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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, 2009 to December 31, 2009. 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, 2009, 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

GINGERBREAD HOUSE, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2009 and 2008

TABLE OF CONTENTS

	Page No.
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3 - 4
STATEMENTS OF FUNCTIONAL EXPENSES	5 - 6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8 - 12

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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, 2009 and 2008, 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, 2009 and 2008, 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.



Fort Wayne, IN
October 11, 2010

CERTIFIED
PUBLIC
ACCOUNTING

STRATEGIC
BUSINESS
PLANNING

FINANCIAL
SERVICES

BUSINESS
VALUATION

GINGERBREAD HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2009 and 2008

ASSETS	2009	2008
CURRENT ASSETS		
Cash	\$ 75,866	\$ 108,659
Restricted cash		56,000
Child care food program receivable	1,542	1,372
Child care fees receivable	5,019	7,870
C.A.N.I. child care program receivable	9,468	5,104
Accounts receivable - other	9,006	1,425
Grants - scholarships		10,000
Unconditional promises to give	<u>40,000</u>	<u>25,000</u>
Total Current Assets	<u>140,901</u>	<u>215,430</u>
PROPERTY AND EQUIPMENT	405,418	374,569
Less: Accumulated depreciation	<u>153,887</u>	<u>140,908</u>
Net Property and Equipment	<u>251,531</u>	<u>233,661</u>
OTHER ASSETS		
Restricted cash	<u>2,295</u>	<u>2,395</u>
Total Other Assets	<u>2,295</u>	<u>2,395</u>
TOTAL ASSETS	<u>\$ 394,727</u>	<u>\$ 451,486</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Mortgage payable - current maturities	\$ 6,741	\$ 5,371
Accounts payable	3,725	43,642
Bank overdraft	996	
Accrued expenses	<u>5,381</u>	<u>5,661</u>
Total Current Liabilities	16,843	54,674
MORTGAGE PAYABLE - LESS CURRENT MATURITIES	<u>45,001</u>	<u>51,704</u>
Total Liabilities	<u>61,844</u>	<u>106,378</u>
NET ASSETS		
Unrestricted		
General	90,799	141,127
Property and equipment	<u>199,789</u>	<u>176,586</u>
Total Unrestricted Net Assets	290,588	317,713
Temporarily restricted	42,295	27,395
Permanently restricted	<u>0</u>	<u>0</u>
Total Net Assets	<u>332,883</u>	<u>345,108</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 394,727</u>	<u>\$ 451,486</u>

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2009

	General Unrestricted	Property and Equipment	Total Unrestricted	Temporarily Restricted	Total All Funds
REVENUES AND OTHER SUPPORT					
Child care food program	\$ 23,458	\$	\$ 23,458	\$	\$ 23,458
C.A.N.I. child care program	149,075		149,075		149,075
Grants	2,054		2,054	40,000	42,054
United Way	36,688		36,688		36,688
Child care fees	27,299		27,299		27,299
Contributions	2,046		2,046		2,046
Miscellaneous	1,515		1,515		1,515
Investment income	979		979		979
	243,114		243,114	40,000	283,114
Mortgage loan payments	(9,365)	9,365			
Property and equipment purchased	(30,849)	30,849			
Net assets released from restrictions	25,100		25,100	(25,100)	
Total Revenues & Other Support	228,000	40,214	268,214	14,900	283,114
EXPENSES					
PROGRAM SERVICES					
Child care program	151,866	15,310	167,176		167,176
Child care food program	32,447		32,447		32,447
Total Program Services	184,313	15,310	199,623	0	199,623
SUPPORTING SERVICES					
Management and general	87,442	1,701	89,143		89,143
Fundraising	6,573		6,573		6,573
Total Expenses	278,328	17,011	295,339	0	295,339
CHANGE IN NET ASSETS	(50,328)	23,203	(27,125)	14,900	(12,225)
NET ASSETS - BEGINNING OF YEAR	141,127	176,586	317,713	27,395	345,108
NET ASSETS - END OF YEAR	\$ 90,799	\$ 199,789	\$ 290,588	\$ 42,295	\$ 332,883

See Notes to Financial Statements.

