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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, 2010 to June 30, 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 Child Care Resources, Inc., as of June 30, 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.

We call your attention to the findings in the report. The Schedule of Findings and Questioned Costs reported two material weaknesses that apply to both the financial statements and the major program. The first material weakness concerns a lack of segregation of duties; and the second concerns ineffective internal controls over the preparation of the financial statements.

STATE BOARD OF ACCOUNTS

Timothy J.  Otte CPA, PC

CHILD CARE RESOURCES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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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, 2011 and 2010 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, 2011 and 2010, 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 November 18, 2011, 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

November 18, 2011

Child Care Resources, Inc.
Statements of Financial Position
June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash & Equivalents	\$ 8,542	\$ 12,751
Grant Receivable	<u>68,592</u>	<u>65,755</u>
Total Current Assets	<u>77,135</u>	<u>78,505</u>
Fixed Assets		
Equipment	7,539	7,539
Less Accumulated Depreciation	<u>(7,534)</u>	<u>(6,890)</u>
Total Fixed Assets	<u>5</u>	<u>649</u>
Total Assets	<u>\$ 77,139</u>	<u>\$ 79,154</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable- Providers	\$ 61,074	\$ 58,627
Accounts Payable- related party	100	100
Accrued Professional Fees	-	7,000
Payroll Taxes	1,030	1,068
Capital Lease Obligations	<u>-</u>	<u>743</u>
Total Current Liabilities	<u>62,205</u>	<u>67,538</u>
Net Assets- Unrestricted	<u>14,934</u>	<u>11,616</u>
Total Liabilities and Net Assets	<u>\$ 77,139</u>	<u>\$ 79,154</u>

See notes to financial statements

Child Care Resources, Inc.
Statements of Activities
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Governmental Grants	\$ 746,168	\$ 712,343
Other	6,000	-
Fundraising	2,041	2,718
Total Revenue	<u>754,210</u>	<u>715,062</u>
EXPENSES		
Provider Reimbursements	<u>659,827</u>	<u>627,532</u>
Total Program Services	<u>659,827</u>	<u>627,532</u>
Fundraising	<u>1,752</u>	<u>1,181</u>
General & Administrative Expenses		
Depreciation	644	773
Insurance	1,122	1,354
Interest	180	448
Miscellaneous	551	197
Office Expense	298	241
Payroll Taxes	4,726	4,246
Postage	1,061	1,093
Professional Fees	6,007	7,144
Rent	7,025	5,325
Repairs & Maintenance	34	241
Salaries	60,535	55,509
Supplies	1,581	2,961
Telephone	1,644	1,609
Travel	3,904	3,537
Total General and Administrative Expenses	<u>89,313</u>	<u>84,678</u>
Total Expenses	<u>750,892</u>	<u>713,392</u>
CHANGE IN UNRESTRICTED NET ASSETS	3,318	1,670
UNRESTRICTED NET ASSETS- beginning of year	<u>11,616</u>	<u>9,947</u>
UNRESTRICTED NET ASSETS- end of year	<u>\$ 14,934</u>	<u>\$ 11,616</u>

See notes to financial statements

Child Care Resources, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,318	\$ 1,670
Adjustments for Noncash Transactions		
Depreciation	644	773
Changes in Operating Assets and Liabilities		
Accounts Receivable	(2,838)	(3,790)
Accounts Payable	2,448	3,560
(Gain) or Loss on Sale of Assets	-	-
Other Accrued Expenses	(7,038)	593
Net Cash Provided by (used in) Operating Activities	<u>(3,466)</u>	<u>2,806</u>
INVESTING ACTIVITIES		
Purchases of Propety and Equipment	-	-
Proceeds From Disposition of Property	-	-
Net Cash Provided by (used in) Investing Activities	<u>-</u>	<u>-</u>
FINANCING ACTIVITIES		
Proceeds from Capital Lease Obligations	-	-
Principal payments on Capital Lease Obligations	(743)	(786)
Net Change in Line of Credit	-	(1,690)
Net Cash Provided by (used in) Financing Activities	<u>(743)</u>	<u>(2,476)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,208)	330
CASH AND CASH EQUIVALENTS- beginning of year	<u>12,751</u>	<u>12,421</u>
CASH AND CASH EQUIVALENTS- end of year	<u><u>\$ 8,542</u></u>	<u><u>\$ 12,751</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ 180	\$ 448

See notes to financial statements

Child Care Resources, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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, 2011 and 2010, 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. The Organization's federal Exempt From Income Tax Returns (Form 990) are subject to examination by the IRS, generally for three years after they were filed.

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, 2011 and 2010

Fair Value Measurement- FASB ASC 820, *Fair Value Measurements*, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value. FASB ASC 820 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various other accounting pronouncements.

Assets and liabilities measured at fair value are recorded in accordance with FASB ASC 820, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820 establishes a three tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs- Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Inputs- Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs- Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

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, 2011 and 2010 consisted of the following:

	2011		2010	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Equipment	\$7,539	\$7,534	\$7,539	\$6,890

Depreciation for the years ending June 30, 2011 and 2010 was \$644 and \$773, respectively.

Child Care Resources, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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, 2011, the outstanding balance on the line of credit was \$0. The line of credit was not renewed.

NOTE 5- RELATED PARTY TRANSACTIONS

The Organization has a payable due to an officer in the amount of \$100 at June 30, 2011 and 2010.

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, 2011. Future required lease payments are as follows:

2011/2012
\$7,200

The total monthly lease payments made during the years ended June 30, 2011 and 2010, were \$7,025 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.

NOTE 8- CAPITAL LEASE

The Organization has entered into a capital equipment lease expiring over a thirty six month period. The capital lease was paid in full during the fiscal year ending June 30, 2011.

NOTE 9- SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions through November 18, 2011, the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

Child Care Resources, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

<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	\$ 746,168

NOTE A- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Child Care Resources, Inc. under programs of the federal government for the year ended June 30, 2011. 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*. Because the Schedule presents only a selected portion of the operations of Child Care Resources, Inc., and it is not intended to and does not present the financial position, changes in net assets, or cash flows of Child Care Resources, Inc.

NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, 2011 and 2010, and have issued our report thereon dated November 18, 2011. 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 deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and questioned costs as items B1 and B2 to be material weaknesses.

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 November 18, 2011.

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

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

November 18, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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, 2011. 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, 2011.

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 deficiencies in internal control over compliance that we consider to be material weaknesses.

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and question costs as items B1 and B2 to be material weaknesses.

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

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
November 18, 2011

CHILD CARE RESOURCES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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. Two significant deficiencies disclosed during the audit of the financial statements are 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*. Both of the conditions are reported as a material weaknesses.
3. No instances of noncompliance material to the financial statements of Child Care Resources, Inc. were disclosed during the audit.
4. Two significant deficiencies disclosed during the audit of the major federal award program are reported in the Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133. Both of the conditions are reported as material weaknesses.
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

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.

- B2. Condition: The size of the organization precludes the implementation of an effective internal control system due to the absence of controls over the preparation of financial statements and disclosures.

Criteria: Preparation of financial statements and disclosures is considered a vital part of 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, 2011**

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

Fiscal Year	Finding Number	Finding	Questioned Costs	Comments
2010	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	Continue to involve the Board of Directors

**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 2011 audit

Findings: B1 and B2 (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,

Lisa Dettman- Executive Director
Child Care Resources, Inc.