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September 29, 2021

Board of Directors
Child Care Resources, Inc.
5200 Washington Ave. Suite A
Evansville, IN 47715

We have received the audit report of Child Care Resources, Inc. which was opined upon by Timothy J. Otte CPA, PC, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Child Care Resources, Inc. as of June 30, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings included in the report on page 17. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings. Management's Corrective Action Plan appears on page 19.

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

Timothy J.  Otte CPA, PC

CHILD CARE RESOURCES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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Child Care Resources, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Child Care Resources, Inc.

Report on the Financial Statements

We have audited the accompanying statement of financial position of Child Care Resources, Inc. (a nonprofit organization) as of June 30, 2019 and 2018, and the related statements of activities, 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 misstatements, 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 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 from material misstatement.

An audit involves performing procedures to obtain 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 Child Care Resources, Inc. as of June 30, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for 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 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 28, 2020, on our consideration of Child Care Resources, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of Child Care Resources, Inc.'s 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 Child Care Resources, Inc.'s internal control over financial reporting and compliance.

Timothy J. Otte, C.P.A., P.C.



Evansville, Indiana
July 28, 2020

Child Care Resources, Inc.
Statements of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash & Cash Equivalents	\$ 24,572	\$ 22,611
Grant Receivable	<u>67,071</u>	<u>67,670</u>
Total Current Assets	<u>91,643</u>	<u>90,280</u>
Fixed Assets		
Equipment	2,318	2,318
Less Accumulated Depreciation	<u>(2,318)</u>	<u>(2,318)</u>
Total Fixed Assets	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 91,643</u>	<u>\$ 90,280</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable- Providers	\$ 60,361	\$ 60,926
Due- IDOE	4,126	-
Payroll Taxes	<u>3,168</u>	<u>1,161</u>
Total Current Liabilities	<u>67,655</u>	<u>62,087</u>
Net Assets		
Net Assets- without Donor Restrictions	<u>23,988</u>	<u>28,194</u>
Total Liabilities and Net Assets	<u>\$ 91,643</u>	<u>\$ 90,280</u>

See notes to financial statements

Child Care Resources, Inc.
Statements of Activities
For the Years Ended June 30, 2019 and 2018

	Net Assets Without Donor Restrictions	
	2019	2018
REVENUES		
Governmental Grants	\$ 784,009	\$ 778,719
Other	435	749
Fundraising	780	1,313
Total Revenue	785,224	780,781
 EXPENSES		
Program Services	765,042	757,074
Management and General	23,848	23,836
Fundraising	540	968
Total Expenses	789,430	781,878
 CHANGE IN NET ASSETS	(4,206)	(1,097)
 NET ASSETS- beginning of year	28,194	29,291
 NET ASSETS- end of year	\$ 23,988	\$ 28,194

See notes to financial statements

Child Care Resources, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2019 and 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>
Bank Charges	\$ -	\$ 494	\$ -	\$ 494
Dues & Subscriptions	364	127	-	491
Fundraising Expense	-	-	540	540
Insurance	1,324	-	-	1,324
Minute Menu	1,506	-	-	1,506
Miscellaneous	5,276	73	-	5,349
Office Expense	827	291	-	1,118
Postage	470	-	-	470
Professional Fees	-	6,000	-	6,000
Provider Reimbursement	703,338	-	-	703,338
Rent	4,089	1,436	-	5,525
Supplies	1,798	-	-	1,798
Telephone	1,099	386	-	1,485
Travel/Training	3,071	-	-	3,071
Wages and Taxes	41,880	15,041	-	56,921
	<u>\$ 765,042</u>	<u>\$ 23,848</u>	<u>\$ 540</u>	<u>\$ 789,430</u>

