



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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October 20, 2021

Board of Directors
Early Childhood Alliance, Inc.
3800 N. Anthony Blvd.
Fort Wayne, IN 46805

We have reviewed the audit report of Early Childhood Alliance, Inc., which was opined upon by Dulin, Ward & DeWald, Inc., Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. 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, 2019 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 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

EARLY CHILDHOOD ALLIANCE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2019

With Summarized Information for December 31, 2018

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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, 2019, 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 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 April 7, 2020 on our consideration of Early Childhood Alliance, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Early Childhood Alliance, Inc.'s internal control over financial reporting and compliance.



Fort Wayne, Indiana
April 7, 2020

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2019 with Summarized Information for December 31, 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 764,496	\$ 1,272,371
Short-term investments	525,968	25,754
Accounts receivable	3,406	21,036
Claims receivable	307,479	407,243
Contributions receivable - net	329,000	633,400
Prepaid expenses and deposits	41,146	20,543
Long-term investments	413,926	348,432
Cash restricted for purchase of equipment	6,016	10,488
Beneficial interest	20,602	17,370
Fixed assets - net	<u>1,183,384</u>	<u>1,219,223</u>
Total Assets	<u><u>\$ 3,595,423</u></u>	<u><u>\$ 3,975,860</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable:		
Trade	\$ 31,826	\$ 42,985
Food and service reimbursements	147,587	115,938
Employees' payroll deductions and accrued expenses	<u>373,731</u>	<u>394,670</u>
Total Liabilities	553,144	553,593
Net Assets:		
Without donor restrictions	2,278,183	2,377,260
With donor restrictions	<u>764,096</u>	<u>1,045,007</u>
Total Net Assets	<u><u>3,042,279</u></u>	<u><u>3,422,267</u></u>
Total Liabilities and Net Assets	<u><u>\$ 3,595,423</u></u>	<u><u>\$ 3,975,860</u></u>

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

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019 with Summarized
Information for the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions
CHANGES IN NET ASSETS		
Support, Revenue and Gains:		
Contributions	\$ 447,240	\$ 492,878
United Way	-	88,000
Grants - other	94,068	-
Grants - federal	3,487,618	-
Fundraising events	12,000	-
Less direct benefit to donors	(12,820)	-
Program service fees	2,086,642	-
Miscellaneous	14,776	-
Investment income - net	12,833	-
Gain on investments	59,210	-
Net Assets Released From Restrictions	861,789	(861,789)
Total Support, Revenue and Gains	7,063,356	(280,911)
Expenses and Losses:		
Children's learning centers	3,029,168	-
Childcare resource and referral	745,041	-
Childcare food program	2,154,855	-
Family engagement	513,300	-
Administration	618,355	-
Fundraising	77,411	-
Loss on disposal of fixed assets	249	-
Return of unused grant	24,054	-
Loss on investments	-	-
Total Expenses and Losses	7,162,433	-
CHANGE IN NET ASSETS	(99,077)	(280,911)
NET ASSETS - beginning of year	2,377,260	1,045,007
NET ASSETS - end of year	\$ 2,278,183	\$ 764,096

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

	Total	
	2019	2018
\$	940,118	\$ 1,588,408
	88,000	110,467
	94,068	88,030
	3,487,618	3,690,928
	12,000	6,150
	(12,820)	(9,950)
	2,086,642	1,931,149
	14,776	5,140
	12,833	13,541
	59,210	-
	-	-
	6,782,445	7,423,863
	3,029,168	2,914,645
	745,041	1,516,463
	2,154,855	2,039,444
	513,300	237,440
	618,355	515,854
	77,411	127,349
	249	19,105
	24,054	17,931
	-	38,322
	7,162,433	7,426,553
	(379,988)	(2,690)
	3,422,267	3,424,957
\$	3,042,279	\$ 3,422,267

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019 with Summarized
Financial Information for the Year Ended December 31, 2018

