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AN EQUAL OPPORTUNITY EMPLOYER

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October 18, 2013

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, 2011 to December 31, 2011. 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, 2011, 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

EARLY CHILDHOOD ALLIANCE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2011

With Summarized Information for December 31, 2010

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INDEPENDENT AUDITORS' 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, 2011, 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 2010 financial statements and in our report dated March 23, 2011, 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, 2011, 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 March 19, 2012 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Dulin, Ward + DeWald, Inc.

Fort Wayne, Indiana
March 19, 2012

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2011 with Summarized Information for December 31, 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 480,986	\$ 496,523
Short-term investments	76,012	75,000
Pledges receivable	603,300	175,000
Claims receivable	368,753	376,605
Prepaid expenses and deposits	2,560	2,138
Long-term investments	236,672	236,592
Beneficial interest	12,553	2,709
Cash restricted to investment in fixed assets	6,414	14,537
Fixed assets - net	<u>1,719,097</u>	<u>1,785,010</u>
Total Assets	<u><u>\$ 3,506,347</u></u>	<u><u>\$ 3,164,114</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable:		
Trade	\$ 28,919	\$ 21,516
Food and service reimbursements	92,904	91,945
Employees' payroll deductions and accrued expenses	<u>285,644</u>	<u>278,989</u>
Total Liabilities	407,467	392,450
Net Assets:		
Unrestricted net assets	2,389,832	2,414,752
Temporarily restricted net assets	<u>709,048</u>	<u>356,912</u>
Total Net Assets	<u>3,098,880</u>	<u>2,771,664</u>
Total Liabilities and Net Assets	<u><u>\$ 3,506,347</u></u>	<u><u>\$ 3,164,114</u></u>

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

EARLY CHILDHOOD ALLIANCE, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011 with Summarized
Information for the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted
CHANGES IN NET ASSETS		
Support, Revenue and Gains:		
Contributions	\$ 606,257	\$ -
United Way	-	140,000
Grants - federal	2,421,697	-
Grants - other	111,025	888,300
Fund raising events	57,405	-
Less direct benefit to donors	(836)	-
Program service fees	1,671,228	-
Investment revenue	7,911	-
Gain on investments	-	-
Miscellaneous	9,187	-
Net Assets Released From Restrictions:		
Satisfaction of program requirements	491,518	(491,518)
Satisfaction of time requirements	175,000	(175,000)
Satisfaction of purchase requirements	9,646	(9,646)
	<hr/>	<hr/>
Total Support, Revenue and Gains	5,560,038	352,136
Expenses and Losses:		
Child care	3,035,339	-
Training	89,386	-
Resource and referral	528,049	-
Food program	1,349,015	-
Parents as Teachers	241,790	-
Mentoring	71,038	-
Administration	198,373	-
Fund raising	68,098	-
Loss on investments	3,870	-
	<hr/>	<hr/>
Total Expenses and Losses	5,584,958	-
	<hr/>	<hr/>
CHANGE IN NET ASSETS	(24,920)	352,136
NET ASSETS - beginning of year	2,414,752	356,912
	<hr/>	<hr/>
NET ASSETS - end of year	\$ 2,389,832	\$ 709,048
	<hr/>	<hr/>

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

	Total	
	2011	2010

\$ 606,257	\$ 543,411
140,000	140,169
2,421,697	2,354,292
999,325	474,331
57,405	27,509
(836)	(2,751)
1,671,228	1,582,780
7,911	7,191
-	16,652
9,187	8,031

-	-
-	-
-	-

5,912,174	5,151,615
-----------	-----------

3,035,339	2,777,265
89,386	118,696
528,049	521,867
1,349,015	1,297,790
241,790	258,214
71,038	70,993
198,373	190,082
68,098	76,349
3,870	-

5,584,958	5,311,256
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327,216	(159,641)
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2,771,664	2,931,305
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\$ 3,098,880	\$ 2,771,664
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EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2011 with Summarized
Financial Information for the Year Ended December 31, 2010

