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January 29, 2014

Board of Directors
Gingerbread House, Inc.
1130 E. Pontiac Street
Fort Wayne, IN 46803

We have reviewed the audit report prepared by Christen*Souers, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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 Gingerbread House, Inc., as of December 31, 2008, 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.

We call your attention to the findings in the report. The management letter contains four comments.

STATE BOARD OF ACCOUNTS

GINGERBREAD HOUSE, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Gingerbread House, Inc.

We have audited the accompanying statements of financial position of Gingerbread House, Inc. (a nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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. 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 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 Gingerbread House, Inc. as of December 31, 2008 and 2007, 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.

Christen Souers

November 2, 2009

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GINGERBREAD HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2008 and 2007

ASSETS	2008	2007
CURRENT ASSETS		
Cash	\$ 108,659	\$ 109,654
Restricted cash	56,000	26,598
Child care food program receivable	2,797	3,657
Child care fees receivable	7,870	4,699
C.A.N.I. child care program receivable	5,104	5,003
Grants - scholarships	10,000	30,000
Unconditional promises to give	25,000	25,000
Prepaid expenses	5,674	5,674
Total Current Assets	215,430	210,285
PROPERTY AND EQUIPMENT	374,569	356,143
Less: Accumulated depreciation	140,908	132,840
Net Property and Equipment	233,661	223,303
OTHER ASSETS		
Restricted cash	2,395	32,460
Unconditional promises to give	46,213	46,213
Total Other Assets	2,395	78,673
TOTAL ASSETS	\$451,486	\$512,261
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Mortgage payable - current maturities	\$ 5,371	\$ 5,268
Accounts payable	43,642	6,823
Accrued expenses	5,661	3,512
Total Current Liabilities	54,674	15,603
MORTGAGE PAYABLE - LESS CURRENT MATURITIES	51,704	57,041
Total Liabilities	106,378	72,644
NET ASSETS		
Unrestricted		
General	141,127	148,352
Property and equipment	176,586	160,994
Total Unrestricted Net Assets	317,713	309,346
Temporarily restricted	27,395	130,271
Permanently restricted	0	0
Total Net Assets	345,108	439,617
TOTAL LIABILITIES AND NET ASSETS	\$451,486	\$512,261

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2008

	General Unrestricted	Property and Equipment	Total Unrestricted	Temporarily Restricted	Total All Funds
REVENUES AND OTHER SUPPORT					
Child care food program	\$ 24,277	\$	\$ 24,277	\$	\$ 24,277
C.A.N.I. child care program	167,743		167,743		167,743
Grants	35,788		35,788	25,000	60,788
United Way	50,352		50,352		50,352
Child care fees	44,804		44,804		44,804
Contributions	607		607		607
Miscellaneous	20		20		20
Interest income	3,335		3,335		3,335
	326,926		326,926	25,000	351,926
Mortgage loan payments	(10,364)	10,364			
Property and equipment purchased	(23,077)	23,077			
Net assets released from restrictions	31,663		31,663	(31,663)	
Total Revenues & Other Support	325,148	33,441	358,589	(6,663)	351,926
EXPENSES					
PROGRAM SERVICES					
Child care program	187,605	16,064	203,669		203,669
Child care food program	37,475		37,475		37,475
Total Program Services	225,080	16,064	241,144	0	241,144
SUPPORTING SERVICES					
Management and general	103,168	1,785	104,953		104,953
Fundraising	4,125		4,125		4,125
Total Expenses	332,373	17,849	350,222	0	350,222
Losses on contributions				96,213	96,213
Total Expenses and Losses	332,373	17,849	350,222	96,213	446,435
CHANGE IN NET ASSETS	(7,225)	15,592	8,367	(102,876)	(94,509)
NET ASSETS - BEGINNING OF YEAR	148,352	160,994	309,346	130,271	439,617
NET ASSETS - END OF YEAR	\$ 141,127	\$ 176,586	\$ 317,713	\$ 27,395	\$ 345,108

