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January 31, 2014

Board of Directors  
East Wayne Street Center, Inc.  
801 E. Wayne St.  
Fort Wayne, IN 46802-3936

We have reviewed the audit report prepared by Dulin, Ward & DeWald, Inc., Independent Public Accountants, for the period November 1, 2010 to October 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 East Wayne Street Center, Inc., as of October 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.

We call your attention to the finding in the report. Page 20 contains a significant deficiency in internal control over financial reporting.

STATE BOARD OF ACCOUNTS

**EAST WAYNE STREET CENTER, INC.**

**FINANCIAL STATEMENTS**

**Year Ended October 31, 2011**

**With Summarized Information for October 31, 2010**

## TABLE OF CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT.....	1
FINANCIAL STATEMENTS	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements.....	7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	13
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	14
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u> .....	15
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	17
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	19
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	21



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
East Wayne Street Center, Inc.  
Fort Wayne, Indiana

We have audited the accompanying statement of financial position of East Wayne Street Center, Inc. (a nonprofit organization) as of October 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 October 31, 2010 financial statements, and in our report dated February 9, 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 East Wayne Street Center, Inc. as of October 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with the generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated January 31, 2012 on our consideration of East Wayne Street Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of East Wayne Street Center, 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Dubin, Ward & D'Wald, Inc.*

Fort Wayne, Indiana  
January 31, 2012

**EAST WAYNE STREET CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
October 31, 2011 with Summarized Financial  
Information for October 31, 2010

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Cash	\$ 20,378	\$ -
Receivables:		
Pledges	104,500	-
Claims	27,826	56,674
Prepaid expenses	5,189	7,781
Fixed assets - net	<u>665,731</u>	<u>696,295</u>
<b>Total Assets</b>	<u><u>\$ 823,624</u></u>	<u><u>\$ 760,750</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Cash overdraft	\$ -	\$ 12,750
Lines of credit	50,500	55,500
Accounts payable	8,269	24,737
Accrued payroll and related expenses	31,241	30,334
Note payable	<u>6,463</u>	<u>10,344</u>
<b>Total Liabilities</b>	96,473	133,665
Net Assets:		
Unrestricted	579,329	563,080
Temporarily restricted	<u>147,822</u>	<u>64,005</u>
<b>Total Net Assets</b>	<u>727,151</u>	<u>627,085</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 823,624</u></u>	<u><u>\$ 760,750</u></u>

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

**EAST WAYNE STREET CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended October 31, 2011 with Summarized  
Information for the Year Ended October 31, 2010

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>
<b>CHANGES IN NET ASSETS</b>		
<b>Support and Revenues:</b>		
Head Start:		
Contributions-in-kind	\$ -	\$ 12,238
Grants - federal	-	666,364
Interest	-	27
Gain on disposal of fixed assets	-	4,201
Center:		
Contributions	1,400	-
Grants - federal	-	71,458
Grants - state	-	24,421
Grants - other	88,934	298,333
Special events:		
Proceeds	12,529	-
Less direct benefit to donors	(5,031)	-
Contract revenue	54,942	-
Interest	39	-
Other	19,033	-
<b>Net Assets Released From Restrictions:</b>		
Satisfaction of program requirements	973,267	(973,267)
Satisfaction of purchase requirement	19,958	(19,958)
	1,165,071	83,817
<b>Total Support and Revenues</b>		
<b>Expenses:</b>		
Head Start	743,041	-
Literacy	59,481	-
ATOD Program	-	-
Family Mentoring	42,452	-
Project Solve	123,396	-
Outreach	79,209	-
Administration	48,702	-
Fundraising	52,541	-
	1,148,822	-
<b>Total Expenses</b>		
<b>CHANGE IN NET ASSETS</b>	16,249	83,817
<b>NET ASSETS - beginning of year</b>	563,080	64,005
<b>NET ASSETS - end of year</b>	\$ 579,329	\$ 147,822

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

2011	2010
\$ 12,238	\$ 20,168
666,364	685,173
27	20
4,201	-
1,400	1,940
71,458	6,270
24,421	44,112
387,267	148,934
12,529	32,924
(5,031)	(4,551)
54,942	57,859
39	18
19,033	16,662
-	-
-	-
<u>1,248,888</u>	<u>1,009,529</u>
743,041	720,188
59,481	66,062
-	18,172
42,452	43,150
123,396	119,763
79,209	11,057
48,702	58,349
52,541	45,462
<u>1,148,822</u>	<u>1,082,203</u>
100,066	(72,674)
<u>627,085</u>	<u>699,759</u>
<u>\$ 727,151</u>	<u>\$ 627,085</u>

