

**PRINCE GEORGE'S CHILD
RESOURCE CENTER, INC.
JUNE 30, 2010 AND 2009**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Prince George's Child Resource Center, Inc.
Largo, Maryland

We have audited the accompanying statements of financial position of the Prince George's Child Resource Center, Inc. (the Center) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide 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 the Prince George's Child Resource Center, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years 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 December 20, 2010, on our consideration of the Center'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 should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements 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 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.


December 20, 2010

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.
STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 2)	\$ 612,830	\$ 458,643
Accounts receivable (Note 1)	177,839	324,979
Prepaid expenses	44,115	37,867
TOTAL CURRENT ASSETS	\$ 834,784	\$ 821,489
PROPERTY AND EQUIPMENT, NET (Notes 1 and 3)	101,951	104,107
TOTAL ASSETS	\$ 936,735	\$ 925,596
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,794	\$ 19,622
Accrued expenses	127,751	125,905
Capital lease obligations - current portion (Note 4)	13,024	9,793
Deferred revenue (Note 1)	4,645	4,547
TOTAL CURRENT LIABILITIES	\$ 148,214	\$ 159,867
OTHER LIABILITIES:		
Capital lease obligation - long-term portion (Note 4)	\$ 34,883	\$ 48,477
CONTINGENCIES (Note 5)		
NET ASSETS: (Notes 1 and 9)		
Unrestricted	\$ 576,192	\$ 646,557
Temporarily restricted	177,446	70,695
TOTAL NET ASSETS	\$ 753,638	\$ 717,252
TOTAL LIABILITIES AND NET ASSETS	\$ 936,735	\$ 925,596

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

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.
STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30,
2010 2009

	2010		2009		
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE (Note 1):					
Government grants and contracts	\$ 1,515,195	\$ -	\$ 1,515,195	\$ -	\$ 1,771,320
Contributions (Note 7)	375,582	177,446	553,028	70,695	605,279
Training workshop fees	113,167	-	113,167	-	86,387
Fundraising events	21,925	-	21,925	-	-
Interest and other	15,361	-	15,361	-	12,974
Membership dues	11,020	-	11,020	-	9,789
Net assets released from restrictions	70,695	(70,695)	-	(82,625)	-
TOTAL SUPPORT AND REVENUE	\$ 2,122,945	\$ 106,751	\$ 2,229,696	\$ (11,930)	\$ 2,485,749
EXPENSES:					
Program services	\$ 1,800,220	\$ -	\$ 1,800,220	\$ -	\$ 2,097,827
Management and general	214,282	-	214,282	-	244,534
Fundraising	178,808	-	178,808	-	163,877
TOTAL EXPENSES	\$ 2,193,310	\$ -	\$ 2,193,310	\$ -	\$ 2,506,238
CHANGE IN NET ASSETS (Note 9)	\$ (70,365)	\$ 106,751	\$ 36,386	\$ (8,559)	\$ (20,489)
NET ASSETS, BEGINNING OF YEAR (Note 9)	646,557	70,695	717,252	82,625	737,741
NET ASSETS, END OF YEAR	\$ 576,192	\$ 177,446	\$ 753,638	\$ 70,695	\$ 717,252

