

**OPTIONS - A CHILD CARE
AND HUMAN SERVICES AGENCY**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009**

**OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Options - A Child Care and
Human Services Agency (Options)
(A California Non-Profit Corporation)
West Covina, California

We have audited the accompanying statement of financial position of Options - A Child Care and Human Services Agency (Options) (A California Non-Profit Corporation) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Options' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Options' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Options as of June 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 November 19, 2009, on our consideration of Options' 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 audit was performed for the purpose of forming an opinion on the basic financial statements of Options taken as a whole. The accompanying schedule of expenditures of federal and State 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 was prepared according to the accounting principles used for the basic financial statements and 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.

Vasini Heyn & Co

November 19, 2009

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS	
Cash in Banks and on Hand	\$ 5,725,855
Cash - Child Development Division Reserve	2,659,489
Cash - Accrued Leave Reserve	1,186,627
Contract Funds Receivable (Note 5)	7,314,583
Accounts Receivable	484,774
Prepaid Expenses	<u>23,901</u>
Total Current Assets	17,395,229
Property, Plant and Equipment (net of accumulated depreciation)	<u>1,284,803</u>
Total Assets	<u><u>\$ 18,680,032</u></u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	\$ 4,899,716
Accrued Leave Reserve	1,186,627
Contract Funds Payable	545,635
Contract Advances Reserve	193,550
Notes Payable	2,659,489
	<u>73,600</u>
Total Liabilities	9,558,617
NET ASSETS - UNRESTRICTED	<u>9,121,415</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 18,680,032</u>

See accompanying auditors' reports and
notes to financial statements.

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

CHANGE IN UNRESTRICTED NET ASSETS

Federal Funding	\$ 22,347,203
State Funding	33,019,434
County Funding	10,858,072
Parent Fees - Subsidized	1,516,752
Parent Fees-Non-Subsidized	1,987,444
Interest	28,813
Other Income	175,354
Total Support	<u>69,933,072</u>
<u>EXPENSES</u>	
Certified Salaries:	
Teachers	11,112,118
School Administration	638,222
Supervisors	2,428,962
Other	737,852
Classified Salaries:	
Clerical and Other Office Personnel	3,019,412
Maintenance Personnel	332,782
Transportation Personnel	145,978
Other	5,717,170
Employee Benefits	20,063
Other Books	1,153,356
Instructional Supplies	3,713
Subscriptions	1,282,828
Other Supplies	
Food Services:	
Food	1,136,709
Contracts for Personal Services	32,041,235
Travel, Conference & Other	376,768
Dues & Memberships	53,972
Insurance	266,879
Utilities & Housekeeping Services	683,198
Contracts, Rents & Leases	1,015,828
College Reimbursement	13,619
Legal & Auditing	162,852
Other Services	1,007,878
Equipment & Building	494,864
Depreciation/Use Allowance	302,104
Indirect	2,661,580
Total Expenses	<u>68,327,021</u>
Change in Unrestricted Net Assets	1,606,051
Net Assets - beginning of year	7,183,043
Adjustments and settlements	<u>332,321</u>
Net Assets - end of year	<u>\$ 9,121,415</u>

See accompanying auditors' reports and notes to financial statements.

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ 1,938,372
Adjustments to reconcile increase in net assets to net cash provided by operating expenses:	
Depreciation	302,104
Contract funds receivable	632,080
Accounts receivable	(25,939)
Prepaid expenses	(11,961)
Accounts payable and accrued expenses	(399,294)
Accrued Leave Reserve	163,690
Contract funds payable	(724,323)
Advances and reserves	<u>(358,538)</u>
Net cash (used in) provided by operating activities	1,516,191

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(28,709)
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CASH FLOWS FROM FINANCING ACTIVITIES

Note payable principal payments	<u>(3,618)</u>
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NET INCREASE (DECREASE) IN CASH

1,483,864

CASH AND CASH EQUIVALENTS - Beginning of year

8,088,107

CASH AND CASH EQUIVALENTS - End of year

\$ 9,571,971

See accompanying auditors' reports and notes to financial statements.