	Children's Learning Centers	Childcare Resource & Referral	Childcare Food Program	Family Engagement
Salaries	\$ 1,858,951	\$ 569,838	\$ 128,839	\$ 319,498
Employee health and retirement benefits	223,241	68,368	30,286	46,423
Payroll taxes	134,693	41,288	9,335	23,150
	<hr/>	<hr/>	<hr/>	<hr/>
Total Salaries and Related Expenses	2,216,885	679,494	168,460	389,071
Program grants and assistance	-	-	1,929,457	20,141
Occupancy	369,748	23,807	13,643	11,710
Food service	307,463	-	1,096	-
Program supplies	32,995	3,885	7,475	58,436
Professional fees	21,804	10,997	4,573	3,233
Program travel / transportation	35,900	22,926	10,251	20,723
Miscellaneous	3,604	311	(707)	7,117
Printing / public relations	2,936	2,110	2,307	836
Professional development	964	1,511	6,529	2,033
Contracted services	867	-	11,771	-
Fundraising expenses	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses Before Depreciation	2,993,166	745,041	2,154,855	513,300
Depreciation	36,002	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Functional Expenses per Statement of Activities	3,029,168	745,041	2,154,855	513,300
Expenses included in support, revenue and gains:				
Cost of direct benefit to donors	-	-	-	-
Return of unused grant	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional Expenses	<u>\$ 3,029,168</u>	<u>\$ 745,041</u>	<u>\$ 2,154,855</u>	<u>\$ 513,300</u>

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

Admini- stration	Fundraising	Total	
		2019	2018
\$ 329,605	\$ 44,611	\$ 3,251,342	\$ 3,395,135
31,468	481	400,267	459,436
23,883	3,232	235,581	240,697
<hr/>	<hr/>	<hr/>	<hr/>
384,956	48,324	3,887,190	4,095,268
-	-	1,949,598	1,913,642
47,428	8,795	475,131	483,119
-	-	308,559	269,723
8,569	1,222	112,582	156,913
54,429	11,791	106,827	122,600
53	473	90,326	115,481
35,963	105	46,393	21,245
24,422	1,443	34,054	32,969
7,767	2,239	21,043	24,875
-	-	12,638	10,885
-	3,019	3,019	8,503
<hr/>	<hr/>	<hr/>	<hr/>
563,587	77,411	7,047,360	7,255,223
54,768	-	90,770	95,972
<hr/>	<hr/>	<hr/>	<hr/>
618,355	77,411	7,138,130	7,351,195
-	12,820	12,820	9,950
24,054	-	24,054	17,931
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<u>\$ 642,409</u>	<u>\$ 90,231</u>	<u>\$ 7,175,004</u>	<u>\$ 7,379,076</u>

EARLY CHILDHOOD ALLIANCE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2019 with Summarized Information
for the Year Ended December 31, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions	\$ 1,286,606	\$ 1,385,189
Cash received from grants - federal	3,587,382	3,832,021
Cash received from program service income	2,119,048	1,947,851
Cash received from interest income- net fees	3,103	-
Cash received from special events	151,980	146,566
Cash paid for operations	<u>(7,105,286)</u>	<u>(7,227,574)</u>
Cash Flows From Operating Activities	42,833	84,053
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short term investments	(500,000)	-
Proceeds from sale of fixed assets	680	130,540
Purchase of fixed assets	<u>(55,860)</u>	<u>(26,272)</u>
Cash Flows from Investing Activities	<u>(555,180)</u>	<u>104,268</u>
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(512,347)	188,321
CASH, CASH EQUIVALENTS AND RESTRICTED CASH BALANCE - beginning of year	<u>1,282,859</u>	<u>1,094,538</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH BALANCE - end of year	<u><u>\$ 770,512</u></u>	<u><u>\$ 1,282,859</u></u>

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

EARLY CHILDHOOD ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Early Childhood Alliance, Inc., (Organization) located in Fort Wayne, Indiana, operates two children's centers. Its services include early childhood education, professional training and development, family childcare network, parent education, advocacy, 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.

Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Recent Accounting Guidance

During 2019 the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosure of revenue have been enhanced in accordance with the standard.

The Organization also adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. There is no effect on net assets in connection with the implementation of ASU 2018-08.

During 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

(continued)

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

Also during 2018, the Organization early adopted ASU 2016-18, Statement of Cash Flows (Topic 230) Restricted Cash. The standard requires entities to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling beginning-of-period and end-of-period total cash. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles (US GAAP) 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.