	Child Care	Training	Resource and Referral	Food Program
Salaries	\$ 1,853,207	\$ 49,896	\$ 349,397	\$ 80,411
Employee health and retirement benefits	267,783	1,627	63,704	17,003
Payroll taxes	<u>132,371</u>	<u>3,564</u>	<u>24,957</u>	<u>5,744</u>
Total Salaries and Related Expenses	2,253,361	55,087	438,058	103,158
Specific assistance to individuals	969	5,098	152	1,220,578
Occupancy	366,198	2,107	23,397	8,345
Food service	292,926	-	-	390
Program supplies	35,315	13,753	11,131	3,450
Program travel / transportation	3,809	1,574	18,547	4,955
Printing / public relations	12,314	4,001	20,045	2,699
Professional development	4,637	5,185	8,116	3,034
Miscellaneous	4,737	-	-	6
Professional fees	1,968	2,500	4,659	920
Contracted services	2,627	-	2,385	1,285
Administrative fees	871	81	1,559	195
Board of directors	-	-	-	-
Total Expenses Before Depreciation	2,979,732	89,386	528,049	1,349,015
Depreciation	<u>55,607</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u><u>\$ 3,035,339</u></u>	<u><u>\$ 89,386</u></u>	<u><u>\$ 528,049</u></u>	<u><u>\$ 1,349,015</u></u>

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

Parents as Teachers	Mentoring	Admini- stration	Fund Raising	Total 2011	Total 2010
\$ 146,573	\$ 39,186	\$ 70,304	\$ 38,686	\$ 2,627,660	\$ 2,521,524
36,532	2,617	37,918	485	427,669	345,846
10,469	2,799	5,021	2,763	187,688	177,139
193,574	44,602	113,243	41,934	3,243,017	3,044,509
59	4,392	-	3	1,231,251	1,170,006
11,229	3,109	18,059	5,110	437,554	403,024
-	-	-	-	293,316	277,520
1,253	11,800	11,566	1,350	89,618	95,948
27,469	3,664	(947)	141	59,212	59,289
675	475	5,832	901	46,942	46,152
1,687	2,628	1,863	-	27,150	47,338
3,970	-	214	17,352	26,279	18,142
910	300	11,247	392	22,896	42,772
381	68	10,976	283	18,005	25,116
583	-	6,365	300	9,954	8,787
-	-	1,247	332	1,579	1,483
241,790	71,038	179,665	68,098	5,506,773	5,240,086
-	-	18,708	-	74,315	71,170
<u>\$ 241,790</u>	<u>\$ 71,038</u>	<u>\$ 198,373</u>	<u>\$ 68,098</u>	<u>\$ 5,581,088</u>	<u>\$ 5,311,256</u>

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF CASH FLOWS

Year Ended December 31, 2011 with Summarized Information
for the Year Ended December 31, 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 327,216	\$ (159,641)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	74,315	71,170
(Gain) loss on investments	3,870	(16,652)
Reinvested interest	(4,806)	(4,005)
In-kind contribution of fixed assets	-	(14,353)
Contributions restricted to long-term purposes	(75,000)	(60,000)
Change in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	(428,300)	220,000
Claims receivable	7,852	(109,873)
Prepaid expenses and deposits	(422)	10,455
Increase (decrease) in:		
Accounts payable	8,362	12,342
Employees' payroll deductions and accrued expenses	6,655	69,179
	(80,258)	18,622
Cash Flows From Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	-	93,462
Additions to beneficial interest	(10,000)	-
Purchase of fixed assets	(8,402)	(62,248)
Change in cash restricted to investment in fixed assets	8,123	(14,537)
	(10,279)	16,677
Cash Flows From Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to long-term purposes	75,000	60,000
	75,000	60,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,537)	95,299
CASH AND CASH EQUIVALENTS - beginning of year	496,523	401,224
CASH AND CASH EQUIVALENTS - end of year	\$ 480,986	\$ 496,523

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

EARLY CHILDHOOD ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Early Childhood Alliance, Inc., located in Fort Wayne, Indiana, operates three children's centers. Its 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 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. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods include years ending December 31, 2008 - 2010. The Organization's management has determined that there are no events that would more likely than not cause the above tax position to change within the next twelve months.

