



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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April 3, 2018

Board of Directors
Dependent Care Management, Inc.
1555 W. Oak St., Suite 60
Zionsville, IN 46077

We have reviewed the report prepared by Dependent Care Management, Inc. and opined upon by Pettit & Company, LLC, Independent Public Accountants, for the period January 1, 2014 to December 31, 2015. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Dependent Care Management, Inc. as of December 31, 2015 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Pettit & Company, LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

DEPENDENT CARE MANAGEMENT, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

DEPENDENT CARE MANAGEMENT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Dependent Care Management, Inc.
Zionsville, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Dependent Care Management, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dependent Care Management, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, on our consideration of Dependent Care Management, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dependent Care Management, Inc.'s internal control over financial reporting and compliance.

Pettit & Company, LLC

June 30, 2016

DEPENDENT CARE MANAGEMENT, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 82,334	\$ 76,066
Accounts receivable - CACFP	273,509	222,314
Total current assets	<u>355,843</u>	<u>298,380</u>
Net property and equipment	<u>2,219</u>	<u>3,541</u>
Other assets		
Security deposit	870	870
Total other assets	<u>870</u>	<u>870</u>
Total assets	<u><u>\$ 358,932</u></u>	<u><u>\$ 302,791</u></u>

DEPENDENT CARE MANAGEMENT, INC.

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2015 AND 2014**

LIABILITIES AND NET ASSETS (DEFICIT)

	<u>2015</u>	<u>2014</u>
Current liabilities		
Accounts payable - providers	\$ 245,265	\$ 197,064
Accounts payable - operations	5,271	5,381
Defined contribution plan accrual	26,378	20,520
Audit reserve accrual	10,393	6,000
Total current liabilities	<u>287,307</u>	<u>228,965</u>
Total liabilities	<u>287,307</u>	<u>228,965</u>
Net assets (deficit)		
Unrestricted	71,625	73,826
Total net assets	<u>71,625</u>	<u>73,826</u>
Total liabilities and net assets (deficit)	<u><u>\$ 358,932</u></u>	<u><u>\$ 302,791</u></u>

DEPENDENT CARE MANAGEMENT, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
UNRESTRICTED REVENUES AND SUPPORT		
Program revenue - CACFP	\$ 3,020,760	\$ 2,617,980
Investment income	137	126
Other income	6	-
Total support and revenue	3,020,903	2,618,106
Expenses		
Child care providers	2,732,851	2,362,285
Wages	165,204	145,999
Payroll taxes	14,843	12,877
Defined contribution plan	25,858	20,010
Leased equipment	2,400	2,400
Printing, promotions, and advertising	1,208	879
Postage	970	920
Bank charges	2,294	2,293
Communication	4,366	3,942
Office supplies and expenses	5,327	3,566
Recruitment and training	2,805	2,589
Professional affiliations	255	179
Professional fees	24,001	23,287
Travel	21,475	15,383
Employee benefits	932	1,852
Insurance	4,479	4,631
Office rental and maintenance	11,404	10,515
Utilities	1,110	1,025
Total cost of operations before depreciation	3,021,782	2,614,632
Change in net assets (deficit) before depreciation	(879)	3,474
Depreciation expense	1,322	1,408
Change in net assets	(2,201)	2,066
Net assets (deficit) - beginning of year	73,826	71,760
Net assets (deficit) - end of year	\$ 71,625	\$ 73,826

DEPENDENT CARE MANAGEMENT, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (2,201)	\$ 2,066
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	1,322	1,408
(Increase) decrease in assets		
Accounts receivable	(51,195)	(38,745)
Increase (decrease) in liabilities		
Accounts payable - providers	48,201	34,011
Accounts payable -operations	(110)	1,972
Accrued expenses	10,251	3,010
	6,268	3,722
Net cash provided by (used in) operating activities		
	6,268	3,722
Net increase (decrease) in cash and cash equivalents		
	6,268	3,722
Cash and cash equivalents, beginning of fiscal year	76,066	72,344
Cash and cash equivalents, end of fiscal year	\$ 82,334	\$ 76,066
Supplemental Schedule of Cash Flow Information		
Interest paid	\$ -	\$ -

