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January 13, 2011

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, 2008 to December 31, 2008. 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, 2008, 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, 2008

United Day Care Center of Delaware County, Inc.

Contents

	<u>Page Number</u>
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 7

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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, 2008, 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, 2008, 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
Teresa L. Powell, CPA

Muncie, Indiana
December 28, 2009

UNITED DAY CARE CENTER OF DELAWARE COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008
ASSETS

CURRENT ASSETS

Cash	\$	85,449
Accounts receivable-grants and other		24,926
Pledges receivable		54,293
Prepaid expenses		2,359
		167,027
Total Current Assets	\$	167,027

PROPERTY AND EQUIPMENT

Building and improvements	\$	572,760
Equipment		101,559
		674,319
Less accumulated depreciation		(485,801)
		188,518
Total Property and Equipment	\$	188,518

Total Assets

\$ 355,545

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	1,861
Current portion mortgage payable		4,200
Accrued wages		41,312
Accrued payroll taxes		8,980
		56,353
Total Current Liabilities	\$	56,353

LONG TERM LIABILITIES

Mortgage payable, net of current portion	\$	93,968
		93,968
Total Long Term Liabilities	\$	93,968

Total Liabilities

\$ 150,321

NET ASSETS

Unrestricted	\$	150,931
Temporarily restricted		54,293
		205,224
Total Net Assets	\$	205,224

Total Liabilities and Net Assets

\$ 355,545

See accompanying notes to financial statements

UNITED DAY CARE CENTER OF DELAWARE COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Public Support			
Contributions		\$ 18,500	\$ 18,500
Special events	\$ 878		878
Allocation from United Way of Delaware County, Indiana, Inc.	107,504		107,504
Total Public Support	\$ 108,382	\$ 18,500	\$ 126,882
Revenue			
Fees and grants from governmental agencies:			
CACFP	\$ 72,651		\$ 72,651
CCDF contract	201,951		201,951
CCDF vouchers	250,695		250,695
CPS vouchers	5,350		5,350
Other grants	6,495		6,495
Program service fees	56,474		56,474
Interest income	49	34	83
Miscellaneous income	1,303		1,303
Total Revenue	\$ 594,968	\$ 34	\$ 595,002
Net Assets Released from Restrictions	48,669	(48,669)	-
Total Public Support and Revenue	\$ 752,019	\$ (30,135)	\$ 721,884
EXPENSES			
Program Services:			
Childcare	\$ 371,614		\$ 371,614
Supporting Services:			
Management and general	316,559		316,559
Total Expenses	\$ 688,173	\$ -	\$ 688,173
CHANGE IN NET ASSETS	\$ 63,846	\$ (30,135)	\$ 33,711
Net Assets at Beginning of Year	87,085	84,428	171,513
Net Assets at End of Year	\$ 150,931	\$ 54,293	\$ 205,224

See accompanying notes to financial statements

UNITED DAY CARE CENTER OF DELAWARE COUNTY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from service recipients	\$ 56,474
Cash received from grants	529,330
Cash received from contributors	126,882
Interest received	83
Miscellaneous receipts	1,303
Cash paid to employees and suppliers	(672,383)
Interest paid	(6,887)
Net Cash Provided By Operating Activities	<u>\$ 34,802</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	\$ (9,055)
Net Cash Used For Investing Activities	<u>\$ (9,055)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from mortgage	\$ 100,000
Payments on line of credit	(72,441)
Net Cash Provided By Financing Activities	<u>\$ 27,559</u>

Net increase (decrease) in cash and cash equivalents	\$ 53,306
Cash and cash equivalents at beginning of year	32,143
Cash and cash equivalents at end of year	<u>\$ 85,449</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

CHANGE IN NET ASSETS	\$ 33,711
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ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Depreciation	8,500
Change in assets and liabilities:	
Accounts receivable	6,441
Prepaid expenses	(55)
Accounts payable	(16,490)
Accrued payroll taxes	2,695
Net cash provided by operating activities	<u>\$ 34,802</u>

See accompanying notes to financial statements

UNITED DAY CARE CENTER OF DELAWARE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008

Allowance of Doubtful Accounts

At December 31, 2008 all accounts receivable are deemed collectible.

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 28% of revenue was generated from the CCDF contract. CCDF vouchers provided approximately 35% 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 15% of revenue.

Accounts receivable due from CCDF accounted for approximately 77% of the total balance in accounts receivable and the CACFP accounted for approximately 23% of the total accounts receivable.

MORTGAGE PAYABLE

The Center took out a mortgage with Star Financial Bank in June, 2008 for the amount of \$100,000. The mortgage is payable in monthly installments of \$877.25, including interest at a fixed rate of 6.5% per annum. A balloon payment in the amount of \$77,807.16 is due June 15, 2013 to pay off the mortgage.

UNITED DAY CARE CENTER OF DELAWARE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

MORTGAGE PAYABLE (continued)

Future minimum payments are as follows:

2009	\$ 4,200
2010	\$ 4,800
2011	\$ 5,100
2012	\$ 6,268
2013	\$77,800

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:

Pledges receivable from United Way of Delaware County, Inc.	<u>\$54,293</u>
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RETIREMENT PLAN

The Center has a 403(b) plan whereby the employee can contribute and defer taxes on compensation contributed to the plan. For 2008 the Center matched employee contributions up to 2% of the employee's salary. Retirement plan expense for 2008 was \$6,202.