

**MINNESOTA CHILD CARE RESOURCE  
AND REFERRAL NETWORK  
(A Non-Profit Corporation)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2007**



MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

(A Non-Profit Corporation)

FINANCIAL STATEMENTS

For the Year Ended September 30, 2007  
(With Comparative Totals for 2006)

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MAHONEY  
ULBRICH  
CHRISTIANSEN  
RUSS P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

30 EAST PLATO BOULEVARD SAINT PAUL, MN 55107-1809  
TELEPHONE 651.227.6695 FACSIMILE 651.227.9796

To the Board of Directors  
Minnesota Child Care Resource and Referral Network  
Saint Paul, Minnesota

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Minnesota Child Care Resource and Referral Network (the Network) as of September 30, 2007, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Network's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Network's 2006 financial statements and, in our report dated December 19, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Child Care Resource and Referral Network as of September 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2008, on our consideration of the Network'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. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Minnesota Child Care Resource and Referral Network taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Saint Paul, Minnesota  
January 10, 2008

*Mahoney Ulbrich  
Christiansen Russ P.A.*

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

STATEMENT OF FINANCIAL POSITION

September 30, 2007  
 (With Comparative Totals for 2006)

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 416,913	\$ 417,741
Cash - restricted	1,061,774	835,785
Total cash	<u>1,478,687</u>	<u>1,253,526</u>
Grants receivable	452,615	583,652
Contributions receivable	7,500	135,000
Prepaid expenses	15,790	13,235
Total current assets	<u>1,954,592</u>	<u>1,985,413</u>
Equipment	46,621	46,621
Less accumulated depreciation	<u>(34,788)</u>	<u>(28,911)</u>
	11,833	17,710
Total assets	<u>\$ 1,966,425</u>	<u>\$ 2,003,123</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 19,113	\$ 103,484
R.E.E.T.A.I.N. scholarships payable	190,500	267,250
Accrued expenses	50,257	46,982
Refundable advances	1,101,595	923,186
Total current liabilities	<u>1,361,465</u>	<u>1,340,902</u>
Net assets:		
Unrestricted net assets	375,166	298,220
Temporarily restricted net assets	229,794	364,001
Total net assets	<u>604,960</u>	<u>662,221</u>
Total liabilities and net assets	<u>\$ 1,966,425</u>	<u>\$ 2,003,123</u>

See accompanying notes to financial statements.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended September 30, 2007  
(With Comparative Totals for 2006)

	2007			2006
	Unrestricted	Temporarily restricted	Total	
Support and revenue:				
Government contracts	\$ 2,097,327	\$ -	\$ 2,097,327	\$ 2,284,962
Contributions	-	112,510	112,510	356,500
Program income	74,760	-	74,760	85,350
Investment income	41,899	-	41,899	27,451
Miscellaneous	1,017	-	1,017	4,554
Net assets released from restrictions upon satisfaction of program restrictions	246,717	(246,717)	-	-
<b>Total support and revenue</b>	<b>2,461,720</b>	<b>(134,207)</b>	<b>2,327,513</b>	<b>2,758,817</b>
Expenses:				
Program services	2,291,401	-	2,291,401	2,448,387
Management and general	85,888	-	85,888	96,840
Fundraising	7,485	-	7,485	8,643
<b>Total expenses</b>	<b>2,384,774</b>	<b>-</b>	<b>2,384,774</b>	<b>2,553,870</b>
Change in net assets	76,946	(134,207)	(57,261)	204,947
Net assets, beginning of year	298,220	364,001	662,221	457,274
Net assets, end of year	<u>\$ 375,166</u>	<u>\$ 229,794</u>	<u>\$ 604,960</u>	<u>\$ 662,221</u>

See accompanying notes to financial statements.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2007  
(With Comparative Totals for 2006)