DEPENDENT CARE MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – FORMATION AND DESCRIPTION OF OPERATIONS

Dependent Care Management, Inc. (the “Organization”) is a nonprofit corporation, operating in Zionsville Indiana, assisting family day care homes and ministries that participate in the Federal Child and Adult Care Food Program of the U.S. Department of Agriculture. Funds are passed through the Indiana Department of Education for eligible children under agreement 1060010.

Programs

Dependent Care Management, Inc. is a sponsor in the Department of Agriculture’s Child and Adult Care Food program, which flows through the Indiana Department of Education. A sponsor administers funds that are passed through to licensed child care providers, centers and ministries in Indiana.

Dependent Care Management, Inc. has contracts to provide resource, referral and parent education to corporations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Organization’s financial statements have been prepared on the accrual basis of accounting. The financial statements presentation is in accordance with Accounting Standards Codification 958 (“ASC 958”) – *Not For-Profit Organizations*. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization’s net assets and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and may be used at the Organization’s discretion.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the Organization maintains the assets permanently.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

DEPENDENT CARE MANAGEMENT, INC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. As of December 31, 2015 and 2014, cash and cash equivalents consisted of an operating checking account and petty cash.

Accounts receivable

Accounts receivable - CACFP is recorded at the amount the Organization expects to collect on balances outstanding at year-end. These funds are reimbursed by the federal government and are entirely collectable; therefore, establishing a delinquency policy is not necessary. Management closely monitors outstanding balances and writes off, as of year end, all balances that have not been collected by the time the financial statements are issued. Federal regulations do not allow Dependent Care Management, Inc. to charge interest on outstanding receivables.

Allowance for bad debts

Dependent Care Management, Inc. uses the allowance for doubtful accounts method to record uncollected receivables. The Organization incurred no bad debt costs nor was an allowance for doubtful accounts recorded for years ended December 31, 2015 and 2014.

Property and equipment

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 the 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. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income or loss for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Accounting for the impairment or disposal of long-lived assets

Accounting for the Impairment or Disposal of Long-Lived Assets, requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Accounting for the Impairment or Disposal of Long-Lived Assets has not materially affected the Organization's reported earnings, financial condition or cash flows.

Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. Dependent Care Management, Inc. has been classified as an Organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The income tax filings are subject to audit by various taxing authorities. The Organization is no longer subject to income tax examinations by taxing authorities for tax years ending on or before December 31, 2012.

DEPENDENT CARE MANAGEMENT, INC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising cost are charged to operations as incurred. There were no advertising costs during the years ended December 31, 2015 and 2014.

Management's review of subsequent events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2015, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2015. Management has performed their analysis of subsequent events through June 30, 2016, the date the financial statements were available to be issued.

NOTE 3 – ECONOMIC DEPENDENCY

Dependent Care Management, Inc. receives approximately 99% in 2015 and 99% in 2014 of its revenue from the Indiana Department of Education (IDE) who, in turn, receives funding from the U.S. Department of Agriculture. Should funding of the Child and Adult Care Food Program cease, Dependent Care Management, Inc. would not be able to generate sufficient revenue to continue the Child and Adult Care Food Program. As of December 31, 2015 and 2014, \$245,265 and \$197,062, respectively, are due from the IDE.

NOTE 4 – LINE OF CREDIT

The Organization has a revolving credit agreement with a bank with a maximum borrowing limit of \$25,000. The revolving credit agreement is renewed on a month to month basis. Interest is accrued and payable at a variable rate at 1% over the bank's prime rate, which was 4.25 % and 4.25 %, at December 31, 2015 and 2014, respectively. The balance due at December 31, 2015 and 2014 is \$ - 0- and \$ -0-, respectively.