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

	<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	\$ 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
	<u>326,926</u>		<u>326,926</u>	<u>25,000</u>	<u>351,926</u>
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	<u>325,148</u>	<u>33,441</u>	<u>358,589</u>	<u>(6,663)</u>	<u>351,926</u>
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	<u>225,080</u>	<u>16,064</u>	<u>241,144</u>	<u>0</u>	<u>241,144</u>
SUPPORTING SERVICES					
Management and general	103,168	1,785	104,953		104,953
Fundraising	4,125		4,125		4,125
Total Expenses	<u>332,373</u>	<u>17,849</u>	<u>350,222</u>	<u>0</u>	<u>350,222</u>
Losses on contributions				96,213	96,213
Total Expenses and Losses	<u>332,373</u>	<u>17,849</u>	<u>350,222</u>	<u>96,213</u>	<u>446,435</u>
CHANGE IN NET ASSETS	(7,225)	15,592	8,367	(102,876)	(94,509)
NET ASSETS - BEGINNING OF YEAR	<u>148,352</u>	<u>160,994</u>	<u>309,346</u>	<u>130,271</u>	<u>439,617</u>
NET ASSETS - END OF YEAR	<u>\$ 141,127</u>	<u>\$ 176,586</u>	<u>\$ 317,713</u>	<u>\$ 27,395</u>	<u>\$ 345,108</u>

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2009

	<u>Child Care</u>	<u>Food</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$	\$	\$	\$ 100	\$	\$ 100
Bad debt expense	330		330			330
Bank charges				1,446		1,446
Contributions				111		111
Depreciation	11,681		11,681	1,298		12,979
Employee benefits and relations	6,238		6,238	11,687		17,925
Equipment rental				1,676		1,676
Food expense		18,873	18,873			18,873
Grant writing expenses					5,259	5,259
Insurance	3,340		3,340	371		3,711
Interest	3,629		3,629	403		4,032
Office expense				985		985
Professional fees-audit				5,150		5,150
Professional fees-accounting				2,800		2,800
Payroll processing fees				2,072		2,072
Postage expense				657		657
Literacy program	2,600		2,600			2,600
Dance program	3,576		3,576			3,576
Program expenses	2,279		2,279			2,279
Repairs and maintenance	9,986	158	10,144	1,127		11,271
Salary and wages	94,759	11,743	106,502	46,929		153,431
Security expense	351		351	39		390
Subcontract labor	1,788		1,788	199		1,987
Supplies expense	100	272	372	5,569		5,941
Taxes-payroll	9,693	1,286	10,979	4,241		15,220
Taxes-property	764		764	85		849
Telephone expense	3,135		3,135	348		3,483
Workshops and meetings	36	105	141	295		436
Utilities	10,658		10,658	1,184		11,842
Other expenses	2,233	10	2,243	371	1,314	3,928
TOTAL EXPENSES	<u>\$ 167,176</u>	<u>\$ 32,447</u>	<u>\$ 199,623</u>	<u>\$ 89,143</u>	<u>\$ 6,573</u>	<u>\$ 295,339</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
Equipment rental				1,594		1,594
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				978		978
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.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, grants and parents	\$ 266,026	\$ 339,757
Investment income received	979	3,335
Miscellaneous income	1,515	20
Cash paid to suppliers and employees	(318,195)	(311,329)
Interest paid	(4,032)	(5,130)
Net Cash Provided by (Used in) Operating Activities	(53,707)	26,653
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(30,849)	(23,077)
Sale of assets restricted to investment of property and equipment	100	30,065
Net Cash Provided by (Used in) Investing Activities	(30,749)	6,988
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term debt	(5,333)	(5,234)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(89,789)	28,407
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	164,659	136,252
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 74,870	\$ 164,659
CHANGE IN NET ASSETS	\$ (12,225)	\$ (94,509)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation	12,979	12,719
(Increase) Decrease in Current Assets:		
Receivables	(14,264)	63,801
Prepays		5,674
Increase (Decrease) in Current Liabilities:		
Accounts payable	(39,917)	36,819
Accrued expenses	(280)	2,149
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (53,707)	\$ 26,653

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 are 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 \$12,979 in 2009 and \$12,719 in 2008.

