B50254

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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June 11, 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, 2017 to December 31, 2017. 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, 2017 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, 2017
With Summarized Information for December 31, 2016

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DWD
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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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 March 7, 2018 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.

Dulin, Ward & DeWald, Inc.

Fort Wayne, Indiana
March 7, 2018

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2017 with Summarized Information for December 31, 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 1,089,870	$ 1,182,885
Short-term investments	25,700	25,662
Contributions receivable - net	372,100	353,000
Claims receivable	548,336	580,547
Accounts receivable - other	32,598	-
Prepaid expenses and deposits	27,258	27,655
Long-term investments	371,935	334,048
Beneficial interest	18,703	16,321
Cash restricted for purchase of equipment	4,668	41,626
Fixed assets - net	1,438,568	1,509,587
Total Assets	$ 3,929,736	$ 4,071,331
LIABILITIES AND NET ASSETS		
Accounts payable:		
Trade	$ 29,968	$ 36,880
Food and service reimbursements	121,393	293,669
Employees' payroll deductions and accrued expenses	353,418	312,113
Total Liabilities	504,779	642,662
Net Assets:		
Unrestricted net assets	2,537,832	2,423,589
Temporarily restricted net assets	887,125	1,005,080
Total Net Assets	3,424,957	3,428,669
Total Liabilities and Net Assets	$ 3,929,736	$ 4,071,331

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

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017 with Summarized
Information for the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted
CHANGES IN NET ASSETS		
Support, Revenue and Gains:		
Contributions	$ 458,520	$ 786,825
United Way	-	137,833
Grants - federal	3,902,509	-
Fund raising events	65,404	63,622
Less direct benefit to donors	(11,750)	-
Program service fees	1,832,140	-
Investment income	18,297	-
Gain on investments	38,256	-
Gain on disposal of fixed assets	-	-
Miscellaneous	3,985	-
Net Assets Released From Restrictions:		
Satisfaction of purpose requirements	850,265	(850,265)
Satisfaction of time requirements	185,000	(185,000)
Satisfaction of purchase requirements	70,970	(70,970)
Total Support, Revenue and Gains	7,413,596	(117,955)
Expenses and Losses:		
Children's learning centers	2,967,161	-
Childcare resource and referral	1,473,112	-
Childcare food program	2,169,907	-
Parenting programs	234,031	-
Administration	268,289	-
Fund raising	144,969	-
Impairment loss	41,884	-
Return of unused grant	-	-
Total Expenses and Losses	7,299,353	-
CHANGE IN NET ASSETS	114,243	(117,955)
NET ASSETS - beginning of year	2,423,589	1,005,080
NET ASSETS - end of year	$ 2,537,832	$ 887,125

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

Total	
2017	**2016**
$ 1,245,345	$ 1,264,917
137,833	107,500
3,902,509	3,590,013
129,026	142,080
(11,750)	(13,181)
1,832,140	1,665,878
18,297	10,514
38,256	9,033
-	4,749
3,985	6,622
-	-
-	-
-	-
7,295,641	6,788,125
2,967,161	2,916,534
1,473,112	1,029,017
2,169,907	2,175,799
234,031	256,477
268,289	361,578
144,969	152,095
41,884	-
-	134
7,299,353	6,891,634
(3,712)	(103,509)
3,428,669	3,532,178
$ 3,424,957	$ 3,428,669

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017 with Summarized
Financial Information for the Year Ended December 31, 2016

	Children's Learning Centers	Childcare Resource & Referral	Childcare Food Program	Parenting Programs
Salaries	$ 1,827,437	$ 1,047,282	$ 119,638	$ 125,319
Employee health and retirement benefits	225,771	123,563	32,867	27,142
Payroll taxes	129,037	73,950	8,448	8,849
Total Salaries and Related Expenses	2,182,245	1,244,795	160,953	161,310
Food program payments	-	-	1,954,950	-
Occupancy	348,568	33,965	15,822	8,920
Food service	267,145	-	-	-
Program travel / transportation	33,121	55,655	8,539	17,042
Program supplies	31,319	28,082	2,777	43,684
Professional fees	14,904	37,477	3,189	962
Miscellaneous	3,807	55,131	228	1,138
Fund raising expenses	37	-	-	-
Printing / public relations	6,071	7,785	3,414	107
Professional development	6,366	10,222	8,483	868
Contracted services	936	-	11,552	-
Board of directors	-	-	-	-
Bad debt expense	-	-	-	-
Total Expenses Before Depreciation	2,894,519	1,473,112	2,169,907	234,031
Depreciation	72,642	-	-	-
Total Expenses	$ 2,967,161	$ 1,473,112	$ 2,169,907	$ 234,031

