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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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May 7, 2008

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

We have reviewed the audit report prepared by Whittaker & Company, PLLC, Independent Public Accountants, for the period July 1, 2005 to June 30, 2006. 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 Education Center, Inc., as of June 30, 2006, 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 Statements for the Year Ended
June 30, 2006
and Independent Auditors' Report

ELKA CHILD EDUCATIONAL CENTER, INC
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JUNE 30, 2006

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Elka Child Educational Center, Inc.

We have audited the accompanying statement of position of Elka Child Educational Center, Inc. ("Elka"), as of June 30, 2006, and the related statements of support and revenues, expenses, and changes in net assets and cash flows for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of Elka . Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Elka as of June 30, 2005, were audited by other auditors whose report dated January 16, 2007, expressed an unqualified opinion on those statements.

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 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 the Elka 's 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 audits provide a reasonable basis for our opinion.

In our opinion, such basic financial statements present fairly, in all material respects, the financial position of Elka as of June 30, 2006, and the changes in its assets and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Whittaker & Company PLLC
Whittaker & Company PLLC
November 27, 2007

ELKA CHILD EDUCATIONAL CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

		2006
ASSETS		
Current assets		
Cash and cash equivalents	$	4,663
Accounts receivable		361
Other current assets		454
Total current assets		5,478
Property and equipment		
Land, building, and improvements		452,308
Office furniture and equipment		168,490
Accumulated depreciation		(288,015)
Total property and equipment		332,783
Total assets		338,261
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accued expenses		23,917
Payroll liabilities		75,794
Loans payable - due w/in one year		9,663
Vehicle loan payable - due w/in one year		7,064
Mortgages payable - due w/in one year		40,379
Total current liabilities		156,817
Long-term liabilities		
Loans payable - due after one year		44,251
Vehicle loan payable - due after one year		33,792
Refunds payable		2,340
Total long-term liabilities		80,383
Total liabilities		237,200
Net assets		
Unrestricted		101,061
Temporarily restricted		-
Total net assets		101,061
Total liabilities and net assets		338,261

See accompanying notes to financial statements

ELKA CHILD EDUCATIONAL CENTER, INC.
STATEMENTS OF SUPPORT AND REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2006

	2006		
Support and revenues	Unrestricted	Temporarily Restricted	Total
Contributions			
Government Fee income	602,224	-	602,224
Grants	34,937	-	34,937
Interest Income	2	-	2
Private fee income	42,740	-	42,740
Fundraising income	9,291	-	9,291
Rental income	100	-	100
Miscellaneous income	7,321	-	7,321
Total support and revenues	696,615	-	696,615
Program service expenses			
Dues and subscriptions	289	-	289
Food and kitchen supplies	33,545	-	33,545
Payroll and other taxes	254,745	-	254,745
Transportation expense	14,045	-	14,045
Miscellaneous	90	-	90
Utilities	17,610		17,610
Employee benefits	8,609	-	8,609
Classroom supplies	15,913	-	15,913
Total Project expenses	344,846	-	344,846
Administrative expenses			
Advertising	9,984	-	9,984
Bank service charges	5,127	-	5,127
Office, phone, and equipment	12,875	-	12,875
Payroll and other taxes	109,177	-	109,177
Office repairs and maintenance	2,080	-	2,080
Professional fees	9,015	-	9,015
Insurance	32,057	-	32,057
Interest	9,791	-	9,791
Miscellaneous	8,869	-	8,869
Equipment lease and rental	6,220	-	6,220
Support staff	35,778		35,778
Utilities	4,402	-	4,402
Employee benefits	3,690	-	3,690
Depreciation	23,338	-	23,338
Total Administrative expenses	272,403	-	272,403
Fundraising expenses			
Fundraiser activities	5,552	-	5,552
Total Fundraising expenses	5,552	-	5,552
Total Expenses	622,801	-	622,801
Increase in Net Assets	73,814	-	73,814
Net Assets - Beginning of Year	27,247	-	27,247
Net Assets - End of Year	101,061	-	101,061

See accompanying notes to financial statements

ELKA CHILD EDUCATIONAL CENTER, INC.
STATEMENT OF CASH FLOWS
JUNE 30, 2006

		2006
Cash flows from operating activities		
Change in net assets		73,814
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation		23,338
Increase/(Decrease) in accounts receivable		(3,578)
Increase/(Decrease) in prepaid insurance		(11,055)
Increase/(Decrease) in payables		(9,678)
Increase/(Decrease) in notes payable		7,512
Increase/(Decrease) in payroll liabilities		(11,481)
Increase/(Decrease) in refunds payable		2,340
Net cash from operating activities		71,212
Cash flows from investing activities		
Purchase of vehicles		(66,300)
		-
Net cash from investing activities		(66,300)
Net change in cash and cash equivalents	$	4,912
Cash and cash equivalents at beginning of year	$	(249)
Cash and cash equivalents at end of year	$	4,663

See accompanying notes to financial statements

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Activities: Elka Child Educational Center, Inc. ("Elka" or the "Organization") was incorporated as a 501 (c) 3 not for profit organization in 1972 under the laws of the State of Indiana. Elka is not considered a private foundation.