2007

	Program Services										Total		
	CCR&R System Support	Infant Toddler Training	Eager To Learn	TEACH	REETAIN	Not By Chance	Parent Aware	Other	Program services	Management and general		Fund raising	Total
Salaries	\$ 362,368	\$ 24,869	\$ 77,912	\$ 63,769	\$ 27,872	\$ 12,746	\$ 72,112	\$ 31,119	\$ 672,767	\$ 32,617	\$ 5,763	\$ 711,147	\$ 666,177
Payroll taxes	29,514	2,292	7,253	6,022	2,955	1,144	5,832	3,325	58,337	2,219	417	60,973	57,651
Employee benefits	49,262	1,874	13,995	7,388	4,455	4,460	6,475	3,589	91,498	3,239	555	95,292	87,779
Retirement plan	12,906	1,099	287	1,422	1,166	50	1,301	1,357	19,588	1,031	208	20,827	27,551
<b>Total employee compensation</b>	<b>454,050</b>	<b>30,134</b>	<b>99,447</b>	<b>78,601</b>	<b>36,448</b>	<b>18,400</b>	<b>85,720</b>	<b>39,390</b>	<b>842,190</b>	<b>39,106</b>	<b>6,943</b>	<b>888,239</b>	<b>839,158</b>
Insurance	3,221	287	832	471	468	358	-	19	5,656	536	-	6,192	3,369
Scholarships and grants	-	-	-	259,359	259,350	-	-	-	518,709	-	-	518,709	661,015
Evaluation	77,500	-	-	-	-	-	-	-	77,500	-	-	77,500	50,000
Advertising	1,300	-	-	-	-	-	5,625	-	6,925	395	-	7,320	371
Accounting and legal	20,057	335	630	387	337	-	-	76	21,822	10,483	-	32,305	38,616
Office supplies	11,657	2,236	3,806	3,280	(1,902)	373	3,362	957	23,769	2,005	-	25,774	25,787
Printing	7,245	266	627	3,578	296	5,159	267	14,204	31,642	2,852	14	34,508	24,940
Telephone	12,349	517	5,307	1,471	1,193	333	552	2,061	23,783	576	37	24,396	29,103
Postage	2,927	320	1,365	1,655	462	134	425	3,789	11,077	1,162	30	12,269	9,386
Rent	41,812	3,264	3,934	5,500	5,449	4,033	4,339	1,435	69,766	4,795	461	75,022	67,055
Equipment	16,199	4,704	2,816	129	183	-	20	(145)	23,906	683	-	24,589	25,463
Database development	150,161	-	-	-	-	-	-	-	150,161	-	-	150,161	122,974
Internet	87	-	599	-	-	-	-	-	686	-	-	686	2,323
Publications, subscriptions and dues	2,050	460	35	-	9	-	-	-	2,554	4,499	-	7,053	7,072
Public relations and marketing	28,158	5,734	7,354	2,248	2,389	11	10,540	6,988	63,422	2,318	-	65,740	74,921
Staff travel and meals	14,722	5,137	4,921	2,361	798	954	995	2,771	32,659	3,406	-	36,065	34,347
Committee meetings and conferences	25,702	2,342	730	1,029	67	727	-	40,184	70,781	23	-	70,804	100,531
Staff development and training	3,231	105	671	694	75	-	100	-	4,876	1,601	-	6,477	37,144
Program expenses	76,668	34,756	31,261	-	-	-	-	62,863	205,548	-	-	205,548	258,372
Depreciation	-	-	-	-	-	-	-	-	-	5,877	-	5,877	5,877
Miscellaneous	8	7	1,313	-	-	-	-	734	2,062	171	-	2,233	4,471
Consulting	24,529	8,500	5,569	665	-	9,450	6,675	46,519	101,907	5,400	-	107,307	131,575
<b>Total</b>	<b>\$ 973,633</b>	<b>\$ 99,104</b>	<b>\$ 171,217</b>	<b>\$ 361,428</b>	<b>\$ 305,622</b>	<b>\$ 39,932</b>	<b>\$ 118,620</b>	<b>\$ 221,845</b>	<b>\$ 2,291,401</b>	<b>\$ 85,888</b>	<b>\$ 7,485</b>	<b>\$ 2,384,774</b>	<b>\$ 2,553,870</b>