Net Assets

Net assets without donor restrictions are available for use at the discretion of the Organization's management and the board of directors. From time to time the board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Receivables

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. Occasionally, uncollected daycare program fees are sent to a collection agency. Any subsequent collection of these fees is recorded as miscellaneous revenue.

(continued)

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

Revenue and Revenue Recognition

The Organization recognizes contributions as public support when cash, other assets or an unconditional promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No advances have been received on the grants and no deferred revenue is recognized.

The Organization recognizes revenue from daycare center fees when collected, normally weekly, and program income when the services are provided. The Organization records fundraising event revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. All goods and services are transferred at a point in time.

Cash Equivalents

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.

Functional Allocation of Expenses

The costs of providing program and supporting services 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. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All allowable direct costs are charged directly to programs. All allowable joint or shared costs are allocated individually using a base most appropriate to the cost being allocated. Expenses that are allocated include the following:

Expenses	Method of Allocation
Salaries and related expenses	Time spent on each program
Program travel / transportation	Vehicle usage
Program supplies	Usage
Printing / public relations	Usage
Occupancy, depreciation	Square footage

(continued)

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

Investments

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. Thereafter, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities.

Fixed 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. All items with a cost in excess of \$1,000 and a useful life in excess of one year are capitalized.

Other

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.

Summarized Information

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, 2018, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to conform prior years' financial statements to the current presentation. These reclassifications had no effect on prior year operating results.

Subsequent Events

Management has evaluated subsequent events through April 7, 2020, the date which the financial statements were available for issue.

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following:

	2019	2018
Contributions receivable	\$ 335,000	\$ 650,000
Less unamortized present value discount (1.96% - 2.51%)	<u>(6,000)</u>	<u>(16,600)</u>
Net contributions receivable	<u>\$ 329,000</u>	<u>\$ 633,400</u>
Amounts due in:		
Less than one year	\$ 175,000	\$ 315,000
One to five years	160,000	335,000
More than five years	<u>-</u>	<u>-</u>
	<u>\$ 335,000</u>	<u>\$ 650,000</u>

The Organization has received notification of an intention to give in the amount of \$50,500 from the United Way of Allen County. The expected funding is to be used for programs through June 30, 2020 and has not been recorded as an asset of the Organization as of December 31, 2019.

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 \$39,343 at December 31, 2019 and \$32,633 at December 31, 2018, 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 are summarized as follows:

	2019	2018
Short-Term Investments:		
Certificate of deposit	<u>\$ 525,968</u>	<u>\$ 25,754</u>
Long-Term Investments:		
Mutual funds	\$ 299,046	\$ 260,020
Exchange traded funds	<u>98,076</u>	<u>65,259</u>
	397,122	325,279
Cash and cash equivalents	<u>16,804</u>	<u>23,153</u>
	<u>\$ 413,926</u>	<u>\$ 348,432</u>

5. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

(continued)

5. FAIR VALUE MEASUREMENT (continued)

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.

Fair value of assets and liabilities measured on a recurring basis at December 31, 2019 are as follows:

	Level 1	Level 3
Investments:		
Exchange traded funds:		
Fixed income	\$ 24,515	\$ -
Equities	73,561	-
Mutual funds:		
Fixed income	105,553	-
Equities	193,493	-
Beneficial interest	<u>-</u>	<u>20,602</u>
	<u>\$ 397,122</u>	<u>\$ 20,602</u>

Fair value of assets and liabilities measured on a recurring basis at December 31, 2018 are as follows:

	Level 1	Level 3
Investments:		
Exchange traded funds:		
Fixed income	\$ 18,494	\$ -
Equities	46,765	-
Mutual funds:		
Fixed income	92,820	-
Equities	157,624	-
Alternative investments	9,576	-
Beneficial interest	<u>-</u>	<u>17,370</u>
	<u>\$ 325,279</u>	<u>\$ 17,370</u>

(continued)