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

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

		Program Services							
	Healthy Families	Family Support Center	Locate	Community Programs	Community Outreach and Partnership	Subtotal	Management and General	Fundraising	Total
Salaries and benefits	\$ 444,112	\$ 325,237	\$ 134,404	\$ 282,848	\$ 45,581	\$ 1,232,182	\$ 125,657	\$ 127,399	\$ 1,485,238
Rent (in-kind)	58,832	46,724	18,879	40,896	6,316	171,647	17,624	18,066	207,337
Consulting and professional fees	12,628	14,010	3,187	72,604	1,165	103,594	51,157	3,497	158,248
Travel and meetings	29,809	13,670	1,205	11,480	2,109	58,273	2,765	6,431	67,469
Indirect costs allocation	26,667	8,987	1,089	12,627	-	49,370	-	-	49,370
Client support	4,130	11,940	-	24,893	253	41,216	-	2,383	43,599
Communications	5,480	8,578	5,095	11,819	2,319	33,291	4,394	6,677	44,362
Depreciation	12,116	11,976	2,366	5,135	790	32,383	2,217	2,267	36,867
Special programs costs	-	4,859	19,755	157	-	24,771	318	-	25,089
Office expenses	3,494	3,176	2,415	4,198	1,505	14,788	(3,112)	2,771	14,447
Interest	1,159	997	2,403	3,511	839	8,909	2,364	2,424	13,697
Insurance	877	2,326	1,781	2,165	573	7,722	2,002	1,750	11,474
Equipment rental and maintenance	257	806	2,191	3,374	748	7,376	2,004	2,086	11,466
Printing and production	127	188	320	6,859	138	7,632	1,806	1,979	11,417
Bank fees	82	417	697	4,172	222	5,590	3,191	1,010	9,791
Dues and subscriptions	1,100	155	34	167	20	1,476	1,895	68	3,439
Totals	\$ 600,870	\$ 454,046	\$ 195,821	\$ 486,905	\$ 62,578	\$ 1,800,220	\$ 214,282	\$ 178,808	\$ 2,193,310

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

Program Services

	Healthy Families	Family Support Center	Locate	Community Programs	Interagency	Community Outreach and Partnership	Subtotal	Management and General	Fundraising	Total
Salaries and benefits	\$ 480,712	\$ 370,086	\$ 214,508	\$ 317,418	\$ -	\$ 46,305	\$ 1,429,029	\$ 114,443	\$ 116,520	\$ 1,659,992
Consulting and professional fees	12,470	19,173	7,686	84,987	-	1,506	125,822	78,958	3,926	208,706
Rent (in-kind)	42,343	32,688	34,565	50,475	-	7,181	167,252	17,913	18,318	203,483
Travel and meetings	39,163	17,297	1,808	12,820	-	2,393	73,481	5,672	7,036	86,189
Client support	7,591	12,905	16,250	39,077	-	375	76,198	162	180	76,540
Indirect costs allocation	41,974	1,894	265	18,938	-	-	63,071	-	-	63,071
Communications	5,549	8,673	8,432	11,542	-	1,701	35,897	5,985	6,634	48,516
Office expenses	3,875	5,998	4,906	10,741	-	1,339	26,859	7,652	1,880	36,391
Printing and production	2,016	2,399	1,188	18,024	-	4,680	28,307	1,088	1,834	31,229
Depreciation	10,401	8,016	3,112	4,555	-	646	26,730	1,700	1,649	30,079
Insurance	3,025	6,285	1,580	1,671	-	273	12,834	4,698	701	18,233
Interest	1,342	1,122	3,700	4,886	-	769	11,819	2,066	2,065	15,950
Equipment rental and maintenance	100	2,196	4,356	2,340	285	502	9,779	1,786	1,353	12,918
Bank fees	632	853	672	1,626	-	136	3,919	311	1,714	5,944
Dues and subscriptions	720	307	394	533	-	1,207	3,161	2,052	17	5,230
Special programs costs	299	3,203	91	51	-	25	3,669	48	50	3,767
Totals	\$ 652,212	\$ 493,095	\$ 303,513	\$ 579,684	\$ 285	\$ 69,038	\$ 2,097,827	\$ 244,534	\$ 163,877	\$ 2,506,238

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.
STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 36,386	\$ (20,489)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	36,867	30,079
Changes in assets and liabilities:		
Accounts receivable	147,140	160,366
Prepaid expenses	(6,248)	(7,940)
Accounts payable	(16,828)	8,645
Accrued expenses	1,846	12,362
Interagency funding liability	-	(41,712)
Deferred revenue	98	(73,035)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 199,261	\$ 68,276
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	\$ (34,711)	\$ (28,906)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	\$ (10,363)	\$ (6,848)
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 154,187	\$ 32,522
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	458,643	426,121
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 612,830	\$ 458,643
SUPPLEMENTAL DISCLOSURE:		
Cash paid during the year for:		
Interest	\$ 13,697	\$ 13,863

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

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Note 1. **Organization and Summary of Significant Accounting Policies**

