

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

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
SEPTEMBER 30, 2009**

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

(A Non-Profit Corporation)

FINANCIAL STATEMENTS

For the Year Ended September 30, 2009
(With Comparative Totals for 2008)

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Minnesota Child Care Resource and Referral Network (the Network) as of September 30, 2009, 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 Network's 2008 financial statements and, in our report dated January 8, 2009, we expressed an unqualified opinion on those financial statements.

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 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 the 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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2010, on our consideration of Minnesota Child Care Resource and Referral 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for 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 7, 2010

*Mahoney Ulbrich
Christiansen Russ P.A.*

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

STATEMENT OF FINANCIAL POSITION

September 30, 2009
(With Comparative Totals for 2008)

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash	\$ 1,203,571	\$ 1,130,140
Certificates of deposit	310,317	304,135
Grants receivable	697,263	665,423
Contributions receivable	7,500	125,000
Prepaid expenses	16,775	19,928
Total current assets	<u>2,235,426</u>	<u>2,244,626</u>
Equipment	67,548	67,548
Less accumulated depreciation	(50,686)	(42,331)
Net equipment	<u>16,862</u>	<u>25,217</u>
Total assets	<u>\$ 2,252,288</u>	<u>\$ 2,269,843</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 28,821	\$ 25,262
R.E.E.T.A.I.N. scholarships payable	191,000	228,000
Accrued expenses	78,835	70,043
Refundable advances	1,361,378	1,216,268
Total current liabilities	<u>1,660,034</u>	<u>1,539,573</u>
Net assets:		
Unrestricted net assets	412,811	412,445
Temporarily restricted net assets	179,443	317,825
Total net assets	<u>592,254</u>	<u>730,270</u>
Total liabilities and net assets	<u>\$ 2,252,288</u>	<u>\$ 2,269,843</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, 2009
(With Comparative Totals for 2008)

	2009			2008
	Unrestricted	Temporarily restricted	Total	
Support and revenue:				
Government contracts	\$ 2,525,668	\$ -	\$ 2,525,668	\$ 2,735,267
Contributions	-	57,000	57,000	273,000
Program income	91,124	-	91,124	60,606
Investment income	15,507	-	15,507	26,042
Miscellaneous income	157	-	157	3,239
Net assets released from restrictions upon satisfaction of program restrictions	195,382	(195,382)	-	-
Total support and revenue	2,827,838	(138,382)	2,689,456	3,098,154
Expenses:				
Program services	2,676,242	-	2,676,242	2,845,251
Management and general	142,801	-	142,801	120,622
Fundraising	8,429	-	8,429	6,971
Total expenses	2,827,472	-	2,827,472	2,972,844
Change in net assets	366	(138,382)	(138,016)	125,310
Net assets, beginning of year	412,445	317,825	730,270	604,960
Net assets, end of year	\$ 412,811	\$ 179,443	\$ 592,254	\$ 730,270

See accompanying notes to financial statements.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2009
(With Comparative Totals for 2008)

