



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B39536

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

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

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 Rodefer Moss & Co., PLLC, Independent Public Accountants, for the period January 1, 2009 to September 30, 2009. 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 September 30, 2009, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

CHILD CARE NETWORK, INC.  
Financial Statements and Supplementary Information  
For the period January 1, 2009 to September 30, 2009

CHILD CARE NETWORK, INC.  
Financial Statements and Supplementary Information  
For the period January 1, 2009 to September 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information:	
Schedule of Expenditures of Federal Awards	8
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	9
Report on Compliance with Requirements applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB CIRCULAR A-133	11
Schedule of Findings and Questioned Costs	13

- Certified Public Accountants
- Business Advisors

p: 812.945.5236  
f: 812.949.4095  
w: rodefermoss.com  
301 East Elm Street  
New Albany, IN 47150



### Independent Auditors' Report

To the Board of Directors  
Child Care Network, Inc.

We have audited the accompanying statement of financial position of Child Care Network, Inc. (a nonprofit organization) as of September 30, 2009, and the related statements of activities, functional expenses, and cash flows for the period January 1, 2009 to September 30, 2009. 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 September 30, 2009, and the changes in its net assets and its cash flows for the period January 1, 2009 to September 30, 2009, 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 February 8, 2010, on our consideration of Child Care Network, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control 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 conducted for the purpose of forming an opinion on the basic financial statements of Child Care Network, Inc., taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rodefer Moss & Co, PLLC  
New Albany, Indiana  
February 8, 2010

CHILD CARE NETWORK, INC.  
Statement of Financial Position  
September 30, 2009

	<u>Child Care Network</u>	<u>Kids Klub</u>	<u>Food Program</u>	<u>Caring for Kids</u>	<u>Total</u>
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 19,827	\$ 88,201	\$ 1,672	\$ 45,287	\$ 154,987
Accounts receivable	5,157	13,778	56,429	-	75,364
Prepaid expenses	2,463	-	-	-	2,463
Total current assets	<u>27,447</u>	<u>101,979</u>	<u>58,101</u>	<u>45,287</u>	<u>232,814</u>
Property and Equipment					
Office furniture and equipment	-	3,060	-	-	3,060
Less accumulated depreciation	-	(572)	-	-	(572)
Property and equipment, net	<u>-</u>	<u>2,488</u>	<u>-</u>	<u>-</u>	<u>2,488</u>
Total assets	<u>\$ 27,447</u>	<u>\$ 104,467</u>	<u>\$ 58,101</u>	<u>\$ 45,287</u>	<u>\$ 235,302</u>
<b>LIABILITIES AND NET ASSETS</b>					
Current Liabilities					
Unearned income	\$ -	\$ -	\$ -	\$ 37,032	\$ 37,032
Accrued expenses	11,366	13,485	56,429	378	81,658
Total liabilities	<u>11,366</u>	<u>13,485</u>	<u>56,429</u>	<u>37,410</u>	<u>118,690</u>
Net Assets					
Unrestricted net assets	<u>16,081</u>	<u>90,982</u>	<u>1,672</u>	<u>7,877</u>	<u>116,612</u>
Total net assets	<u>16,081</u>	<u>90,982</u>	<u>1,672</u>	<u>7,877</u>	<u>116,612</u>
Total liabilities and net assets	<u>\$ 27,447</u>	<u>\$ 104,467</u>	<u>\$ 58,101</u>	<u>\$ 45,287</u>	<u>\$ 235,302</u>

CHILD CARE NETWORK, INC.  
Statement of Activities  
For the period January 1, 2009 to September 30, 2009

	<u>Child Care Network</u>	<u>Kids Klub</u>	<u>Food Program</u>	<u>Caring for Kids</u>	<u>Total</u>
Support and Revenue					
Federal grant funds	\$ -	\$ -	\$ 593,851	\$ -	\$ 593,851
Fees collected	10,376	174,696	-	-	185,072
Program income	-	28,844	-	23,859	52,703
Program reimbursements	2,352	-	58,293	-	60,645
Donations	342	96	-	2,048	2,486
In-kind income	14,154	103	-	-	14,257
Other income	13,811	283	-	972	15,066
Interest income	11	622	-	288	921
Fundraising income	-	-	-	997	997
	<u>41,046</u>	<u>204,644</u>	<u>652,144</u>	<u>28,164</u>	<u>925,998</u>
Total support and revenue					
Expenses					
Program services	31,953	167,559	658,019	34,827	892,358
Management and general	17,322	22,833	-	-	40,155
	<u>49,275</u>	<u>190,392</u>	<u>658,019</u>	<u>34,827</u>	<u>932,513</u>
Total expenses					
Net change in assets	(8,229)	14,252	(5,875)	(6,663)	(6,515)
Net assets at December 31, 2008	<u>24,310</u>	<u>76,730</u>	<u>7,547</u>	<u>14,540</u>	<u>123,127</u>
Net assets at September 30, 2009	<u>\$ 16,081</u>	<u>\$ 90,982</u>	<u>\$ 1,672</u>	<u>\$ 7,877</u>	<u>\$ 116,612</u>