**EAST WAYNE STREET CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended October 31, 2011 with Summarized  
Financial Information for the Year Ended October 31, 2010

	<b>Head Start</b>	<b>Literacy</b>	<b>Family Mentoring</b>	<b>Project Solve</b>
Salaries	\$ 373,716	\$ 40,798	\$ 27,263	\$ 81,846
Payroll tax expense	44,257	4,211	2,814	8,448
Employee benefits	127,016	7,020	4,691	14,083
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Salaries and Related Expenses</b>	544,989	52,029	34,768	104,377
Program expense	104,718	1,006	164	629
Professional fees	14,109	1,479	1,726	3,451
Utilities	21,091	817	953	1,907
Insurance and other	15,673	738	860	1,721
Office expense	11,649	459	535	1,071
Repairs and maintenance	8,270	418	488	976
Transportation	2,018	-	-	3,348
Telephone	2,932	246	287	575
Bad debt expense	-	-	-	-
Interest	-	-	-	-
Miscellaneous	1,727	15	18	35
Security	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Expenses Before Depreciation</b>	727,176	57,207	39,799	118,090
Depreciation	15,865	2,274	2,653	5,306
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	<u>\$ 743,041</u>	<u>\$ 59,481</u>	<u>\$ 42,452</u>	<u>\$ 123,396</u>

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

<b>Outreach</b>	<b>Admin- istration</b>	<b>Fund Raising</b>	<b>2011</b>	<b>2010</b>
\$ 4,016	\$ 15,258	\$ 18,470	\$ 561,367	\$ 557,229
415	1,575	1,907	63,627	52,092
691	2,625	3,178	159,304	156,156
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
5,122	19,458	23,555	784,298	765,477
67,236	-	4,274	178,027	144,174
1,233	4,684	5,670	32,352	31,700
681	2,588	3,133	31,170	29,044
615	2,335	2,827	24,769	10,265
382	1,453	1,759	17,308	19,553
349	1,070	1,604	13,175	14,842
1,478	-	-	6,844	5,867
205	780	944	5,969	8,849
-	5,145	-	5,145	-
-	2,700	-	2,700	2,714
13	46	58	1,912	3,197
-	1,243	-	1,243	1,185
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
77,314	41,502	43,824	1,104,912	1,036,867
1,895	7,200	8,717	43,910	45,336
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 79,209</u>	<u>\$ 48,702</u>	<u>\$ 52,541</u>	<u>\$ 1,148,822</u>	<u>\$ 1,082,203</u>

**EAST WAYNE STREET CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
Year Ended October 31, 2011 with Summarized  
Financial Information for the Year Ended October 31, 2010

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 100,066	\$ (72,674)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	43,910	45,336
Gain on disposal of fixed assets	(4,201)	-
Provision for bad debts	5,145	-
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	(80,797)	47,072
Prepaid expenses	2,592	(7,781)
Increase (decrease) in:		
Accounts payable	(16,468)	(8,638)
Accrued payroll and related expenses	907	814
	51,154	4,129
<b>Cash Flows From Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of fixed assets	4,205	-
Purchase of fixed assets	(13,350)	(609)
	(9,145)	(609)
<b>Cash Flows From Investing Activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash overdraft	(12,750)	5,409
Payment on note payable	(3,881)	(3,901)
Net increase (decrease) in lines of credit	(5,000)	(5,028)
	(21,631)	(3,520)
<b>Cash Flows From Financing Activities</b>		
<b>INCREASE (DECREASE) IN CASH</b>	20,378	-
<b>CASH - beginning of year</b>	-	-
<b>CASH - end of year</b>	\$ 20,378	\$ -

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

**EAST WAYNE STREET CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

October 31, 2011

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES**

**Organization**

East Wayne Street Center, Inc. is a nonprofit voluntary health and welfare organization which provides various services to low and moderate income families in the Fort Wayne, Indiana area. Services provided include:

Head Start Program: Started in 1965 (the first in Allen County), this program is currently serving 110, three-to-five year old low-income children. In June 1980, the program became the first in Indiana to be accredited by the National Academy of Early Childhood Programs.

Family Literacy Program: Started in 1994, this program is designed to encourage and foster families to learn together. It teaches life skills, job skills, parenting-skills and GED preparation. Transportation and childcare is available to all participants.

