



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B49888

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

April 13, 2018

Board of Directors
Early Childhood Alliance, Inc.
3320 Fairfield Ave.
Fort Wayne, IN 46807

We have reviewed the report prepared by Early Childhood Alliance, Inc. and opined upon by Dulin, Ward & DeWald, Inc., Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Early Childhood Alliance, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Dulin, Ward & DeWald, Inc. 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.

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

EARLY CHILDHOOD ALLIANCE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2016

With Summarized Information for December 31, 2015

TABLE OF CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows.....	6
Notes to Financial Statements	7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	19
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	20
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	21
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	25
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	27



INDEPENDENT AUDITORS' REPORT

Board of Directors
Early Childhood Alliance, Inc.
Fort Wayne, Indiana

We have audited the accompanying financial statements of Early Childhood Alliance, Inc., (a nonprofit organization) which comprise the statement of financial position, as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Early Childhood Alliance, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Early Childhood Alliance, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 1, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

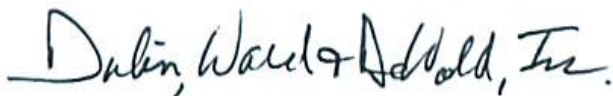
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 a report dated February 13, 2017 on our consideration of Early Childhood Alliance, 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 in considering Early Childhood Alliance, Inc.'s internal control over financial reporting and compliance.



Fort Wayne, Indiana
February 13, 2017

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2016 with Summarized Information for December 31, 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 1,182,885	\$ 941,098
Short-term investments	25,662	25,623
Pledges receivable - net	353,000	606,800
Claims receivable	580,547	460,060
Prepaid expenses and deposits	27,655	23,976
Long-term investments	334,048	319,007
Beneficial interest	16,321	15,749
Cash restricted for purchase of equipment	41,626	35,750
Fixed assets - net	<u>1,509,587</u>	<u>1,600,985</u>
Total Assets	<u><u>\$ 4,071,331</u></u>	<u><u>\$ 4,029,048</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable:		
Trade	\$ 36,880	\$ 46,412
Food and service reimbursements	293,669	145,736
Employees' payroll deductions and accrued expenses	<u>312,113</u>	<u>304,722</u>
Total Liabilities	642,662	496,870
Net Assets:		
Unrestricted net assets	2,423,589	2,532,174
Temporarily restricted net assets	<u>1,005,080</u>	<u>1,000,004</u>
Total Net Assets	<u><u>3,428,669</u></u>	<u><u>3,532,178</u></u>
Total Liabilities and Net Assets	<u><u>\$ 4,071,331</u></u>	<u><u>\$ 4,029,048</u></u>

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

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016 with Summarized
Information for the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted
CHANGES IN NET ASSETS		
Support, Revenue and Gains:		
Contributions	\$ 576,501	\$ 688,416
United Way	-	107,500
Grants - federal	3,590,013	-
Fund raising events	142,080	-
Less direct benefit to donors	(13,181)	-
Program service fees	1,665,878	-
Investment income	10,514	-
Gain on investments	9,033	-
Gain on disposal of fixed assets	4,749	-
Miscellaneous	6,622	-
Net Assets Released From Restrictions:		
Satisfaction of purpose requirements	558,816	(558,816)
Satisfaction of time requirements	205,000	(205,000)
Satisfaction of purchase requirements	27,024	(27,024)
	6,783,049	5,076
Expenses and Losses:		
Children's learning centers	2,916,534	-
Childcare resource and referral	1,029,017	-
Childcare food program	2,175,799	-
Parenting programs	256,477	-
Administration	361,578	-
Fund raising	152,095	-
Loss on disposal of fixed assets	-	-
Loss on investments	-	-
Return of unused grant	134	-
	6,891,634	-
CHANGE IN NET ASSETS	(108,585)	5,076
NET ASSETS - beginning of year	2,532,174	1,000,004
NET ASSETS - end of year	\$ 2,423,589	\$ 1,005,080