See accompanying notes to financial statements.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2007  
(With Comparative Totals for 2006)

Increase (decrease) in cash

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Change in net assets	\$ (57,261)	\$ 204,947
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	5,877	5,877
Grants receivable	131,037	(463,091)
Contributions receivable	127,500	(125,000)
Prepaid expenses	(2,555)	8,485
Accounts payable	(84,371)	76,875
R.E.E.T.A.I.N. scholarships payable	(76,750)	(24,500)
Accrued expenses	3,275	8,318
Refundable advances	178,409	520,420
Net cash from operating activities	<u>225,161</u>	<u>212,331</u>
Net increase (decrease) in cash	225,161	212,331
Cash, beginning of year	<u>1,253,526</u>	<u>1,041,195</u>
Cash, end of year	<u>\$ 1,478,687</u>	<u>\$ 1,253,526</u>

See accompanying notes to financial statements.

# MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

## NOTES TO FINANCIAL STATEMENTS

For The Year Ended September 30, 2007  
(With Comparative Totals for 2006)

### 1. ORGANIZATION

Minnesota Child Care Resource and Referral Network (the Network) is a not-for-profit corporation which provides statewide leadership in shaping collaborations that build a diverse, high quality child care system accessible to all Minnesota families. The Network's goal is to ensure a solid infrastructure for quality child care in the state. Approximately 82% and 83% of the Network's funding is provided from pass-through grants of money from the U.S. Department of Health and Human Services in 2007 and 2006, respectively. Other support is provided from contributions from foundations and individuals.

The Network has several programs to achieve its purpose which include:

**Child Care Resource and Referral (CCR&R) System Support** The Network provides coordination, training, and technical assistance to the 19 agencies that are contracted by the Department of Human Services to provide community based activities, including child care referrals and consultation for parents, support for child care programs, training for early care and education providers, and community networking. The CCR&R system and duties are included in state statutes.

**The Infant Toddler Training Intensive (ITTI) program** improves the quality of infant and toddler care in the state by providing quality training to infant and toddler caregivers.

**The Eager-to-Learn on-line learning program** provides early care and education providers with high quality, affordable in-service training opportunities using electronic technologies. Through four week classes with weekly scheduled chat sessions, the program offers professional development opportunities that increase idea sharing, while reducing geographic, economic, and other barriers.

The program also features information and education about e-learning, links to other e-learning sites, and a virtual meeting site for professional early childhood and school-age groups—saving them money on travel and meeting costs.

**The T.E.A.C.H.® Early Childhood Minnesota scholarship program** (Teacher Education and Compensation Helps) is an education scholarship program for early care and education providers, with the goal of increasing the competency of staff and providers, as well as reducing staff/provider turnover by providing incentives to stay in the field.

**The R.E.E.T.A.I.N. workforce retention** provides grants to child care providers who have already graduated with at least a two-year associate degree or currently hold a CDA Credential. As in the T.E.A.C.H. program, these grants are available to providers who have been employed in their current licensed setting for at least one year, and who work at least 1,560 hours per year with the same group of children. The Program strives to both increase and reward quality, and decrease staff turn-over in the field of early care and education.

# MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

## NOTES TO FINANCIAL STATEMENTS

For The Year Ended September 30, 2007  
(With Comparative Totals for 2006)

### 1. ORGANIZATION (Continued)

**Not By Chance: Child Care that Supports School Readiness** features a curriculum developed to help connect key foundational components of quality child care and school readiness. It includes an overview of the Minnesota Core Competencies, the Environmental Rating Scales, and the Early Childhood Indicators of Progress. This overview also shows their connectedness and their role in the CCR&R Learning Continuum and a proposed Quality Rating System for Minnesota.

**Parent Aware** is a pilot program that will test a “quality rating system” for child care settings in four Minnesota Communities, and provide information to parents about the results of these ratings. The project also includes technical assistance and improvement supports for providers who agree to participate in the rating process.