Family Mentoring Program: Started in 1998, this program is a comprehensive In-Home Case Management Program. This program provides home based case management to families who are in need of outside intervention due to child abuse and neglect. The program is designed to assist families in the improvement of overall living conditions.

Project Solve Program: Since its inception in 1986, more than 4,000 students have enrolled in this award-winning GED preparation/adult basic education program. The program targets high school dropouts and adults who need to improve their reading, writing and math skills in order to obtain employment. Transportation and childcare is available for all participants.

Emergency Program: Started in 1990, this service provides financial assistance to low-income individuals for utilities or rental needs.

Food Bank: Since 1983, the Food Bank provides food for low-income individuals who are in need. The Food Bank is open twice a week for two hours a day.

(continued)

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES (continued)

### **Taxes**

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 October 31, 2008-2010.

### **Estimates**

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.

### **Receivables**

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.

### **Fixed Assets**

Fixed assets are stated at cost, or if donated, at fair value at the date of gift. All items with a cost in excess of \$1,000 and a useful life in excess of one year are capitalized. The Organization follows the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets. It is not the Organization's policy to imply time restrictions expiring over the useful life of donated assets. In the absence of donor-imposed restrictions on the use of the asset, gifts of long lived assets are reported as unrestricted support.

Fixed assets acquired with grant funds are owned by East Wayne Street Center while used in the Head Start program. However, the funding source has a reversionary interest in assets purchased with grant funds. Their disposition, as well as any proceeds from the disposition, is subject to funding source regulations. The book value of grant-funded fixed assets at October 31, 2011 is \$41,463.

(continued)

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES** (continued)

**Contributions**

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.

Contributed services are reported in the financial statements for voluntary donations of services. Head Start uses amounts provided by their funding source to value contributed services.

**Other Matters**

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 October 31, 2010, from which the summarized information was derived.

**Subsequent Events**

Management has evaluated subsequent events through January 31, 2012, the date which the financial statements were available for issue.

2. **PLEDGES RECEIVABLE**

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

Amounts due in:	
Less than one year	\$ 54,500
One to five years	50,000
More than five years	<u>          -</u>
	<u>\$ 104,500</u>

**3. FIXED ASSETS**

The components of fixed assets are as follows:

Land and improvements	\$ 121,719
Building and improvements	1,176,311
Vehicles	64,805
Equipment	<u>205,355</u>
	1,568,190
Accumulated depreciation	<u>902,459</u>
	<u>\$ 665,731</u>

**4. LINES OF CREDIT**

The Organization has available a \$50,000 line of credit with JP Morgan Chase Bank NA. Interest, which is computed monthly on the unpaid balance, is at prime plus 1.65% (4.90% at October 31, 2011). The note is secured by all business assets of the Organization. The balance drawn on the line of credit at October 31, 2011 was \$39,000.

The Organization also has available a \$35,000 line of credit with the Ian and Mimi Rolland Foundation, Inc., a related party. A board member of East Wayne Street Center is an officer of the Foundation. The note is due December 2012 and bears interest at 5.00%. The balance drawn on the line of credit at October 31, 2011 was \$11,500, with \$5,000 having been paid in FY 2011.

Interest paid on the lines of credit during 2011 was \$1,928.

**5. NOTE PAYABLE**

The note payable in the amount of \$6,463 at October 31, 2011 is due to Fort Financial in monthly payments of \$381 plus interest at 5.4%. The note, which is due December 2012, is secured by the Organization's vehicle.

Maturities on the note payable as of October 31, 2011:

2012	\$ 5,721
2013	\$ 742
2014	\$ -

Interest paid on the note payable during 2011 was \$695.

**6. NET ASSETS**

Temporarily restricted net assets are to be used for the following purposes:

Future periods	\$ 104,500
Head Start program	<u>43,322</u>
	<u>\$ 147,822</u>

**7. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES**

Cash used in operating activities includes interest paid of \$2,700.

**8. IN-KIND CONTRIBUTIONS**

The Organization recognizes contributions of revenue for certain services received at the fair value of those services. Those services include the following item:

Head Start program:	
In-kind contribution of program expenses	\$ 12,238

**9. RETIREMENT PLAN**

The Organization sponsors a defined contribution retirement plan for all full-time employees with at least 1,000 hours of service per year and who are at least 21 years old. The plan allows for participant elective deferrals and a discretionary match by the Organization. Contributions to the plan charged to operations were \$2,153 for the year.

**10. OPERATING LEASE**

The Organization leases office equipment under an operating lease expiring in February 2013. Total rent expense under the lease was \$3,116.