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1. ORGANIZATION

Options - A Child Care and Human Services Agency (Options) was founded in 1981 and provides a coordinated, interdisciplinary network of quality, professionally delivered early care and education services for children and families living in the greater San Gabriel Valley/Whittier/Pomona region of Los Angeles County. Options is dedicated to meeting the needs of its clients in a holistic manner, with personalized services provided by staff who genuinely care about the well being and growth of the children and parents they serve.

Options administers several child development programs, a Head Start program, two child care food programs, child care resource and referral program, after school Enrichment programs, CaIWORKs Stage I program and Los Angeles Universal Preschool programs.

Program Services

Options serves the greater San Gabriel Valley of Los Angeles County including, but not limited to, the following cities and towns: Alhambra, Covina, Eagle Rock, East Whittier, El Monte, Highland Park, Irwindale, La Puente, Monrovia, Monterey Park, Rowland Heights, Pomona, San Gabriel, South El Monte, South Whittier, Walnut, Whittier, and West Covina. Options seeks to reduce the causes of poverty and serves the community by carrying out the following programs:

State Preschool Division - In preparing preschoolers and their families for kindergarten and the transition to elementary school, Options provides a high quality, developmental, educational program which meets the needs of the whole child while forming collaborative partnerships with schools and community institutions.

Head Start Division - Options provides a variety of educational and comprehensive developmental services to low income preschool children.

Surround Care Division - Options provides year round before and after school and educational enrichment programs for elementary school aged children.

Child Development Centers Division - Options provides year round child care and education for preschool aged children.

Child Care Food Program - Options provides meals to children in its centers and reimbursement to licensed family child care providers for meals served in their homes to children, in accordance with federal and state laws.

Child Care Services Division - Options is able to offer subsidized child care through contracts with community child care providers and reimbursements to parents, and through objective referral information.

Enrichment Program - Options provides after school enrichment activity programs for elementary and middle school aged children.

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements and fiscal records of Options are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether these support and revenues or expenses were received or paid as of the end of a fiscal period. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Options is required to report 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.

Unrestricted Net Assets

Unrestricted net assets generally result from revenues obtained by providing services, receiving unrestricted contributions, and receiving interest and dividends from income-producing assets. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of Options and the purposes specified in its Articles of Incorporation or Bylaws and limits resulting from contractual agreements entered into by Options in the course of its operations.

Cash and Cash Equivalents

Cash and cash equivalents are from time to time variously composed of cash on hand and in commercial checking accounts, and savings accounts. These investments are carried at cost, which approximates market value. Options maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Options has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. See also Note 4.

Fixed Assets/Depreciation

Property and equipment acquired with grant/contract funds is accounted for in accordance with related regulations.

Certain assets purchased with government grant or contract funds are subject to restrictions including a guideline for depreciation and a reversionary interest in such assets. Provision for depreciation on applicable assets is computed by the straight-line method over the estimated useful lives of the related assets which range from 5 to 15 years for portable classrooms and 5 years for other assets.

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

Concentrations of Credit Risk

Contract funds receivable at June 30, 2009 are due from Federal, California State and County of Los Angeles governmental entities and Los Angeles Universal Preschool.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of functional expenses.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Risk Management

Options is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which Options carries commercial insurance.

Contingencies

Options participates in federal grants, the principal of which is the U.S. Department of Health & Human Services. Disbursement of funds received under these grants requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed costs resulting from such an audit could become a liability of the general fund or other applicable funds.

In-Kind Services

In-kind services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Options. For the year ended June 30, 2009 no such in-kind services were received. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met.

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

3. INCOME TAXES

Options is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Options is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes. Contributors, donors and grantors may obtain tax benefits. In addition, Options has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Code.