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>
Bank Charges	\$ -	\$ 180	\$ -	\$ 180
Dues & Subscriptions	19	6	-	25
Fundraising Expense	-	-	968	968
Insurance	1,336	-	-	1,336
Minute Menu	1,713	-	-	1,713
Miscellaneous	24	36	-	60
Office Expense	1,135	399	-	1,534
Postage	446	-	-	446
Professional Fees	-	6,000	-	6,000
Provider Reimbursement	699,710	-	-	699,710
Rent	5,994	2,106	-	8,100
Supplies	2,130	-	-	2,130
Telephone	2,655	933	-	3,588
Travel/Training	1,389	-	-	1,389
Wages and Taxes	40,523	14,176	-	54,699
	<u>\$ 757,074</u>	<u>\$ 23,836</u>	<u>\$ 968</u>	<u>\$ 781,878</u>

See notes to financial statements

Child Care Resources, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in Net Assets	\$ (4,206)	\$ (1,097)
Adjustments for Noncash Transactions		
Depreciation	-	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	598	3,602
Accounts Payable	(564)	(3,542)
Other Accrued Expenses	<u>6,133</u>	<u>225</u>
Net Cash Provided by (used in) Operating Activities	<u>1,961</u>	<u>(812)</u>
INVESTING ACTIVITIES		
Purchases of Property and Equipment	-	-
Net Cash Provided by (used in) Investing Activities	<u>-</u>	<u>-</u>
FINANCING ACTIVITIES		
Line of Credit	-	-
Net Cash Provided by (used in) Financing Activities	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,961	(812)
CASH AND CASH EQUIVALENTS- beginning of year	<u>22,611</u>	<u>23,423</u>
CASH AND CASH EQUIVALENTS- end of year	<u>\$ 24,572</u>	<u>\$ 22,611</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	\$ -	\$ -

See notes to financial statements

Child Care Resources, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Child Care Resources, Inc. is a nonprofit organization which operates a day care referral service and is a sponsor of the Child and Adult Care Food Program, a government reimbursement program for day care providers located primarily in Southwestern Indiana.

Basis of Accounting

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

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classifications of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions- These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions- These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Liquidity

Assets are presented in the accompanying statements of financial position according to their nearest conversion to cash and liabilities according to the nearness of their maturity and resulting

Federal Income Taxes

The Organization is exempt from income taxes as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Cash and Cash Equivalents

Child Care Resources, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Child Care Resources, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

Equipment

Equipment is recorded at cost. Repairs and maintenance costs are charged to expense. Child Care Resources, Inc. follows the practice of capitalizing all expenditures for fixed assets in excess of \$500. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciated is computed on the straight-line method based on the estimated useful lives of the assets.

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Grant Receivable

Grant receivable is stated at the amount that Child Care Resources, Inc.'s management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. The allowance for doubtful accounts at June 30, 2019 and 2018 was \$0 and \$0, respectively, due to subsequent collection on grant receivable.

Government Grant

Child Care Resources, Inc. receives grants from the Indiana Department of Education and Community Nutrition (oversight agency) to carry out certain program activities. These grants are received under oversight agency contracts that require Child Care Resources, Inc. to submit records of service provided to eligible individuals on a periodic basis. These grants are cost reimbursement grants with the oversight agency. Revenues under these contracts are recognized as services are provided. Grant expenditures are subject to audit and acceptance by the oversight agency and, as a result of such audits, adjustments could be required.

Functional Allocation of Expenses

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, costs have been allocated among the program and services benefited. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses have been classified based on the actual direct expenditures and cost allocation based on time estimates made by management. Salaries include both direct expenses and allocated expenses based on time estimates. Dues and subscriptions, office expense, rent, payroll taxes and telephone are allocated solely based on time estimates.

Reclassifications

Certain amounts in the June 30, 2018 financial statements have been reclassified for comparative purposes to conform to the presentation in the June 30, 2019 financial statements.

Child Care Resources, Inc.
Notes to Financial Statements
June 30, 2019 and 2018

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has applied the changes retroactively to the comparative period. There is no effect on the net assets or change in net assets of the Organization due to the implementation of this new standard. The new standard changes the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The restricted net asset class has been renamed *net assets with donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 7).
- The financial statements expand the disclosure requirements of functional expenses related to the allocation of expenses to include a description of the methods used to allocate those expenses (Note 1).