NOTE 5 – OPERATING LEASES

On January 15, 2011 the Organization entered into an operating lease to rent office space. The length of the lease for the new office space is for five years starting on January 15, 2011. The monthly rent for the office space for the first three years is \$520 plus common area maintenance of approximately \$350. In year four the monthly lease is \$536 per month plus common area maintenance and in year five the monthly lease is \$551 plus common area maintenance. There is one five year option, which the Organization has not exercised as of the date of this report. Currently, the Organization is on a month to month lease for the office space.

In January 2013 Dependent Care Management, Inc. entered into an operating lease to rent a new copier. The lease is for three years and calls for \$200 monthly payment.

DEPENDENT CARE MANAGEMENT, INC.

NOTE 5 – OPERATING LEASE (CONTINUED)

Minimum future rental payments under operating leases for each of the next five years are:

2016	\$ 13,404
2017	11,193
2018	11,382
2019	11,571
2020	11,760
Thereafter	<u>-0-</u>
Total	<u>\$ 59,310</u>

NOTE 6 – DEFINED BENEFIT PLANS

The Organization has established a defined contribution pension plan. Defined contribution plan expense for 2015 and 2014 were \$25,858 and \$20,019, respectively. As of December 31, 2015 and 2014 the Organization accrued \$25,858 and \$20,000 respectively.

The Organization also sponsors a 403 (b) plan for employee's salary deferrals. There were no employer contributions to the plan for years ended December 31, 2015 and 2014.

NOTE 7 – CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily, or permanently restricted net assets depending on the existence or nature of any donor restriction.

SINGLE AUDIT SECTION

DEPENDENT CARE MANAGEMENT, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	2015 <u>Federal Expenditures</u>	2014 <u>Federal Expenditures</u>
Department of Agriculture: Indiana Department of Education Child Care Food Program	10.558	1060010	<u>\$ 3,021,782</u>	<u>\$ 2,614,632</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards includes the federal grant activity of Dependent Care Management, Inc. and is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Dependent Care Management, Inc. provided federal awards to subrecipients as follows:

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	2015 <u>Federal Expenditures</u>	2014 <u>Federal Expenditures</u>
Department of Agriculture: Indiana Department of Education Child Care Food Program	10.558	1060010	<u>\$ 2,684,750</u>	<u>\$ 2,328,274</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Dependent Care Management, Inc.
Zionsville, Indiana

We have audited, in accordance with the 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, the financial statements of Dependent Care Management, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Dependent Care Management, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dependent Care Management, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Dependent Care Management, Inc.'s internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dependent Care Management, Inc.'s financial statements are free from 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 audits, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pettit & Company, LLC

June 30, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors of
Dependent Care Management, Inc.
Zionsville, Indiana

Report on Compliance for Each Major Federal Program

We have audited Dependent Care Management, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Dependent Care Management, Inc.'s major federal programs for the years ended December 31, 2015 and 2014. Dependent Care Management, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Dependent Care Management, Inc.'s major federal programs based on our audits of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audits 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 Dependent Care Management, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major federal program. However, our audits do not provide a legal determination of Dependent Care Management, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Dependent Care Management, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2015 and 2014.

Report on Internal Control Over Compliance

Management of Dependent Care Management, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered Dependent Care Management, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Dependent Care Management, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pettie & Company, LLC

June 30, 2016

DEPENDENT CARE MANAGEMENT, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) 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 federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported.

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of OMB Uniform Guidance? Yes No

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000 for 2015

Dollar threshold used to distinguish between Type A and Type B programs \$300,000 for 2014

Auditee qualified as low-risk auditee? No

DEPENDENT CARE MANAGEMENT, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Section II Financial Statement Findings

For the Year Ended December 31, 2015:

Our audit disclosed no findings that are required to be reported herein under Uniform Administrative Requirements.

For the Year Ended December 31, 2014:

There were no findings that were required to be reported herein under OMB Circular A-133.

Section III Federal Award Findings

For the Year Ended December 31, 2015:

Our audit disclosed no findings that are required to be reported herein under Uniform Administrative Requirements.