4. RISKS AND UNCERTAINTIES

Options maintains cash balances at four financial institutions. Accounts at each financial institution were insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2009, the cash balances totaled \$9,571,971 including funds in its Head Start bank account and other accounts. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

Head Start regulations require federal Head Start funds on deposit to be either covered by FDIC insurance, or to be collateralized by the financial institution. Options maintains a separate interest-bearing checking account at Wells Fargo Bank for federal Head Start funds. Options has tried to obtain collateralization of these funds, and has been denied. This Head Start regulation (45 CFR Part 74.21 (b)(3)) was cited by the Head Start Region IX Fiscal Office in its review of the 2006/07 audit and the 2007/2008 audit. In late 2008 FDIC insurance was increased, on a permanent basis, to \$250,000 per institution. In October 2008, Options instituted a new internal fiscal procedure to insure that funds on deposit in the Head Start checking account will not exceed this \$250,000 level. The procedure includes more frequent drawdown of smaller amounts of Head Start funds as needed. This procedure was acceptable to the office of Head Start – Region IX. At June 30, 2009, the cash balance in the Head Start bank account was \$22,041, below the FDIC insurance level.

Options receives a substantial amount of revenue from their programs funded by the U.S. Department of Health & Human Services and the California Department of Education. During the year ended June 30, 2009, receipts from these sources totaled \$55,281,928, representing 79% of Options’ total revenues for the year. At June 30, 2009, amounts due from these organizations in accounts receivable totaled \$6,248,232.

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

5. CONTRACT FUNDS RECEIVABLE

Contract funds receivable represents funds remaining to be received from the various agencies as part of a whole contract. As of June 30, 2009, contract funds receivable consists of the following:

<u>Program</u>	<u>Amount</u>	<u>Agency Due From</u>
Child Development	\$ 4,042,188	California State Department of Education
Child Care Food	1,696,821	California State Department of Education
Head Start	509,223	U.S. Department of Health and Human Services
Family Center	13,907	County of Los Angeles Department of Children and Family Svcs.
County Child Care	648,319	County of Los Angeles Department of Public Social Services.
LAUP	172,071	Los Angeles Universal Preschool
General	<u>232,054</u>	Various
Total	<u>\$ 7,314,583</u>	

Options has not accrued a loss for allowances for uncollectible receivables as it is the opinion of management that it is highly probable that all receivables will be collected.

6. ACCOUNTS RECEIVABLE

Accounts receivable includes a loan receivable from the Center for Integrated Family and Health Services, Inc. totaling \$296,000. The loan is non-interest bearing and is due on demand. Additionally, accounts receivable represents the portion of support earned, but funds not yet received as of year-end. The accounts receivable balance at June 30, 2009, totaled \$333,064. Options has not accrued a loss for allowances for uncollectible receivables as it is the opinion of management that it is highly probable that all receivables will be collected.

7. FIXED ASSETS

The following is a summary of changes in fixed assets for the year ended June 30, 2009:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Equipment	\$ 252,499	-	-	\$ 252,499
Vehicles	137,062	-	-	137,062
Portables	5,977,461	31,358	-	6,008,819
Total	<u>\$ 6,367,022</u>	<u>\$ 31,358</u>	<u>\$ -</u>	<u>\$ 6,398,380</u>
Less accumulated depreciation	<u>(4,808,825)</u>			<u>(5,113,577)</u>
Fixed assets, net	<u>\$ 1,558,197</u>			<u>\$ 1,284,803</u>

Depreciation expense was \$304,752 for the year ended June 30, 2009.

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

8. ACCRUED LEAVE

Accumulated unpaid employee Leave benefits are recognized as liabilities of Options, and are in "Accrued Leave Reserve" in the accompanying "Statement of Financial Position". As of June 30, 2009, accrued leave consists of the following:

Child Development	\$ 796,373
Family Day Care Child Care Food Program	24,689
Head Start	161,484
General	8,533
Center Based Child Care Food Program	12,353
County Child Care	32,070
Indirect	138,909
Los Angeles Universal Preschool	12,216
Total	<u><u>\$ 1,186,627</u></u>

9. CONTRACT FUNDS PAYABLE

Contract funds payable represent funds received that will have to be repaid if not entirely expended. As of June 30, 2009, contract funds payable advances consist of the following:

Child Development	\$ 435,291
Family Day Care Child Care Food Program	96,731
Center Based Child Care Food Program	13,613
Total	<u><u>\$ 545,635</u></u>

10. CDD RESERVE

The reserve represents \$2,659,489 of the Child Development Division's excess of Federal and State revenues received over expenses. Options has been granted the right to retain this excess provided the funds are applied to Direct Service, Resource and Referral and Alternative Payment Programs within the Child Development Division.

