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September 28, 2020

Board of Directors  
Dependent Care Management, Inc.  
1543 W. Oak St.  
Zionsville, IN 46077

We have reviewed the audit report of Dependent Care Management, Inc., which was opined upon by Pettit & Company, LLC, Independent Public Accountants, for the period January 1, 2018 to December 31, 2019. 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, 2019 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 the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit 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, 2019 AND 2018**  
**(With Single Audit Section)**

**DEPENDENT CARE MANAGEMENT, INC.**

**TABLE OF CONTENTS**

**Independent auditor’s report** ..... 1-2

**Financial statements**

    Statements of financial position ..... 3

    Statements of activities ..... 4

    Statements of functional expenses ..... 5-6

    Statements of cash flows ..... 7

    Notes to financial statements ..... 8-13

**Single audit section**

Schedule of expenditures of federal awards ..... 15

Summary schedule of prior audit findings ..... 16

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* ..... 17-18

Independent auditor’s report on compliance for each major program and on internal control over compliance required by the Uniform Guidance ..... 19-20

Schedule of findings and questioned costs ..... 21-22



## 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. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, 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, 2019 and 2018, 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 July 13, 2020, 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*

July 13, 2020

**DEPENDENT CARE MANAGEMENT, INC.**

**STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2019 AND 2018**

**Assets**

	2019	2018
<b>Current assets</b>		
Cash and cash equivalents	\$ 29,860	\$ 18,407
Grants receivable	191,574	228,258
<b>Total current assets</b>	<b>221,434</b>	<b>246,665</b>
<b>Property and equipment</b>		
Leasehold improvements	1,509	1,509
Furniture and fixtures	33,103	33,103
Total property and equipment	34,612	34,612
Accumulated depreciation	(32,987)	(32,357)
<b>Net property and equipment</b>	<b>1,625</b>	<b>2,255</b>
<b>Other assets</b>		
Security deposit	870	870
<b>Total other assets</b>	<b>870</b>	<b>870</b>
<b>Total assets</b>	<b>\$ 223,929</b>	<b>\$ 249,790</b>

**Liabilities and net assets (deficit)**

	2019	2018
<b>Current liabilities</b>		
Accounts payable - providers	\$ 175,813	\$ 203,002
Accounts payable - operations	3,511	3,850
Defined contribution plan accrual	2,529	-
<b>Total current liabilities</b>	<b>181,853</b>	<b>206,852</b>
<b>Total liabilities</b>	<b>181,853</b>	<b>206,852</b>
<b>Net assets (deficit)</b>		
Net assets without donor restrictions	42,076	42,938
<b>Total net assets</b>	<b>42,076</b>	<b>42,938</b>
<b>Total liabilities and net assets (deficit)</b>	<b>\$ 223,929</b>	<b>\$ 249,790</b>

**DEPENDENT CARE MANAGEMENT, INC.**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>Revenue and support</b>		
Grant income	\$ 2,927,191	\$ 3,162,234
Other income	68	46
<b>Total revenue and support</b>	<u><b>2,927,259</b></u>	<u><b>3,162,280</b></u>
<b>Expenses</b>		
Child care food program	2,848,613	3,081,275
Management and general	79,508	78,613
<b>Total cost of operations</b>	<u><b>2,928,121</b></u>	<u><b>3,159,888</b></u>
<b>Change in net assets (deficit)</b>	<b>(862)</b>	<b>2,392</b>
<b>Net assets (deficit) - beginning of year</b>	<u><b>42,938</b></u>	<u><b>40,546</b></u>
<b>Net assets (deficit) - end of year</b>	<u><u><b>\$ 42,076</b></u></u>	<u><u><b>\$ 42,938</b></u></u>

**DEPENDENT CARE MANAGEMENT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Child care food program</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 173,071	\$ 173,071	\$ 33,047	\$ 206,118
Employee benefits	274	274	3,900	4,174
Payroll taxes	12,422	12,422	3,907	16,329
Program costs - provider payments	2,637,402	2,637,402	-	2,637,402
Rent - office	-	-	8,948	8,948
Office supplies	4,875	4,875	-	4,875
Postage	925	925	-	925
Telephone	3,375	3,375	-	3,375
Bank charges	-	-	2,091	2,091
Professional fees	-	-	20,056	20,056
Vehicle expense	15,669	15,669	-	15,669
Printing and reproduction	600	600	-	600
Depreciation	-	-	630	630
Other expense	-	-	2,586	2,586
Insurance	-	-	4,343	4,343
<b>Total Expenses</b>	<u>\$ 2,848,613</u>	<u>\$ 2,848,613</u>	<u>\$ 79,508</u>	<u>\$ 2,928,121</u>