5. FAIR VALUE MEASUREMENT (continued)

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

	Beneficial Interest	
	2019	2018
Balance – beginning of year	\$ 17,370	\$ 18,703
Contribution	-	-
Total income (loss) included in change in net assets:		
Income	667	698
Investment fees	<u>(137)</u>	<u>(134)</u>
Investment income - net	530	564
Unrealized gain (loss)	2,663	(2,041)
Realized gain (loss)	<u>39</u>	<u>144</u>
Gain (loss) on investments	2,702	(1,897)
Distribution	<u>-</u>	<u>-</u>
Balance – end of year	<u>\$ 20,602</u>	<u>\$ 17,370</u>

6. FIXED ASSETS

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

	2019	2018
Land and improvements	\$ 361,991	\$ 361,991
Buildings	1,673,468	1,670,683
Equipment	<u>343,147</u>	<u>351,856</u>
	2,378,606	2,384,530
Accumulated depreciation	<u>1,195,222</u>	<u>1,165,307</u>
	<u>\$ 1,183,384</u>	<u>\$ 1,219,223</u>

7. EMPLOYEE BENEFIT PLAN

The Organization sponsors a tax deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code. The plan covers all full-time employees over eighteen years of age with at least one year of service. The Organization matches a certain percentage contributed by the employees. Contributions to the plan charged to operations were \$56,377 in 2019 and \$55,798 in 2018.

8. NET ASSETS

Net assets with donor restrictions as of December 31 are restricted as follows:

	2019	2018
Time requirement:		
Contributions receivable	\$ 329,000	\$ 493,400
Purpose requirement:		
Children's learning centers	182,276	223,727
Parents as Teachers	19,366	114,779
Training	104,067	101,158
Family engagement	65,000	-
Book Buddies	25,987	52,411
Let's Talk	14,551	10,137
Other	13,193	34,267
Rolland Legacy fund	4,640	4,640
Purchase of capital assets	<u>6,016</u>	<u>10,488</u>
	<u>\$ 764,096</u>	<u>\$ 1,045,007</u>

Net assets released from net assets with donor restrictions are as follows:

	2019	2018
Time requirement:		
Contributions receivable	\$ 175,000	\$ 175,000
Purpose requirement:		
Children's learning centers	315,907	375,338
Parents as Teachers	162,949	109,755
Training	81,177	325,748
Book Buddies	37,424	35,109
Let's Talk	53,586	64,842
Other	21,074	6,158
Purchase of capital assets	<u>14,672</u>	<u>-</u>
	<u>\$ 861,789</u>	<u>\$ 1,091,950</u>

(continued)

8. NET ASSETS (continued)

Net assets without donor restrictions are as follows:

	2019	2018
Undesignated	\$ 1,847,257	\$ 2,028,828
Board designated for HVAC - DT	17,000	-
Board designated for endowment	<u>413,926</u>	<u>348,432</u>
	<u>\$ 2,278,183</u>	<u>\$ 2,377,260</u>

9. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations was \$20,229 in 2019 and \$22,229 in 2018.

10. 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:

	2019	2018
Net assets without donor restrictions:		
Board designated endowment funds	\$ 413,926	\$ 348,432

(continued)

10. ENDOWMENT (continued)

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

	2019	2018
Net assets without donor restrictions:		
Endowment net assets – January 1	\$ 348,432	\$ 371,935
Contribution	-	-
Investment return – net	65,494	(23,503)
Appropriations	<u>-</u>	<u>-</u>
Endowment net assets – December 31	<u>\$ 413,926</u>	<u>\$ 348,432</u>

Spending Policy

As part of the annual budgeting process, with the recommendation of the finance committee and approval of the board, the Organization may take an annual distribution (disbursement) of up to 5% of the endowment fund (the fund) to help finance strategic investments in the future of the Organization or the pursuit of advanced credentials and professional development by Organization staff. 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 the most recent quarter in the current fiscal year. The disbursement will be transferred to the Organization’s cash operating account. This spending policy may be modified from time to time as appropriate.

11. OPERATING LEASES

Early Childhood Alliance, Inc. leases office equipment under operating leases expiring through 2022. Total rental expense and additional charges were \$6,506 for 2019 and \$8,032 for 2018.

The Organization leases their administrative offices under an operating lease that expires in 2021. Total rental expense under this lease was \$43,885 for 2019 and \$30,490 for 2018.