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

11. NOTE PAYABLE

Notes payable as of June 30, 2009, consists of the following:

Note payable to lending institution, payable in monthly principal and interest payments approximately of \$610, accruing interest at 4.127%, secured by building deed of trust, maturing September 2023.

As of June 30, 2009	\$ 77,218
Less: current portion (7/1/08 – 6/30/09)	<u>(3,618)</u>
Total Long-Term Debt	<u>\$ 73,600</u>

12. IN-KIND

Values assigned to in-kind contributions and the related expenses are based on federal guidelines. In accordance with those guidelines, values are based upon estimated area-wide averages for purchased services, facilities, or supplies of a similar type. In-kind contributions and expenses are recorded when used in the program and are not carried forward.

In-kind services with an estimated value of \$3,379,767 for the year ended June 30, 2009 were not recognized in the financial statements as they did not meet the criteria for recognition under Statement of Financial Accounting Standards No. 116 *Accounting for Contributions Received and Contributions Made*.

13. LEASE COMMITMENT

Options leases various office spaces expiring in various years through 2012.

Rental expense for the year ended June 30, 2009, consists of the following:

Child Development	\$ 654,251
Family Day Care Child Care Food Program	31,314
Head Start	126,471
Center Based Child Care Food Program	18,189
County Child Care	98,482
Los Angeles Universal Preschool	4,471
General	<u>5,599</u>
Total Direct Lease Costs	938,777
Indirect Lease Costs	<u>225,312</u>
Total	<u>\$ 1,164,089</u>

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)

14. INDIRECT COST

The Indirect Division's costs are reimbursed by and allocated among the other divisions based on approved indirect cost rates. Accordingly, the Indirect Division is eliminated to prevent overstatement of combined net asset balance except that actual indirect income exceeded allocated expenses by \$14,426.

15. FUNCTIONAL EXPENSES

Directly identifiable expenses are charged to program services. Expenses related to more than one function are charged to program services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Options.

Functional expense for the fiscal year ended June 30, 2009, consist of the following:

Program Services	\$ 65,665,422
Management and General	<u>2,647,169</u>
Total	<u><u>\$ 68,312,591</u></u>

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of issuance of Options' financial statements, November 19, 2009.

GOVERNMENT AUDIT INFORMATION SECTION

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

To the Board of Directors
Options - A Child Care and
Human Services Agency (Options)
(A California Non-Profit Corporation)
West Covina, California

We have audited the financial statements of Options - A Child Care and Human Services Agency (Options) (A California Non-Profit Corporation) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 19, 2009. We conducted our audit in accordance with U.S. U.S. generally accepted auditing standards 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 Options' 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 Options' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Options' 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 an 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 an entity's financial statements that is more than inconsequential will not be prevented or detected by an 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 Options' 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 audit committee, 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.

Vasini, Heyn & Co.

November 19, 2009

**INDEPENDENT AUDITORS' 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
Options - A Child Care and
Human Services Agency (Options)
(A California Non-Profit Corporation)
West Covina, California

Compliance

We have audited the compliance of Options - A Child Care and Human Services Agency (Options) (A California Non-Profit Corporation) 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 each of its major federal programs for the year ended June 30, 2009. Options 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 each of its major federal programs is the responsibility of Options management. Our responsibility is to express an opinion on Options 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 Options' 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 Options' compliance with those requirements.

In our opinion, Options complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Options 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 Options' internal control over compliance with the requirements that could have a direct and material effect on a 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 Options' 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 an 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 an 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 an 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 audit committee, management, Board of Directors, 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.