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

Total	
2016	2015
\$ 1,264,917	\$ 1,194,618
107,500	140,500
3,590,013	3,216,701
142,080	62,525
(13,181)	(2,545)
1,665,878	1,774,698
10,514	15,511
9,033	-
4,749	-
6,622	10,065
-	-
-	-
-	-
6,788,125	6,412,073
2,916,534	2,940,760
1,029,017	824,680
2,175,799	1,859,396
256,477	228,860
361,578	306,576
152,095	107,204
-	1,187
-	14,822
134	3,946
6,891,634	6,287,431
(103,509)	124,642
3,532,178	3,407,536
\$ 3,428,669	\$ 3,532,178

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016 with Summarized
Financial Information for the Year Ended December 31, 2015

	Children's Learning Centers	Childcare Resource & Referral	Childcare Food Program	Parenting Programs
Salaries	\$ 1,752,904	\$ 616,122	\$ 103,763	\$ 159,767
Employee health and retirement benefits	301,232	101,358	33,470	37,270
Payroll taxes	<u>124,902</u>	<u>43,902</u>	<u>7,394</u>	<u>11,384</u>
Total Salaries and Related Expenses	2,179,038	761,382	144,627	208,421
Food program payments	-	-	1,973,311	-
Occupancy	325,871	38,284	10,971	9,371
Food service	271,069	141	-	-
Professional fees	11,185	65,154	3,139	6,987
Program travel / transportation	30,522	39,801	8,023	15,830
Printing / public relations	1,832	6,991	3,258	124
Program supplies	21,781	18,584	5,025	15,529
Bad debt expense	-	53,378	-	-
Miscellaneous	2,206	35,170	233	215
Professional development	6,309	10,132	15,818	-
Fund raising expenses	982	-	-	-
Contracted services	1,014	-	11,394	-
Board of directors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses Before Depreciation	2,851,809	1,029,017	2,175,799	256,477
Depreciation	<u>64,725</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u><u>\$ 2,916,534</u></u>	<u><u>\$ 1,029,017</u></u>	<u><u>\$ 2,175,799</u></u>	<u><u>\$ 256,477</u></u>

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

Admini- stration	Fund Raising	Total	
		2016	2015
\$ 107,028	\$ 112,610	\$ 2,852,194	\$ 2,699,099
35,670	1,465	510,465	490,247
7,626	8,024	203,232	188,621
<hr/>	<hr/>	<hr/>	<hr/>
150,324	122,099	3,565,891	3,377,967
-	-	1,973,311	1,674,538
43,130	10,995	438,622	428,161
-	-	271,210	287,907
55,394	865	142,724	113,985
(753)	350	93,773	87,264
57,749	1,287	71,241	38,626
5,539	2,390	68,848	77,769
-	-	53,378	-
1,277	425	39,526	23,707
1,341	174	33,774	25,598
-	13,480	14,462	13,033
-	-	12,408	10,327
6,835	30	6,865	5,840
<hr/>	<hr/>	<hr/>	<hr/>
320,836	152,095	6,786,033	6,164,722
40,742	-	105,467	102,754
<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 361,578</u>	<u>\$ 152,095</u>	<u>\$ 6,891,500</u>	<u>\$ 6,267,476</u>

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016 with Summarized Information
for the Year Ended December 31, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (103,509)	\$ 124,642
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	105,467	102,754
(Gain) loss on investments	(9,033)	14,822
(Gain) loss on disposal of fixed assets	(4,749)	1,187
Reinvested interest - net of fees	(6,350)	(11,265)
Change in beneficial interest	(269)	(272)
Change in present value discount	(12,200)	(17,900)
Collection of pledges restricted for purchase of equipment	-	(75,000)
Provision for bad debts	53,378	-
Change in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable	266,000	214,000
Claims receivable	(173,865)	(106,404)
Prepaid expenses and deposits	(3,679)	15,512
Increase (decrease) in:		
Accounts payable	138,401	57,640
Employees' payroll deductions and accrued expenses	7,391	25,139
	256,983	344,855
Cash Flows From Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(9,320)	(70,847)
Change in cash restricted to purchase of equipment	(5,876)	(1,488)
	(15,196)	(72,335)
Cash Flows From Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of pledges restricted for purchase of equipment	-	75,000
	-	75,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	241,787	347,520
CASH AND CASH EQUIVALENTS - beginning of year		
	941,098	593,578
CASH AND CASH EQUIVALENTS - end of year		
	\$ 1,182,885	\$ 941,098

