PERRY AREA
CHILD DEVELOPMENT CORPORATION

Financial Statements and Report on Audit

June 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Perry Area Child Development Corporation
Perry, Iowa

I have audited the accompanying financial statements of the Perry Area Child Development Corporation (a nonprofit corporation) which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Perry Area Child Development Corporation as of June 30, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have included herein my report, on my consideration of the Perry Area Child Development Corporation's internal control over financial reporting and on my tests of its compliance with provisions of certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Perry Area Child Development Corporation's internal control over financial reporting and compliance.

January 10, 2014

Pollard and Company P.C.

PERRY AREA CHILD DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

Exhibit A

ASSETS

	2013	2012
Cash	$ 286,031	$ 216,318
Program Service Fees Receivable	10,098	10,623
Contract Receivable	6,571	3,386
Prepaid Insurance	11,788	12,382
Certificates of Deposits	102,232	101,612
Land, Building and Equipment - Net	93,752	106,722
Total Assets	$ 510,472	$ 451,043

LIABILITIES AND NET ASSETS

Liabilities		
Acccounts Payable	$ 5,075	$ 4,511
Accrued Wages Payable	9,950	11,078
Accrued Compensated Absences	24,050	23,526
Total Liabilities	39,075	39,115
Net Assets		
Unrestricted		
Undesignated	437,307	402,910
Temporarily Restricted	34,090	9,018
Total Net Assets	471,397	411,928
Total Liabilities and Net Assets	$ 510,472	$ 451,043

See accompanying notes to financial statements.

PERRY AREA CHILD DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013 Net Assets			2012
	Unrestricted	Temporarily Restricted	Total	Total Only
Revenue				
Public Support				
Contributions and Grants	$ 4,514	$ 85,584	$ 90,098	$ 55,932
Governmental Funding				
Food and Nutrition	32,460		32,460	38,728
Shared Visions Grant		55,772	55,772	54,284
Preschool Program		56,370	56,370	55,870
Total Governmental Funding	32,460	112,142	144,602	148,882
Other Revenues				
Program Fees	252,499		252,499	300,648
Interest Income	943		943	1,545
Other Income	8,973		8,973	8,614
Total Other Revenue	262,415		262,415	310,807
Net Assets Released From Restriction	172,654	(172,654)		
Total Revenue and Net Assets Released from Restriction	472,043	25,072	497,115	515,621
Expenses				
Program Expenses	362,104		362,104	367,860
Fundraising Expenses	4,650		4,650	3,869
Administrative Expenses	70,892		70,892	69,010
Total Expenses	437,646		437,646	440,739
Change in Net Assets	34,397	25,072	59,469	74,882
Net Assets - Beginning of Year	402,910	9,018	411,928	337,046
Net Assets - End of Year	$ 437,307	$ 34,090	$ 471,397	$ 411,928

See accompanying notes to financial statements.

Exhibit C

PERRY AREA CHILD DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Cash Flows from Operating Activities		
Changes in Net Assets	$ 59,469	$ 74,882
Adjustments to Reconcile Changes in Net Assets to Cash Used by Operating Activities		
Depreciation	13,196	12,883
Changes In		
(Increase) in Accounts Receivable and Prepaid Expenses	(2,292)	(6,064)
(Decrease) in Accounts Payable and Other Liabilities	(40)	(1,395)
Net Cash Provided by Operating Activities	70,333	80,306
Cash Flows from Investing Activities		
Purchase of Buildings & Equipment		(3,094)
Purchase (Redemption) of Certificates of Deposits	(620)	1,017
Net Cash (Used) by Investing Activities	(620)	(2,077)
Net Change in Cash	69,713	78,229
Cash - Beginning of Year	216,318	138,089
Cash - End of Year	$ 286,031	$ 216,318

See accompanying notes to financial statements.

PERRY AREA CHILD DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 and 2012

1/ Nature of Activities

The Perry Area Child Development Corporation (the Entity) is a nonprofit corporation, established in December 2003, whose mission is to provide a full service child care center for the benefit of all of the members of the communities served by the Perry Community School District, the Dallas County Hospital and the City of Perry.

The Entity was created in conjunction with a shared use agreement between these parties, as allowed by Iowa Code Charter 28E, to form a joint and cooperative action to provide this facility to the communities.

2/ Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The financial records of the Entity have been prepared in accordance with the principles of fund accounting using the accrual basis of accounting to insure observance of restrictions placed on the use of resources available. Individual funds included in the financial statements are classified as follows:

Unrestricted Net Assets – Unrestricted net assets are free of donor-imposed restrictions and are available for use in the Entity's ongoing operations.

