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October 14, 2011

Board of Directors
Child Care Network, Inc.
113 N. Chestnut St., Ste. 305
P.O. Box 305
Seymour, IN 47274

We have reviewed the audit report prepared by Larry E. Nunn & Associates, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Child Care Network, Inc., as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the finding in the report. Page 15 contains one current audit finding.

STATE BOARD OF ACCOUNTS

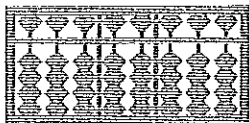
CHILD CARE NETWORK, INC.
FINANCIAL STATEMENTS
December 31, 2007

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Larry E. Nunn & Associates
Certified Public Accountants, L.L.C.

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From Vision to Solution

Board of Directors
Child Care Network, Inc.
Seymour, Indiana

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Child Care Network, Inc., as of December 31, 2007 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.

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 Child Care Network, Inc. as of December 31, 2007, 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 January 13, 2009, on our consideration of Child Care Network, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

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

Larry E. Nunn & Associates, LLC

Columbus, Indiana
January 13, 2009

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CHILD CARE NETWORK, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2007

	<u>Child Care Network/ Kids Klub</u>	<u>Food Program</u>	<u>Step Ahead</u>	<u>Total</u>
<u>ASSETS</u>				
Assets:				
Cash and cash equivalents	\$ 65,149	\$ -	\$ 1,295	\$ 66,444
Accounts receivable	18,043	49,075	2,373	69,491
Prepaid expenses	<u>1,105</u>	<u>-</u>	<u>-</u>	<u>1,105</u>
 TOTAL ASSETS	 <u>\$ 84,297</u>	 <u>\$ 49,075</u>	 <u>\$ 3,668</u>	 <u>\$ 137,040</u>
<u>LIABILITIES AND NET ASSETS</u>				
Liabilities:				
Accounts payable	\$ 3,309	\$ 49,075	\$ 2,373	\$ 54,757
 TOTAL LIABILITIES	 <u>3,309</u>	 <u>49,075</u>	 <u>2,373</u>	 <u>54,757</u>
Net assets:				
Unrestricted net assets	<u>80,988</u>	<u>-</u>	<u>1,295</u>	<u>82,283</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 84,297</u>	 <u>\$ 49,075</u>	 <u>\$ 3,668</u>	 <u>\$ 137,040</u>

See accompanying notes and independent auditor's report.

CHILD CARE NETWORK, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

	<u>Child Care Network/ Kids Klub</u>	<u>Food Program</u>	<u>Step Ahead</u>	<u>Total</u>
Support and Revenue:				
Fees collected	\$ 337,801	\$ -	\$ -	\$ 337,801
Federal grant funds	-	579,592	9,761	589,353
Donations	2,994	-	-	2,994
Program income	54,648	-	-	54,648
Program reimbursements	54,194	15,025	-	69,219
Interest income	723	8	2	733
Other income	23,570	149	-	23,719
	<u>473,930</u>	<u>594,774</u>	<u>9,763</u>	<u>1,078,467</u>
TOTAL SUPPORT AND REVENUE				
Expenses:				
Program service	305,946	580,163	9,761	895,870
Management and general	137,018	15,025	-	152,043
	<u>442,964</u>	<u>595,188</u>	<u>9,761</u>	<u>1,047,913</u>
TOTAL EXPENSES				
CHANGE IN NET ASSETS	30,966	(414)	2	30,554
NET ASSETS, BEGINNING OF YEAR	<u>50,022</u>	<u>414</u>	<u>1,293</u>	<u>51,729</u>
NET ASSETS, END OF YEAR	<u>\$ 80,988</u>	<u>\$ -</u>	<u>\$ 1,295</u>	<u>\$ 82,283</u>

See accompanying notes and independent auditor's report.

CHILD CARE NETWORK, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

	Program Service Expenses				Management and General			
	Child Care Network/ Kids Klub	Food Program	Step Ahead	Total	Child Care Network/ Kids Klub	Food Program	Total	Total
Salaries	\$ 152,442	\$ -	\$ -	\$ 152,442	\$ 101,192	\$ -	\$ 101,192	\$ 253,634
Payroll taxes	15,401	-	-	15,401	-	-	-	15,401
Program supplies	45,085	-	-	45,085	-	3,284	3,284	48,369
Program expenses	48,869	-	-	48,869	-	-	-	48,869
Provider reimbursement	-	514,473	-	514,473	-	-	-	514,473
Coordinators' fees	-	-	5,000	5,000	-	-	-	5,000
Administrative reimbursement	11,250	65,690	-	76,940	-	-	-	76,940
Insurance	-	-	-	-	9,003	-	9,003	9,003
Rent expense	-	-	-	-	744	-	744	744
Utilities	-	-	-	-	3,953	984	4,937	4,937
Copier expense	-	-	-	-	610	-	610	610
Activity expense	237	-	90	327	-	-	-	327
Telephone	3,716	-	26	3,742	177	598	775	4,517
Training	662	-	-	662	-	-	-	662
Professional fees	-	-	-	-	13,200	2,676	15,876	15,876
Advertising and promotional	-	-	4,045	4,045	773	-	773	4,818
Printing	-	-	-	-	94	-	94	94
Postage	-	-	-	-	900	-	900	900
Contracted services	1,604	-	600	2,204	-	7,226	7,226	9,430
Dues and subscriptions	-	-	-	-	-	257	257	257
Equipment expense	424	-	-	424	3,706	-	3,706	4,130
Kasting House expense	23,442	-	-	23,442	-	-	-	23,442
Office supplies	1,137	-	-	1,137	1,696	-	1,696	2,833
Miscellaneous	1,677	-	-	1,677	970	-	970	2,647
Total expenses	\$ 305,946	\$ 580,163	\$ 9,761	\$ 895,870	\$ 137,018	\$ 15,025	\$ 152,043	\$ 1,047,913

