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May 22, 2009

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

We have reviewed the audit report prepared by Christen Souers, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. 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, 2007, 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 report on internal control contains six comments.

STATE BOARD OF ACCOUNTS

GINGERBREAD HOUSE, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2007 and 2006

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 - 13

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INDEPENDENT AUDITORS' REPORT

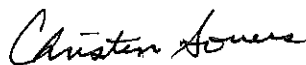
To the Board of Directors
Gingerbread House, Inc.

We have audited the accompanying statements of financial position of Gingerbread House, Inc. (a nonprofit organization) as of December 31, 2007 and 2006, 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.

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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, 2007 and 2006, 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.



October 8, 2008

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GINGERBREAD HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

ASSETS	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash	\$109,654	\$101,660
Restricted cash	26,598	15,452
Child care food program receivable	3,657	1,940
Child care fees receivable	4,699	2,478
C.A.N.I. child care program receivable	5,003	6,160
Grants - scholarships	30,000	
Unconditional promises to give	25,000	
Prepaid expenses	5,674	
Total Current Assets	<u>210,285</u>	<u>127,690</u>
PROPERTY AND EQUIPMENT	356,143	346,384
Less: Accumulated depreciation	<u>132,840</u>	<u>120,396</u>
Net Property and Equipment	<u>223,303</u>	<u>225,988</u>
OTHER ASSETS		
Restricted cash	32,460	2,000
Unconditional promises to give	46,213	
Total Other Assets	<u>78,673</u>	<u>2,000</u>
TOTAL ASSETS	<u><u>\$512,261</u></u>	<u><u>\$355,678</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Mortgage payable - current maturities	\$ 5,268	\$ 4,790
Accounts payable	6,823	2,613
Accrued expenses	<u>3,512</u>	<u>3,761</u>
Total Current Liabilities	15,603	11,164
MORTGAGE PAYABLE - LESS CURRENT MATURITIES	<u>57,041</u>	<u>62,867</u>
Total Liabilities	<u>72,644</u>	<u>74,031</u>
NET ASSETS		
Unrestricted		
General	148,352	105,864
Property and equipment	<u>160,994</u>	<u>158,331</u>
Total Unrestricted Net Assets	309,346	264,195
Temporarily Restricted	130,271	17,452
Permanently Restricted	<u>0</u>	<u>0</u>
Total Net Assets	<u>439,617</u>	<u>281,647</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$512,261</u></u>	<u><u>\$355,678</u></u>

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 ACTIVITIES
Year Ended December 31, 2006

	<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	\$ 31,867	\$	\$ 31,867	\$	\$ 31,867
C.A.N.I. child care program	145,163		145,163		145,163
Grants	68,117		68,117	17,452	85,569
United Way	18,748		18,748		18,748
Child care fees	42,517		42,517		42,517
Contributions	2,024		2,024		2,024
Miscellaneous	855		855		855
Interest income	2,625		2,625		2,625
	<u>311,916</u>		<u>311,916</u>	<u>17,452</u>	<u>329,368</u>
Mortgage loan payments	(9,528)	9,528			
Property and equipment purchased	(15,850)	15,850			
Net assets released from restrictions	6,692		6,692	(6,692)	
Total Revenues & Other Support	<u>293,230</u>	<u>25,378</u>	<u>318,608</u>	<u>10,760</u>	<u>329,368</u>
EXPENSES					
PROGRAM SERVICES					
Child care program	160,816	19,826	180,642		180,642
Child care food program	33,166		33,166		33,166
Total Program Services	<u>193,982</u>	<u>19,826</u>	<u>213,808</u>	<u>0</u>	<u>213,808</u>
SUPPORTING SERVICES					
Management and general	85,955	2,202	88,157		88,157
Fundraising	1,875		1,875		1,875
Total Expenses	<u>281,812</u>	<u>22,028</u>	<u>303,840</u>	<u>0</u>	<u>303,840</u>
CHANGE IN NET ASSETS	11,418	3,350	14,768	10,760	25,528
NET ASSETS - BEGINNING OF YEAR	<u>94,446</u>	<u>154,981</u>	<u>249,427</u>	<u>6,692</u>	<u>256,119</u>
NET ASSETS - END OF YEAR	<u>\$ 105,864</u>	<u>\$ 158,331</u>	<u>\$ 264,195</u>	<u>\$ 17,452</u>	<u>\$ 281,647</u>

See Notes to Financial Statements.

