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**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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STATE BOARD OF ACCOUNTS  
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November 3, 2011

Board of Directors  
Elka Child Educational Center, Inc.  
1953 Georgia St.  
Gary, IN 46407

We have reviewed the audit report prepared by Land & Company, CPAs, Independent Public Accountants, for the period July 1, 2009 to June 30, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Elka Child Educational Center, Inc., as of June 30, 2010, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

ELKA CHILD EDUCATIONAL CENTER, INC.

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010

ELKA CHILD EDUCATIONAL CENTER, INC.

FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

<u>FINANCIAL STATEMENTS AND REPORTS</u>	<u>PAGE</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities and Changes In Net Assets	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6-8

## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
Elka Child Educational Center, Inc.  
Gary, Indiana

We have audited the accompanying statement of financial position of Elka Child Educational Center, Inc. as of June 30, 2010 and the related statements of activities and cash flows for the year then ended. These general purpose financial statements are the responsibility of Elka Child Educational Center's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Elka Child Educational Center, Inc. as of June 30, 2010, 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.

  
LAND & COMPANY, CPA

July 26, 2010

ELKA CHILD EDUCATIONAL CENTER, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2010

ASSETS

Current Assets:	
Cash	\$ 42,930
Grants Receivable	32,268
Prepays	<u>13,628</u>
Total current assets	\$ <u>88,826</u>
Property and Equipment	
Land/Bldgs/Improvements	\$437,800
Vehicles	155,636
Furniture/Equipment	94,374
Less: accum. depreciation	<u>&lt;316,476&gt;</u>
	<u>\$371,334</u>
 TOTAL ASSETS	 \$ <u>460,160</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 47,807
Accrued expenses	17,256
Loans payable	<u>15,235</u>
Total current liabilities	\$ <u>80,298</u>
Long-Term Liabilities:	
Loans payable	\$ <u>33,909</u>
Total long-term liabilities	\$ <u>33,909</u>
TOTAL LIABILITIES	<u>\$114,207</u>
NET ASSETS:	
Unrestricted	<u>\$345,953</u>
 TOTAL LIAB. & NET ASSETS	 \$ <u>460,160</u>

ELKA CHILD EDUCATIONAL CENTER, INC.  
STATEMENT OF ACTIVITIES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2010

Public Support and Revenue	
Public Support:	
Government Fee Income	\$854,455
Private Fee Income	39,215
Grants - Found. & Trusts	<u>25,000</u>
Total Support	<u>\$918,670</u>
Revenue:	
Fundraising	\$ 4,335
Interest	683
Other	<u>\$ 12,728</u>
Total Revenue	<u>\$ 17,746</u>
Total Support and Revenue	<u>\$936,416</u>
Expenses	
Program Services:	\$704,276
Supporting Services:	
Management & General	241,269
Fundraising	<u>2,198</u>
Total Supporting Services	<u>\$243,467</u>
Total Expenses	<u>\$947,743</u>
Increase/<Decrease> in Unrestricted Net Assets	<u>\$&lt;11,327&gt;</u>
Net Assets, Begin. of Year	\$ 357,280
Net Assets, End of Year	\$ 345,953

ELKA CHILD EDUCATIONAL CENTER, INC.  
STATEMENT OF CASH FLOWS  
JUNE 30, 2010

OPERATING ACTIVITIES

Increase/<Decrease> in Net Assets	\$	<11,327>
Adjustments to reconcile net income to Net cash provided by operating activities:		
Amortization		31,073
Changes in operating assets and liabilities:		
Change in accounts receivable and prepaids		23,158
Change in payables and accrued expenses		<u>11,838</u>
Net cash provided by operating activities	\$	54,742

INVESTING ACTIVITIES

Fixed Assets <43,257>

FINANCING ACTIVITIES

Loans payable <9,810>

Increase/<Decrease> in cash 1,675

Cash at beginning of year 41,255

Cash at end of year \$ 42,930

ELKA CHILD EDUCATIONAL CENTER, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010

