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June 29, 2009

Board of Directors
El Campito, Inc.
1024 W. Thomas St.
South Bend, IN 46601

We have reviewed the audit report prepared by Jurgonski & Fredlake, CPAs, Independent Public Accountants, for the period January 1, 2006 to December 31, 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 El Campito, Inc., as of December 31, 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

EL CAMPITO, INC.
FINANCIAL REPORT
DECEMBER 31, 2006 AND 2005

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
El Campito, Inc.
South Bend, Indiana

We have audited the accompanying statements of financial position of El Campito, Inc. (a not for profit organization) (the Organization) as of December 31, 2006 and 2005, 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 audit. The prior year summarized comparative information has been derived from the Organization's 2005 financial statements and, in our report dated November 2, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 El Campito, Inc. as of December 31, 2006 and 2005, 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. As discussed in Note 4, the statements of activities and functional expenses for the year ended December 31, 2005 show only summarized comparative totals and are presented for comparison only.

As discussed in Note 1 to the financial statements, an error resulting in the understatement of previously reported accounts receivable and public support as of and for the year ended December 31, 2005, was discovered during the current year audit. Accordingly, an adjustment has been made to accounts receivable and public support as of and for the year ended December 31, 2005 to correct the error.

Jurgonski & Fredlake CPAs

South Bend, Indiana
November 1, 2007

EL CAMPITO, INC.

STATEMENTS OF FINANCIAL POSITION
December 31, 2006 and 2005

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash	\$ 36,542	\$ 3,190
Accounts receivable	84,009	79,555
Prepaid insurance	4,696	3,688
Total current assets	125,247	86,433
PROPERTY AND EQUIPMENT, NET	384,165	401,176
Total assets	\$ 509,412	\$ 487,609
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 19,844	\$ 15,484
Lines of credit	25,771	37,176
Total current liabilities	45,615	52,660
NET ASSETS		
Unrestricted net assets		
El Campito - Learning Center	46,552	18,277
Building	369,328	386,339
Parent Center	58,722	56,154
Mi Escuelita	(82,836)	(85,822)
Total unrestricted net assets	391,766	374,948
Temporarily restricted net assets	72,030	60,000
Total net assets	463,796	434,948
Total liabilities and net assets	\$ 509,412	\$ 487,609

See Notes to Financial Statements.

EL CAMPITO, INC.

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006
(with Summarized Comparative Totals for the Year Ended December 31, 2005)

2006

	Learning Center Unrestricted	Learning Center Temporarily Restricted	Building	Parent Center	Mi Escuelita	Total	2005 Total
PUBLIC SUPPORT AND REVENUE							
PUBLIC SUPPORT:							
Community Coordinated Child Care	\$ 15,868	\$	\$	36	\$	\$ 15,904	\$ 17,675
Family and Social Services Administration	53,535					53,535	54,184
Division of School Food and Nutrition	35,409					35,409	35,505
United Way	15,474	55,990		31,433	8,500	111,397	148,468
Welfare-Family Support							
Payments to States	129,376					129,376	70,264
Contributions	6,149					6,149	395,848
Real Services - CSBG				25,381		25,381	17,676
South Bend Community School Corporation	1,170					1,170	3,187
Other grants	63,415	16,040				79,455	26,167
Total public support	320,396	72,030		56,850	8,500	457,776	768,974
REVENUE:							
Program service fees	50,388				3,411	53,799	60,535
Other income	5,061					5,061	8,830
Total revenue	55,449				3,411	58,860	69,365
Total support and revenue	375,845	72,030		56,850	11,911	516,636	838,339
Released from restriction	60,000	(60,000)					
Total released from restriction	60,000	(60,000)					
EXPENSES							
Change in net assets	407,570		17,011	54,282	8,925	487,788	418,171
	28,275	12,030	(17,011)	2,568	2,986	28,848	420,168
Net assets, beginning of year	18,277	60,000	386,339	56,154	(85,822)	434,948	14,780
Net assets, end of year	\$ 46,552	\$ 72,030	\$ 369,328	\$ 58,722	\$ (82,836)	\$ 463,796	\$ 434,948

EL CAMPITO, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2006

(with Summarized Comparative Totals for the Year Ended December 31, 2005)

Schedule I

	Learning Center		Parent Center			Mi. Escuelita		2006 Total	2005 Total
	Adminis- tration	Preschool Care	Infant and Toddler Care	Building	Adminis- tration	Parents as Teachers	Adminis- tration		
Salaries and wages	\$ 51,749	\$ 163,871	\$ 71,873	\$ 6,412	\$ 35,986	\$ 2,538	\$ 3,245	\$ 287,235	
Health insurance	323	2,258	645	491	2,846	171	362	2,878	
Payroll taxes	2,446	17,121	4,892	625	2,846	171	362	25,831	
Food	2,220	15,537	4,439		189		9	23,455	
Supplies	440	3,081	880		63		18	1,393	
Professional fees	11,302			946		293		13,659	
Office supplies and postage	3,258			325	1,480	7		2,085	
Utilities	1,254		2,507		867			14,902	
Maintenance	1,113		2,225		813		474	14,850	
Telephone	3,604				350		138	3,253	
Field trip expense	7		14					578	
Rent		48			8			840	
Transportation		584			1,655			1,720	
Insurance	1,186	8,303	2,372		91		619	8,484	
Interest expense	482	3,372	963					3,140	
Security	63	440	126		72		59	348	
Seminars		386			185			550	
Teaching materials	230	1,608	459		1,558		125	6,557	
Miscellaneous	278	1,943	555		227			3,155	
Outside printing		553						525	
Total expenses before depreciation	79,952	235,667	91,951	8,799	45,483	3,009	5,916	415,438	
Depreciation of property and equipment								2,733	
Total expenses	\$ 79,952	\$ 235,667	\$ 91,951	\$ 8,799	\$ 45,483	\$ 3,009	\$ 5,916	\$ 418,171	

EL CAMPITO, INC.