CCR&R System Support	2009										Total	2008
	TEACH	REEMAIN	Eager To Learn	Surge Support	Parent Aware	Other	Management and general	Fundraising	Total			
Salaries	\$ 364,698	\$ 103,728	\$ 34,752	\$ 82,546	\$ 50,073	\$ 229,122	\$ 28,257	\$ 893,176	\$ 49,834	\$ 6,584	\$ 949,594	\$ 908,431
Payroll taxes	30,909	9,046	3,112	6,870	3,708	19,694	2,189	75,528	4,107	494	80,129	75,142
Employee benefits	48,295	15,465	4,794	15,022	2,823	36,441	5,899	128,739	6,702	905	136,346	139,735
Retirement plan	13,224	2,030	10	822	2,228	4,164	857	23,335	1,792	247	25,374	21,183
Total employee compensation	457,126	130,269	42,668	105,260	58,832	289,421	37,202	1,120,778	62,435	8,230	1,191,443	1,144,491
Insurance	2,826	568	155	413	224	1,012	124	5,322	217	-	5,539	5,095
Scholarships and grants	-	311,350	276,978	-	-	123,722	11	712,061	-	-	712,061	707,638
Evaluation	81,766	-	-	-	-	-	-	81,766	-	-	81,766	46,500
Advertising	593	494	-	-	-	240	-	1,327	-	-	1,327	710
Accounting and legal	219	-	-	-	100	5,360	1,500	7,179	47,079	-	54,258	52,144
Office supplies	5,495	1,637	422	1,178	1,648	7,310	1,598	19,288	921	-	20,209	26,869
Printing	14,191	577	158	288	405	1,565	88	17,272	352	11	17,635	22,823
Telephone	10,439	2,647	917	14,656	913	5,576	405	35,553	731	72	36,356	33,813
Postage	2,402	1,922	619	1,061	737	3,817	229	10,787	620	57	11,464	14,299
Rent	40,968	10,650	1,890	2,207	3,122	14,268	2,231	75,336	7,317	59	82,712	78,876
Equipment	25,397	-	-	2,113	343	135	-	27,988	-	-	27,988	50,806
Database development	115,005	-	-	-	-	-	-	115,005	-	-	115,005	151,206
Internet	229	-	-	66	-	722	-	1,017	-	-	1,017	653
Publications, subscriptions and dues	2,475	1,500	-	-	-	-	-	3,975	2,550	-	6,525	15,997
Public relations and marketing	37,305	436	264	13,160	7,952	19,148	12,450	90,715	4,004	-	94,719	123,532
Staff travel and meals	12,781	1,081	777	3,523	1,827	11,543	706	32,238	4,057	-	36,295	42,224
Committee meetings and conferences	39,008	620	99	1,050	1,143	149	6,320	48,389	-	-	48,389	36,659
Staff development	2,716	620	31	300	-	1,696	-	5,363	2,061	-	7,424	24,193
Training	(714)	795	-	72,465	12,973	288	4,043	89,850	850	-	90,700	114,260
Pass-through payments to other agencies	-	-	-	1,643	-	2,804	40,800	45,247	-	-	45,247	90,126
Depreciation	-	-	-	-	-	-	-	-	8,356	-	8,356	7,543
Miscellaneous	12	10	-	3,120	-	-	-	3,142	36	-	3,178	2,196
Consulting	74,221	-	-	2,373	-	-	50,050	126,644	1,215	-	127,859	180,191
	\$ 924,460	\$ 465,176	\$ 324,978	\$ 224,876	\$ 90,219	\$ 488,776	\$ 157,757	\$ 2,676,242	\$ 142,801	\$ 8,429	\$ 2,827,472	\$ 2,972,844

See accompanying notes to financial statements.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2009
(With Comparative Totals for 2008)

Increase (Decrease) in Cash

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (138,016)	\$ 125,310
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	8,356	7,543
Interest income reinvested	(6,182)	(4,135)
Changes in certain assets and liabilities:		
Grants receivable	(31,840)	(212,808)
Contributions receivable	117,500	(117,500)
Prepaid expenses	3,153	(4,138)
Accounts payable	3,558	6,149
R.E.E.T.A.I.N. scholarships payable	(37,000)	37,500
Accrued expenses	8,792	19,786
Refundable advances	145,110	114,673
Net cash from operating activities	<u>73,431</u>	<u>(27,620)</u>
Cash flows from investing activities:		
Payments for equipment	-	(20,927)
Purchase of certificates of deposit	-	(300,000)
Net cash from investing activities	<u>-</u>	<u>(320,927)</u>
Net increase (decrease) in cash	73,431	(348,547)
Cash, beginning of year	<u>1,130,140</u>	<u>1,478,687</u>
Cash, end of year	<u>\$ 1,203,571</u>	<u>\$ 1,130,140</u>

See accompanying notes to financial statements.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009
(With Comparative Totals for 2008)

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 90% and 85% of the Network's funding was provided from pass-through grants of money from the U.S. Department of Health and Human Services in 2009 and 2008, 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/technical assistance and infrastructure support to the 16 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 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 program (Retaining Early Educator's Through Attaining Incentives Now) 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.

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 multi-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.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009
(With Comparative Totals for 2008)

1. ORGANIZATION (Continued)

Surge Support is a program funded by the U.S. Army to provide respite child care for Army Reserve and National Guard families in Minnesota who have a family member that is deployed. The program also includes training opportunities for child care providers to help them in their support of military families and children, and stipends for those who care for these children on an ongoing basis.

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

Other programs consist of statewide conference support, and additional funding for pilot projects, 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.