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 in marketable securities with readily determinable fair values and all investments in debt securities are reported at their value in the statement of financial position. These investments are initially recorded at cost if they were purchased or at their fair market value on the date of the gift if they were received as a donation. Unrealized gains and losses are included in the statement of activities change in net assets.

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, 2010, from which the summarized information was derived.

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

Management has evaluated subsequent events through March 19, 2012, the date which the financial statements were available for issue.

2. PLEDGES RECEIVABLE

Pledges receivable as of December 31, 2011 consist of the following:

Pledges receivable	\$ 630,000
Less unamortized present value discount (3.55%)	<u>26,700</u>
Net pledges receivable	<u>\$ 603,300</u>
Amounts due in:	
Less than one year	\$ 255,000
One to five years	185,000
More than five years	<u>190,000</u>
	<u>\$ 630,000</u>

The Organization has received notification of an intention to give in the amount of \$70,000 from the United Way of Allen County. The expected funding is to be used for programs in 2012 and has not been recorded as an asset of the Organization as of December 31, 2011.

Also, the Organization has received notification of an intention to give from Parkview Hospital, Inc. in the amount of \$18,114 per month over the term of the lease described in Note 10. The expected funding is to be used for rental of facilities and equipment in 2012-2013 and has not been recorded as an asset of the Organization as of December 31, 2011.

3. BENEFICIAL INTEREST

The beneficial interest consists of funds held by the Community Foundation of Greater Fort Wayne (Foundation) 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 \$20,319 at December 31, 2011, for the benefit of the Organization for which it has the retained variance power. These investments are not recorded as assets of the Organization.

4. INVESTMENTS

Investments as of December 31, 2011 are summarized as follows:

	Cost	Market
Short Term:		
Certificate of deposit	\$ 75,000	\$ 76,012
Long Term:		
Equities	\$ 132,549	\$ 143,940
Fixed income	77,815	78,021
Mutual funds	10,631	9,613
Money market	<u>5,098</u>	<u>5,098</u>
	<u>\$ 226,093</u>	<u>\$ 236,672</u>

5. FAIR VALUE MEASUREMENT

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1. Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2. Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in active markets.

Level 3. Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

(continued)

5. FAIR VALUE MEASUREMENT (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Investments. Value determined by reference to quoted market prices and other relevant information generated by market transactions.

Beneficial interest. Value based upon the Organization's proportionate share of the Community Foundation of Greater Fort Wayne's pooled investment portfolio.

Pledge Receivable – Long-term. Value reflected at the present value of estimated future cash flows determined with a discount rate of 3.55%

Fair value of assets and liabilities measured on a recurring basis at December 31, 2011 are as follows:

	Level 1	Level 3
Investments:		
Equities:		
ETF	\$ 47,350	\$ -
Mutual funds	96,590	-
Fixed income:		
ETF	5,834	-
Mutual funds	72,187	-
Alternative investments:		
Mutual funds	9,613	-
Beneficial interests	-	12,553
Pledge receivable – long term	<u>-</u>	<u>348,300</u>
	<u>\$ 231,574</u>	<u>\$ 360,853</u>

Following is a reconciliation of activity for assets and liabilities measured at fair value based on significant unobservable inputs for the year ending December 31, 2011:

(continued)

5. FAIR VALUE MEASUREMENT (continued)

	Beneficial Interest
Beginning balance - January 1, 2011	\$ 2,709
Contribution	10,000
Total gains or losses (realized and unrealized) included in earnings:	
Income	144
Unrealized loss	(239)
Realized gain	45
Investment fees	(106)
Grants	-
Distribution	-
Ending balance - December 31, 2011	<u>\$ 12,553</u>
	Pledge Receivable - Long-term
Beginning balance - January 1, 2011	\$ -
Additions to long-term pledges	375,000
Pledges which became due within one year	-
Change in present value discount	<u>(26,700)</u>
Ending balance - December 31, 2011	<u>\$ 348,300</u>

6. FIXED ASSETS

The components of fixed assets as of December 31, 2011 are as follows:

Land and improvements	\$ 347,594
Buildings	1,974,782
Equipment	<u>216,963</u>
	2,539,339
Accumulated depreciation	<u>820,242</u>
	<u>\$ 1,719,097</u>

7. NET ASSETS

Unrestricted net assets in the amount of \$236,672 at December 31, 2011 have been designated by the Board of Directors for endowment purposes.