For the Year Ended December 31, 2014:

There were no findings that were required to be reported herein under OMB Circular A-133.

DEPENDENT CARE MANAGEMENT, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

DEPENDENT CARE MANAGEMENT, INC.

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To the Board of Directors of
Dependent Care Management, Inc.
Zionsville, Indiana

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Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dependent Care Management, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016, on our consideration of Dependent Care Management, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dependent Care Management, Inc.'s internal control over financial reporting and compliance.

Pettit & Company, LLC

June 30, 2016

DEPENDENT CARE MANAGEMENT, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 82,334	\$ 76,066
Accounts receivable - CACFP	273,509	222,314
Total current assets	<u>355,843</u>	<u>298,380</u>
Net property and equipment	<u>2,219</u>	<u>3,541</u>
Other assets		
Security deposit	870	870
Total other assets	<u>870</u>	<u>870</u>
Total assets	<u><u>\$ 358,932</u></u>	<u><u>\$ 302,791</u></u>

DEPENDENT CARE MANAGEMENT, INC.

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF DECEMBER 31, 2015 AND 2014**

LIABILITIES AND NET ASSETS (DEFICIT)

	<u>2015</u>	<u>2014</u>
Current liabilities		
Accounts payable - providers	\$ 245,265	\$ 197,064
Accounts payable - operations	5,271	5,381
Defined contribution plan accrual	26,378	20,520
Audit reserve accrual	10,393	6,000
Total current liabilities	<u>287,307</u>	<u>228,965</u>
Total liabilities	<u>287,307</u>	<u>228,965</u>
Net assets (deficit)		
Unrestricted	71,625	73,826
Total net assets	<u>71,625</u>	<u>73,826</u>
Total liabilities and net assets (deficit)	<u><u>\$ 358,932</u></u>	<u><u>\$ 302,791</u></u>

DEPENDENT CARE MANAGEMENT, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
UNRESTRICTED REVENUES AND SUPPORT		
Program revenue - CACFP	\$ 3,020,760	\$ 2,617,980
Investment income	137	126
Other income	6	-
Total support and revenue	3,020,903	2,618,106
Expenses		
Child care providers	2,732,851	2,362,285
Wages	165,204	145,999
Payroll taxes	14,843	12,877
Defined contribution plan	25,858	20,010
Leased equipment	2,400	2,400
Printing, promotions, and advertising	1,208	879
Postage	970	920
Bank charges	2,294	2,293
Communication	4,366	3,942
Office supplies and expenses	5,327	3,566
Recruitment and training	2,805	2,589
Professional affiliations	255	179
Professional fees	24,001	23,287
Travel	21,475	15,383
Employee benefits	932	1,852
Insurance	4,479	4,631
Office rental and maintenance	11,404	10,515
Utilities	1,110	1,025
Total cost of operations before depreciation	3,021,782	2,614,632
Change in net assets (deficit) before depreciation	(879)	3,474
Depreciation expense	1,322	1,408
Change in net assets	(2,201)	2,066
Net assets (deficit) - beginning of year	73,826	71,760
Net assets (deficit) - end of year	\$ 71,625	\$ 73,826

DEPENDENT CARE MANAGEMENT, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (2,201)	\$ 2,066
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	1,322	1,408
(Increase) decrease in assets		
Accounts receivable	(51,195)	(38,745)
Increase (decrease) in liabilities		
Accounts payable - providers	48,201	34,011
Accounts payable -operations	(110)	1,972
Accrued expenses	10,251	3,010
Net cash provided by (used in) operating activities	<u>6,268</u>	<u>3,722</u>
Net increase (decrease) in cash and cash equivalents	6,268	3,722
Cash and cash equivalents, beginning of fiscal year	<u>76,066</u>	<u>72,344</u>
Cash and cash equivalents, end of fiscal year	<u><u>\$ 82,334</u></u>	<u><u>\$ 76,066</u></u>
Supplemental Schedule of Cash Flow Information		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

DEPENDENT CARE MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – FORMATION AND DESCRIPTION OF OPERATIONS

Dependent Care Management, Inc. (the “Organization”) is a nonprofit corporation, operating in Zionsville Indiana, assisting family day care homes and ministries that participate in the Federal Child and Adult Care Food Program of the U.S. Department of Agriculture. Funds are passed through the Indiana Department of Education for eligible children under agreement 1060010.