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

	<u>General Unrestricted</u>	<u>Property and Equipment</u>	<u>Total Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total All Funds</u>
REVENUES AND OTHER SUPPORT					
Child care food program	\$ 32,866	\$	\$ 32,866	\$	\$ 32,866
C.A.N.I. child care program	150,741		150,741		150,741
Grants	78,513		78,513	127,811	206,324
United Way	41,852		41,852		41,852
Child care fees	43,800		43,800		43,800
Contributions	2,240		2,240	460	2,700
Miscellaneous	19		19		19
Interest income	5,412		5,412		5,412
	<u>355,443</u>		<u>355,443</u>	<u>128,271</u>	<u>483,714</u>
Mortgage loan payments	(10,364)	10,364			
Property and equipment purchased	(9,759)	9,759			
Net assets released from restrictions	15,452		15,452	(15,452)	
Total Revenues & Other Support	<u>350,772</u>	<u>20,123</u>	<u>370,895</u>	<u>112,819</u>	<u>483,714</u>
EXPENSES					
PROGRAM SERVICES					
Child care program	189,101	15,714	204,815		204,815
Child care food program	33,553		33,553		33,553
Total Program Services	<u>222,654</u>	<u>15,714</u>	<u>238,368</u>	<u>0</u>	<u>238,368</u>
SUPPORTING SERVICES					
Management and general	82,859	1,746	84,605		84,605
Fundraising	2,771		2,771		2,771
Total Expenses	<u>308,284</u>	<u>17,460</u>	<u>325,744</u>	<u>0</u>	<u>325,744</u>
CHANGE IN NET ASSETS	42,488	2,663	45,151	112,819	157,970
NET ASSETS - BEGINNING OF YEAR	<u>105,864</u>	<u>158,331</u>	<u>264,195</u>	<u>17,452</u>	<u>281,647</u>
NET ASSETS - END OF YEAR	<u>\$ 148,352</u>	<u>\$ 160,994</u>	<u>\$ 309,346</u>	<u>\$ 130,271</u>	<u>\$ 439,617</u>

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2008

	<u>Child Care</u>	<u>Food</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 54	\$	\$ 54	\$ 1,010	\$	\$ 1,064
Bad debt expense	1,402		1,402			1,402
Contributions				50		50
Dues and publications	350		350			350
Depreciation	11,447		11,447	1,272		12,719
Employee benefits and relations	9,564		9,564	11,538		21,102
Food expense		22,570	22,570			22,570
Grant writing expenses					4,125	4,125
Insurance	3,308		3,308	368		3,676
Interest	4,617		4,617	513		5,130
Office expense				2,572		2,572
Professional fees-audit				7,950		7,950
Professional fees-accounting				3,300		3,300
Payroll processing fees				1,870		1,870
Postage expense				1,334		1,334
Literacy program	7,104		7,104			7,104
Dance program	4,312		4,312			4,312
Program expenses	2,530		2,530			2,530
Repairs and maintenance	18,074	205	18,279	2,031		20,310
Salary and wages	110,943	12,704	123,647	54,637		178,284
Security expense	378		378	42		420
Subcontract labor	483		483	262		745
Supplies expense	252	476	728	5,723		6,451
Taxes-payroll	11,076	1,475	12,551	5,604		18,155
Telephone expense	2,047		2,047	227		2,274
Workshops and meetings	1,068		1,068	1,231		2,299
Utilities	13,585		13,585	1,509		15,094
Other expenses	1,075	45	1,120	1,910		3,030
TOTAL EXPENSES	<u>\$ 203,669</u>	<u>\$ 37,475</u>	<u>\$ 241,144</u>	<u>\$ 104,953</u>	<u>\$ 4,125</u>	<u>\$ 350,222</u>