<u>Description</u>	<u>Program</u>	<u>Mgt &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	-	1,822	-	1,822
Bank Charges	-	647	-	647
Building & Grounds	32,441	3,605	-	36,046
Classroom	10,426	-	-	10,426
Employee Benefits	25,741	6,434	-	32,175
Fundraising	-	-	2,198	2,198
Grant Expenses	1,870	-	-	1,870
Human Resources	6,853	-	-	6,853
Insurance	9,724	9,723	-	19,447
Interest	-	3,558	-	3,558
Kitchen	59,713	-	-	59,713
Leasing	4,750	-	-	4,750
Licenses/Fees	-	1,300	-	1,300
Marketing/Subscriptions	-	2,939	-	2,939
Office Expense	2,662	6,212	-	8,874
Professional Fees	19,815	-	-	19,815
Repairs & Maintenance	-	3,083	-	3,083
Salaries	422,712	105,675	-	528,387
Taxes	38,440	9,608	-	48,048
Telephone	10,063	4,310	-	14,373
Transportation	44,060	5,427	-	49,487
Utilities	15,006	3,750	-	18,756
Write-offs	-	42,103	-	42,103
Depreciation	-	31,073	-	31,073
<b>TOTAL EXPENSES</b>	<b>\$ 704,276</b>	<b>\$ 241,269</b>	<b>\$ 2,198</b>	<b>\$ 947,743</b>

ELKA CHILD EDUCATIONAL CENTER, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

ELKA CHILD EDUCATIONAL CENTER, (ELKA), was incorporated under the General Not-For-Profit Corporation Act of Indiana in 1972. Elka was organized to operate nursery schools and to own, lease and rent real estate under the laws of the State of Indiana. Elka works with parents, businesses, and the community in a collaborative effort to provide quality educational experiences, with numerous hands-on activities, in a safe, healthy, and pleasurable environment. The nursery school age ranges from two to twelve years of age.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial statement presentation follows the recommendation 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, ELKA is required to report information regarding its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. ELKA had no restricted net assets as of June 30, 2010.

**Contributions and Grants**

Contributions, or grants received, and unconditional promises to give, are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existences of donor restrictions and the nature of those restrictions, if they exist. Contributions restricted by the donor are reported as increases in unrestricted net assets in the fiscal year received as the contribution. Temporarily restricted net assets are limited by donor-imposed stipulations that expire by the passage of time or that can be fulfilled by actions of the organization. Unrestricted net assets are all other contributions or grants that are not subject to donor-imposed stipulations.

ELKA CHILD EDUCATIONAL CENTER, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

**Property and Equipment**

The property and equipment fund is to account for funds restricted for property and equipment acquisitions and the subsequent expenditure of those funds. Property and equipment fund acquisitions are financed through current operations. Assets are valued at cost or at estimated value on date of donation. Depreciation is provided on a straight-line basis over estimated useful lives varying from five to thirty-nine years. Leasehold improvements are amortized on a straight-line basis over a period of ten years.

**Income Taxes**

ELKA is exempt from federal income tax under Section 501<sup>c</sup>(3) of the Internal Revenue Code. It qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

**Estimates**

The preparation of ELKA's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**NOTE 2 - GRANTS RECEIVABLE**

The grants receivable, in the amount of \$32,268, represents claims against state and federal governmental agencies for reimbursable contractual services rendered. No bad debt allowance was established because management believes no uncertainty surrounds cash collection for services rendered.

**NOTE 3 - FINANCIAL INSTRUMENTS**

The Organization's financial instruments at June 30, 2010 consist of actual cash balances. The Organization maintains its cash balances in one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization had no uninsured cash at June 30, 2010.

ELKA CHILD EDUCATIONAL CENTER, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

**NOTE 4 - LOANS PAYABLE**

The loans payable amount to \$49,144 of which \$15,235 is short-term and \$33,909 is long-term. The outstanding balance of \$49,144 is split between three (3) creditors as follows: Toyota Financial Services (\$17,829), Centier Bank (\$8,710), and Honda Financial Services (\$22,605).