NOTE 2- CONTINGENCIES IN GOVERNMENT CONTRACTS

Financial awards from federal, state and local governmental entities are subject to financial and compliance audits. Such audits could result in claims against Child Care Resources, Inc. for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 3- CONCENTRATIONS IN GOVERNMENT CONTRACTS

For the years ended June 30, 2019 and 2018, Child Care Resources, Inc. receives approximately 99.8% and 99.7%, respectively, of its revenue from the Indiana Department of Education School and Community Nutrition who in turn receives funding from the U.S. Department of Agriculture. Should the funding cease, Child Care resources, Inc. would not be able to generate sufficient revenue to continue the program.

NOTE 4- LINE OF CREDIT

Child Care Resources, Inc. currently has a line of credit of \$10,000 with Old National Bank, which was renewed and matures on November 27, 2020. Interest is payable monthly at 1.250 percentage points over the prime rate, as defined in the promissory note. At June 30, 2019 and June 30, 2018, the amount outstanding on the line of credit was \$0 and \$0, respectively. During the years June 30, 2019 and 2018, there were no withdrawals from the line of credit and thus, no interest was paid. The line of credit is secured by a security interest in the assets of Child Care Resources, Inc.

**Child Care Resources, Inc.
Notes to Financial Statements
June 30, 2019 and 2018**

NOTE 5- PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Equipment	\$2,318	\$2,318	\$2,318	\$2,318

Depreciation for the years ending June 30, 2019 and 2018 was \$0 and \$0, respectively.

NOTE 6- LEASE COMMITMENTS

Child Care Resources, Inc. on February 1, 2018 entered into a lease agreement for office space for a period of thirty-six months. Future required lease payments are as follows:

Year 1	\$5,400
Year 2	\$5,700
Year 3	\$6,000

The total monthly lease payments made during the years ended June 30, 2019 and 2018, were \$5,525 and \$8,100, respectively.

NOTE 7- LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of June 30, 2019, the Organization has financial assets at yearend of \$91,643 that is available within one year of the statement of financial position date to meet cash needs consisting of cash and cash equivalents. The Organization's objective is to maintain liquid financial assets without donor restrictions to cover 90 days of program expenditures. As part of its liquidity plan, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

NOTE 8- SUBSEQUENT EVENTS

Child Care Resources, Inc. has evaluated subsequent events and transactions through July 28, 2020, the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

Child Care Resources, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture	Child and Adult Care Food Program	10.558	IN Dept. of Education School & Community Nutrition	1820210	-	\$ 784,009

NOTE A- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Child Care Resources, Inc. under a program of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Adult Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Child Care Resources, Inc., it is not intended to and does not present the financial position, changes net assets, or cash flows of Child Care Resources, Inc.

NOTE B- 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.

NOTE C- INDIRECT COST RATE

Child Care Resources, Inc. has elected to not use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

**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
Child Care Resources, Inc.

We have audited, 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, the financial statements of Child Care Resources, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated July 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Child Care Resources, Inc.'s internal control over financial reporting (internal control) to determine the auditing 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 the Child Care Resources, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Child Care Resources, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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*.

Child Care Resources, Inc.'s Response to Findings

Child Care Resources, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Child Care Resources, Inc.'s response was not audited subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report 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 the 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.

Timothy J. Otte, C.P.A., P.C.



Evansville, IN

July 28, 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
Child Care Resources, Inc.

Report on Compliance for Each Major Federal Program

We have audited of Child Care Resources, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Child Care Resources, Inc.'s major federal program for the year ended June 30, 2019. Child Care Resources, Inc.'s major federal program is 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Child Care Resources, Inc.'s major federal program 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 Child Care Resources, 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 program. However, our audit does not provide a legal determination of Child Care Resources, Inc.'s compliance.