Programs

Dependent Care Management, Inc. is a sponsor in the Department of Agriculture’s Child and Adult Care Food program, which flows through the Indiana Department of Education. A sponsor administers funds that are passed through to licensed child care providers, centers and ministries in Indiana.

Dependent Care Management, Inc. has contracts to provide resource, referral and parent education to corporations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Organization’s financial statements have been prepared on the accrual basis of accounting. The financial statements presentation is in accordance with Accounting Standards Codification 958 (“ASC 958”) – *Not For-Profit Organizations*. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization’s net assets and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and may be used at the Organization’s discretion.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time.
- Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the Organization maintains the assets permanently.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

DEPENDENT CARE MANAGEMENT, INC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. As of December 31, 2015 and 2014, cash and cash equivalents consisted of an operating checking account and petty cash.

Accounts receivable

Accounts receivable - CACFP is recorded at the amount the Organization expects to collect on balances outstanding at year-end. These funds are reimbursed by the federal government and are entirely collectable; therefore, establishing a delinquency policy is not necessary. Management closely monitors outstanding balances and writes off, as of year end, all balances that have not been collected by the time the financial statements are issued. Federal regulations do not allow Dependent Care Management, Inc. to charge interest on outstanding receivables.

Allowance for bad debts

Dependent Care Management, Inc. uses the allowance for doubtful accounts method to record uncollected receivables. The Organization incurred no bad debt costs nor was an allowance for doubtful accounts recorded for years ended December 31, 2015 and 2014.

Property and equipment

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 the 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. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income or loss for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Accounting for the impairment or disposal of long-lived assets

Accounting for the Impairment or Disposal of Long-Lived Assets, requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Accounting for the Impairment or Disposal of Long-Lived Assets has not materially affected the Organization's reported earnings, financial condition or cash flows.

Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. Dependent Care Management, Inc. has been classified as an Organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. The income tax filings are subject to audit by various taxing authorities. The Organization is no longer subject to income tax examinations by taxing authorities for tax years ending on or before December 31, 2012.

DEPENDENT CARE MANAGEMENT, INC.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising cost are charged to operations as incurred. There were no advertising costs during the years ended December 31, 2015 and 2014.

Management's review of subsequent events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2015, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2015. Management has performed their analysis of subsequent events through June 30, 2016, the date the financial statements were available to be issued.

NOTE 3 – ECONOMIC DEPENDENCY

Dependent Care Management, Inc. receives approximately 99% in 2015 and 99% in 2014 of its revenue from the Indiana Department of Education (IDE) who, in turn, receives funding from the U.S. Department of Agriculture. Should funding of the Child and Adult Care Food Program cease, Dependent Care Management, Inc. would not be able to generate sufficient revenue to continue the Child and Adult Care Food Program. As of December 31, 2015 and 2014, \$245,265 and \$197,062, respectively, are due from the IDE.

NOTE 4 – LINE OF CREDIT

The Organization has a revolving credit agreement with a bank with a maximum borrowing limit of \$25,000. The revolving credit agreement is renewed on a month to month basis. Interest is accrued and payable at a variable rate at 1% over the bank's prime rate, which was 4.25 % and 4.25 %, at December 31, 2015 and 2014, respectively. The balance due at December 31, 2015 and 2014 is \$ - 0- and \$ -0-, respectively.