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

Admini-stration	Fund Raising	Total 2017	Total 2016
$ 53,749	$ 94,650	$ 3,268,075	$ 2,852,194
25,094	1,511	435,948	510,465
3,795	6,683	230,762	203,232
82,638	102,844	3,934,785	3,565,891
-	-	1,954,950	1,973,311
46,230	8,656	462,161	438,622
-	-	267,145	271,210
(821)	-	113,536	93,773
6,578	401	112,841	68,848
52,526	508	109,566	142,724
4,683	-	64,987	39,526
9,110	32,319	41,466	14,462
20,239	142	37,758	71,241
7,855	99	33,893	33,774
-	-	12,488	12,408
3,308	-	3,308	6,865
-	-	-	53,378
232,346	144,969	7,148,884	6,786,033
35,943	-	108,585	105,467
$ 268,289	$ 144,969	$ 7,257,469	$ 6,891,500

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2017 with Summarized Information
for the Year Ended December 31, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (3,712)	$ (103,509)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	108,585	105,467
(Gain) loss on investments	(38,256)	(9,033)
(Gain) loss on disposal of fixed assets	-	(4,749)
Impairment loss	41,884	-
Reinvested interest - net of fees	(13,508)	(6,350)
Change in beneficial interest	(543)	(269)
Change in present value discount	(4,100)	(12,200)
Provision for bad debts	-	53,378
Change in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable	(15,000)	266,000
Claims receivable	32,211	(173,865)
Accounts receivable - other	(32,598)	-
Prepaid expenses and deposits	397	(3,679)
Increase (decrease) in:		
Accounts payable	(179,188)	138,401
Employees' payroll deductions and accrued expenses	41,305	7,391
Cash Flows From Operating Activities	(62,523)	256,983
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	12,000	-
Purchase of fixed assets	(79,450)	(9,320)
Change in cash restricted to purchase of equipment	36,958	(5,876)
Cash Flows From Investing Activities	(30,492)	(15,196)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(93,015)	241,787
CASH AND CASH EQUIVALENTS - beginning of year	1,182,885	941,098
CASH AND CASH EQUIVALENTS - end of year	$ 1,089,870	$ 1,182,885

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

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 contributions as public support in the year the pledge is made. Contributions 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, 2016, from which the summarized information was derived.

Management has evaluated subsequent events through March 7, 2018, the date which the financial statements were available for issue.

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	2017	2016
Contributions receivable	$ 375,000	$ 360,000
Less unamortized present value discount (1.96% - 2.68%)	(2,900)	(7,000)
Net contributions receivable	$ 372,100	$ 353,000
Amounts due in:		
Less than one year	$ 275,000	$ 185,000
One to five years	100,000	175,000
More than five years	-	-
	$ 375,000	$ 360,000

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, 2018 and has not been recorded as an asset of the Organization as of December 31, 2017.

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 $34,536 at December 31, 2017 and $27,798 at December 31, 2016, 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, 2017 are summarized as follows:

	Cost	Market
Short Term:		
Certificate of deposit	$ 25,000	$ 25,700
Long Term:		
Mutual funds:		
Equities	$ 164,494	$ 231,903
Fixed income	111,346	112,996
Alternative investments	9,114	10,060
	284,954	354,959
Money market	16,976	16,976
	$ 301,930	$ 371,935

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

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

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, 2017 are as follows:

	Level 1	Level 3
Investments:		
Mutual funds:		
Bank loan	$ 8,153	$ -
Diversified emerging markets	11,236	-
Foreign large blend	26,948	-
Inflation protected bond	8,556	-
Intermediate term bond	81,691	-
International	13,828	-
Large growth	63,724	-
Large value	74,696	-
Long/short equity	3,705	-
Mid cap	19,564	-
Multi-alternative	6,355	-
Non traditional bond	8,740	-
Other	9,321	-
Small growth	3,290	-
World bond	5,856	-
World stock	9,296	-
Beneficial interest	-	18,703
	$ 354,959	$ 18,703

(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	-	16,321
	$ 321,919	$ 16,321

