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November 12, 2013

Board of Directors  
Child Care Resources, Inc.  
2621 Stringtown Road  
Evansville, IN 47711-3378

We have reviewed the audit report prepared by Timothy J. Otte CPA, PC, Independent Public Accountant, for the period July 1, 2009 to June 30, 2010. 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 Resources, Inc., as of June 30, 2010, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the findings in the report. The Schedule of Findings and Questioned Costs reported one material weakness that applies to both the financial statements and major program. The material weakness concerns a lack of segregation of duties.

STATE BOARD OF ACCOUNTS

Timothy J.  Otte CPA, PC

**CHILD CARE RESOURCES, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

4266 Bell Road, Suite 11 • P.O. Box 308 • Newburgh IN. 47629  
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Member of American Institute of Certified Public Accountants

# Child Care Resources, Inc.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Child Care Resources, Inc.  
Evansville, IN 47711

We have audited the accompanying statements of financial position of Child Care Resources, Inc. (a nonprofit organization) as of June 30, 2010 and 2009 and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Care Resources, Inc., as of June 30, 2010 and 2009, and the changes in net assets and its cash flows for the years 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 October 5, 2010, on our consideration of Child Care Resources, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

Timothy J. Otte, C.P.A., P.C.

*Timothy J. Otte CPA PC*

Newburgh, IN

October 5, 2010

**Child Care Resources, Inc.**  
**Statements of Financial Position**  
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash & Equivalents	\$ 12,751	\$ 12,421
Grant Receivable	<u>65,755</u>	<u>61,965</u>
Total Current Assets	<u>78,505</u>	<u>74,385</u>
<b>Fixed Assets</b>		
Equipment	7,539	8,073
Less Accumulated Depreciation	<u>(6,890)</u>	<u>(6,652)</u>
Total Fixed Assets	<u>649</u>	<u>1,421</u>
Total Assets	<u>\$ 79,154</u>	<u>\$ 75,807</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable- Providers	\$ 58,627	\$ 55,067
Accounts Payable- related party	100	100
Accrued Professional Fees	7,000	7,475
Payroll Taxes	1,068	-
Capital Lease Obligations	743	786
Line of Credit	-	1,690
Total Current Liabilities	<u>67,538</u>	<u>65,117</u>
<b>Long-term Liabilities</b>		
Capital Lease Obligations	-	743
<b>Net Assets- Unrestricted</b>	<u>11,616</u>	<u>9,947</u>
Total Liabilities and Net Assets	<u>\$ 79,154</u>	<u>\$ 75,807</u>

See notes to financial statements

**Child Care Resources, Inc.**  
**Statements of Activities**  
**For the Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>		
Governmental Grants	\$ 712,343	\$ 686,783
Fundraising	2,718	2,183
Total Revenue	<u>715,062</u>	<u>688,966</u>
<b>EXPENSES</b>		
Provider Reimbursements	<u>627,532</u>	<u>604,679</u>
Total Program Services	<u>627,532</u>	<u>604,679</u>
Fundraising	<u>1,181</u>	<u>2,049</u>
General & Administrative Expenses		
Depreciation	773	780
Insurance	1,354	1,295
Interest	448	889
Miscellaneous	197	-
Office Expense	241	259
Payroll Taxes	4,246	4,357
Postage	1,093	1,212
Professional Fees	7,144	6,040
Rent	5,325	5,395
Repairs & Maintenance	241	347
Salaries	55,509	54,784
Supplies	2,961	2,154
Telephone	1,609	1,705
Travel	3,537	5,308
Total General and Administrative Expenses	<u>84,678</u>	<u>84,525</u>
Total Expenses	<u>713,392</u>	<u>691,253</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	1,670	(2,287)
<b>UNRESTRICTED NET ASSETS- beginning of year</b>	<u>9,947</u>	<u>12,234</u>
<b>UNRESTRICTED NET ASSETS- end of year</b>	<u>\$ 11,616</u>	<u>\$ 9,947</u>