November 19, 2009

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009
(FEIN: 95-3602641)

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog Number	Pass-Through Grantors Numbers	Program Or Award Amount	Revenue Recognized	Disbursements/ Expenditures	State Reserve Fund
FEDERAL - Major Programs						
1. U.S. Department of Agriculture						
Passed Through California						
State Department of Education,						
Office of Child Nutrition Services:						
Center Child Care	10-558	19-J852-1763-IJ		\$1,454,785	\$1,454,785	\$ -
Family Child Care	10-558	19-J852-1763-IF		6,656,586	6,656,586	-
Child Care Food Program				\$8,111,371	8,111,371	\$ -
2. U.S. Department of Health and Human Services						
Headstart	93-600	09CH0029/24	\$6,802,166	\$3,031,281	\$3,031,281	\$ -
Headstart	93-600	09CH0029/25	7,008,044	3,868,221	3,868,221	-
Headstart				\$6,899,502	\$6,899,502	\$ -
3. Child Development Services						
FCCH	94-575	CFCC 8014	\$215,047	\$215,047	\$215,047	\$ -
R & R	93-575	CRRP 8030	\$62,299	62,299	62,299	-
AP	93-575	CAPP 8035	2,428,853	2,428,853	2,428,853	-
Stage 3	93-575	C3AP 8032	3,987,238	3,848,966	3,848,966	-
Stage 2	93-575	C2AP 8032	134,000	130,740	130,740	-
General Child Care (BB)	93-575	CCTR 8171	526,629	526,629	526,629	-
Exempt Care Outreach	93-575	CECT 8029	46,408	46,408	46,408	-
Health & Safety	93-575	CHST 8029	10,694	10,694	10,694	-
Instructional Supplies	93-575	CIMS 8204	7,011	4,075	4,075	-
Instructional Supplies - COUSD	93-575	subcontract		893	893	-
Instructional Supplies - RUSD	93-575	subcontract		1,753	1,753	-
Instructional Supplies - AUSD	93-575	subcontract		3,506	3,506	-
Instructional Supplies - SGUSD	93-575	subcontract		620	620	-
Child Care initiative Project	93-575	CCIP 8029	44,188	44,188	44,188	-
CCDF Infant Toddler	93-575	CCAP 8165	6,950	6,950	6,950	-
CCDF Schoolage Resource	93-575	CSCC 8144	2,682	2,682	2,682	-
CCDF Schoolage Resource-SGUSD	93-575	subcontract		2,024	2,024	-
			\$ 7,336,327	\$ 7,336,327	\$ 7,336,327	\$ -
TOTAL FEDERAL ASSISTANCE						
			\$ 22,347,200	\$ 22,347,200	\$ 22,347,200	\$ -

The above schedule was prepared on the accrual basis of accounting.
See accompanying auditors' reports and notes to basic financial statements.

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2009
(FEIN: 95-3602641)