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 28,848	\$ 420,168
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY IN OPERATING ACTIVITIES:		
Depreciation	17,011	2,733
CHANGE IN ASSETS INCREASE:		
Accounts receivable and prepaid insurance	(5,461)	(47,545)
CHANGE IN LIABILITIES INCREASE (DECREASE):		
Accounts payable and accrued expenses	4,360	(4,788)
Total adjustments	15,910	(49,600)
Net cash provided by in operating activities	44,758	370,568
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of productive assets		(389,630)
Net cash used in investing activities		(389,630)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in lines of credit	(11,406)	22,176
Net cash (used in) provided by financing activities	(11,406)	22,176
Net increase in cash	33,352	3,114
Cash, beginning of year	3,190	76
Cash, end of year	\$ 36,542	\$ 3,190
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 4,817	\$ 3,140

See Notes to Financial Statements.

EL CAMPITO, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities:

The purpose of El Campito, Inc., (the Organization) is to promote the educational, social and economic success of culturally diverse children and their families by providing quality programs and services to those most in need. To achieve this purpose the Organization operates a pre-school program and day care center for children of low-income families. In addition, the Organization provides a program to help single parents organize their families' lives and achieve self-sufficiency.

Their services are funded through contributions, federal governmental grants and program fees.

Significant Accounting Policies:

Property and Equipment – Property and equipment received as a donation are recorded and reflected in the accompanying financial statements at their fair market value as of the date they were received. These donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Purchased property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred while major renewals and betterments are capitalized. When property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. Depreciation is computed using accelerated and straight line methods over the estimated useful lives of the assets.

Income Tax Status - The Organization is a not for profit entity, exempt from federal and state income taxes, pursuant to Section 501(c)(3) of the Internal Revenue Code and a similar section of the Indiana State Law.

Contributions - Contributions received are considered to be available for unrestricted use, unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. 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 as net assets released from restrictions.

EL CAMPITO, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Contributed Service - A number of unpaid volunteers have made significant contributions of their time to the Organization. The value of contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the requirements for recognition under Statement of Financial Accounting Standards No. 116.

Accounts Receivable - The Organization considers all outstanding balances as of December 31, 2006 and 2005 to be fully collectible. Management closely monitors outstanding balances and writes off, as of year end, all uncollectible balances. No allowance for uncollectible accounts receivable has been recorded.

Basis of Accounting - Revenue and expenses are recorded on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation - Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not for Profit Organizations. Under SFAS No. 117, the Organization 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.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the Learning Center, Parent Center and Mi Escuelita.

Restatement of Financial Statements - As of December 31, 2005 accounts receivable and revenue were increased by \$55,200 to reflect the recording of the United Way of St. Joseph County accounts receivable. The 2006 net assets were increased to reflect the 2005 recording of revenue.

Note 2. Property and Equipment

The composition of property and equipment as of December 31, is as follows:

	<u>2006</u>	<u>2005</u>
Land	\$ 150,000	\$ 150,000
Building	250,000	250,000
Equipment	<u>44,161</u>	<u>44,161</u>
	444,161	444,161
Less accumulated depreciation	<u>(59,996)</u>	<u>(42,985)</u>
	<u>\$ 384,165</u>	<u>\$ 401,176</u>

EL CAMPITO, INC.

NOTES TO FINANCIAL STATEMENTS

Note 3. Support from Major Funding Sources

The Organization receives a substantial amount of its support from federal, state and local agencies. A significant reduction in the level of support, if this were to occur, may have a significant effect on the Organization's programs and activities.

Note 4. 2005 Condensed Financial Information

The amounts shown for 2005 in the accompanying Statements of Activities and Functional Expenses are included to provide a basis for comparison with 2006 and present summarized totals only. Accordingly, the 2005 amounts are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

Note 5. Fundraising

The Organization received total support from fundraising events totaling \$1,542 and \$208 for the years ended December 31, 2006 and 2005, which is included in other income on the statement of activities. There were no fundraising expenses for the years ended December 31, 2006 and 2005.

Note 6. Lease

The Organization leased a copier for the office. The term of the lease was for thirty six months commencing on April 20, 2005 at \$107 per month. Lease expense for this copier is \$1,284 and \$1,288 for the years ended 2006 and 2005, respectively.

Note 7. Restrictions on Assets

Temporarily restricted net assets at December 31, 2006 represent the following:

Community Foundation - Scholarships	\$ 16,040
United Way	<u>55,990</u>
	<u>\$ 72,030</u>

Note 8. Lines of Credit

At December 31, 2006, the Organization had a line of credit of \$35,000 of which \$25,771 was utilized. The Organization had an overdraft line of credit of \$5,000 of which was not utilized at December 31, 2006. The line bears interest at a rate of 11.75% or 3% above prime at December 31, 2006. The overdraft line has a fixed interest rate of 12.8%.