Elka was organized to operate nursery schools and to own, lease and rent real estate and to engage in service enterprises to the extent permitted 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 many hands on activities in a safe, healthy, and pleasurable environment. The nursery school age ranges from two to twelve years of age.

Use of Estimates: In preparing financial statements, management must make estimates and assumptions. These estimates and assumptions affect the amounts reported for assets, liabilities, revenue, and expenses, as well as the disclosures provided. Future results could differ from the current estimates. The Organization considers collectibility of pledges receivable and allowance for doubtful accounts to be significant estimates subject to change.

Cash and Cash Equivalents: For purposes of the statement of cash flows, all highly liquid financial instruments with a maturity of three months or less are considered to be cash and cash equivalents.

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 restrictions, if they exist. Contributions restricted by the donor are reported as increase in unrestricted net assets in the fiscal year 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.

Property and Equipment: Land, building, building improvements, equipment, and automobiles are carried at cost or fair value at date of gift, if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful life of the building and improvements is 39 years, while the estimated useful lives of the office furniture and equipment and automobiles are three to fifteen years. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

Unrestricted Net Assets: The unrestricted net asset class includes general and board-designated assets and liabilities of Elka. The unrestricted net assets of Elka may be used at the discretion of management to support Elka purposes and operations.

Temporarily Restricted Net Assets: The temporarily restricted net assets class includes assets of Elka related to gifts with explicitly donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not prematurely restricted are classified as temporarily restricted net assets.

Permanently Restricted Net Assets: The permanently restricted net asset class includes assets of Elka for which the donor has stipulated that the contribution be maintained in perpetuity. Donor imposed restrictions limiting the use of the assets or its economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2006, cash and cash equivalents consisted of money held in one bank account in the amount of $4,663, therefore being fully covered by FDIC.

NOTE 3 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Expenses incurred at June 30, 2006 or prior but not paid until July 1, 2006 and after are considered to be accounts payable for the purpose of these financial statements. At June 30, 2006, Elka had accounts payables in the amount of $23,917.

NOTE 4 – LOANS PAYABLE

In fiscal year 2006, the Executive Director loaned money to Elka totaling $61,000. At the beginning of the loan process, Elka repaid $2,000. The remaining balance of $59,000 is to be repaid over a five year period at an interest rate of 13%. Maturities of long-term debt to be paid for the upcoming years are as follows:

2007		$ 10,996
2008		12,514
2009		14,242
2010		6,499
	Total	$ 44,251

In fiscal year 2006 two vans were purchased from Midwest Transit but financed through Centier Bank. The cost of each van was $33,150. A down payment of $6,480 was paid at the time of purchasing the vehicle. The total loan Centier Bank provided to Elka was $59,820. The loan is to be repaid over a five year period at an interest rate of 6.74%. Maturities of long-term debt for the upcoming years are as follows:

2007		$ 7,064
2008		7,064
2009		7,064
	Total	$ 21,192

NOTE 5 – PAYROLL LIABILITIES

At June 30, 2006, Elka had outstanding payroll liabilities in the amount of $75,794 due to the Internal Revenue Service. The debt is as a result of payroll taxes accumulating over a three year period. Elka expects the liability to be paid within one year. Elka intends on receiving proceeds to pay the debt by selling existing property.

NOTE 6 – OPERATING LEASE

On July 1, 2004, Elka entered into a lease agreement with Eleanor O. Hill to lease commercial building space for the purpose of storing documents and other items. The lease agreement term ends on June 30, 2009. The minimum lease payments over the life of the lease, in the amount of $10,500, are payable in advance in monthly installments of $350 on the first day of the month for a period of five years.

NOTE 6 – OPERATING LEASE (Continued)

During fiscal year 2006, Elka paid $4,200 in leasing costs. At June 30, 2006, the remaining payments are to be paid through 2009 as follows:

2007		$ 4,200
2008		4,200
2009		4,200
	Total	$ 12,600

NOTE 7 – BUILDINGS, FURNITURE, AND EQUIPMENT

Buildings, furniture, and equipment are summarized as follows:

Description	**2006**
Land, buildings, and improvements	$ 452,308
Office furniture and equipment	168,490
Total at cost	620,798
Less: accumulated depreciation	(288,015)
Total	**$ 332,783**

NOTE 8 – RELATED PARTY TRANSACTIONS

In fiscal year 2006, the Executive Director loaned money to Elka totaling $61,000. At the beginning of the loan process, Elka repaid $2,000. The remaining balance of $59,000 is to be repaid over a five year period at an interest rate of 13%.

Elka leases storage space from the spouse of the Executive Director. The leased space is used to store documents of Elka. The space rental fee is $350 per month. The rental space provided by the spouse of the Executive Director is considered an operating lease.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

In fiscal year 2006 Elka restated the beginning net asset balance by $28,528 to adjust remaining fixed assets that are still in use by the organization. Elka also made adjustments to payroll to reflect the total wages paid to employees during the fiscal year.