliance, Inc. in a separate letter dated April 9, 2009.

This report is intended solely for the information and use of the board of directors, management, 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.

Dulin, Ward & DeWald, Inc.

Fort Wayne, Indiana
April 9, 2009

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Early Childhood Alliance, Inc.
Fort Wayne, Indiana

Compliance

We have audited the compliance of Early Childhood Alliance, Inc. 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. Early Childhood Alliance, 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 each of its major federal programs is the responsibility of Early Childhood Alliance, Inc.'s management. Our responsibility is to express an opinion on Early Childhood Alliance, 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 Early Childhood Alliance, 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 on Early Childhood Alliance, Inc.'s compliance with those requirements.

In our opinion, Early Childhood Alliance, Inc. 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 Early Childhood Alliance, 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 Early Childhood Alliance, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Early Childhood Alliance, Inc.'s internal control over compliance.

A control deficiency in an organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance of a federal program that is more than inconsequential will not be prevented or detected by the organization's internal control.

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

Our consideration of the 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 the board of directors, management, 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.

Dulin, Ward & DeWald, Inc.

Fort Wayne, Indiana
April 9, 2009

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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 _X_ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_X_ Yes ___ None Reported
Noncompliance material to financial statements noted?	___ Yes _X_ No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___ Yes _X_ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ Yes _X_ None Reported
Type of 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?	___ Yes _X_ No

(continued)

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Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
Audited qualified as low-risk auditee?	X Yes ___ No

Section II - Financial Statement Findings

08-01 Significant deficiency over financial reporting – Material journal entries proposed to management

Criteria: An audit is performed for the purpose of presenting an opinion as to whether the financial statements present fairly, in all material respects, the financial position of an Organization in conformity with Generally Accepted Accounting Principles (GAAP).

Condition: During our audit, we proposed several journal entries that were agreed to by management. Two entries were recorded on the books of the Organization. Some of the adjustments were not-for-books adjustments that account for differences between accounting methods used for the Organization's internal financial statements and GAAP. The total effect of these journal entries was material to the financial statements. If the entries had not been made, there would have been a more than remote possibility that the financial statements would have been materially misstated.

Cause: Of the seven journal entries proposed to management, two were to correct errors or omissions made during the course of the fiscal year and five were adjustments that account for differences between accounting methods used for the Organization's internal financial statements and those used for audit report purposes.

Effect: The total effect of these proposed adjustments was a decrease in the change of net assets of $527,496. If the entries had not been made, there would have been a more than remote possibility that the financial statements would have been materially misstated.

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EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2008

(continued)

Recommendation: Additional procedures should be done on final balances to ensure errors or omissions are detected and corrected in a timely manner and that the financial statements are presented in conformity with GAAP.

Management response: Management concurs with the findings. The financial statements provided to the auditors were prepared on a basis that best permits management and the Board of Directors to oversee the company. Management was aware of the type of differences between the submitted financial statements and those statements prepared on a GAAP basis. In future years, management will provide the auditors with financial statements prepared on a GAAP basis.

Section III - Federal Award Findings and Questioned Costs

No material weaknesses or instances of noncompliance, including questioned costs noted.

EARLY CHILDHOOD ALLIANCE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2008

There were no prior audit findings.