CHILD CARE NETWORK, INC.  
Statement of Functional Expenses  
For the period January 1, 2009 to September 30, 2009

	Program Service Expenses					Total
	Child Care Network	Kids Klub	Food Program	Caring for Kids	Total Program Services	
Provider reimbursement	\$ -	\$ -	\$ 593,851	\$ -	\$ 593,851	\$ -
Salaries and wages	2,794	124,976	44,389	-	172,159	35,543
Contracted services	-	-	313	21,916	22,229	-
Payroll taxes	214	9,561	1,887	-	11,662	4,226
In-Kind expense	14,154	103	-	-	14,257	-
Program supplies	-	11,990	-	382	12,372	-
Professional fees	5,333	744	5,100	-	11,177	-
Administrative reimbursement	-	5,850	-	3,206	9,056	-
Insurance	4,550	-	1,886	-	6,436	-
Assistance to others	-	5,272	-	-	5,272	-
Rent expense	675	1,800	2,700	-	5,175	-
Office supplies and expense	401	935	1,858	886	4,080	-
Travel	84	820	3,014	-	3,918	-
Telephone and internet	621	2,219	1,053	-	3,893	-
Program expenses	-	1,768	-	2,117	3,885	-
Kids Fest expense	-	-	-	2,695	2,695	-
Advertising and printing	-	202	510	995	1,707	-
Weather Alert Radios	1,488	-	-	-	1,488	-
Equipment expense	-	86	672	644	1,402	-
Postage	241	97	461	125	924	-
Miscellaneous	232	481	-	203	916	-
Copier expense	341	284	284	-	909	-
Family Preschool expense	-	-	-	909	909	-
Fundraising expenses	-	-	-	619	619	-
Unrelated business income tax	545	-	-	-	545	-
Training	70	337	6	130	543	-
Depreciation expense	-	-	-	-	-	386
Dues and subscriptions	210	8	35	-	253	-
Gift expense	-	26	-	-	26	-
<b>Total expenses</b>	<b>\$ 31,953</b>	<b>\$ 167,559</b>	<b>\$ 658,019</b>	<b>\$ 34,827</b>	<b>\$ 892,358</b>	<b>\$ 40,155</b>
						<b>\$ 932,513</b>

See notes to financial statements.

CHILD CARE NETWORK, INC.  
Statement of Cash Flows  
For the period January 1, 2009 to September 30, 2009

Cash Flows From Operating Activities

Change in net assets	\$ (6,515)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	386
Decrease (increase) in assets:	
Accounts receivable	11,822
Prepaid expenses	(1,844)
Increase (decrease) in liabilities:	
Unearned revenue	36,382
Accrued expenses	<u>15,328</u>
Net cash flows from operating activities	<u>55,559</u>

Cash Flows From Investing Activities

Acquisition of property and equipment	<u>(878)</u>
Net cash flows from investing activities	<u>(878)</u>
Net change in cash and cash equivalents	54,681

Cash and cash equivalents at December 31, 2008	<u>100,306</u>
Cash and cash equivalents at September 30, 2009	<u>\$ 154,987</u>

CHILD CARE NETWORK, INC.  
Notes to Financial Statements  
For the period January 1, 2009 to September 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization Activities** - Child Care Network, Inc. (the Organization) provides early childhood education and runs the Kids Klub program, an affordable day care within different elementary schools in Jackson County. The agency is also responsible for operating the Food Program through a contract with the Indiana Department of Education.

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

**Basis of Presentation** - The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Estimates** - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Accounts Receivable** - The Organization carries its accounts receivable at cost. Accounts receivable represent amounts due from government agencies for services provided in months prior to year end. Management determines if an allowance for uncollectible amounts is necessary based on historical collection of receivables. As of September 30, 2009, no allowance was considered necessary.

