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May 30, 2014

Board of Directors
Child Care Network, Inc.
113 North Chestnut St., 305
P.O. Box 346
Seymour, IN 47274

We have reviewed the audit report prepared by Rodefer Moss & Co, PLLC, for the period October 1, 2010 to September 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 Child Care Network, Inc., as of September 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

CHILD CARE NETWORK, INC.

Financial Statements and Supplementary Information

Years Ended September 30, 2011 and 2010

CHILD CARE NETWORK, INC.
Financial Statements and Supplementary Information
Years Ended September 30, 2011 and 2010

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Independent Auditors' Report

To the Board of Directors
Child Care Network, Inc.

We have audited the accompanying statements of financial position of Child Care Network, Inc. (a nonprofit organization) as of September 30, 2011 and 2010, and the related statements of activities, functional expenses, 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. The prior year summarized comparative information included on the Statement of Functional Expenses has been derived from the Organization's 2010 financial statements and, in our report dated January 10, 2011, we expressed an unqualified opinion on those financial statements.

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 Network, Inc. as of September 30, 2011 and 2010, and the changes in its 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 January 19, 2012, on our consideration of Child Care Network, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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 basic 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 basic financial statements taken as a whole.

Roderfer Moss & Co. PLLC

Roderfer Moss & Co, PLLC
New Albany, Indiana
January 19, 2012

CHILD CARE NETWORK, INC.
 Statements of Financial Position
 September 30, 2011 and 2010

	2011				
	Child Care Network	Kids Klub	Food Program	Caring for Kids	Total
ASSETS					
Cash and cash equivalents	\$ 34,486	\$ 122,989	\$ 1,686	\$ 18,699	\$ 177,860
Certificates of deposits	-	45,850	-	-	45,850
Accounts receivable	22,532	18,030	53,442	-	94,004
Prepaid expenses	2,861	-	-	-	2,861
Property and equipment, net of accumulated depreciation	513	2,181	-	-	2,694
Total assets	\$ 60,392	\$ 189,050	\$ 55,128	\$ 18,699	\$ 321,269
LIABILITIES AND NET ASSETS					
Liabilities					
Unearned income	\$ 633	\$ -	\$ -	\$ -	\$ 633
Accrued expenses	10,923	19,055	42,469	-	72,447
Total liabilities	11,556	19,055	42,469	-	73,080
Net Assets					
Unrestricted net assets					
Unrestricted funds	26,705	164,995	12,659	18,699	223,058
Board designated funds	-	5,000	-	-	5,000
Temporarily restricted net assets	22,131	-	-	-	22,131
Total net assets	48,836	169,995	12,659	18,699	250,189
Total liabilities and net assets	\$ 60,392	\$ 189,050	\$ 55,128	\$ 18,699	\$ 321,269

See notes to financial statements.

2010

Child Care Network	Kids Klub	Food Program	Caring for Kids	Total
\$ 17,011	\$ 91,346	\$ 1,681	\$ 39,554	\$ 149,592
-	25,697	-	-	25,697
15,300	19,352	54,060	-	88,712
2,166	-	-	-	2,166
-	1,876	-	-	1,876
<u>\$ 34,477</u>	<u>\$ 138,271</u>	<u>\$ 55,741</u>	<u>\$ 39,554</u>	<u>\$ 268,043</u>
\$ 3,100	\$ -	\$ -	\$ 18,761	\$ 21,861
2,322	15,986	46,658	38	65,004
5,422	15,986	46,658	18,799	86,865
6,924	117,285	9,083	20,755	154,047
-	5,000	-	-	5,000
22,131	-	-	-	22,131
29,055	122,285	9,083	20,755	181,178
<u>\$ 34,477</u>	<u>\$ 138,271</u>	<u>\$ 55,741</u>	<u>\$ 39,554</u>	<u>\$ 268,043</u>

CHILD CARE NETWORK, INC.
 Statements of Activities
 Years Ended September 30, 2011 and 2010