See accompanying notes and independent auditor's report.

CHILD CARE NETWORK, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2007

	Child Care Network/ <u>Kids Klub</u>	Food <u>Program</u>	Step <u>Ahead</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 30,966	\$ (414)	\$ 2	\$ 30,554
Adjustments to reconcile change in net assets to net cash provided by operations				
(Increase) in assets:				
Accounts receivable	(2,679)	(4,169)	-	(6,848)
Prepaid expenses	(621)	-	-	(621)
(Decrease) increase in liabilities:				
Accounts payable	<u>(12,351)</u>	<u>4,169</u>	<u>-</u>	<u>(8,182)</u>
Net cash provided (used) by operations	<u>15,315</u>	<u>(414)</u>	<u>2</u>	<u>14,903</u>
Increase (decrease) in cash and cash equivalents	15,315	(414)	2	14,903
CASH AND CASH EQUIVALENTS				
Beginning of year	<u>49,834</u>	<u>414</u>	<u>1,293</u>	<u>51,541</u>
End of year	<u>\$ 65,149</u>	<u>\$ -</u>	<u>\$ 1,295</u>	<u>\$ 66,444</u>

See accompanying notes and independent auditor's report.

CHILD CARE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 1 - NATURE OF OPERATIONS

Child Care Network, Inc. (the Organization) provides child care and food services to children in Seymour, Indiana. The agency is responsible for operating the Food Program and the Step Ahead Program in the Jackson County, Indiana area through contracts with the Indiana Family and Social Services Administration and the Indiana Department of Education. In addition, the Organization runs the Kids Klub program, which provides affordable day care at different schools in the Jackson County area.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting -

All accounting records are maintained on the accrual method in which revenues and expenses are recorded in the period earned or incurred. Grant revenue is recognized in the period earned or related expenses are incurred. Fees and program income are recognized as income when collected.

Income Taxes -

The Organization is a not-for-profit corporation approved under Section 501 (c) (3) of the Internal Revenue Code and is, therefore, not liable for income taxes, except for unrelated business income.

Statement of Cash Flows -

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Donations -

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There were no restricted donations in the current year.

Use of Estimates -

The presentation 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable -

The Organization carries its accounts receivable at cost. They represent amounts due from government agencies for services provided in months prior to year end. Management determines the allowance for uncollectible amounts based on historical collection of receivables. As of December 31, 2007, no allowance was considered necessary.

Advertising Costs -

Advertising costs are expensed as incurred.

CHILD CARE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 3 - CONTINGENCIES/STATE CONTRACTS

The Organization is substantially funded by grants and contracts awarded directly and indirectly by the Federal government and the State of Indiana. The majority of the agreements contain provisions which permit the arrangements to be terminated or the funds provided to be reduced if the unit of government does not appropriate any or adequate funds to maintain the current funding levels. Any excess funds on hand at the termination date would be subject to refund if such funds exceeded the accrued expenditures allowable under the grants and contracts at that date. Amounts received from state sources and included in income in 2007 is as follows:

Food Program	\$ 579,592
Step Ahead – CARE Grant	<u>9,761</u>
Total funding	<u>\$ 589,353</u>

The Food Program amounts are a pass through from the Indiana Department of Education under the Child and Adult Food Care Program (CFDA 10.558). The contract reimburses the Food Program on a unit per service basis, and currently is in effect through September 30, 2008. Amounts due from services rendered totaled \$49,075 as of December 31, 2007. Amounts owed to the providers totaled \$49,075 as of December 31, 2007. The Food Program currently operates in the following Indiana counties: Jackson, Bartholomew, Clark, Washington, Jennings, Scott and Ripley.

The Step Ahead program received grant monies totaling \$10,000 through Purdue University, passed through from the Indiana Department of Health under CFDA 93.136-Injury Prevention and Control Research and State and Community Based Programs. This grant is to be used in support of a project entitled "CARE: Communities Against Rape". The current contract period runs from October 1, 2007 through September 30, 2008. Amounts received on the prior contract ending September 30, 2007 totaled \$6,481. \$3,280 has been billed against this contract through December 31, 2007. \$2,373 is included in accounts receivable at year end.