See notes to financial statements

**Child Care Resources, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,670	\$ (2,287)
Adjustments for Noncash Transactions		
Depreciation	773	780
Changes in Operating Assets and Liabilities		
Accounts Receivable	(3,790)	(2,549)
Accounts Payable	3,560	2,869
(Gain) or Loss on Sale of Assets	-	-
Other Accrued Expenses	593	(3,262)
<b>Net Cash Provided by (used in) Operating Activities</b>	<u>2,806</u>	<u>(4,450)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	-	-
Proceeds From Disposition of Property	-	-
<b>Net Cash Provided by (used in) Investing Activities</b>	<u>-</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from Capital Lease Obligations	-	-
Principal payments on Capital Lease Obligations	(786)	(684)
Net Change in Line of Credit	(1,690)	(2,564)
<b>Net Cash Provided by (used in) Financing Activities</b>	<u>(2,476)</u>	<u>(3,249)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>330</b>	<b>(7,698)</b>
<b>CASH AND CASH EQUIVALENTS- beginning of year</b>	<u>12,421</u>	<u>20,119</u>
<b>CASH AND CASH EQUIVALENTS- end of year</b>	<u>\$ 12,751</u>	<u>\$ 12,421</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for Interest	\$ 448	\$ 889

See notes to financial statements

**Child Care Resources, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Child Care Resources, Inc. is a nonprofit organization which operates a day care referral service and is a sponsor of the Child and Adult Care Food Program, a government reimbursement program for day care providers.

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.

Financial Statement Presentation

Financial statement presentation follows the U.S. generally accepted accounting principles promulgated by the FASB *Accounting Standards Codification*. Under those principles, 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. At June 30, 2010 and 2009, the Organization had no restricted net assets.

Income Taxes

Child Care Resources, Inc. is a non-profit organization exempt from federal, state, and local income taxes under section 501(c)(3) of the United States Internal Revenue Code.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Equipment

Equipment is recorded at cost. Repairs and maintenance costs are charged to expense. The Organization follows the practice of capitalizing all expenditures for fixed assets in excess of \$500. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciated is computed on the straight-line method based on the estimated useful lives of the assets.

Use of Estimates

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

**Child Care Resources, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE 2- CONTINGENCY**

The Organization is substantially funded by a grant awarded indirectly by the federal government and the State of Indiana. The grant contains provisions which permit the arrangement to be terminated or the funds provided to be reduced if the unit of government does not appropriate any or an adequate amount of funds to maintain the current funding levels. Any deferred revenue or 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.

**NOTE 3- PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>		<u>2009</u>	
	Accumulated		Accumulated	
	<u>Cost</u>	<u>Depreciation</u>	<u>Cost</u>	<u>Depreciation</u>
Equipment	\$7,539	\$6,890	\$8,073	\$6,652

Depreciation for the years ending June 30, 2010 and 2009 was \$773 and \$780, respectively.

**NOTE 4- LINE OF CREDIT**

The Organization has a \$10,000 line of credit with Integra Bank. The line of credit bears interest at the bank's prime rate plus 2% and matures on July 31, 2011. Borrowing under the line is collateralized by all business assets and secured by one of the officers. As of June 30, 2010, the outstanding balance on the line of credit was \$0.

**NOTE 5- RELATED PARTY TRANSACTIONS**

The Organization has a payable due to an officer in the amount of \$100 at June 30, 2010 and 2009.

**NOTE 6- LEASE COMMITMENTS**

The Organization leases office and storage space under a lease agreement. The lease requires a total monthly payment of \$600 and runs for a term of one year commencing on July 1, 2010. Future required lease payments are as follows:

<u>2010/2011</u>
\$7,200

The total monthly lease payments made during the years ended June 30, 2010 and 2009, were \$5,325 and \$5,395, respectively.

**NOTE 7- CONCENTRATIONS**

The Organization conducts business from a single location in Evansville, Indiana, and performs services to child day care homes located primarily in Southwestern Indiana.

**Child Care Resources, Inc.**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE 8- CAPITAL LEASE**

The Organization has entered into a capital equipment lease expiring over a thirty six month period. Future minimum lease payments due under this capital lease obligation and the net present value of those payments at June 30, 2010 are as follows:

Year ending June 30, 2010	\$ 790
Amount representing interest	<u>(47)</u>
Present value of minimum lease payments	
Current portion	<u>743</u>
Non-current capital lease obligation	\$ <u>0</u>

**NOTE 9- SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events and transactions through October 5, 2010, the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

As discussed in Note 4, the maturity date on its \$10,000 line of credit was extended to July 31, 2011.