	2011				Total
	Child Care Network	Kids Klub	Food Program	Caring for Kids	
Support and Revenue					
Federal grant funds	\$ -	\$ 9,531	\$ 647,815	\$ -	\$ 657,346
Fees collected	20,786	243,989	-	-	264,775
Grant income	4,555	33,158	-	34,911	72,624
Program reimbursements	62,681	-	-	-	62,681
Program income	-	11,677	-	11,743	23,420
Donations	17,647	-	-	3,196	20,843
Fundraising income	2,000	-	-	9,038	11,038
Other income	8,359	517	-	4,432	13,308
In-kind income	3,420	-	-	-	3,420
Interest income	20	617	-	192	829
Total support and revenue	<u>119,468</u>	<u>299,489</u>	<u>647,815</u>	<u>63,512</u>	<u>1,130,284</u>
Expenses					
Program services	42,935	206,744	615,952	65,568	931,199
Management and general	56,752	45,035	28,287	-	130,074
Total expenses	<u>99,687</u>	<u>251,779</u>	<u>644,239</u>	<u>65,568</u>	<u>1,061,273</u>
Net change in assets	19,781	47,710	3,576	(2,056)	69,011
Net assets at September 30, 2010	<u>29,055</u>	<u>122,285</u>	<u>9,083</u>	<u>20,755</u>	<u>181,178</u>
Net assets at September 30, 2011	<u>\$ 48,836</u>	<u>\$ 169,995</u>	<u>\$ 12,659</u>	<u>\$ 18,699</u>	<u>\$ 250,189</u>

See notes to financial statements.

2010

Child Care Network	Kids Klub	Food Program	Caring for Kids	Total
\$ -	\$ -	\$ 676,748	\$ -	\$ 676,748
19,720	222,792	-	-	242,512
-	12,286	-	67,836	80,122
401	-	-	-	401
-	34,078	-	5,544	39,622
35,373	17	-	3,275	38,665
-	-	-	11,786	11,786
6,364	953	-	523	7,840
7,086	-	-	-	7,086
15	802	-	4	858
<u>68,959</u>	<u>270,928</u>	<u>676,748</u>	<u>89,005</u>	<u>1,105,640</u>
24,751	203,744	639,248	76,127	943,870
31,234	35,881	30,089	-	97,204
<u>55,985</u>	<u>239,625</u>	<u>669,337</u>	<u>76,127</u>	<u>1,041,074</u>
12,974	31,303	7,411	12,878	64,566
16,081	90,982	1,672	7,877	116,612
<u>\$ 29,055</u>	<u>\$ 122,285</u>	<u>\$ 9,083</u>	<u>\$ 20,755</u>	<u>\$ 181,178</u>

CHILD CARE NETWORK, INC.
 Statement of Functional Expenses
 For the Year Ended September 30, 2011
 (With Comparative Totals for 2010)

	Program Service Expenses					Total	September 30, 2010 Total All Funds (Memorandum Only)
	Child Care Network	Kids Klub	Food Program	Caring for Kids	Total Program Services		
Provider reimbursement	\$ 4,647	\$ -	\$ 575,065	\$ -	\$ 575,065	\$ -	\$ 596,953
Salaries and wages	385	141,368	14,702	25,995	186,712	110,694	246,368
Payroll taxes	-	10,259	1,124	2,154	13,902	9,851	18,420
Administrative reimbursement	758	8,940	-	7,200	16,140	-	17,651
Miscellaneous	-	3,783	-	9,125	13,666	-	21,516
Program supplies	-	13,146	-	-	13,146	-	15,637
Insurance	9,762	-	2,366	249	12,377	-	8,525
Rent expense	5,075	2,553	3,272	840	11,740	-	6,900
Contracted services	469	-	751	9,276	10,496	-	35,663
Program expenses	947	3,176	2,057	3,417	9,597	-	13,155
Professional fees	3,038	225	6,167	-	9,430	-	9,255
Employee benefits	-	-	-	-	-	8,787	6,342
Assistance to others	-	7,759	-	-	7,759	-	5,861
Travel	2,970	1,014	3,263	-	7,247	-	4,813
Telephone and internet	1,493	2,910	1,868	-	6,271	-	6,361
Gain share	-	6,000	-	-	6,000	-	-
Office supplies and expense	2,608	689	2,411	99	5,807	-	5,527
Advertising and printing	2,670	808	826	-	4,304	-	1,260
Equipment expense	1,784	955	686	-	3,425	-	1,599
Training	1,379	1,792	50	-	3,221	-	387
Fundraising expenses	-	-	-	2,436	2,436	-	926
In-kind expense	2,420	-	-	-	2,420	-	7,086
Kids Fest expense	-	-	-	2,286	2,286	-	2,261
Family Preschool expense	-	-	-	2,268	2,268	-	2,104
Postage	700	124	627	13	1,464	-	1,587
Meals	618	247	307	110	1,282	-	-
Copier expense	314	254	254	-	822	-	967
Gift expense	100	577	-	100	777	-	813
Depreciation expense	-	-	-	-	-	742	612
Dues and subscriptions	360	185	156	-	701	-	411
Unrelated business income tax	438	-	-	-	438	-	8
Contributions	-	-	-	-	-	-	2,570
Greater Seymour Trust Fund	-	-	-	-	-	-	148
Total expenses	\$ 42,935	\$ 206,744	\$ 615,952	\$ 65,568	\$ 931,199	\$ 130,074	\$ 1,041,074