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

EARLY CHILDHOOD ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Early Childhood Alliance, Inc., located in Fort Wayne, Indiana, operates two children's centers. Its services include early childhood education, professional training and development, family child care network, parent education, advocacy, child care resource and referral and corporate consultation on child care benefits in northeast Indiana. The Organization's main source of revenue includes grants from the government and foundations and program service fees.

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50% charitable contributions deduction limitation. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Gifts of cash and other assets are reported as temporarily restricted or permanently restricted support if they are received with donor stipulations that limit their use. In the case of temporarily restricted support, when the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these net assets do not expire and no assets are reclassified in the statement of activities.

For purposes of the statement of cash flows, the Organization considers all highly liquid investments, not held at brokerage firms, with a maturity of three months or less at the time of purchase to be cash equivalents.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

The Organization recognizes pledges as public support in the year the pledge is made. Pledges and claims receivable are due from government and other significant funding sources. The Organization uses the direct write off method for claims that become uncollectible.

Due to the uncertainty of collection, daycare program fee revenue is recognized when collected rather than when earned.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. These investments are initially recorded at cost if they were purchased or at their fair market value on the date of the gift if they were received as a donation. Unrealized gains and losses are included in the statement of activities change in net assets.

Fixed assets are stated at cost, or if donated, at fair value at the date of the gift. The cost of fixed assets is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method. It is not the Organization's policy to imply time restrictions expiring over the useful life of donated assets. All items with a cost in excess of \$1,000 and a useful life in excess of one year are capitalized.

For Indiana Employment Security Act purposes, the Organization has elected to reimburse the State for unemployment compensation claims paid rather than to fund the State unemployment compensation reserve. Such reimbursements are recognized as expense as they are paid.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Management has evaluated subsequent events through February 13, 2017, the date which the financial statements were available for issue.

2. PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	2016	2015
Pledges receivable	\$ 360,000	\$ 626,000
Less unamortized present value discount (2.68%)	<u>(7,000)</u>	<u>(19,200)</u>
Net pledges receivable	<u>\$ 353,000</u>	<u>\$ 606,800</u>
Amounts due in:		
Less than one year	\$ 185,000	\$ 266,000
One to five years	175,000	360,000
More than five years	<u>-</u>	<u>-</u>
	<u>\$ 360,000</u>	<u>\$ 626,000</u>

The Organization has received notification of an intention to give in the amount of \$37,500 from the United Way of Allen County. The expected funding is to be used for programs through June 30, 2017 and has not been recorded as an asset of the Organization as of December 31, 2016.

3. BENEFICIAL INTEREST

The beneficial interest consists of funds held by the Community Foundation of Greater Fort Wayne (Foundation) which are the result of an agreement whereby the Organization transferred assets to the Foundation and specified itself as the beneficiary of those assets. The Organization may draw up to a certain percent of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundation.

Additionally, the Foundation holds investment assets, with a value of \$27,798 at December 31, 2016 and \$27,522 at December 31, 2015, for the benefit of the Organization for which it has the retained variance power. These investments are not recorded as assets of the Organization.