NOTE 5 – OPERATING LEASES

On January 15, 2011 the Organization entered into an operating lease to rent office space. The length of the lease for the new office space is for five years starting on January 15, 2011. The monthly rent for the office space for the first three years is \$520 plus common area maintenance of approximately \$350. In year four the monthly lease is \$536 per month plus common area maintenance and in year five the monthly lease is \$551 plus common area maintenance. There is one five year option, which the Organization has not exercised as of the date of this report. Currently, the Organization is on a month to month lease for the office space.

In January 2013 Dependent Care Management, Inc. entered into an operating lease to rent a new copier. The lease is for three years and calls for \$200 monthly payment.

DEPENDENT CARE MANAGEMENT, INC.

NOTE 5 – OPERATING LEASE (CONTINUED)

Minimum future rental payments under operating leases for each of the next five years are:

2016	\$ 13,404
2017	11,193
2018	11,382
2019	11,571
2020	11,760
Thereafter	<u>-0-</u>
Total	<u>\$ 59,310</u>

NOTE 6 – DEFINED BENEFIT PLANS

The Organization has established a defined contribution pension plan. Defined contribution plan expense for 2015 and 2014 were \$25,858 and \$20,019, respectively. As of December 31, 2015 and 2014 the Organization accrued \$25,858 and \$20,000 respectively.

The Organization also sponsors a 403 (b) plan for employee's salary deferrals. There were no employer contributions to the plan for years ended December 31, 2015 and 2014.

NOTE 7 – CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily, or permanently restricted net assets depending on the existence or nature of any donor restriction.

SINGLE AUDIT SECTION

DEPENDENT CARE MANAGEMENT, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	2015 <u>Federal Expenditures</u>	2014 <u>Federal Expenditures</u>
Department of Agriculture: Indiana Department of Education Child Care Food Program	10.558	1060010	<u>\$ 3,021,782</u>	<u>\$ 2,614,632</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards includes the federal grant activity of Dependent Care Management, Inc. and is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Dependent Care Management, Inc. provided federal awards to subrecipients as follows:

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	2015 <u>Federal Expenditures</u>	2014 <u>Federal Expenditures</u>
Department of Agriculture: Indiana Department of Education Child Care Food Program	10.558	1060010	<u>\$ 2,684,750</u>	<u>\$ 2,328,274</u>



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Dependent Care Management, Inc.
Zionsville, Indiana

We have audited, in accordance with the 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, the financial statements of Dependent Care Management, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Dependent Care Management, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dependent Care Management, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Dependent Care Management, Inc.'s internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dependent Care Management, Inc.'s financial statements are free from 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 audits, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pettit & Company, LLC

June 30, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors of
Dependent Care Management, Inc.
Zionsville, Indiana

Report on Compliance for Each Major Federal Program

We have audited Dependent Care Management, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Dependent Care Management, Inc.'s major federal programs for the years ended December 31, 2015 and 2014. Dependent Care Management, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Dependent Care Management, Inc.'s major federal programs based on our audits of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audits 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 Dependent Care Management, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major federal program. However, our audits do not provide a legal determination of Dependent Care Management, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Dependent Care Management, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2015 and 2014.

Report on Internal Control Over Compliance

Management of Dependent Care Management, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered Dependent Care Management, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Dependent Care Management, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pettie & Company, LLC

June 30, 2016

DEPENDENT CARE MANAGEMENT, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) 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 federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported.

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of OMB Uniform Guidance? Yes No

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000 for 2015

Dollar threshold used to distinguish between Type A and Type B programs \$300,000 for 2014

Auditee qualified as low-risk auditee? No

DEPENDENT CARE MANAGEMENT, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Section II Financial Statement Findings

For the Year Ended December 31, 2015:

Our audit disclosed no findings that are required to be reported herein under Uniform Administrative Requirements.

For the Year Ended December 31, 2014:

There were no findings that were required to be reported herein under OMB Circular A-133.

Section III Federal Award Findings

For the Year Ended December 31, 2015:

Our audit disclosed no findings that are required to be reported herein under Uniform Administrative Requirements.

For the Year Ended December 31, 2014:

There were no findings that were required to be reported herein under OMB Circular A-133.