See notes to financial statements.

CHILD CARE NETWORK, INC.
 Statements of Cash Flows
 Years Ended September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 69,011	\$ 64,566
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	742	612
Decrease (increase) in assets:		
Accounts receivable	(5,292)	(13,349)
Prepaid expenses	(693)	298
Increase (decrease) in liabilities:		
Unearned revenue	(21,228)	(15,171)
Accrued expenses	7,443	(16,654)
	<u>49,981</u>	<u>20,302</u>
Net cash flows from operating activities		
Cash Flows From Investing Activities		
Purchases of property and equipment	(563)	-
Donated equipment	(1,000)	-
Purchases of certificates of deposit	(35,150)	(15,000)
Redemptions of certificates of deposit	15,000	15,000
	<u>(21,713)</u>	<u>-</u>
Net cash flows from investing activities		
Net change in cash and cash equivalents	28,268	20,302
Cash and cash equivalents at September 30, 2010	<u>149,592</u>	<u>129,290</u>
Cash and cash equivalents at September 30, 2011	<u>\$ 177,860</u>	<u>\$ 149,592</u>

See notes to financial statements.

CHILD CARE NETWORK, INC.
Notes to Financial Statements
September 30, 2011 and 2010

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Accounts Receivable - The Organization carries its accounts receivable at cost. Accounts receivable represent amounts due from government agencies for services provided in months prior to year end. Management determines if an allowance for uncollectible amounts is necessary based on historical collection of receivables. As of September 30, 2011 and 2010, no allowance was considered necessary.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is included in the accompanying financial statements. The Organization evaluates its uncertain tax positions in accordance with applicable standards. It has evaluated its tax positions, and believes that it has none that are uncertain. At the statement of financial position date, the Organization's Form 990s for the years ending September 30, 2011, 2010 and 2009 remained subject to examination by the Internal Revenue Service.

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

Statement of Cash Flows - For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Donations - The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Advertising - The Organization uses advertising to promote various programs. The costs of advertising are expensed as incurred. For the years ended September 30, 2011 and 2010, advertising costs totaled \$2,596 and \$592, respectively.

Reclassifications - The beginning of the year net asset balances and certain prior year revenues and expenses have been reclassified to conform to the presentation in the current year financial statements. These reclassifications did not affect net income or total net assets at September 30, 2010.

NOTE 2 - CONCENTRATION OF REVENUE

For the years ended September 30, 2011 and 2010, the Organization received 58% and 61%, respectively, of its revenue from the Indiana Department of Education for the services it provides to its home daycare centers.

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

NOTE 3 - CONTINGENCIES / STATE CONTRACTS

The Organization is substantially funded by grants and contracts awarded directly and indirectly by the Federal Government and the State of Indiana. The majority of the agreements contain provisions which permit the arrangements to be terminated or the funds provided to be reduced if the unit of government does not appropriate any or adequate funds to maintain the current funding levels. Any excess funds on hand at the termination date would be subject to refund if such funds exceeded the accrued expenditures allowable under the grants and contracts at that date.

The agreement was not terminated at September 30, 2011 and 2010 and therefore, there were no excess funds at September 30, 2011 and 2010. Amounts received from state sources and included in income for the years ended September 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Food Program	\$ 657,346	\$ 676,748
Total Fundin	<u>\$ 657,346</u>	<u>\$ 676,748</u>

The Food Program amounts are pass-throughs from the Indiana Department of Education under the Child and Adult Food Care Program (CFDA 10.558). The contract reimburses the Food Program on a unit per service basis, and currently is in effect through September 30, 2012. Amounts due from services rendered totaled \$53,442 and \$54,060 as of September 30, 2011 and 2010, respectively. Amounts owed to the providers totaled \$42,469 and \$ 46,658 as of September 30, 2011 and 2010, respectively. The Food Program currently operates in the following Indiana counties: Jackson, Bartholomew, Clark, Washington, Jennings, Scott, Jefferson, and Ripley.