Note 4 - FUNCTIONAL EXPENSES

Included in management and general expenses are amounts paid by Child Care Network for the Adult Food Program. These amounts are offset by reimbursements received from the state for administering the program.

CHILD CARE NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

Note 5 - COMMITMENTS

Child Care Network leases administrative office space from an unrelated party under an agreement that began in December 2004, for a five year term. The monthly lease payment is made as follows:

Child Care Network	\$ 295
Kids Club	100
Food Program	<u>165</u>
Total	<u>\$ 560</u>

At December 31, 2007, the future minimum lease payments required by this lease are \$6,720 in both 2008 and 2009.

An unrelated organization subleases office space from Child Care Network for \$150 per month through December 31, 2007. Total lease expense for the year was \$744.

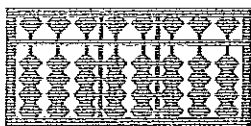
The Organization is receiving \$900 per month from the landlord to act as manager of the building in which it is located. This agreement expires in September 2008 and is renewable with both parties' consent. Total amounts received during the year were \$11,700 and are included in Child Care Network's program income.

Note 6 - SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for interest during the year	<u>\$ -</u>
Cash paid for income taxes during the year	<u>\$ -</u>

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

To The Board of Directors
Child Care Network, Inc.
Seymour, Indiana

We have audited the financial statements of Child Care Network, Inc. as of and for the year ended December 31, 2007 and have issued our report thereon dated January 13, 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 Child Care Network's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Child Care Network's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

Our consideration of 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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency (Finding 2007-1) described in the accompanying schedule of findings and responses to be a significant deficiency 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 entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

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Board of Directors
Child Care Network
Seymour, Indiana

Compliance

As part of obtaining reasonable assurance about whether Child Care Network, 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*.

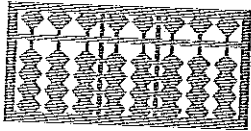
Child Care Network's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Child Care Network's response and, accordingly, we express no opinion on it.

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

Amy E. Hance, CPA

Columbus, Indiana
January 13, 2009

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**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
Child Care Network, Inc.
Seymour, Indiana

Compliance

We have audited the compliance of Child Care Network, 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 its major federal program for the year ended December 31, 2007. Child Care Network, Inc.'s major federal program is 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 Child Care Network, Inc.'s management. Our responsibility is to express an opinion on Child Care Network, 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 Child Care Network, 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 Child Care Network, Inc.'s compliance with those requirements.

In our opinion, Child Care Network, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of Child Care Network, 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 Child Care Network Inc.'s internal control over compliance with 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 Child Care Network Inc.'s internal control over compliance.

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Board of Directors
Child Care Network
Seymour, Indiana

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, as defined above. 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 of the board of directors, management 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.

Amy E. Hume, CPA

Columbus, Indiana
January 13, 2009

CHILD CARE NETWORK, INC.
 SCHEDULE OF FEDERAL EXPENDITURES
For the Year Ended December 31, 2007

<u>Major Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture-pass thru from Indiana Department of Education-Child and Adult Food Program	10.558	\$ 579,592
 <u>Non-major Programs</u>		
U.S. Department of Health and Human Services pass-thru from Indiana Department of Health-Injury Prevention and Control Research and State and Community Based Programs (CARE reimbursement grant)	93.136	<u>9,761</u>
 Total funding from all governmental sources		<u>\$ 589,353</u>

See independent auditor's report.

CHILD CARE NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: UNQUALIFIED

Internal Control over financial reporting:

A control deficiency which is also a significant deficiency was identified. This deficiency is not a material weakness.

No instances of noncompliance material to financial statements were noted

Federal Awards

Internal Control over major programs:

No material weaknesses were identified

No control deficiencies were identified

Type of auditor's report issued on compliance for

Major programs: UNQUALIFIED

No audit findings were identified that are required to be reported in accordance with Section 510(a) of Circular A-133.

Identification of major programs:

CFDA Number 10.558

Child and Adult Food Program

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

The auditee qualified as a low-risk auditee.

CHILD CARE NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
"For the Year Ended December 31, 2007

Section II - Financial Statement Findings
Significant deficiency

2007-1: Financial statement preparation

Condition:

The Organization does not have sufficient, capable, expertise to prepare a complete set of financial statements and related footnote disclosures.

Criteria:

Under current guidelines, the client is required to take responsibility for the preparation of a complete set of financial statements, including the related footnotes and other disclosures required under generally accepted accounting principles.

Effect:

A complete set of financial statements with required disclosures might not be accurately prepared.

Recommendation:

Engaging the auditors to assist in the preparation of the financial statements is an adequate response under current professional standards assuming the Organization has designated an individual with suitable skill, knowledge, or experience to oversee the auditor's services and the Organization has made all management decisions and performed all management functions.

Amount of Questioned Costs:

No amount was noted

Auditor's summary of Auditees' Comments:

Child Care Network agrees with the findings.

Completion Date:

Ongoing.

Section III - Federal Award Findings and Questioned Costs
No matters were reported.