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.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year 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--SHORT-TERM RESTRICTED CASH

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

	<u>2008</u>
Operating	\$25,000
Building fund pledges to be returned	<u>31,000</u>
Total	<u>\$56,000</u>

There was no restricted short-term cash as of December 31, 2009.

GINGERBREAD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C--LONG-TERM RESTRICTED CASH

Long-term restricted cash is represented as follows at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Building fund	\$ 0	\$ 100
Playground equipment	<u>2,295</u>	<u>2,295</u>
	<u>\$2,295</u>	<u>\$2,395</u>

NOTE D--PROMISES TO GIVE

At December 31, 2008, the Organization had to give back \$25,000 that they had received in prior years on promises to give. The remaining balance owed on unconditional promises to give of \$71,213 as of December 31, 2008 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 on contributions of \$96,213 for 2008.

As of December 31, 2009 and 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, at December 31, 2009, the Organization had \$40,000 of unconditional promises to give for operating funds due in 2010. At December 31, 2008, the Organization had \$25,000 of unconditional promises to give for operating funds due in 2009.

NOTE E--PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land	\$ 22,737	\$ 6,302
Land improvements	16,968	16,968
Building and improvements	262,145	260,145
Construction in progress	28,106	17,210
Equipment	54,449	52,931
Transportation equipment	<u>21,013</u>	<u>21,013</u>
	405,418	374,569
Accumulated depreciation	<u>153,887</u>	<u>140,908</u>
	<u>\$251,531</u>	<u>\$233,661</u>

GINGERBREAD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F--MORTGAGE PAYABLE

The Organization has a mortgage loan outstanding at Salin Bank. Payments of \$864 including interest at 8.51% were 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, 2009 and 2008 was \$51,742 and \$57,075, respectively. The current portion of this mortgage at December 31, 2009 and 2008 was \$6,741 and \$5,371, respectively.

The maturities of the mortgage payable at December 31, 2009 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2010	\$ 6,741
2011	7,260
2012	7,819
2013	8,421
2014	9,069
Thereafter	<u>12,432</u>
	<u>\$51,742</u>

NOTE G--ADVERTISING

The Organization expenses advertising as it occurs. The amount expensed in 2009 and 2008 was \$100 and \$1,064, respectively.

NOTE H--RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Playground equipment grant	\$ 2,295	\$ 2,295
Building fund	0	100
Operating	<u>40,000</u>	<u>25,000</u>
	<u>\$42,295</u>	<u>\$27,395</u>

GINGERBREAD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE I--LEASES

The Organization began leasing a copier in 2007 under a non-cancelable operating lease that expires October 2012. The rent expense for 2009 and 2008 was \$1,676 and \$1,594, respectively. The following is a schedule of minimum rental payments required under the above operating lease as of December 31, 2009:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2010	\$1,428
2011	1,428
2012	<u>1,190</u>
	<u>\$4,046</u>

NOTE J--CONCENTRATION OF GRANTS

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

	<u>2009</u>	<u>2008</u>
C.A.N.I.	53%	48%
United Way	13%	14%
Foellinger Foundation	14%	14%

These grantors owed the Organization the following at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
C.A.N.I.	\$ 9,468	\$ 5,104
Foellinger Foundation	40,000	25,000

NOTE K--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.

NOTE L--SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 11, 2010, which is when the financial statements were available to be issued. At that time, there were no subsequent events that management was aware of that would change the financial position of the Organization.