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

	Child Care	Food	Total Program	Management & General	Fundraising	Total Expenses
	\$	\$	\$	\$	\$	\$
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.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2006

	Child Care	Food	Total Program	Management & General	Fundraising	Total Expenses
	\$	\$	\$	\$	\$	\$
Advertising				725		725
Bank charges				1,209		1,209
Board meetings				15		15
Contributions				300		300
Dues and publications				35		35
Depreciation	10,290		10,290	1,143		11,433
Employee benefits and relations	3,460		3,460	5,901		9,361
Food expense		19,390	19,390			19,390
Grant writing expenses					1,875	1,875
Insurance	3,261		3,261	362		3,623
Interest	5,557		5,557	617		6,174
Literacy program	1,023		1,023			1,023
Office expense				52		52
Professional fees-audit				4,250		4,250
Professional fees-accounting				4,825		4,825
Postage expense	800		800	36		836
Payroll processing fees				1,723		1,723
Program expenses	2,010		2,010			2,010
Repairs and maintenance	8,632	482	9,114	1,013		10,127
Salary and wages	111,812	11,300	123,112	53,714		176,826
Security expense	297		297	33		330
Supplies expense	54	163	217	3,577		3,794
Taxes-payroll	10,941	1,831	12,772	4,740		17,512
Travel expense	80		80	101		181
Telephone expense	2,455		2,455	273		2,728
Workshops and meetings	341		341	451		792
Utilities	14,909		14,909	1,657		16,566
Other expenses	741		741	963		1,704
Loss on abandonment of assets	3,979		3,979	442		4,421
TOTAL EXPENSES	<u>\$ 180,642</u>	<u>\$ 33,166</u>	<u>\$ 213,808</u>	<u>\$ 88,157</u>	<u>\$ 1,875</u>	<u>\$ 303,840</u>

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2007 and 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, grants and parents	\$ 373,500	\$ 333,936
Interest received	5,412	2,625
Miscellaneous income	19	855
Cash paid to suppliers and employees	(309,207)	(283,366)
Interest paid	(5,017)	(6,174)
Net Cash Provided by Operating Activities	64,707	47,876
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(9,759)	(15,850)
Purchase of assets restricted to investment of property and equipment	(30,460)	(2,000)
Net Cash Used in Investing Activities	(40,219)	(17,850)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term debt	(5,348)	(3,354)
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,140	26,672
CASH AND CASH EQUIVALENTS		
- BEGINNING OF YEAR	117,112	90,440
CASH AND CASH EQUIVALENTS		
- END OF YEAR	\$ 136,252	\$ 117,112
CHANGE IN NET ASSETS	\$ 157,970	\$ 25,528
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	12,444	11,433
Loss on abandonment of equipment		4,421
(Increase) Decrease in Current Assets:		
Receivables	(103,994)	8,048
Prepays	(5,674)	
Increase (Decrease) in Current Liabilities:		
Accounts payable	4,210	(1,631)
Accrued expenses	(249)	77
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 64,707	\$ 47,876

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 \$12,444 in 2007 and \$11,433 in 2006.

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.

Restatement - The prior year Statement of Financial Position has been restated to show \$2,000 of the short-term restricted cash as long-term restricted cash since it is for playground equipment that still has not been purchased. This change has also been reflected on the Statement of Cash Flows for the prior year.

NOTE B--CASH

At December 31, 2007 and 2006, the Organization had in one bank \$42,931 and \$19,527, respectively, deposited in excess of federally insured limits.

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

NOTE C--SHORT-TERM RESTRICTED CASH

Short-term restricted cash is represented as follows at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Child care scholarships	\$26,598	\$ 6,883
Dance class grant	<u>0</u>	<u>8,569</u>
Total	<u>\$26,598</u>	<u>\$15,452</u>

NOTE D--LONG-TERM RESTRICTED CASH

Long-term restricted cash is represented as follows at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Building fund	\$25,100	\$ 0
Playground equipment	<u>7,360</u>	<u>2,000</u>
	<u>\$32,460</u>	<u>\$2,000</u>

NOTE E--UNCONDITIONAL 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%.

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

NOTE F--PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Land	\$ 6,302	\$ 6,302
Land improvements	16,968	16,968
Building and improvements	260,145	260,145
Equipment	51,715	49,369
Transportation equipment	<u>21,013</u>	<u>13,600</u>
	356,143	346,384
Accumulated depreciation	<u>132,840</u>	<u>120,396</u>
	<u>\$223,303</u>	<u>\$225,988</u>

NOTE G--MORTGAGE PAYABLE

At December 31, 2005 the Organization had a mortgage loan outstanding at Salin Bank. Payments of \$868 including interest at 8.75% were due monthly with the final payment due June 2006. This mortgage was renewed with payments of \$864 due monthly including interest at 8.51% with the final payment due June 2009. This mortgage is secured by the building. The balance outstanding at December 31, 2007 and 2006 was \$62,309 and \$67,657, respectively. The current portion of this mortgage at December 31, 2007 and 2006 is \$5,268 and \$4,790, respectively.