NOTE 4 - COMMITMENTS

Child Care Network, Inc. leases administrative office space from a related party under an agreement that began in December 2004, for a five year term. This lease was renewed on January 1, 2010 until December 31, 2015. Lease expense was \$575 per month for year ended September 30, 2010. The lease was revised on October 1, 2010 and runs until December 31, 2015. Lease expense under the revised agreement was \$725 per month for the year ended September 30, 2011. The monthly lease payment is made as follows for the years ended September 30, 2011 and 2010, respectively:

	<u>2011</u>	<u>2010</u>
Child Care Network	\$ 90	\$ 86
Americorp	150	-
Kids Club	213	213
Food Program	<u>272</u>	<u>276</u>
Total	<u>\$ 725</u>	<u>\$ 575</u>

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

NOTE 4 - COMMITMENTS - (Continued)

Child Care Network, Inc. also leases Suite 302 for their CASA program. This agreement began on November 1, 2010 and will terminate upon the Lessor or Lessee's written notice of intention to terminate within 30 days. Lease expense under this agreement was \$250 per month for the year ended September 30, 2011. The following is a schedule by years of future minimum payments required under the leases:

<u>Years ending September 30,</u>	
2012	\$ 8,950
2013	8,700
2014	8,700
2015	8,700
2016	<u>2,175</u>
	<u>\$ 37,225</u>

The Organization was receiving \$1,022 per month from the landlord to act as manager of the building in which it is located. This agreement expired in December 2010 and was not renewed. Total amounts received during the years ended September 30, 2011 and 2010 were \$3,065 and \$12,117, respectively, and are included in Child Care Network, Inc.'s program income.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets available for the following purposes at September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Jackson County United Way	<u>\$ 22,131</u>	<u>\$ 22,131</u>
	<u>\$ 22,131</u>	<u>\$ 22,131</u>

There were no permanently restricted net assets at September 30, 2011 and 2010.

NOTE 6 - SUBSEQUENT EVENTS

Management has evaluated events and transactions occurring subsequent to the Statement of Financial Position date of September 30, 2011 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 19, 2012, the date these financial statements were available to be issued.

CHILD CARE NETWORK, INC.
 Schedule of Expenditures of Federal Awards
 Year Ended September 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Awards Expended
Indiana Department of Education			
Child and Adult Care Food Program	10.558	1360010	\$ 657,346
Total			<u>\$ 657,346</u>

NOTE 1 - BASIS OF PRESENTATION

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



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

To the Board of Directors
Child Care Network, Inc.

We have audited the financial statements of Child Care Network, Inc. as of and for the year ended September 30, 2011, and have issued our report thereon dated January 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 Child Care Network, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Child Care Network, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

This report is intended solely for the information and use of management, Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Roderfer Moss & Co, PLLC

Roderfer Moss & Co, PLLC
New Albany, Indiana
January 19, 2012



Independent Auditors' 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 Network, Inc.

Compliance

We have audited Child Care Network, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Child Care Network, Inc.'s major federal programs for the year ended September 30, 2011. Child Care Network, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Child Care Network, Inc.'s management. Our responsibility is to express an opinion on Child Care Network, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Child Care Network, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Child Care Network, Inc.'s compliance with those requirements.

In our opinion, Child Care Network, Inc., complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2011.

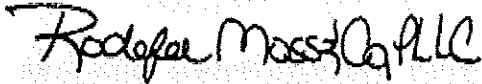
Internal Control over Compliance

Management of Child Care Network, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Child Care Network, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the 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 Network, 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 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 internal control over compliance 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 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 management, Board of Directors, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Rodefer Moss & Co, PLLC
New Albany, Indiana
January 19, 2012

CHILD CARE NETWORK, INC.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unqualified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: *unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

CFDA Number(s)

10.558

Name of Federal Program or Cluster

Child and Adult Care Food Program

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

\$300,000

Auditee qualified as low-risk auditee?

yes no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