Cash – For purposes of the Statement of Cash Flows, the Network considers all highly liquid instruments purchased with an original maturity of three months or less to be cash. Certificates of deposit are excluded from cash.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009
(With Comparative Totals for 2008)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk – The Network places its cash and owns certificates of deposit at one large banking institution. At September 30, 2009, these accounts exceeded the FDIC limit by \$1,022,084. The certificates of deposit are fully insured by the FDIC. The Network does not believe it is exposed to any significant credit risk on these funds.

Certificates of Deposit – Certificates of deposit are purchased with an original maturity of three to six months.

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.

Equipment – Equipment with a value of at least \$5,000 and a useful life greater than one year is carried at cost, with the exception of contributed equipment, which is recorded at its fair market value at the date of the contribution. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation is computed using the straight-line method over estimated useful lives of three to seven years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals or betterments are capitalized.

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.

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. Expenditures under government grants and contracts are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

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.

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.

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009
(With Comparative Totals for 2008)

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

Comparative Total Column – 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Network’s financial statements for the year ended September 30, 2008, from which the summarized information was derived.

Reclassifications – Reclassifications have been made to the 2008 financial statements to conform to classifications used in 2009. These reclassifications had no effect on net assets or the change in net assets.

3. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable are due in 2010.

4. **REFUNDABLE ADVANCES**

Refundable advances are for the following programs:

	2009	2008
CCR&R System Support	\$ 999,836	\$ 820,365
TEACH	244,536	282,428
Parent Aware	110,732	107,387
Other	6,274	6,088
	\$ 1,361,378	\$ 1,216,268

5. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are restricted for the following:

	2009	2008
TEACH	\$ 69,725	\$ 64,230
Service Delivery	97,307	253,595
Parent Outreach	11,411	-
Eager to Learn	1,000	-
	\$ 179,443	\$ 317,825

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009
(With Comparative Totals for 2008)

5. **TEMPORARILY RESTRICTED NET ASSETS (Continued)**

Temporarily restricted net assets consist of the following:

	<u>2009</u>	<u>2008</u>
Cash	\$ 171,943	\$ 192,825
Contributions receivable	7,500	125,000
	<u>\$ 179,443</u>	<u>\$ 317,825</u>

6. **ECONOMIC DEPENDENCY**

The Network received approximately 90% 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 under which voluntary employee contributions are matched by the employer. Matching contributions are 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 \$25,374 and \$21,183 in 2009 and 2008, 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 \$82,712 and \$78,876 for the years ended September 30, 2009 and 2008, respectively.

Future minimum rental payments are as follows:

2010	\$ 77,734
2011	<u>19,522</u>
	<u>\$ 97,256</u>

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009
(With Comparative Totals for 2008)

9. **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 original contract was \$131,690. The contract began March 2007 and went through November 2008. In December 2008, the Network entered into a new contract with NACCRA to continue to provide services. The total value of the new contract is \$105,200. The Network was paid \$95,622 and \$69,826 for the years ended September 30, 2009 and 2008, respectively.

10. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 7, 2010, the date on which the financial statements were available for issue.

SUPPLEMENTAL INFORMATION

MINNESOTA CHILD CARE RESOURCE AND REFERRAL NETWORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2009

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	\$ 2,120,090
Passed through Minneapolis Youth Coordinating Board Early Learning Fund Program	93.577	<u>13,939</u>
Total Department of Health and Human Services		2,134,029
Department of Education:		
Passed through University of Minnesota Early Childhood Educator Professional Development Program	84.349A	<u>10,675</u>
Total		<u>\$ 2,144,704</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 basic financial statements.



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**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 (the Organization) as of and for the year ended September 30, 2009, and have issued our report thereon dated January 7, 2010. 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 the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 or material weaknesses. We did not identify any deficiencies 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 the Organization'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*.

This report is intended solely for the information and use of the Board, management, others within the Organization, 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.

Saint Paul, Minnesota
January 7, 2010

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
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 (the Organization) 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, 2009. The Organization'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 the Organization's management. Our responsibility is to express an opinion on the Organization'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 the Organization'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 the Organization's compliance with those requirements.

In our opinion, Minnesota Child Care Resource and Referral Network 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, 2009.

Internal Control Over Compliance - The management of the Organization 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 the Organization's internal control over compliance with the requirements that could have a direct and material effect on the 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 over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, others within the Organization, 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.

Saint Paul, Minnesota
January 7, 2010

*Mahoney Ulbrich
Christiansen Russ P.A.*