**Other programs** consist of statewide conference support, and additional funding for advocacy, training, and support for the basic work of the CCR&R system.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles in the United States 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 and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Statement Presentation** – Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that are permanently restricted by donors for specific purposes.

The Network has no permanently restricted net assets.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For The Year Ended September 30, 2007  
(With Comparative Totals for 2006)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Concentration of Credit Risk** – The Network places its cash with one large banking institution. At September 30, 2007, these accounts exceeded the FDIC limit by \$1,378,687. The Network does not believe it is exposed to any significant credit risk on these funds.

**Equipment** – Equipment is recorded at cost. The cost of maintenance and repairs are charged to income as incurred; significant renewals or betterments are capitalized. Depreciation is recorded using the straight-line method over three to seven year lives.

**R.E.E.T.A.I.N. Scholarships Payable** – R.E.E.T.A.I.N. scholarships are recorded when they are awarded to the individuals.

**Contributions** – Contributions are recognized when the donor makes an unconditional commitment to give to the Network. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets and transferred to unrestricted net assets when restrictions expire or the condition is met.

**Government Grants and Contracts** – Government grants and contract funds are generally considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as refundable advances.

**Income Taxes** – The Network is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income taxes.

**Functional Expenses** – Expenses have been recorded in program service and support service categories based on whether an expense can be identified to either area. In the absence of specific identification, expenses have been allocated based on staff time spent in each category. The time allocations are based on management estimates.

**Comparative Total Column** - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Because a presentation in conformity with generally accepted accounting principles requires inclusion of the full details of the summarized information, these financial statements should be read in conjunction with the Network's financial statements for the year ended September 30, 2006, from which the summarized information was derived.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For The Year Ended September 30, 2007  
(With Comparative Totals for 2006)

3. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable are due in 2008.

4. **REFUNDABLE ADVANCES**

Refundable advances are for the following programs:

	<u>2007</u>	<u>2006</u>
CCR&R System Support	\$ 383,157	\$ 186,159
Parent Aware	114,619	-
Professional Development Grant	472,551	736,905
TEACH	125,000	-
Other	6,268	122
	<u>\$ 1,101,595</u>	<u>\$ 923,186</u>

5. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following:

	<u>2007</u>	<u>2006</u>
TEACH	\$ 54,130	\$ 76,339
Sparking Connections	-	13,936
Service Delivery	135,539	236,305
MELF	675	-
Parent Outreach	39,450	-
Access and Learning	-	31,821
Eager to Learn	-	5,600
	<u>\$ 229,794</u>	<u>\$ 364,001</u>

Temporarily restricted net assets consist of the following:

	<u>2007</u>	<u>2006</u>
Cash - restricted	\$ 222,294	\$ 229,001
Contributions receivable	7,500	135,000
	<u>\$ 229,794</u>	<u>\$ 364,001</u>

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For The Year Ended September 30, 2007  
(With Comparative Totals for 2006)

6. **ECONOMIC DEPENDENCY**

The Network received approximately 82% of its support from federal and state governments. If there is a significant reduction in this level of support, the Network could be adversely affected.

7. **RETIREMENT PLAN**

The Network has a retirement savings plan which is intended to satisfy the requirements of Section 403(b) of the Internal Revenue Code. Subject to certain plan requirements, employees of the Network are eligible to participate in this plan. As of July 1, 2006, the plan changed to a matched plan. Matched contributions will be made by the Network at a maximum rate to be determined annually and based on the availability of funds. Prior to July 1, 2006, any employer contribution was at the discretion of the Board of Directors. The Network's retirement plan expense was \$20,825 and \$27,551 in 2007 and 2006, respectively.

8. **LEASE**

The Network leases its office space under the terms of an operating lease agreement that expires on December 31, 2010. In addition to base rent for operating space, the Network pays its share of operating costs. Total rental expense was \$75,021 and \$67,055 for the years ended September 30, 2007 and 2006, respectively.