Organization - Prince George's Child Resource Center, Inc. (the "Center") was incorporated in the State of Maryland on March 17, 1992, and began operations as an independent not-for-profit organization on July 1, 1992. The Center is organized exclusively as a non-stock charitable organization for the purposes of operating a child care resource center for Prince George's County, Maryland under the Maryland Child Care Resources Network in order to strengthen child care delivery; provide technical assistance to employers regarding the provision of child care; and provide educational training for child care providers. The Center operates a Family Support Center whose purpose is to strengthen families by focusing on health, education, work training, employment assistance, child development, and parenting skills services. The Center also operates an in-home visitation program for at-risk families under the program Healthy Families Prince George's.

Basis of Presentation - The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets of the two restricted classes are created by donor-imposed restrictions on their use. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. The Center had no permanently restricted net assets as of June 30, 2010 and 2009.

Revenue Recognition - Grants and contracts, primarily from government agencies, are recognized as revenue as the related costs are incurred. The unearned portion of grants and contracts received in advance are classified as deferred revenue.

Contributions are recognized as revenue at the earlier of when they are received or when the Center receives an unconditional promise from the donor to contribute a specific amount. Contributions received with restrictions are recognized as unrestricted contributions if restrictions are satisfied in the same year.

Cash and Cash Equivalents - For the purposes of the statements of cash flows, the Center considers certificates of deposit and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable primarily represent amounts due from grants and contracts and are reported at their outstanding balances, reduced by an allowance for doubtful accounts, if any.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering the Center's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect an organization's ability to pay, and current economic conditions.

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Note 1. **Organization and Summary of Significant Accounting Policies - (Continued)**

Accounts Receivable - (Continued)

The allowance for doubtful accounts is increased by charges to bad debts expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are charged off based on management's case-by-case determination that they are uncollectible. As of June 30, 2010 and 2009, management determined that an allowance for doubtful accounts was not necessary.

Property and Equipment - Property and equipment are stated at cost, if purchased, or at estimated fair market value if contributed. Depreciation is computed on the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years. The Center capitalizes assets whose costs or donated value are in excess of \$500.

When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in the statement of activities. Maintenance and repairs are expensed when incurred.

Income Tax Status - The Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and had no unrelated business income.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 and these differences could have a material impact on the financial statements.

Concentration of Credit Risk - Financial instruments, which potentially subject the Center to concentrations of credit risk, include deposits with commercial banks. The Center's cash management policies generally limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Balances in these accounts may exceed the FDIC coverage limit of \$250,000 at times throughout the year. The money market fund which invests in fixed income securities is not insured by FDIC. The center believes it is not exposed to a significant risk on its cash accounts and money market fund.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional allocation basis in the statements of activities and functional expenses. Personnel costs are allocated based on time incurred in various activities, and other costs are allocated on direct or allocable relationships based on management's estimates.

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Note 1. **Organization and Summary of Significant Accounting Policies - (Continued)**

Functional Allocation of Expenses - (Continued)

Indirect Allocation: This account is used to segregate expenses deemed as indirect under certain grants.

Special Program Costs: This account segregates miscellaneous expenses specific to the Center's programs that do not fit well into other expense categories. An example of this type of cost is reimbursements to child care providers.

Note 2. **Fair Value Measurements** - The Center measures its money market fund, which is presented as cash in the statements of financial position, at fair value. Inputs to valuation techniques are prioritized in a hierarchy; level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets; level 2 inputs are observable market data, generally other than quoted prices; level 3 inputs are significant unobservable data. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The money market fund is valued by the institutional fund management at the stated price of the fund which generally approximates the original cost and the value of the underlying investments. As of June 30, 2010, the Center did not have any holdings in the money market fund. As of June 30, 2009, the Center's money market fund was measured at fair value of \$105,496 using level 2 inputs.