(continued)

**10. OPERATING LEASE (continued)**

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

2012	\$ 2,700
2013 and thereafter	<u>900</u>
	<u>\$ 3,600</u>

**11. CONCENTRATIONS**

The Organization receives a significant amount of its funding from the federal government. A substantial reduction in the level of this support, if it were to occur, may have an effect on the Organization's programs and activities.

**EAST WAYNE STREET CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended October 31, 2011

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Revenue Recognized	Expenditures
U.S. Department of Health and Human Services Passed through Community Action of Northeast Indiana, Inc.:				
Head Start Full Year Part Day	93.600	05CH4038	\$ 612,499	\$ 612,499
Head Start Training and Technical Assistance	93.600	05CH4038	7,841	7,841
Passed through Southlake/Tri-City Management Services Corporation d/b/a Geminus Corporation:				
Substance Abuse Prevention and Treatment Block Grant	93.959	n/a	71,458	71,458
U.S. Department of Agriculture: Passed through Indiana Department of Education:				
Child and Adult Care Food Program	10.558	102-0100	<u>46,024</u>	<u>46,024</u>
<b>Total Federal Assistance</b>			<u>\$ 737,822</u>	<u>\$ 737,822</u>

The accompanying notes are an integral part of this schedule.

**EAST WAYNE STREET CENTER, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
October 31, 2011

**1. BASIS OF ACCOUNTING**

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

**2. MATCHING CONTRIBUTIONS**

In accordance with terms of the grant, the Organization has expended matching contributions in the amount of \$173,115 for the Head Start program.



Offices Located in Ft. Wayne and Marion, Indiana

**INDEPENDENT AUDITORS' 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  
East Wayne Street Center, Inc.  
Fort Wayne, Indiana

We have audited the financial statements of East Wayne Street Center, Inc. as of and for the year ended October 31, 2011, and have issued a report thereon dated January 31, 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 East Wayne Street Center, Inc.'s internal control over financial reporting in order to determine 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 East Wayne Street Center, 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 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.

However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2011-01, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency in combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charge of governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Wayne Street Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of 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.

*Dalin, Ward & DeWold, Inc.*

Fort Wayne, Indiana  
January 31, 2012



**Dulin, Ward & DeWald, Inc.**  
CPAs & ADVISORS

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Offices Located in Ft. Wayne and Marion, Indiana

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
East Wayne Street Center, Inc.  
Fort Wayne, Indiana

Compliance

We have audited the compliance of East Wayne Street Center, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended October 31, 2011. East Wayne Street Center, 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 East Wayne Street Center, Inc.'s management. Our responsibility is to express an opinion on East Wayne Street Center, 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 East Wayne Street Center, 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 East Wayne Street Center, Inc.'s compliance with those requirements.

In our opinion, East Wayne Street Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended October 31, 2011.

Internal Control Over Compliance

The management of East Wayne Street Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered East Wayne Street Center, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Wayne Street Center, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 or 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of 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.

*Datin, Ward & DeWald, Inc.*

Fort Wayne, Indiana  
January 31, 2012

**EAST WAYNE STREET CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
October 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   X   No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_   X   Yes \_\_\_ None Reported

Noncompliance material to financial statements noted? \_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_ Yes   X   No

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

(continued)

**EAST WAYNE STREET CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
October 31, 2011

(continued)

**Identification of Major Programs:**

CFDA Number(s)	Name of Federal Program or Cluster
93.600	Head Start

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**

*2011-01:* There was no reconciliation of the prepaid expense account on the Center's books resulting in a material adjustment of \$14,255.

*Criteria:* A prepaid expense account should consist of purchases of services not yet consumed.

*Cause of Condition:* The Center allocates its insurance expense between its programs and Head Start, a separately accounted for program. In prior years the Head Start program reimbursed its portion of the insurance premium; however, due to budget constraints in fiscal 2011, Head Start did not reimburse all of its share.

*Effect of Condition:* An adjustment was needed to reduce the Center's prepaid expense and increase Head Start's insurance expense.

*Recommendation:* We recommend that a subsidiary ledger in the form of a spreadsheet be maintained for the activity in the prepaid expense account and that this ledger be reconciled monthly to the general ledger.

*Management Response:* The management concurs with the recommendation and has taken steps to ensure the appropriate reporting of prepaid expenses in the future.

**Section III - Federal Award Findings and Questioned Costs**

No matters were reported.

**EAST WAYNE STREET CENTER, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended October 31, 2011

There were no prior audit findings.