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May 27, 2009

Board of Directors
United Day Care Center
of Delaware County, Inc.
312 S. Vine St.
Muncie, IN 47305

We have reviewed the audit report prepared by Teresa L. Powell, CPA, Independent Public Accountant, 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 United Day Care Center of Delaware County, 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.

STATE BOARD OF ACCOUNTS

UNITED DAY CARE CENTER OF DELAWARE COUNTY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2007

United Day Care Center of Delaware County, Inc.

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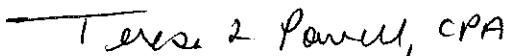
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Day Care Center of Delaware County, Inc.
Muncie, Indiana

I have audited the accompanying statement of financial position of United Day Care Center of Delaware County, Inc. (a nonprofit organization) as of December 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Day Care Center of Delaware County, Inc. as of December 31, 2007, 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.



Teresa L. Powell, CPA

Muncie, Indiana
November 17, 2008

UNITED DAY CARE CENTER OF DELAWARE COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

ASSETS

CURRENT ASSETS

Cash	\$	32,143
Accounts receivable-fees (less allowance for doubtful accounts of \$250)		709
Accounts receivable-grants and other		26,102
Pledges receivable		58,849
Food inventory-at FIFO cost		1,663
Prepaid expenses		2,304

Total Current Assets	\$	121,770
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PROPERTY AND EQUIPMENT

Building and improvements	\$	563,705
Equipment		101,559
		<u>665,264</u>
Less accumulated depreciation		<u>(477,301)</u>

Total Property and Equipment	\$	187,963
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Total Assets	\$	309,733
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	18,182
Line of credit - First Merchants Bank		72,441
Accrued wages		41,312
Accrued payroll taxes		6,285

Total Current Liabilities/Total Liabilities	\$	138,220
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NET ASSETS

Unrestricted	\$	87,085
Temporarily restricted		84,428

Total Net Assets	\$	171,513
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Total Liabilities and Net Assets	\$	309,733
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See accompanying notes to financial statements

UNITED DAY CARE CENTER OF DELAWARE COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Public Support			
Contributions		\$ 22,977	\$ 22,977
Special events	\$ 12,768		12,768
Allocation from United Way of Delaware County, Indiana, Inc.	115,143		115,143
Total Public Support	\$ 127,911	\$ 22,977	\$ 150,888
Revenue			
Fees and grants from governmental agencies:			
CACFP	\$ 56,663		\$ 56,663
CACFP-FDCH	16,176		16,176
CCDF contract	286,512		286,512
CCDF vouchers	131,108		131,108
CPS vouchers	6,214		6,214
Other grants	1,200		1,200
Program service fees	37,645		37,645
Interest income	86	31	117
Miscellaneous income	4,666		4,666
Total Revenue	\$ 540,270	\$ 31	\$ 540,301
Net Assets Released from Restrictions	-	-	-
Total Public Support and Revenue	\$ 668,181	\$ 23,008	\$ 691,189
EXPENSES			
Program Services:			
Childcare	\$ 379,957		\$ 379,957
Supporting Services:			
Management and general	337,788		337,788
Total Expenses	\$ 717,745		\$ 717,745
CHANGE IN NET ASSETS			
Net Assets at Beginning of Year	\$ (49,564)	\$ 23,008	\$ (26,556)
Net Assets at End of Year	136,649	61,420	198,069
	\$ 87,085	\$ 84,428	\$ 171,513

See accompanying notes to financial statements

UNITED DAY CARE CENTER OF DELAWARE COUNTY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from service recipients	\$ 42,428
Cash received from grants	497,873
Cash received from contributors	150,888
Interest received	117
Miscellaneous receipts	4,666
Cash paid to employees and suppliers	(713,730)
Interest paid	(5,552)
Net Cash Used For Operating Activities	<u>\$ (23,310)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>\$ (4,277)</u>
Net Cash Used For Investing Activities	<u>\$ (4,277)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	\$ 93,250
Payments on line of credit	(49,973)
Net Cash Provided By Financing Activities	<u>\$ 43,277</u>
 Net increase (decrease) in cash and cash equivalents	 \$ 15,690
Cash and cash equivalents at beginning of year	16,453
Cash and cash equivalents at end of year	<u><u>\$ 32,143</u></u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED FOR OPERATING ACTIVITIES:	
 CHANGE IN NET ASSETS	 \$ (26,556)
 ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Depreciation	8,160
 Change in assets and liabilities:	
Accounts receivable	(1,989)
Prepaid expenses	409
Accounts payable	(5,581)
Accrued payroll taxes	2,247
Net cash used for operating activities	<u><u>\$ (23,310)</u></u>

See accompanying notes to financial statements

UNITED DAY CARE CENTER OF DELAWARE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United Day Care Center of Delaware County, Inc. was organized as a nonprofit organization for the purpose of providing day care services in the Delaware County, Indiana area.