Temporarily Restricted Net Assets – Temporarily restricted net assets are limited as to use by donor-imposed restrictions that either expire by passage of time or that can be fulfilled or removed by actions of the Entity. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Permanently restricted net assets are subject to donor-imposed restrictions which do not expire. Generally, the providers of these funds restrict the Entity to maintain the principal in perpetuity and invest for the purposes of producing present and future income that may be expended by the Entity. There were no permanently restricted net assets as of June 30, 2013.

Comparative Amounts

The Statement of Activities and Changes in Net Assets includes 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 Entity's financial statements for the year ended June 30, 2012, from which the summarized information was derived. Also, some information in those financial statements has been changed to be in conformance with the current year presentation.

Deposits and Investments

The Entity's cash and investments are required to be deposited and invested in accordance with Chapters 12B and 12C of the Code of Iowa. The deposits were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa.

Investments can only be made in obligations of the United States Government, its agencies and instrumentalities, certificates of deposit and other evidences of deposit at federally insured depositories approved pursuant to Chapter 12C of the Iowa Code, and with certain restrictions, prime bankers acceptances, commercial paper, repurchase agreements and certain open end management companies registered with the Federal Securities and Exchange Commission.

Credit Risk - In compliance with state statute, the Entity minimized credit risk losses due to default of a security issuer or backer by; limiting investments to the safest types of securities, and limiting bank deposits to less than $250,000 covered by the Federal Deposit Insurance Corporation or the state sinking fund.

Interest Rate Risk – The Entity invests its cash in demand deposit accounts with interest rates which fluctuate periodically.

Revenue Appropriation

All public support is considered to be available for unrestricted use unless specifically restricted by the donor. At the Board's discretion, revenues are designated for specific purposes. Such Board designated funds, if any, are included in the unrestricted net asset section.

Recognition of Donor Restrictions

Restricted assets are assets that either time or purpose restrictions have been imposed by the donors. The Entity receives state and local government financial assistance in the form of grants. The purpose of the assistance is restricted by the grantors for a particular program. The Entity has elected to treat some of the grants as unrestricted assets instead of temporarily restricted because the programs are ongoing and in place at the time the grant is authorized.

Income Taxes

The Entity is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and contributions to it are tax deductible within the limitations prescribed by the Code. It has been classified as a publicly supported Entity which is not a private foundation under Section 509(a) of the Code. As of June 30, 2013, there are three open tax years: June 30, 2012, 2011 and 2010.

Accounts Receivable

Accounts receivable and contract receivables have been adjusted for all unknown uncollectibles and no allowance is needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with initial maturity of three months or less.

3/ Land, Building and Equipment and Depreciation

A summary of such assets follows:

	Estimated Useful Life	2013	2012
Land		$ 26,000	$ 26,000
Building and Improvements	5-15 Years	194,355	194,355
Equipment	5 Years	5,000	5,000
		225,355	225,355
Less: Accumulated Depreciation		131,603	118,633
Totals		$ 93,752	$ 106,722

Land, buildings and equipment are stated at cost except for donated property which is carried at estimated fair value at date of donation. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. In a prior year, the Dallas County Hospital contributed land, a building and equipment totaling $176,000 which has been classified as unrestricted net assets.

Provisions for depreciation are computed using the straight line method over the estimated useful lives of the assets.

4/ Accrued Compensated Absences

The Entity's employees accumulate vacation hours for subsequent use or payment upon retirement, death or termination. This liability was accrued based on the current rate of pay.

5/ Related Party Transaction

The Entity purchases a significant amount of food from one of its major contributors, the Perry Community School District for its food and nutrition programs. The total for each year ended June 30, 2013 and 2012 was $24,887 and $29,418, respectively. The Entity also received tuition grants from the Perry Community School District of $56,370 and $55,870 for the year ended June 30, 2013 and 2012, respectively. The Entity received tuition grants from the Dallas County Hospital of $9,360 each year

6/ Concentration of Credit Risk

The Entity had program service fees and contract receivables of $16,669 at June 30, 2013. The ability to collect on such receivables is dependent upon the continued stability of local and state economic conditions.

7/ Risks and Uncertainties

The Entity is exposed to various risks in the normal course of business, such as damage to or destruction of assets, natural disasters, thefts, injuries to employees, loss of major contributors or suppliers, deterioration of the economy in its geographical business area, and other unforeseen events. The Entity minimizes its exposure to these risks as much as possible and acquires insurance where appropriate.

8/ Subsequent Events

Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

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

Board of Directors
Perry Area Child Development Corporation

I have audited, in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Perry Area Child Development Corporation (the Entity) , which comprise the statements of financial condition as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the years ended, and the related notes to the financial statements, and have issued my report thereon as dated below.

Internal Control Over Financial Reporting
In planning and performing my audit of the financial statements, I considered the Entity's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing and opinion on effectiveness of the Entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Entity'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 function, 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 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 the Entity's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance 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 my testing of internal control and compliance and the results 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.

January 10, 2014

Pollard and Company P.C.