The maturities of the mortgage payable at December 31, 2007 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2008	\$ 5,268
2009	<u>57,041</u>
	<u>\$62,309</u>

NOTE H--ADVERTISING

The Organization expenses advertising as it occurs. The amount expensed in 2007 and 2006 was \$566 and \$725, 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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Child care scholarships	\$ 26,598	\$ 6,883
Playground equipment grant	7,360	2,000
Building fund	96,313	0
Dance class grant	<u>0</u>	<u>8,569</u>
	<u>\$130,271</u>	<u>\$17,452</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 2007 was \$730. The following is a schedule of minimum rental payments required under the above operating lease as of December 31, 2007:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2008	\$1,428
2009	1,428
2010	1,428
2011	1,428
2012	<u>1,190</u>
	<u>\$6,902</u>

NOTE K--CONCENTRATION OF GRANTS

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

	<u>2007</u>	<u>2006</u>
C.A.N.I.	31%	44%
Indiana Department of Education		
Food Program	7%	10%
Paul Clarke Foundation	6%	15%
English Bonter	20%	0%

GINGERBREAD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE K--CONCENTRATION OF GRANTS (Continued)

These grantors owed the Organization the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
C.A.N.I.	\$ 5,003	\$6,160
Indiana Department of Education		
Food Program	3,657	1,940
Paul Clarke Foundation	30,000	0
English Bonter (discounted to present value)	71,213	0

Christen Souers

CONSIDER IT SOLVED

Christen Souers LLC

October 8, 2008

To the Finance Committee and
Board of Directors of
Gingerbread House, Inc.

We have audited the financial statements of Gingerbread House, Inc. for the year ended December 31, 2007, and have issued our report thereon dated October 8, 2008. Professional standards require that we provide you with the following information related to our audit.

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Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 11, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 8, 2008.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Gingerbread House, Inc. are described in Note A to the financial statements. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

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1. Unconditional promises to give were recorded at 100% of the original pledge because that was what was expected to be received. We evaluated the receipts collected thus far in determining that the assumption was reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit. We want to thank the staff for their cooperation throughout the audit process.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 8, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Page Three

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Finance Committee and Board of Directors and management of Gingerbread House, Inc. and it is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Christen A. Brown LLC

GINGERBREAD HOUSE, INC.
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES

1. Accounts payable is understated by \$1,913. If these additional payables had been booked, the liability would have increased and expenses would have increased.
2. Insurance of \$1,500 was not set up as a prepaid but was expensed so expenses were overstated by \$1,500.
3. Last year's unadjusted adjustments affected this year's statements by overstating them by \$2,022.

The net affect of all of these unadjusted adjustments was that if they would have been booked, the change in net assets would have decreased by \$2,435.

To the Finance Committee and
Board of Directors of
Gingerbread House, Inc.

In planning and performing our audit of the financial statements of Gingerbread House, Inc. as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Gingerbread House's internal control over financial reporting (internal control) 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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 a combination of control deficiencies, that adversely affects the organization'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 the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Reportable Conditions

Backup of Parent's System

In reviewing the internal control system with Amelia, it was noted that a backup the Parent System is not done on a regular basis. We recommend that a system be implemented to make sure that her data is backed up regularly to ensure that data is not lost since this information is not readily available anywhere else.

FORT WAYNE OFFICE
4306 E. STATE BLVD.
FORT WAYNE, IN 46815
T 260 484 0653
F 260 484 2115

ANGOLA OFFICE
300 E. MECHANIC ST.
ANGOLA, IN 46703
T 260 665 7192
F 260 665 9134

MARION OFFICE
106 E. FOURTH ST.
MARION, IN 46952
T 765 662 0029
F 765 664 3744

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Payroll Reports

In reviewing the internal control system with Amelia, it was noted that she has not been reviewing the reports that she receives back from the payroll company. We recommend that someone review the reports prepared by the payroll company to make sure that the hours turned in by Amelia agree with what has been paid to make sure that there are no discrepancies.

Bank Signatures

In reviewing signatures on the cancelled checks, it was noted that sometimes there were two signatures for those checks over \$500 and sometimes there were not. It is recommended that diligence be followed in obtaining two signatures for any purchase over \$500.

Gift Cards

In reviewing cash disbursements, there were expenses for gift cards for employees. During inquiry, it was noted that these were not added to the W-2s at year end. According to IRS policy, it is required that gift cards be added to W-2s. We recommend that you add these amounts to their W-2s in the future or switch to purchasing employees a gift instead of the gift card.

A material weakness is a significant deficiency, or a 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. We believe that the following deficiencies constitute material weaknesses:

Cash

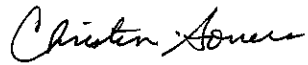
In reviewing the cash receipts, cash disbursements and the bank reconciliations, it was noted that cash was not being reconciled timely in QuickBooks during the 2007 year. Because of this, there were deposits that were not entered into QuickBooks or sometimes they were entered in duplicate. Along with this, cash receipts were not always coded to the correct income account. We recommend that extreme care be followed in making sure that receipts be entered into QuickBooks monthly and coded according to the deposit slips. We also recommend that the bank accounts be reconciled monthly in QuickBooks and that the QuickBooks bank reconciliations be sent to the finance committee so that they are able to follow up if there is a problem.

Grants

In reviewing the grants for the year, it was noted that a grant was recorded on the books that was an intention to give. We recommend that someone should be reviewing the grant documentation to determine if it should be recorded or not keeping in mind that only grants that are legally enforceable should be recorded, that intentions should not be recorded. This is especially important in the coming year with the building campaign in progress.

Page Three

This communication is intended solely for the information and use of the board of directors, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Christen Souers".

Christen•Souers LLC
Fort Wayne, IN

October 8, 2008