4. INVESTMENTS

Investments as of December 31, 2016 are summarized as follows:

	Cost	Market
Short Term:		
Certificate of deposit	<u>\$ 25,000</u>	<u>\$ 25,662</u>
Long Term:		
Mutual funds:		
Equities	\$ 178,865	\$ 216,501
Fixed income	95,693	96,021
Alternative investments	<u>8,809</u>	<u>9,397</u>
	283,367	321,919
Money market	<u>12,129</u>	<u>12,129</u>
	<u>\$ 295,496</u>	<u>\$ 334,048</u>

Investments as of December 31, 2015 are summarized as follows:

	Cost	Market
Short Term:		
Certificate of deposit	<u>\$ 25,000</u>	<u>\$ 25,623</u>
Long Term:		
Mutual funds:		
Equities	\$ 164,233	\$ 203,600
Fixed income	91,923	89,679
Alternative investments	<u>14,733</u>	<u>11,269</u>
	270,889	304,548
Money market	<u>14,459</u>	<u>14,459</u>
	<u>\$ 285,348</u>	<u>\$ 319,007</u>

5. FAIR VALUE MEASUREMENT

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1. Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2. Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in inactive markets.

Level 3. Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Investments. Value determined by reference to quoted market prices and other relevant information generated by market transactions.

Beneficial interest. Value based upon the Organization's proportionate share of the Community Foundation of Greater Fort Wayne's pooled investment portfolio.

(continued)

5. FAIR VALUE MEASUREMENT (continued)

Fair value of assets and liabilities measured on a recurring basis at December 31, 2016 are as follows:

	Level 1	Level 3
Investments:		
Mutual funds:		
Bank loan	\$ 8,169	\$ -
Diversified emerging markets	8,309	-
European stock	5,074	-
Foreign large blend	22,000	-
Inflation protected bond	8,488	-
Intermediate term bond	66,165	-
Japanese stock	1,861	-
Large growth	57,055	-
Large value	71,760	-
Long/short equity	3,495	-
Mid cap	23,252	-
Multi-alternative	5,902	-
Non traditional bond	7,378	-
Real estate	8,208	-
Other	8,317	-
Small growth	2,710	-
World bond	5,821	-
World stock	7,955	-
Beneficial interest	<u>-</u>	<u>16,321</u>
	<u>\$ 321,919</u>	<u>\$ 16,321</u>

(continued)

5. FAIR VALUE MEASUREMENT (continued)

Fair value of assets and liabilities measured on a recurring basis at December 31, 2015 are as follows:

	Level 1	Level 3
Investments:		
Mutual funds:		
Bank loan	\$ 9,558	\$ -
Commodities broad basket	2,504	-
Diversified emerging markets	5,424	-
European stock	5,170	-
Foreign large blend	22,104	-
Inflation protected bond	5,484	-
Intermediate term bond	50,807	-
Japanese stock	1,905	-
Large growth	59,536	-
Large value	63,031	-
Long/short equity	3,162	-
Mid cap	20,823	-
Multi-alternative	5,603	-
Non traditional bond	9,048	-
Real estate	9,976	-
Short-term bond	4,707	-
Small growth	2,657	-
Small value	3,646	-
World bond	10,075	-
World stock	9,328	-
Beneficial interest	<u>-</u>	<u>15,749</u>
	<u>\$ 304,548</u>	<u>\$ 15,749</u>

(continued)

5. FAIR VALUE MEASUREMENT (continued)

Following is a reconciliation of activity for assets and liabilities measured at fair value based on significant unobservable inputs for the year ending December 31:

	Beneficial Interest	
	2016	2015
Balance – beginning of year	\$ 15,749	\$ 16,409
Contribution	-	-
Total gains or losses (realized and unrealized) included in change in net assets:		
Income	409	435
Unrealized gain (loss)	643	(587)
Realized gain (loss)	(340)	(345)
Investment fees	(140)	(163)
Distribution	-	-
Balance – end of year	<u>\$ 16,321</u>	<u>\$ 15,749</u>

6. FIXED ASSETS

The components of fixed assets as of December 31 are as follows:

	2016	2015
Land and improvements	\$ 372,203	\$ 372,203
Buildings	2,015,659	2,015,659
Equipment	<u>378,127</u>	<u>369,485</u>
	2,765,989	2,757,347
Accumulated depreciation	<u>1,256,402</u>	<u>1,156,362</u>
	<u>\$ 1,509,587</u>	<u>\$ 1,600,985</u>

7. EMPLOYEE BENEFIT PLAN

The Organization sponsors a tax deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees over eighteen years of age with at least one year of service. The Organization matches a certain percentage contributed by the employees. Contributions to the plan charged to operations were \$44,848 in 2016 and \$40,456 in 2015.

8. NET ASSETS

Temporarily restricted net assets as of December 31 are restricted as follows:

	2016	2015
Time requirement	\$ 353,000	\$ 545,800
Programming requirements	610,454	418,454
Capital improvements	<u>41,626</u>	<u>35,750</u>
	<u>\$ 1,005,080</u>	<u>\$ 1,000,004</u>

Unrestricted net assets in the amount of \$334,048 at December 31, 2016 and \$319,007 at December 31, 2015 have been designated by the Board of Directors for endowment purposes.

9. ENDOWMENT

Early Childhood Alliance, Inc. has currently invested its board designated endowment funds in an investment account with a mixture of equities, fixed income and cash and cash equivalents. The Organization has adopted investment policies for endowment assets that attempts to generate a reasonable return from interest, dividends, and capital appreciation consistent with the Organizations need to fund the activities supported by the endowment fund, having due regard not only for the safety of principal but also for the desirability of some long term appreciation of principal to offset inflation. The purpose of the endowment is to hold and invest monies and other properties to provide for emergencies and expansion, and to enable the Organization to better achieve the objectives of its mission. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of December 31:

	2016	2015
Unrestricted net assets:		
Board designated endowment funds	\$ 334,048	\$ 319,007

(continued)

9. **ENDOWMENT** (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended December 31:

	2016	2015
Unrestricted net assets:		
Endowment net assets – January 1	\$ 319,007	\$ 321,677
Contribution	-	-
Investment return:		
Investment income	10,066	15,031
Net appreciation (realized and unrealized)	8,730	(13,890)
Fees	<u>(3,755)</u>	<u>(3,811)</u>
Total investment return	15,041	(2,670)
Distributions	<u>-</u>	<u>-</u>
Endowment net assets – December 31	<u>\$ 334,048</u>	<u>\$ 319,007</u>

Spending Policy

As part of the annual budgeting process, upon the recommendation of the finance committee and approval of the Board of Directors, the Organization has a policy of appropriating for distribution up to 5% of the market value of the endowment fund (the fund). The amount against which the disbursement will be calculated will be the average market value of the fund as defined by the rolling average of the fund over the 12 quarter period ending as of June 30 proceeding the budgeted fiscal year. The disbursement will be transferred to a designated distribution account in the first month of the fiscal year for which it was calculated. Funds available for distribution which are not expended in the designated fiscal year will remain in the distribution account and will be available for distribution in following years.

10. **OPERATING LEASES**

Early Childhood Alliance, Inc. leases office equipment under operating leases expiring through 2018. Total rental expense was \$8,584 for 2016 and \$5,273 for 2015.

Minimum future lease payments under noncancelable leases having initial or remaining terms of one year or more as of December 31, 2016 for each of the next five years and in the aggregate are:

2017	\$ 2,963
2018	1,481
2019	-
2020 and thereafter	<u>-</u>
	<u>\$ 4,444</u>

(continued)

10. OPERATING LEASES (continued)

The Organization leases facilities from Parkview Health System, Inc. for \$17,633 per month and equipment from Parkview Hospital, Inc. for \$481 per month under month to month operating leases. The leases may be terminated by either party given a 60 day written notice. In 2016 and 2015, \$217,731 was recorded as rental expense under these leases.