Opinion on Compliance Each Major Federal Program

In our opinion, Child Care Resources, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Child Care Resources, 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 Child Care Resources, 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 Child Care Resources, Inc.'s internal control over compliance.


A deficiency in internal control over compliance 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 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002, that we consider to be material weaknesses.

Child Care Resources, Inc.'s response to the internal control over compliance findings identified in our audit is described the accompanying schedule of findings and questioned costs. Child Care Resources, Inc. response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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.

Timothy J. Otte, C.P.A., P.C.



Evansville, Indiana

July 28, 2020

CHILD CARE RESOURCES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Child Care Resources, Inc. were prepared in accordance with GAAP.
2. Two material weaknesses disclosed during the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Child Care Resources, Inc. were disclosed during the audit.
4. Two material weaknesses disclosed during the audit of the major federal award program are reported in the Independent Auditor's Report On Compliance For Each Major Program And On Internal Control Over Compliance Required by Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Child Care Resources, Inc. expresses an unmodified opinion on the major federal program.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516 (a) are reported in this Schedule.
7. The program tested as a major program included:

Child and Adult Care Food Program- CFDA# 10.558
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Child Care Resources, Inc. was not determined to be a low risk auditee.

B. FINDINGS- FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

2019-001

Condition: The size of the organization precludes the implementation of an effective internal control system due to the lack of segregation of duties.

Criteria: Segregation of duties is a vital part of an effective internal control structure.

Cause of condition: The small size of the organization.

Effect of condition: The internal control system is weak.

Recommendation: Continued involvement of the board of directors in reviewing records and the hiring of a part-time bookkeeper to perform bank reconciliations and to prepare and file payroll reports due to federal and state taxing authorities including paying payroll liabilities.

Views of Responsible Officials and planned Corrective Actions: Due to the size of the staff and available resources, we have segregated duties as much as possible including the hiring of a part-time bookkeeper.

2019-002

Condition: The size of the organization precludes the implementation of an effective internal control system due to the absence of controls over the preparation of financial statements and disclosures.

Criteria: Preparation of financial statements and disclosures is considered a vital part of internal control structure.

Cause of condition: The small size of the organization.

Effect of condition: The internal control system is weak.

Recommendation: Continued involvement of the board of directors in reviewing records.

Views of Responsible Officials and planned Corrective Actions: Due to the size of the staff and available resources, it would be difficult to have a more effective internal control system.

**C. FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

2019-003

The findings from the financial statements audit listed in section B of this report also are considered findings related to the audit of the major federal award program.

CHILD CARE RESOURCES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019

U.S. DEPARTMENT OF AGRICULTURE
CHILD AND ADULT CARE FOOD PROGRAM
CFDA # 10.558

Fiscal Year Ending	Finding Number	Finding	Questioned Costs	Current Status
2018	001	The size of the Organization precludes the implementation of an effective internal control system due to the lack of segregation of duties.	N/A	Continued involvement of the Board of Directors. Part-time bookkeeper hired to perform bank reconciliations and assist in payroll functions
2018	002	The size of the Organization precludes the implementation of an effective internal control system due to the absence of controls over the preparation of financial statements and disclosures.	N/A	Continued involvement of the Board of Directors
2018	003	Same as 2018-001 and 2018-002 above in relation to Major Federal Award Programs	N/A	

CHILD CARE RESOURCES, INC.
5200 Washington Avenue
Evansville, IN 47715
812-423-6813

CORRECTIVE ACTION PLAN

July 28, 2020


To whom it may concern:

Re: Corrective actions pursuant to fiscal year 2018/2019 audit

Findings: 2019-001 and 2019-002 (Page 17 of the report) Corrective Action

Considering the size of our staff and available resources, we have segregated duties to the extent possible, including the hiring of a part-time bookkeeper to assist in accounting functions.

Sincerely,



Lisa Dettman- Executive Director
Child Care Resources, Inc.