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2007

	<u>Child Care</u>	<u>Food</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 239		\$ 239	\$ 327		\$ 566
Bad debt expense	789		789			789
Board meetings				924		924
Dues and publications	39	170	209	304		513
Depreciation	11,200		11,200	1,244		12,444
Employee benefits and relations	2,635		2,635	5,265		7,900
Food expense		19,417	19,417			19,417
Grant writing expenses					2,771	2,771
Insurance	3,290		3,290	366		3,656
Interest	4,515		4,515	502		5,017
Office expense				2,027		2,027
Professional fees-audit				3,000		3,000
Professional fees-accounting				2,400		2,400
Payroll processing fees				1,959		1,959
Postage expense	400		400	133		533
Literacy program	7,902		7,902			7,902
Father initiative program	10,060		10,060			10,060
Dance program	9,120		9,120			9,120
Program expenses	2,116		2,116			2,116
Repairs and maintenance	12,292	400	12,692	1,411		14,103
Salary and wages	108,588	11,298	119,886	53,138		173,024
Security expense	351		351	39		390
Subcontract labor	2,583		2,583	287		2,870
Supplies expense	108	120	228	3,062		3,290
Taxes-payroll	10,930	2,148	13,078	3,947		17,025
Taxes-property				450		450
Telephone expense	2,430		2,430	270		2,700
Workshops and meetings	385		385	855		1,240
Utilities	14,204		14,204	1,578		15,782
Other expenses	639		639	1,117		1,756
TOTAL EXPENSES	<u>\$ 204,815</u>	<u>\$ 33,553</u>	<u>\$ 238,368</u>	<u>\$ 84,605</u>	<u>\$ 2,771</u>	<u>\$ 325,744</u>

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, grants and parents	\$ 339,757	\$ 373,500
Interest received	3,335	5,412
Miscellaneous income	20	19
Cash paid to suppliers and employees	(311,329)	(309,207)
Interest paid	(5,130)	(5,017)
Net Cash Provided by Operating Activities	26,653	64,707
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(23,077)	(9,759)
Purchase of assets restricted to investment of property and equipment		(30,460)
Sale of assets restricted to investment of property and equipment	30,065	
Net Cash Provided by (Used in) Investing Activities	6,988	(40,219)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term debt	(5,234)	(5,348)
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,407	19,140
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	136,252	117,112
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 164,659	\$ 136,252
CHANGE IN NET ASSETS	\$ (94,509)	\$ 157,970
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	12,719	12,444
(Increase) Decrease in Current Assets:		
Receivables	63,801	(103,994)
Prepays	5,674	(5,674)
Increase (Decrease) in Current Liabilities:		
Accounts payable	36,819	4,210
Accrued expenses	2,149	(249)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 26,653	\$ 64,707

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Gingerbread House, Inc. located in Fort Wayne, Indiana, was established on February 20, 1975 under the laws of the state of Indiana for charitable and educational purposes. Through government grants and private financial support from individuals, foundations and corporations, the Organization operates its licensed day care facility to provide day care in an educationally enriched atmosphere to children of the community.

Income Tax Status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization has been classified as a publicly supported organization.

Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

Trade Accounts Receivable - Trade accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Consequently, management believes no allowance for bad debts is necessary at this time.

Property and Equipment - Property and equipment owned by the Organization are carried at cost less accumulated depreciation. Donated equipment is also capitalized but at the fair market value at the time of the gift and is recorded as revenue-In Kind. Depreciation is computed on the straight-line method over the estimated useful life of the assets. Depreciation charged to the accounts was \$12,719 in 2008 and \$12,444 in 2007.

Expenditures for major additions and betterments that extend the useful lives of property and equipment are capitalized if the individual item is over \$350. Expenditures for maintenance and repairs are charged to expense as incurred.

Donated Goods and Services - The Organization occasionally receives goods and services from individuals and other organizations for which no cost has incurred. These amounts are not material and have not been reflected in the financial statements.

**GINGERBREAD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue and Support - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Expense Allocation - Expenses are allocated to programs and supportive services based on the nature of the expenses. Some of the allocations are based on management's estimates of the employees' time devoted to the various services.

Credit Risk - The Organization does not require collateral or other security to support the financial instruments subject to credit risk.

Use of 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. Actual results could differ from those estimates.

NOTE B--CASH

At December 31, 2007, the Organization had in one bank \$42,931 deposited in excess of federally insured limits. There was no excess deposited as of December 31, 2008.

NOTE C--SHORT-TERM RESTRICTED CASH

Short-term restricted cash is represented as follows at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Child care scholarships	\$ 0	\$26,598
Operating	25,000	0
Building fund pledges to be returned	<u>31,000</u>	<u>0</u>
Total	<u>\$56,000</u>	<u>\$26,598</u>

GINGERBREAD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D--LONG-TERM RESTRICTED CASH

Long-term restricted cash is represented as follows at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Building fund	\$ 100	\$25,100
Playground equipment	<u>2,295</u>	<u>7,360</u>
	<u>\$2,395</u>	<u>\$32,460</u>

NOTE E--PROMISES TO GIVE

Unconditional promises to give at December 31, 2007 are as follows:

Receivable in less than one year	\$ 25,000
Receivable in one to five years	<u>50,000</u>
Total unconditional promises to give	75,000
Less discounts to net present value	<u>3,787</u>
Net unconditional promises to give	<u>\$71,213</u>

Promises to give receivable in more than one year are discounted at 3.16%.