**DEPENDENT CARE MANAGEMENT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Child care food program</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 207,514	\$ 207,514	\$ 30,488	\$ 238,002
Employee benefits	535	535	1,872	2,407
Payroll taxes	15,159	15,159	3,772	18,931
Program costs - provider payments	2,831,786	2,831,786	-	2,831,786
Rent - office	-	-	8,749	8,749
Office supplies	2,809	2,809	-	2,809
Postage	1,090	1,090	-	1,090
Telephone	4,482	4,482	-	4,482
Bank charges	-	-	2,277	2,277
Professional fees	-	-	24,577	24,577
Vehicle expense	17,447	17,447	-	17,447
Printing and reproduction	453	453	-	453
Depreciation	-	-	650	650
Other expense	-	-	2,557	2,557
Insurance	-	-	3,671	3,671
<b>Total Expenses</b>	<u>\$ 3,081,275</u>	<u>\$ 3,081,275</u>	<u>\$ 78,613</u>	<u>\$ 3,159,888</u>

## DEPENDENT CARE MANAGEMENT, INC.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (862)	\$ 2,392
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation	630	650
(Increase) decrease in assets		
Grants receivable	36,684	5,005
Increase (decrease) in liabilities		
Accounts payable - providers	(27,189)	(8,441)
Accounts payable - operations	(339)	(824)
Accrued expenses	2,529	(9,709)
<b>Net cash provided by (used in) operating activities</b>	<u><b>11,453</b></u>	<u><b>(10,927)</b></u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>11,453</b>	<b>(10,927)</b>
<b>Cash and cash equivalents, beginning of fiscal year</b>	<u><b>18,407</b></u>	<u><b>29,334</b></u>
<b>Cash and cash equivalents, end of fiscal year</b>	<u><u><b>\$ 29,860</b></u></u>	<u><u><b>\$ 18,407</b></u></u>

# **DEPENDENT CARE MANAGEMENT, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature 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.

#### **Basis of preparation of the financial statements**

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958. Under ASC 958 and the recently released ASU 2016- 14 Presentation of Financial Statement of Not-for-Profit Entities, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net assets without donor restrictions – net assets that are not subject to donor- imposed stipulations.
- Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may be met by actions of the Organization and/or the passage of time and net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

There were no net assets with donor restrictions at December 31, 2019 and 2018.

#### **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 1 - 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, 2019 and 2018, cash and cash equivalents consisted of two checking accounts.

#### **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, 2019 and 2018.

#### **Property and equipment**

Property and equipment are recorded at cost and depreciation is computed using the straight line method. Depreciation is computed over the estimated useful lives of each individual asset. 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.

The Organization is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB Accounting Standards Codification (ASC) 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Organization's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during the years ended December 31, 2019 and 2018.

#### **Functional allocation of expenses**

The costs of providing various programs and services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

## **DEPENDENT CARE MANAGEMENT, INC.**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **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, 2016.

#### **Advertising**

Advertising cost are charged to operations as incurred. There were no advertising costs during the years ended December 31, 2019 and 2018.

#### **Recent accounting standards**

The Organization has assessed the potential impact of accounting standards that have been issued, but not yet effective, and have determined that no such standards are expected to have a material impact to the financial statements.

#### **Recently adopted accounting pronouncements**

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASC 606) and all related amendments. ASC 606 supersedes most existing revenue recognition guidance. ASC 606 provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects in exchange for the goods or services provided. It also requires enhanced disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted ASC 606 and all related amendments using the modified retrospective transition method. The Organization concluded that the adoption of the new standard did not require an adjustment to the opening net asset balance.

#### **Management's review of subsequent events**

Management has performed an analysis of the activities and transactions subsequent to December 31, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2019. Management has performed their analysis of subsequent events through July 13, 2020, the date the financial statements were available to be issued.

## **DEPENDENT CARE MANAGEMENT, INC.**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Going concern evaluation**

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the financial statements are issued. Management has completed its evaluation as of July 13, 2020, and concluded that there are no conditions or events that raise substantial doubt about the entity's ability to continue as a going concern under ASU No. 2014-15.

#### **NOTE 2 – ECONOMIC DEPENDENCY**

Dependent Care Management, Inc. receives approximately 99% in 2019 and 99% in 2018 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, 2019 and 2018, \$191,574 and \$228,258, respectively, are due from the IDE.

#### **NOTE 3 – 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, 2019 and 2018, respectively. The Organization did not renew the line of credit during the year and allowed it to expire on January 3, 2019. There was no balance due on the line of credit at December 31, 2018.