Note 3. **Property and Equipment** - Property and equipment at June 30 consisted of the following:

	2010	2009
Leasehold improvements	\$ 676,681	\$ 645,096
Computer equipment	150,070	146,944
Equipment	69,279	69,279
Transportation equipment	67,613	67,613
Furniture and fixtures	55,302	55,302
Subtotal	\$ 1,018,945	\$ 984,234
Less, Accumulated depreciation	916,994	880,127
Property and Equipment, net	<u>\$ 101,951</u>	<u>\$ 104,107</u>

Total depreciation expense for the years ended June 30, 2010 and 2009, was \$36,867 and \$30,079, respectively.

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Note 4. **Capital Leases** - The Center leases three copiers under capital leases expiring between March and April 2013. Capitalized leases are included in equipment at the present value of the minimum lease payments, and amortization of assets under capital leases is included in depreciation expense for the years ended June 30, 2010 and 2009. The net book value of equipment under capital leases as of June 30, 2010 and 2009 was \$20,520 and \$27,360, respectively.

Future minimum lease payments under the capital leases at June 30, 2010, are as follows:

For the years ending June 30,	
2011	\$ 25,656
2012	25,656
2013	<u>19,739</u>
Total minimum lease payments	\$ 71,051
Less, amount representing interest	<u>(23,144)</u>
Present value of net minimum lease payments	<u>\$ 47,907</u>

The interest rates on the capital leases vary between 17% - 35% and are reflective of the rates implicit in the leases.

Note 5. **Grants and Contracts** - Grants and contracts are funded through Maryland Committee for Children, Friends of the Family, Inc., Maryland Family Network, Maryland State Department of Education, Prince George's County, and several foundations. All funds are used for the purposes of each grant and contract. Funds are received on a cost-reimbursable basis. Contracts with government agencies are generally subject to audit and, therefore, costs could ultimately be disallowed upon audit. Management does not anticipate any costs to be disallowed, and if so, they would not be material to these financial statements.

Maryland Family Network: In June 2009, Maryland Committee for Children merged with Friends of Family, Inc. to form the Maryland Family Network. The Center entered into a cost-reimbursable contract with the Maryland Family Network, which is renewable on an annual basis through an application process. These funds are used for the purposes of the Center as outlined in Note 1. The contract cannot be used to fund the Family Support Center outlined in Note 1. The contract required a private funds match of 10% for fiscal years 2010 and 2009. If the match was not met, subsequent funding was subject to a reduction by the amount of the shortfall. The Center met its matching requirement for the years ended June 30, 2010 and 2009.

The Center also entered into a contract with the Maryland Family Network to be used to fund a family support center, as outlined in Note 1, and to provide in-home intervention services to families at risk of abuse.

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Note 5. **Grants and Contracts** - (Continued)

Maryland State Department of Education: The Center contracted with the Maryland State Department of Education to provide early mental health consultation for children under five years of age enrolled in child care programs in Prince George's County. The Center also contracted to work with the child care community to improve children's school readiness in the area of scientific thinking. The Center was awarded another contract to provide enhanced child care resource and referral services to teen parents to ensure their continued enrollment in school.

Prince George's County: The Center contracted with three County agencies to perform services to County residents. The Department of Family Services contracted with the Center to provide in-home intervention services through Healthy Families Prince George's. The Department of Social Services funded the Center to provide enhanced child care referral services for parents receiving temporary cash assistance. Funds for this contract are received according to the number of parents served. The Department of Social Services also funded the Center to expand Healthy Families Prince George's. The Department of Housing and Community Development funds a portion of the Family Literacy Program at the Family Support Center.

Barbara Bush Foundation: During 2010 the Center received notification of a \$50,000 grant from the Barbara Bush Foundation for Family Literacy to implement a family literacy program. This grant is expected to be recognized as support during the year ending June 30, 2011.

Note 6. **Line of Credit** - The Center maintains a \$125,000 line of credit. The line of credit bears interest at the LIBOR rate in effect on the date of the note, is payable upon demand, and is secured by substantially all of the Center's assets. As of June 30, 2010 and 2009, the Center did not have any outstanding borrowings on this line of credit.

Note 7. **In-Kind Contributions** - Contribution revenue includes in-kind contributions representing the fair market value of office space donated to the Center by Prince George's County, Maryland, of \$207,337 and \$203,483 for the years ended June 30, 2010 and 2009, respectively. The in-kind contribution is offset by an equal amount of expense included in rental expense.