11. CREDIT RISK AND CONCENTRATIONS

The Organization receives substantial support from the federal government. A significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's programs and activities. Claims for federally supported programs are filed and reimbursed on a monthly basis.

The Organization has investments in stocks, bonds and mutual funds and, therefore, is subject to concentration of credit risk. Investments are made by investment managers engaged by the Organization. Although the fair value of investments is subject to fluctuation on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization and its beneficiaries.

The Organization maintains cash accounts in a local bank. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2016, deposits in excess of the insured amount totaled \$977,292.

12. IN-KIND CONTRIBUTIONS

The Organization recognizes contributions of revenue for certain services and supplies received at the fair value of those services and supplies. Those services and supplies include the following for the year ended December 31:

	2016	2015
Fund raising:		
Miscellaneous	\$ -	\$ 1,000
Printing/public relations	<u>-</u>	<u>6,940</u>
	<u>\$ -</u>	<u>\$ 7,940</u>

13. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations was \$56,237 in 2016 and \$23,648 in 2015.

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

Federal Agency/ Pass-Through Agency/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Revenue Recognized	Expenditures
U.S. Department of Agriculture:				
Passed through Indiana Department				
of Education:				
Child and Adult Care				
Food Program				
	10.558	102-0001	\$ 2,414,287	\$ 2,414,287
 CCDF CLUSTER				
U.S. Department of Health and Human				
Services:				
Passed through Indiana Family and				
Social Service Administration:				
Child Care and Development				
Block Grant				
	93.575	02-04-1A-0201& 02-05-1A-0201	368,820	368,820
Passed through Indiana Family and				
Social Service Administration:				
Child Care and Development				
Block Grant				
	93.575	02-15-87-0201& 02-16-87-0201	767,137	767,137
Passed through Indiana Association				
for the Education of Young Children:				
Child Care and Development				
Block Grant				
	93.575	n/a	<u>39,769</u>	<u>39,769</u>
Total CCDF Cluster			<u>1,175,726</u>	<u>1,175,726</u>
Total Federal Assistance			<u>\$ 3,590,013</u>	<u>\$ 3,590,013</u>

The accompanying notes are an integral part of this schedule.

EARLY CHILDHOOD ALLIANCE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2016

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Early Childhood Alliance, Inc. under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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

Board of Directors
Early Childhood Alliance, Inc.
Fort Wayne, Indiana

We have audited, in accordance with the 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, the financial statements of Early Childhood Alliance, Inc. which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated February 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Early Childhood Alliance, 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 Early Childhood Alliance, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Early Childhood Alliance, 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 Early Childhood Alliance, 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 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.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dublin, Ward & Adbold, Inc." The signature is written in a cursive, flowing style.

Fort Wayne, Indiana
February 13, 2017



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

Board of Directors
Early Childhood Alliance, Inc.
Fort Wayne, Indiana

Report on Compliance for Each Major Federal Program

We have audited Early Childhood Alliance, 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 Early Childhood Alliance's major federal programs for the year ended December 31, 2016. Early Childhood Alliance, 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Early Childhood Alliance, Inc.'s major federal programs based on our audit 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 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 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 Early Childhood Alliance, 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Early Childhood Alliance, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Early Childhood Alliance, 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 year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Early Childhood Alliance, 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 audit, we considered Early Childhood Alliance, 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 Early Childhood Alliance, 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and 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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Fort Wayne, Indiana
February 13, 2017

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' 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
weakness(es)? 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 deficiency(ies) identified that
are not considered to be material
weakness(es)? Yes None
Reported

Type of report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR section
200.516(a)? Yes No

(continued)

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2016

(continued)

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk? X Yes No

Section II - Financial Statement Findings

No material weaknesses or instances of noncompliance noted.

Section III - Federal Award Findings and Questioned Costs

No material weaknesses or instances of noncompliance, including questioned costs noted.

EARLY CHILDHOOD ALLIANCE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2016

No prior year findings.