**Income Taxes** - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is included in the accompanying financial statements.

**Property and Equipment** - Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The range of estimated useful lives for the assets is 5-10 years. The Organization's policy is to expense assets costing \$500 or less.

**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.

**Advertising** - The Organization uses advertising to promote various programs. The costs of advertising are expensed as incurred. For the period January 1, 2009 to September 30, 2009, advertising costs totaled \$925.

**Reclassifications** - Beginning of the year net asset balances have been reclassified to conform to the presentation in the current year financial statements.

NOTE 2 - 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.

CHILD CARE NETWORK, INC.  
Notes to Financial Statements (Continued)

NOTE 2 - CONTINGENCIES/ STATE CONTRACTS - (Continued)

The agreement was not terminated at September 30, 2009 and therefore, there were no excess funds at September 30, 2009. Amounts received from state sources and included in income for the period January 1, 2009 to September 30, 2009 are as follows:

Food Program	\$ <u>593,851</u>
Total Funding	\$ <u>593,851</u>

The Food Program amounts are pass-throughs 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, 2010. Amounts due from services rendered totaled \$56,429 as of September 30, 2009. Amounts owed to the providers totaled \$ 56,429 as of September 30, 2009. The Food Program currently operates in the following Indiana counties: Jackson, Bartholomew, Clark, Washington, Jennings, Scott, Jefferson, and Ripley.

NOTE 3 - CONCENTRATION OF REVENUE

For the period January 1, 2009 to September 30, 2009, the Organization received 63% of its revenue from the Indiana Department of Education for the services it provides to its home daycare centers.

NOTE 4 - COMMITMENTS

Child Care Network leases administrative office space from a related party under an agreement that began in December 2004, for a five year term. Lease expense is \$575 per month. The monthly lease payment is made as follows:

Child Care Network	\$ .75
Kids Club	200
Food Program	<u>300</u>
Total	<u>\$ 575</u>

At September 30, 2009, the future minimum lease payments required by this lease are \$1,725 for October 2009 through December 2009.

The Organization is receiving \$973 per month from the landlord to act as manager of the building in which it is located. This agreement expires in December 2009 and is renewable with both parties' consent. Total amounts received during the year were \$7,812 and are included in Child Care Network's program income.

CHILD CARE NETWORK, INC.  
 Schedule of Expenditures of Federal Awards  
 For the period January 1, 2009 to September 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Awards Expended
<b>September 30, 2009</b>			
<b>Indiana Department of Education</b>			
Child and Adult Care Food Program	10.558	1360010	\$ <u>593,851</u>
Total			\$ <u>593,851</u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Child Care Network, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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  
Child Care Network, Inc.

We have audited the financial statements of Child Care Network, Inc. (a nonprofit organization), as of September 30, 2009 and for the period January 1, 2009 to September 30, 2009, and have issued our report thereon dated February 8, 2010. 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, Inc.'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, 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 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 over financial reporting 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 financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 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*.

This report is intended solely for the information and use of management, Board of Directors, 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.

*Rodefer Moss & Co, PLLC*

Rodefer Moss & Co, PLLC  
New Albany, Indiana  
February 8, 2010

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.

Compliance

We have audited the compliance of Child Care Network, 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 program for the period January 1, 2009 to September 30, 2009. Child Care Network, Inc.'s major federal program is identified in the summary of auditors' 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 of 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 period January 1, 2009 to September 30, 2009.

Internal Control over Compliance

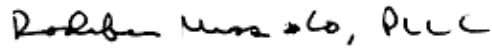
The management of Child Care Network, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Child Care Network, 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.

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

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

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

This report is intended solely for the information and use of management, Board of Directors, 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.



Rodefer Moss & Co, PLLC  
New Albany, Indiana  
February 8, 2010

CHILD CARE NETWORK, INC.  
Schedule of Findings and Questioned Costs  
For the period January 1, 2009 to September 30, 2009

Section I- Summary of Auditors' Results

**Financial Statements**

Type of auditors' report issued: *unqualified*

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weaknesses?  yes  none reported

Type of auditor's 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 OMB Circular A-133?  yes  no

Identification of major programs:

CFDA Number(s)

10.558

Name of Federal Program or Cluster

Child and Adult Care Food

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

Auditee qualified as low-risk auditee?  yes  no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None