Note 8. **Retirement Plan** - The Center maintains a defined contribution plan (the "Plan") under Internal Revenue Code Section 403(b) covering all employees after one year of service. Employer contributions are determined as five to eight percent (depending on years of service) of each covered employee's salary. For the years ended June 30, 2010 and 2009, employer contributions were \$81,507 and \$74,327, respectively. All employees are eligible, regardless of years of service, to make voluntary contributions to the Plan.

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Note 9. **Net Assets** - Temporarily restricted net assets were for the following purposes at June 30:

	<u>2010</u>	<u>2009</u>
Early Care and Funders Collaborative	\$ 50,000	\$ 50,000
Database development grant for infants and toddlers	50,000	-
Neighbors in Need	43,745	-
Promote healthy families	26,201	20,695
General operational support	5,000	-
Long-term risk assessment	2,500	-
Total	<u>\$ 177,446</u>	<u>\$ 70,695</u>

Net assets as of July 1, 2008 were restated for the effects of \$134,575 of contribution revenue which should have been recognized rather than deferred to the year ended June 30, 2009, and a previously unrecorded interagency funding liability of \$41,712 which was repaid during the fiscal year ended June 30, 2009. The net effect of these restatements was a \$92,863 increase in previously reported net assets as of July 1, 2008, and a corresponding decrease in the previously reported change in net assets for the year ended June 30, 2009.

Note 10. **Subsequent Events** - In preparation of these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through December 20, 2010, which is the date the financial statements were available to be issued.

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. Department of Health and Human Services:</u>		
<i>Pass-through programs from:</i>		
Prince George's County Department of Social Services:		
Healthy Families	93.558	\$ 150,000
TCA Locate	93.558	71,500
Maryland Family Network:		
ARRA - Recovery Act of 2009: Child Resource Center	93.713	234,944
Family Support Center	93.590	23,558
Total U.S. Department of Health and Human Services		<u>\$ 480,002</u>
<u>U.S. Department of Education:</u>		
<i>Pass-through program from:</i>		
Prince George's County Health Department:		
ARRA - Recovery Act of 2009: Infant and Toddler Program	84.393	\$ 52,500
Total Expenditures of Federal Awards		<u>\$ 532,502</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Prince George's Child Resource Center, Inc. under programs of the federal government for the year ended June 30, 2010. 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*. Because the Schedule presents only a selected portion of the operations of Prince George's Child Resource Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Prince George's Child Resource Center, Inc.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - SUBRECIPIENTS

Prince George's Child Resource Center did not provide federal awards to any subrecipients.

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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
Prince George's Child Resource Center, Inc.

We have audited the financial statements of the Prince George's Child Resource Center, Inc. (the Organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 20, 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 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.

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*.

To the Board of Directors
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This report is intended solely for the information and use of the Board of Directors, 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.

Sarfino and Rhoades LLP

December 20, 2010

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Directors
Prince George's Child Resource Center, Inc.

Compliance

We have audited Prince George's Child Resource Center, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2010. The Organization's major federal programs are identified in the summary of auditors' 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, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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.

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 of Directors, 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.

Surfino and Rhoades LLP

December 20, 2010

PRINCE GEORGE'S CHILD RESOURCE CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010 AND 2009

Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Prince George's Child Resource Center, Inc.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of non-compliance material to the financial statements of the Prince George's Child Resource Center, Inc. were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award program.
5. The auditors' report on compliance for the major federal program for the Prince George's Child Resource Center, Inc. expresses an unqualified opinion.
6. Audit findings, if applicable, that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs included:

<u>CFDA Number</u>	<u>Name of Federal Programs or Contract</u>
93.558	Temporary Assistance for Needy Family
93.713	Recovery Act - Child Care and Development Block Grant (A)

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Prince George's Child Resource Center, Inc. did not qualify as a low-risk auditee as Single Audits were not required for both of the preceding years.

Findings - Financial Statement Audit

No matters were reported.

Findings and Questioned Costs - Major Federal Award Program Audit

No matters were reported.