United Day Care Center of Delaware County, Inc. must maintain national accreditation in order to continue to have a CCDF contract from the State of Indiana. In November 2007, the Center's accreditation expired. The Center was one of the first facilities in the nation to participate in the National Association for the Education of Young Children's totally reconstructed accreditation program. The program was so new that many changes were still being made as the Center tried to meet all of the new standards. The Center spent a great deal of time and money in late 2006 and 2007 making changes as the standards for accreditation were changing. A great deal of overtime pay and additional material and equipment were necessary in order to comply with the changing criteria. These were not typical expenses for the Center since the accreditation process only takes place every five years and the standards and criteria have only changed twice in over twenty years.

Early in 2007, the Center looked at the needs of the community and decided to remodel an exiting preschool classroom into an infant/toddler room. During the remodeling, a preschool room had to be closed. This reduced income to the Center for several weeks until the remodeling was completed and children could again occupy the classroom.

Accreditation was successfully awarded to the Center on January 31, 2008 after the Council reviewed the findings of the site visit conducted on November 14, 2007. The Center opened the infant/toddler room in mid 2007 and the demand for infant/toddler care was tremendous.

Financial Statement Presentation

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, United Day Care Center of Delaware County, Inc. considers all unrestricted demand deposit accounts and cash on hand to be cash equivalents.

UNITED DAY CARE CENTER OF DELAWARE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

Allowance of Doubtful Accounts

Management has estimated the allowance for doubtful accounts to be \$250. The allowance for doubtful accounts relates to the collectability of program service fees.

Property and Equipment

Property and equipment are valued at cost for items purchased and at fair market value at date of gift for items donated. Depreciation is computed on the straight line method over the estimated useful lives of the assets. It is the policy of the Center to capitalize fixed assets over \$500.

Donations

Donations are recorded as income when received and are available for the support of the Center unless restricted by the donor. The Center receives a significant amount of donated services from unpaid volunteers who assist in special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, have not been satisfied.

Income Taxes

The Center has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax exempt organization and is not considered to be a private foundation. Accordingly, no accounting for federal or state income taxes is required in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and administrative functions of the Center have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated to the respective programs and the administrative function to which the expenses relate.

SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

United Day Care Center of Delaware County, Inc. provides care for children in Delaware County, Indiana. Approximately 41% of revenue was generated from the CCDF contract. CCDF vouchers provided approximately 19% of revenue. An additional 10% of revenue was obtained through the Child and Adult Care Food Program (CACFP). Allocations from United Way of Delaware County, Inc. provided approximately 17% of revenue.

Accounts receivable due from CCDF accounted for approximately 61% of the total balance in accounts receivable and the CACFP accounted for approximately 36% of the total accounts receivable.

LINE OF CREDIT

The Center renewed a line of credit with First Merchants Bank, N.A. in 2007, which matures in October, 2008. The available credit extended to the Center is \$75,000 at a variable interest rate of .75% below the

UNITED DAY CARE CENTER OF DELAWARE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007

LINE OF CREDIT (continued)

First Merchants Bank commercial rate, which approximated 10% at December 31, 2007. Interest payments only are due monthly until maturity.

RESTRICTION OF ASSETS

Temporarily restricted net assets consist of cash that has been restricted by the donor to be used for special purposes, unconditional promises to give in the form of United Way allocations, and funds owing to the temporarily restricted fund.

Temporarily restricted net assets are available as follows:

Cash on hand reserved for special purposes	\$25,579
Pledges receivable from United Way of Delaware County, Inc.	<u>58,849</u>
	<u>\$84,428</u>

RETIREMENT PLAN

The Center has a 403(b) plan whereby the employee can contribute and defer taxes on compensation contributed to the plan. For 2007 the Center matched employee contributions up to 3% of the employee's salary. Retirement plan expense for 2007 was \$4,734.