Minimum future lease payments under noncancelable leases having initial or remaining terms of one year or more as of December 31, 2019 for each of the next five years and in the aggregate are:

2020	\$ 43,648
2021	40,334
2022	2,913
2023	-
2024 and thereafter	<u>-</u>
	<u>\$ 86,895</u>

(continued)

11. 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 2019 and 2018, \$217,731 was recorded as rental expense under these leases.

12. 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, mutual funds and certificates of deposit 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, 2019, deposits in excess of the insured amount totaled \$509,465.

13. AVAILABILITY AND LIQUIDITY

The following represents Early Childhood Alliance, Inc.'s financial assets at December 31, 2019 and 2018:

Financial assets at year end:	2019	2018
Cash and cash equivalents	\$ 764,496	\$ 1,272,371
Short-term investments	525,968	25,754
Accounts receivable – other	3,406	21,036
Claims receivable	307,479	407,243
Contributions receivable	329,000	633,400
Long-term investments	413,926	348,432
Beneficial interest	20,602	17,370
Cash restricted to purchase of equipment	<u>6,016</u>	<u>10,488</u>
Total financial assets	2,370,893	2,736,094

(continued)

13. AVAILABILITY AND LIQUIDITY (continued)

Less assets not to be used in one year:		
Contribution receivable in greater than one year	\$ (154,000)	\$ (318,400)
Legacy fund	(4,640)	(4,640)
Purchase of capital assets	(6,016)	(10,488)
Beneficial interest	(20,602)	(17,370)
Board designated for HVAC	(17,000)	-
Board designated endowment	<u>(413,926)</u>	<u>(348,432)</u>
Total assets not to be used in one year	<u>(616,184)</u>	<u>(699,330)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,754,709</u>	<u>\$ 2,036,764</u>

The financial assets available to be used within one year represents approximately 62% of the annual Children’s Learning Center and administration expenses. The expenses of the Organization that are incurred for the Childcare Food Program are directly funded by the government, foundations and corporations, and could be discontinued upon cessation of direct funding.

The Organization has net assets without donor restrictions that have been designated by the board for endowment purposes. While the Organization does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

14. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	2019	2018
Cash and cash equivalents	\$ 764,496	\$ 1,273,371
Cash restricted for purchase of equipment	<u>6,016</u>	<u>10,488</u>
Total cash, cash equivalents and restricted cash	<u>\$ 770,512</u>	<u>\$ 1,282,859</u>

(continued)

14. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES (continued)

Amounts included in restricted cash represent those required to be set aside due to donor-imposed restrictions.

During 2019, \$500,000 was transferred from cash and cash equivalents to short term investments.

15. SUBSEQUENT EVENTS

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple types of companies and organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2019

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	(05)102-0001	\$ -	\$ 2,389,306	\$ 2,389,306
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	18279 & 18279	-	343,874	343,874
Passed through Indiana Family and Social Service Administration: Child Care and Development Block Grant	93.575	22851	-	754,438	754,438
			<u>-</u>	<u>1,098,312</u>	<u>1,098,312</u>
Total CCDF Cluster			<u>-</u>	<u>1,098,312</u>	<u>1,098,312</u>
Total Federal Assistance			<u>\$ -</u>	<u>\$ 3,487,618</u>	<u>\$ 3,487,618</u>

The accompanying notes are an integral part of this schedule.

EARLY CHILDHOOD ALLIANCE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2019

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, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. INDIRECT COST RATE

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Early Childhood Alliance, Inc. which comprise the statement of financial position as of December 31, 2019, 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 April 7, 2020.

Internal Control Over Financial Reporting

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

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

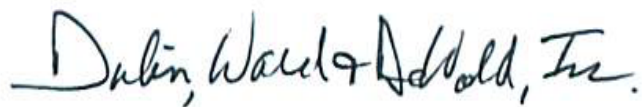
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Early Childhood Alliance, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

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

Fort Wayne, Indiana
April 7, 2020



**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, 2019. 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, 2019.

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.



Fort Wayne, Indiana

April 7, 2020

EARLY CHILDHOOD ALLIANCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2019

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, 2019

(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?

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, 2019

No prior year findings.