Federal Grantor/ Pass Through Grantor/ Program Title	Catalog Number	Pass-Through Grantors Numbers	Program Or Award Amount	Revenue Recognized	Disbursements/ Expenditures	State Reserve Fund
STATE FUNDING						
1. California Department of Education						
State Meal Compensation - C-CCFP		19-J852-1763-1J		\$ 85,784 \$	85,784 \$	-
State Meal Compensation - F-CCFP		19-J852-1763-1F		233,312	233,312	-
Child Care Food Program				\$ 319,096 \$	319,096 \$	-
2. Child Development Services						
FCCCH		CFCC 8014	\$2,341,057	\$2,341,057	\$2,344,225	(\$3,168)
R & R		CRRP 8030	334,634	334,616	334,616	\$0
AP		CAPP 8035	1,910,598	1,910,598	1,918,566	(7,968)
Extended Day - Latchkey		CLTK 8036	782,987	718,503	971,682	(253,179)
State Preschool		CPRE 8160	5,465,048	5,086,559	4,956,197	130,362
Full Day Preschool		CFDP 8034	1,878,341	1,337,231	1,383,432	(46,201)
Stage 3		C3AP 8032	3,386,586	3,268,799	3,268,799	-
General Child Care (Alhambra)		CCTR 8172	1,384,344	1,293,873	1,266,410	27,463
Stage 2		C2AP 8032	5,766,000	5,550,930	5,550,930	-
Preschool - AUSD		subcontract		1,072,002	1,072,002	-
Preschool - COUSD		subcontract		254,145	254,145	-
Preschool - RUSD		subcontract		1,097,297	1,097,297	-
General Child Care - SGUSD		subcontract		171,539	171,539	-
Prekindergarten & Family		CPKF 8012	416,896	342,785	330,487	12,298
Prekindergarten & Family		CPKS 8036	5,000	5,000	5,000	-
General Child Care (BB)		CCTR 8171	5,108,847	5,108,847	4,776,457	332,390
General Child Care (Claremont)		CCTR 8473	182,635	165,833	176,342	(10,509)
General Child Care (Claremont PIA)		CMSC 7005	27,395	19,407	19,407	-
General Child Care (EM)		CCTR 8173	405,887	405,848	405,848	-
Facilities Renovation & Repair		CRPM 8054	218,838	87,770	87,770	-
Facilities Renovation & Repair - RUSD		subcontract		4,575	4,575	-
				\$ 30,577,214 \$	30,395,726 \$	181,488
3. After School Partnerships Office						
EP- ASES - EWCSO		subcontract		\$ 242,740 \$	242,740 \$	-
EP- ASES - SGUSD		subcontract		412,924	412,924	-
EP- ASES - RUSD		subcontract		1,186,610	1,186,610	-
EP- 21C - RUSD		subcontract		159,927	159,927	-
EP- 21C RUSD carryover 2007/08		subcontract		36,216	36,216	-
				\$ 2,038,417 \$	2,038,417 \$	-
4. Local Non-profit Agency						
Passed Through California		subcontract		\$ 8,521 \$	8,521 \$	-
State Department of Education		subcontract		30,000	30,000	-
Carmela - Whittier		subcontract		46,185	46,185	-
SPIRITT - Carino		subcontract		84,706	84,706	-
Mulberry - East Whittier		subcontract				-
				\$ 33,019,433 \$	32,837,945 \$	181,488
TOTAL STATE ASSISTANCE						

The above schedule was prepared on the accrual basis of accounting.
See accompanying auditors' reports and notes to basic financial statements.

**OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

SUMMARY OF AUDIT RESULTS:

Section I

- 1** The auditors' report expresses an unqualified opinion on the general purpose financial statements of:
Options - A Child Care and Human Services Agency
- 2** No instances of noncompliance were disclosed during the audit which were material to the financial statements of:
Options - A Child Care and Human Services Agency
- 3** The auditors' report on compliance on all major federal programs expresses an unqualified opinion for the major federal award programs for:
Options - A Child Care and Human Services Agency
- 4** No material weakness(es) identified relating to the audit of the financial statements are reported in the: Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- 5** No significant deficiency(ies) identified that are not considered to be material weaknesses relating to the audit of the financial statements are reported in the: Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- 6** No material weakness(es) identified relating to the audit of the major federal award programs are reported in the: Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
- 7** No significant deficiency(ies) identified that are not considered to be material weaknesses relating to the audit of the major federal award programs are reported in the: Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
- 8** Audit findings relative to the major federal award programs for:
Options - A Child Care and Human Services Agency
are referenced in the attached Schedule of Findings and Questioned Costs as follows:

<u>Finding No.</u>	<u>Reference</u>
None	None

- 9** The threshold for distinguishing Types A and B programs was:
\$670,416

- 10** Options - A Child Care and Human Services Agency was determined to be a:
low-risk auditee

- 11** The programs tested as major programs included:

<u>CFDA</u>	<u>Program Name</u>
10.558	Child and Adult Care Food Program
93.600	Head Start
93.575	Child Care and Development Block Grant

Section II - Financial Statement Findings

None Reported

Section III - Federal Award Findings and Questioned Costs

None Reported

OPTIONS - A CHILD CARE AND HUMAN SERVICES AGENCY
(A California Non-Profit Corporation)
FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTIONS
FOR THE YEAR ENDED JUNE 30, 2009

CURRENT YEAR

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Headstart	None	None
California Department of Education Child Development	None	None
Child Care Food Program	None	None

PRIOR YEARS FINDINGS AND QUESTIONED COSTS:

2008 Findings:

There were no 2008 findings.

2008 Questioned Costs:

There were no 2008 questioned costs.

2007 Findings:

There were no 2007 findings.

2007 Questioned Costs:

There were no 2007 questioned costs.