## **SUPPLEMENTARY INFORMATION**

**Child Care Resources, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2010**

<u>Federal Agency</u>	<u>Federal Program</u>	<u>CFDA Number</u>	<u>Pass-through Entity</u>	<u>Grant Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture	Child and Adult Care Food Program	10.558	IN Depart. of Education Division of School Nutritional Programs	1820210	\$ 712,343

**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Child Care Resources, 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.

See notes to 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 Resources, Inc.

We have audited the financial statements of Child Care Resources, Inc. as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated October 5, 2010. We conducted our audits 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 Resources, Inc.'s internal control over financial reporting as a basis for designing our audit 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 Resources, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and a significant deficiency.

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. We considered the deficiency as described in the accompanying schedule of findings and questioned costs as item B1 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item B1 be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Child Care Resources, 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 or other matters that are required to be reported under *Government Auditing Standard*.

We noted certain matters that we reported to management of Child Care Resources, Inc. in a separate letter dated October 5, 2010.

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

Timothy J. Otte, C.P.A., P.C.



Newburgh, IN  
October 5, 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 Resources, Inc.

**Compliance**

We have audited Child Care Resources, 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 are applicable to its major federal program for the year ended June 30, 2010. Child Care Resources, 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 is the responsibility of Child Care Resources, Inc.'s management. Our responsibility is to express an opinion on Child Care Resources, 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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about Child Care Resources, 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 Resources, Inc.'s compliance with those requirements.

In our opinion, Child Care Resources, Inc. complied, in all material respects, with the compliance requirements referred to above that are applicable to its major federal program identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

## **Internal Control Over Compliance**

The management of Child Care Resources, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Child Care Resources, 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 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 Child Care Resources, Inc.'s internal control over compliance

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in internal control over compliance and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a significant deficiency.

*A deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a remote possibility that material noncompliance with a type of compliance of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and question costs as item B1 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and question costs as item B1 to be a significant deficiency.

This report is intended for the information of the board of directors and management of Child Care Resources, Inc. and federal awarding agencies and pass-through entities and is intended to be and should not be used by anyone else other than the specified parties.

Timothy J. Otte, C.P.A., P.C.



Newburgh, IN  
October 5, 2010

**CHILD CARE RESOURCES, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Child Care Resources, Inc.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance *Government Auditing Standards*. The condition is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Child Care Resources, Inc. were disclosed during the audit.
4. One significant deficiency disclosed during the audit of the major federal award program is reported in the Report on Compliance with Requirements Applicable to each Major program and Internal Control Over Compliance Required By OMB Circular A-133. The condition is reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for Child Care Resources, Inc. expresses an unqualified opinion on the major federal program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The program tested as a major program included:

Child and Adult Care Food Program- CFDA# 10.558
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Child Care Resources, Inc. was not determined to be a low risk auditee.

**B. FINDINGS- FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES- MATERIAL WEAKNESSES**

B1. Condition: The size of the organization precludes the implementation of an effective internal control system due to the lack of segregation of duties.

Criteria: Segregation of duties is a vital part of an effective internal control structure.

Effect of condition: The internal control system is weak.

Cause of condition: The small size of the organization.

Recommendation: Continued involvement of the board of directors in reviewing records.

**C. FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

C1. The findings from the financial statements audit listed in section B of this report also are considered findings related to the audit of the major federal award program.

**CHILD CARE RESOURCES, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2010**

U.S. DEPARTMENT OF AGRICULTURE  
CHILD AND ADULT CARE FOOD PROGRAM  
CFDA # 10.558

Fiscal Year	Finding Number	Finding	Questioned Costs	Current Status
2009	B1	The size of the Organization precludes the implementation of an effective internal control system due to the lack of segregation of duties.	N/A	Continued involvement of the Board of Directors
	B2	Account balances have not been adjusted or reflect appropriate year-end balances.	N/A	Finding has been corrected

**CHILD CARE RESOURCES, INC.  
2621 STRINGTOWN ROAD  
EVANSVILLE, IN 47711-3378  
812-423-6813**

Timothy J. Otte, C.P.A., P.C.  
P.O. Box 308  
Newburgh, IN 47629


To whom it may concern:

Re: Corrective actions pursuant to fiscal year 2010 audit

Findings: B1 (Page 15 of the report) Corrective Action

Considering the size of our staff and available resources, it is not possible to segregate duties and have a more effective internal control system. We do believe that we are utilizing the best internal control system possible.

Sincerely,

  
Carolyn Brenner- Director  
Child Care Resources, Inc.