Temporarily restricted net assets as of December 31, 2011 are restricted as follows:

Time requirement	\$ 528,300
Programming requirements	99,334
Capital improvements	<u>81,414</u>
	<u>\$ 709,048</u>

8. 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 \$38,021 in 2011.

9. 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. 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.

(continued)

9. **ENDOWMENT (continued)**

Endowment Net Asset Composition by Type of Fund as of December 31, 2011:

Unrestricted net assets:	
Board designated endowment funds	\$ 236,672

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2011:

Unrestricted net assets:	
Endowment net assets – beginning of year	\$ 236,592
Investment return:	
Investment income	6,755
Net depreciation (realized and unrealized)	(3,675)
Fees	<u>(3,000)</u>
Total investment return	80
Contributions	-
Appropriation of endowment assets for expenditures	<u>-</u>
Endowment net assets – end of year	<u>\$ 236,672</u>

10. **OPERATING LEASES**

Early Childhood Alliance, Inc. leases office equipment under an operating lease expiring in 2013. Thereafter, the lease is automatically renewed for consecutive 60 day periods. Total rental expense was \$2,568 for 2011.

Minimum future lease payments under noncancelable leases having initial or remaining terms of one year or more as of December 31, 2011 for each of the next five years and in the aggregate are:

2012	\$ 2,568
2013	428
2014	-
2015	-
2016 and thereafter	<u>-</u>
	<u>\$ 2,996</u>

(continued)

10. OPERATING LEASES (continued)

The Organization leases facilities from Parkview Health System, Inc. for \$17,633 per month and equipment from Parkview Hospital, Inc. for \$481 per month under operating leases that expire February 2013. The leases may be terminated by either party given a 60 day written notice. In 2011, \$217,371 was recorded as rental expense under these leases.

Additionally, the Organization rents additional office equipment on a month-to-month basis. Total rental expense under cancelable operating leases was \$824 for 2011.

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 monthly basis.

The Organization has significant investments in stocks, bonds and mutual funds and, therefore, is subject to concentration of credit risk. Investments are made by investment managers engaged by the Organization. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization and its beneficiaries.

12. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations in 2011 was \$28,116.

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 for the year ended December 31, 2011:

Childcare:		
Equipment	\$	3,364
Fund raising:		
Fundraising		<u>13,619</u>
	\$	<u>16,983</u>

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2011

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	\$ 1,600,794	\$ 1,600,794
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	02-04-1A-0201& 02-05-1A-0201	247,852	247,852
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	507,392	507,392
ARRA - Childcare and Development Block Grant	93.713	n/a	15,460	15,460
Passed through Indiana Association for the Education of Young Children: Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	n/a	47,930	47,930
Passed through Community Action of Northeast Indiana, Inc.: Refugee and Entrant Assistance - Discretionary Grant	93.576	n/a	2,269	2,269
Total Federal Assistance			<u>\$ 2,421,697</u>	<u>\$ 2,421,697</u>

The accompanying notes are an integral part of this schedule.

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

December 31, 2011

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. (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated March 19, 2012. 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 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 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 in a separate letter dated March 19, 2012.

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.

Dubin, Ward + DeWald, Inc.

Fort Wayne, Indiana
March 19, 2012



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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 Early Childhood Alliance, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Early Childhood Alliance, Inc.'s major federal programs for the year ended December 31, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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 to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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
March 19, 2012

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

December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that
are not considered to be material
weakness(es)? 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 deficiency(ies) identified that
are not considered to be material
weakness(es)? Yes 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 No

(continued)

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

December 31, 2011

(continued)

Identification of Major Programs:

CFDA Number

Name of Federal Program or Cluster

93.596

Child Care Mandatory and Matching Funds of the
Child Care and Development Fund

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

\$ 300,000

Audited qualified as low-risk auditee?

Yes No

Section II - Financial Statement Findings

No material weaknesses or instances of noncompliance noted.

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, 2011

No prior year findings.