#### **NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions and board designation within one year of the date of the statement of financial position. Amounts with board designations not available include amounts set aside for program related activity from either donor-restricted or board designation categories for general expenditures within one year of the date of the statement of financial position are available.

## DEPENDENT CARE MANAGEMENT, INC.

### NOTE 4 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

Financial assets available for general expenditure, which is without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise of the following:

	2019	2018
Cash and cash equivalents	\$ 29,860	\$ 18,407
Accounts receivable	<u>191,574</u>	<u>228,258</u>
Total financial assets without donor restrictions	<u>\$ 221,434</u>	<u>\$ 246,665</u>

The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. In general, the Organization maintains sufficient financial assets on hand to meet 30 days' worth of normal operating expenses.

### NOTE 5 – OPERATING LEASES

On June 1, 2017 the Organization entered into an operating lease to rent office space. The length lease for the office space expires on November 30, 2020. The monthly rent for the office space is \$439 plus common area maintenance of approximately \$347. Per the lease agreement, the lease automatically renews after each subsequent expiration date through November 2022.

In February 2019 Dependent Care Management, Inc. entered into an operating lease to rent a new copier. The lease is for three years and calls for a \$193 monthly payment.

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

2020	\$ 11,748
2021	11,748
2022	8,839
2023	-0-
2024	-0-
Thereafter	<u>-0-</u>
Total	<u>\$ 32,335</u>

## **DEPENDENT CARE MANAGEMENT, INC.**

### **NOTE 6 – DEFINED BENEFIT PLANS**

The Organization has established a defined contribution pension plan. Defined contribution plan expense for 2019 and 2018 were \$2,575 and \$14, respectively. As of December 31, 2019, the Organization accrued \$2,529. There was no accrual for the year ended December 31, 2018.

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, 2019 and 2018.

### **NOTE 7 – CONTRIBUTIONS**

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence or nature of any donor restriction.

### **NOTE 8 – CREDIT RISK**

The Organization may at times maintain cash balances in financial institutions in excess of the federally insured limits of \$250,000. Organization management monitors the financial ratings of such financial institutions and believes the risk of loss is minimal.

**SINGLE AUDIT SECTION**

**DEPENDENT CARE MANAGEMENT, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

<b><u>Year Ended December 31, 2019</u></b>				
<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	<u>Passed through to Subrecipients</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>				
<b><i>Passed Through the State of Indiana Department of Education</i></b>				
Child and Adult Care Food Program	10.558	1060010	\$ 2,637,402	\$ 2,927,191

<b><u>Year Ended December 31, 2018</u></b>				
<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor's Number</u>	<u>Passed through to Subrecipients</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture:</b>				
<b><i>Passed Through the State of Indiana Department of Education</i></b>				
Child and Adult Care Food Program	10.558	1060010	\$ 2,831,786	\$ 3,162,234

**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 – 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Dependent Care Management, Inc. has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

**NOTE 3 – SUB-RECIPIENTS**

The Organization provided grants to approximately 250 licensed home day care providers and registered day care ministries for carrying out the federal program.

**DEPENDENT CARE MANAGEMENT, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**Section II Financial Statement Findings**

For the Year Ended December 31, 2017:

There were no financial statement findings for the year ended December 31, 2017.

For the Year Ended December 31, 2016:

There were no financial statement findings for the year ended December 31, 2016.

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

For the Year Ended December 31, 2017:

There were no federal award findings for the year ended December 31, 2017.

For the Year Ended December 31, 2016:

There were no federal award findings for the year ended December 31, 2016.



**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 statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 13, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit 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 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 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*

July 13, 2020



**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, 2019 and 2018. 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 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 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 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 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 audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does 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, 2019 and 2018.

### **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.

*Pettit & Company, LLC*

July 13, 2020



**DEPENDENT CARE MANAGEMENT, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**Section II Financial Statement Findings**

For the Year Ended December 31, 2019:

Our audit disclosed no findings that are required to be reported herein under *Government Auditing Standards* for the year ended December 31, 2019.

For the Year Ended December 31, 2018:

Our audit disclosed no findings that are required to be reported herein under *Government Auditing Standards* for the year ended December 31, 2018.

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

For the Year Ended December 31, 2019:

Our audit disclosed no findings that are required to be reported herein under Uniform Guidance for the year ended December 31, 2019.

For the Year Ended December 31, 2018:

Our audit disclosed no findings that are required to be reported herein under Uniform Guidance for the year ended December 31, 2018.