(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	
	2017	**2016**
Balance – beginning of year	$ 16,321	$ 15,749
Contribution	-	-
Total gains or losses (realized and unrealized) included in change in net assets:		
Income	683	409
Unrealized gain	1,746	643
Realized gain (loss)	91	(340)
Investment fees	(138)	(140)
Distribution	-	-
Balance – end of year	$ 18,703	$ 16,321

6. FIXED ASSETS

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

	2017	**2016**
Land and improvements	$ 345,277	$ 372,203
Buildings	1,819,683	2,015,659
Equipment	420,892	378,127
	2,585,852	2,765,989
Accumulated depreciation	1,147,284	1,256,402
	$ 1,438,568	$ 1,509,587

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 $48,199 in 2017 and $44,848 in 2016.

8. NET ASSETS

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

	2017	2016
Time requirement	$ 175,000	$ 353,000
Programming requirements	706,637	610,454
Capital improvements	5,488	41,626
	$ 887,125	$ 1,005,080

Unrestricted net assets in the amount of $371,935 at December 31, 2017 and $334,048 at December 31, 2016 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:

	2017	2016
Unrestricted net assets:		
Board designated endowment funds	$ 371,935	$ 334,048

(continued)

9. ENDOWMENT (continued)

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

	2017	2016
Unrestricted net assets:		
Endowment net assets – January 1	$ 334,048	$ 319,007
Contribution	-	-
Investment return:		
Investment income	17,576	10,066
Net appreciation (realized and unrealized)	36,418	8,730
Fees	(4,107)	(3,755)
Total investment return	49,887	15,041
Distributions	(12,000)	-
Endowment net assets – December 31	$ 371,935	$ 334,048

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 an operating lease expiring in 2022. Total rental expense and additional charges were $11,897 for 2017 and $8,584 for 2016.

Minimum future lease payments under noncancelable leases having initial or remaining terms of one year or more as of December 31, 2017 for each of the next five years and in the aggregate are:

2018	$ 3,884
2019	3,884
2020	3,884
2021	3,884
2022 and thereafter	2,913
	$ 18,449

(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 2017 and 2016, $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, 2017, deposits in excess of the insured amount totaled $875,558.

12. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations was $23,221 in 2017 and $56,237 in 2016.

13. IMPAIRMENT LOSS

The Organization had put its Fairfield Avenue building up for sale in 2012. During 2017, the board began planning the move of the program and administrative staff housed in this building to a different location. Consequently, the price of the property was reduced and the Organization recorded an impairment loss of $41,884, which is included in the 2017 statement of activities as impairment loss. The impairment loss represents the excess of the carrying amount of the land, building and improvements of the Fairfield Avenue building over its fair value, which was determined by the listing price of the building as of January 2018.

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2017

Federal Agency/ Pass-Through Agency/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Sub-recipients	Revenue Recognized	Expenditures
U.S. Department of Agriculture:					
Passed through Indiana Department of Education:					
Child and Adult Care Food Program	10.558	102-0001	$ -	$ 2,399,110	$ 2,399,110
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	02-05-1A-0201	-	391,959	391,959
Passed through Indiana Family and Social Service Administration:					
Child Care and Development Block Grant	93.575	02-16-87-0201-01& 02-16-87-0201-02& 02-16-87-0201-03	-	1,083,399	1,083,399
Passed through Indiana Association for the Education of Young Children:					
Child Care and Development Block Grant	93.575	n/a	-	28,041	28,041
Total CCDF Cluster			-	1,503,399	1,503,399
Total Federal Assistance			$ -	$ 3,902,509	$ 3,902,509

The accompanying notes are an integral part of this schedule.

EARLY CHILDHOOD ALLIANCE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2017

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, 2017. 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.

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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, 2017, 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 March 7, 2018.

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.

Dulin, Ward & DeWald, Inc.

Fort Wayne, Indiana
March 7, 2018

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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, 2017. 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, 2017.

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 of compliance, 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.

Dulin, Ward & DeWald, Inc.

Fort Wayne, Indiana
March 7, 2018

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal Control over financial reporting:	
Material weakness(es) identified?	____ Yes X No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ Yes X None Reported
Noncompliance material to financial statements noted?	____ Yes X No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	____ Yes X No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ Yes X None Reported
Type of report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	____ Yes X No

(continued)

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2017

(continued)

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
93.575	Child Care and Development Block Grant

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, 2017

No prior year findings.