Future minimum rental payments are as follows:

2008	\$ 74,902
2009	76,318
2010	77,734
2011	19,522
2012	-
Later	-
	<hr/>
	<u>\$ 248,476</u>

9. **COMMITMENTS AND CONTINGENCIES**

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor agencies will be recognized in the year determined.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For The Year Ended September 30, 2007  
(With Comparative Totals for 2006)

10. **RELATED PARTY TRANSACTIONS**

The Executive Director became a member of the National Association of Child Care Resource and Referral Agencies (NACCRA) board of directors in 2007. The Network has a contract with NACCRA to provide surge support child care services to deployed Army National Guard and Reserve Families. The total value of the contract is \$112,525. The contract began in 2007 and \$49,905 was paid to the Network.

SUPPLEMENTAL INFORMATION

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	CFDA Number	Federal Expenditures
Department of Health and Human Services:		
Passed through State of Minnesota Child Care and Development Block Grant	93.575	\$ 1,730,187
Passed through Minneapolis Youth Coordinating Board Early Learning Fund Program	93.577	<u>17,141</u>
Total Department of Health and Human Services		1,747,328
Department of Education:		
Passed through University of Minnesota Early Childhood Educator Professional Development Program	84.349A	<u>4,565</u>
Total		<u>\$ 1,751,893</u>

**Note 1.** This schedule includes the federal grant activity of Minnesota Child Care Resource and Referral Network and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



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CERTIFIED PUBLIC ACCOUNTANTS

30 EAST PLATO BOULEVARD SAINT PAUL, MN 55107-1809  
TELEPHONE 651.227.6695 FACSIMILE 651.227.9796

**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  
Minnesota Child Care Resource and Referral Network  
Saint Paul, Minnesota

We have audited the financial statements of Minnesota Child Care Resource and Referral Network as of and for the year ended September 30, 2007, and have issued our report thereon dated January 10, 2008. 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.

**Internal Control Over Financial Reporting** - In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any discrepancies in internal control over financial reporting that we consider to be material weaknesses as defined above.

**Compliance and Other Matters** - As part of obtaining reasonable assurance about whether Minnesota Child Care Resource and Referral Network's financial statements are free of 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*.

We noted certain matters that we reported to management and the Organization in a separate letter dated January 10, 2008.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mahoney Ulbrich  
Christianer Rues P.A.*

Saint Paul, Minnesota  
January 10, 2008



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**Report on Compliance with Requirements Applicable to  
its Major Program and on Internal Control over  
Compliance and on the Schedule of Expenditures of Federal Awards  
in Accordance with OMB Circular A-133**

To the Board of Directors  
Minnesota Child Care Resource and Referral Network  
Saint Paul, Minnesota

**Compliance** - We have audited the compliance of Minnesota Child Care Resource and Referral Network with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2007. Minnesota Child Care Resource and Referral Network's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Minnesota Child Care Resource and Referral Network's management. Our responsibility is to express an opinion on Minnesota Child Care Resource and Referral Network's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Minnesota Child Care Resource and Referral Network'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. Our audit does not provide a legal determination of Minnesota Child Care Resource and Referral Network's compliance with those requirements.

In our opinion the Organization complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

**Internal Control over Compliance** - The management of Minnesota Child Care Resource and Referral Network is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Minnesota Child Care Resource and Referral Network's internal control over compliance with the requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the Organization's internal control over compliance.

A control deficiency in an entity's 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mahoney Ulbrich  
Christiansen Rues P.C.*

Saint Paul, Minnesota  
January 10, 2008

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2007

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued - unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(s) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**FEDERAL AWARDS**

Internal control over major program:

- Material weakness(es) identified?  yes  no
- Significant deficiency(s) identified that are not considered to be material weakness(es)?  yes  none reported

Major program: CFDA 93.575 – Child Care and Development Block Grant

Type of auditor's report issued on compliance for major program – unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  yes  no

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

**SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT: NONE**

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAM AUDIT: NONE**

**SECTION IV – PRIOR AUDIT FINDINGS AND QUESTIONED COSTS: NONE**