At December 31, 2008, the Organization had to give back \$25,000 that they had received in prior years on this promise to give. The remaining balance of \$71,213 as of December 31, 2007 on this promise to give changed into a conditional promise to give until the Organization secured commitments for the cost of the new facility. At that time, the donor would then give the Organization the original donation of \$100,000 along with an additional \$24,000 from another discretionary fund. The loss of this promise to give has been shown in the statement of activities as a loss of contributions of \$96,213 for 2008.

As of December 31, 2008, the Organization had total conditional promises to give for the building project of \$139,000, which included the above mentioned donation, contingent on the Organization receiving commitments from others for this project.

In addition, the Organization also had an additional \$25,000 unconditional promise to give for operating funds as of December 31, 2008, which is due in 2009.

GINGERBREAD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F--PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Land	\$ 6,302	\$ 6,302
Land improvements	16,968	16,968
Building and improvements	260,145	260,145
Construction in progress	17,210	0
Equipment	52,931	51,715
Transportation equipment	<u>21,013</u>	<u>21,013</u>
	374,569	356,143
Accumulated depreciation	<u>140,908</u>	<u>132,840</u>
	<u>\$233,661</u>	<u>\$223,303</u>

NOTE G--MORTGAGE PAYABLE

The Organization has a mortgage loan outstanding at Salin Bank. Payments of \$864 including interest at 8.51% are due monthly with the final payment due June 2009 and it is secured by the building. This mortgage was refinanced June 2009 with payments due of \$841, including interest at 7.44%, with the final payment due June 2016. The balance outstanding at December 31, 2008 and 2007 was \$57,075 and \$62,309, respectively. The current portion of this mortgage at December 31, 2008 and 2007 was \$5,371 and \$5,268, respectively.

The maturities of the mortgage payable at December 31, 2008 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2009	\$ 5,371
2010	6,466
2011	6,964
2012	7,500
2013	8,078
Thereafter	<u>22,696</u>
	<u>\$57,075</u>

NOTE H--ADVERTISING

The Organization expenses advertising as it occurs. The amount expensed in 2008 and 2007 was \$1,064 and \$566, respectively.

GINGERBREAD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE I--RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Child care scholarships	\$ 0	\$ 26,598
Playground equipment grant	2,295	7,360
Building fund	100	96,313
Operating	<u>25,000</u>	<u>0</u>
	<u>\$27,395</u>	<u>\$130,271</u>

NOTE J--LEASES

The Organization began leasing a copier in 2007 under a non-cancelable operating lease that expires October 2013. The rent expense for 2008 and 2007 was \$1,594 and \$730, respectively. The following is a schedule of minimum rental payments required under the above operating lease as of December 31, 2008:

Year Ending	
<u>June 30</u>	<u>Amount</u>
2009	\$1,428
2010	1,428
2011	1,428
2012	<u>1,190</u>
	<u>\$5,474</u>

NOTE K--CONCENTRATION OF GRANTS

The Organization had the following concentration of income from the following grants and contributions:

	<u>2008</u>	<u>2007</u>
C.A.N.I.	48%	31%
Indiana Department of Education		
Food Program	7%	7%
Paul Clarke Foundation	0%	6%
English Bonter	0%	20%
United Way	14%	9%
Foellinger Foundation	14%	5%

GINGERBREAD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE K--CONCENTRATION OF GRANTS (Continued)

These grantors owed the Organization the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
C.A.N.I.	\$ 5,104	\$ 5,003
Indiana Department of Education		
Food Program	1,372	3,657
Paul Clarke Foundation	0	30,000
English Bonter (discounted to present value)	0	71,213
Foellinger Foundation	25,000	0

NOTE L--CURRENT ECONOMIC CONDITIONS

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which could result in changes in contributions, grants and government reimbursements. The financial statements have been prepared using values and information currently available to the Organization.