



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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October 29, 2014

Board of Directors
Gingerbread House, Inc.
2820 Reed Street
Fort Wayne, IN 46806

We have reviewed the audit report prepared by Christen Souers LLC, for the period January 1, 2011 to December 31, 2011. 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 Gingerbread House, Inc., as of December 31, 2011, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

GINGERBREAD HOUSE, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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.

Christen Souers

Fort Wayne, IN
August 7, 2012

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PLANNING

FINANCIAL
SERVICES

BUSINESS
VALUATION

GINGERBREAD HOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

ASSETS		<u>2011</u>	<u>2010</u>
CURRENT ASSETS			
Cash		\$ 93,825	\$ 108,962
Child care food program receivable		3,525	2,875
Child care fees receivable		3,950	5,840
C.A.N.I. child care program receivable		16,796	19,003
Accounts receivable - related party			9,006
Unconditional promises to give		<u>45,000</u>	<u>45,000</u>
Total Current Assets		<u>163,096</u>	<u>190,686</u>
PROPERTY AND EQUIPMENT			
Property and equipment		422,137	414,973
Less: Accumulated depreciation		<u>180,467</u>	<u>166,987</u>
Net Property and Equipment		<u>241,670</u>	<u>247,986</u>
OTHER ASSETS			
Restricted cash		<u>2,295</u>	<u>2,295</u>
Total Other Assets		<u>2,295</u>	<u>2,295</u>
TOTAL ASSETS		<u>\$407,061</u>	<u>\$440,967</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Mortgage payable - current maturities		\$ 7,492	\$ 6,961
Accounts payable		1,180	5,508
Accrued expenses		<u>9,597</u>	<u>6,644</u>
Total Current Liabilities		18,269	19,113
MORTGAGE PAYABLE - LESS CURRENT MATURITIES		<u>30,926</u>	<u>38,317</u>
Total Liabilities		<u>49,195</u>	<u>57,430</u>
NET ASSETS			
Unrestricted			
General		107,319	133,139
Property and equipment		<u>203,252</u>	<u>202,708</u>
Total Unrestricted Net Assets		310,571	335,847
Temporarily restricted		47,295	47,690
Permanently restricted		<u>0</u>	<u>0</u>
Total Net Assets		<u>357,866</u>	<u>383,537</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$407,061</u>	<u>\$440,967</u>

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2011

	General Unrestricted	Property and Equipment	Total Unrestricted	Temporarily Restricted	Total All Funds
REVENUES AND OTHER SUPPORT					
Child care food program	\$ 42,631	\$	\$ 42,631	\$	\$ 42,631
C.A.N.I. child care program	262,279		262,279		262,279
Grants				45,000	45,000
United Way	12,895		12,895		12,895
Child care fees	52,123		52,123		52,123
Contributions	2,242		2,242		2,242
Miscellaneous income	1,300		1,300		1,300
Investment income	347		347		347
	373,817		373,817	45,000	418,817
Mortgage loan payments	(10,096)	10,096			
Property and equipment purchased	(7,164)	7,164			
Net assets released from restrictions	45,395		45,395	(45,395)	
Total Revenues & Other Support	401,952	17,260	419,212	(395)	418,817
EXPENSES					
PROGRAM SERVICES					
Child care program	280,534	15,545	296,079		296,079
Child care food program	49,853		49,853		49,853
Total Program Services	330,387	15,545	345,932	0	345,932
SUPPORTING SERVICES					
Management and general	96,547	1,171	97,718		97,718
Fundraising	838		838		838
Total Expenses	427,772	16,716	444,488	0	444,488
CHANGE IN NET ASSETS	(25,820)	544	(25,276)	(395)	(25,671)
NET ASSETS - BEGINNING OF YEAR	133,139	202,708	335,847	47,690	383,537
NET ASSETS - END OF YEAR	107,319	203,252	310,571	47,295	357,866

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2010

	General Unrestricted	Property and Equipment	Total Unrestricted	Temporarily Restricted	Total All Funds
REVENUES AND OTHER SUPPORT					
Child care food program	\$ 39,990	\$	\$ 39,990	\$	\$ 39,990
C.A.N.I. child care program	272,259		272,259		272,259
Grants	13,800		13,800	45,395	59,195
United Way	24,152		24,152		24,152
Child care fees	28,580		28,580		28,580
Contributions	2,627		2,627		2,627
Miscellaneous	2,246		2,246		2,246
Investment income	302		302		302
	383,956		383,956	45,395	429,351
Mortgage loan payments	(10,096)	10,096			
Property and equipment purchased	(9,555)	9,555			
Net assets released from restrictions	40,000		40,000	(40,000)	
Total Revenues & Other Support	404,305	19,651	423,956	5,395	429,351
EXPENSES					
PROGRAM SERVICES					
Child care program	229,079	15,059	244,138		244,138
Child care food program	43,669		43,669		43,669
Total Program Services	272,748	15,059	287,807	0	287,807
SUPPORTING SERVICES					
Management and general	86,702	1,673	88,375		88,375
Fundraising	2,515		2,515		2,515
Total Expenses	361,965	16,732	378,697	0	378,697
CHANGE IN NET ASSETS	42,340	2,919	45,259	5,395	50,654
NET ASSETS - BEGINNING OF YEAR	90,799	199,789	290,588	42,295	332,883
NET ASSETS - END OF YEAR - RESTATED	\$ 133,139	\$ 202,708	\$ 335,847	\$ 47,690	\$ 383,537

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2011

	Child Care	Food	Total Program	Management & General	Fundraising	Total Expenses
	\$	\$	\$	\$	\$	\$
Advertising				4,204		4,204
Bad debt expense	2,570		2,570	9,006		11,576
Bank charges				554		554
Computer technology				3,005		3,005
Contributions				740		740
Depreciation	12,536		12,536	944		13,480
Employee benefits and relations	11,102		11,102	7,340	90	18,532
Equipment rental				1,953		1,953
Food expense		29,336	29,336			29,336
Insurance	3,774		3,774	284		4,058
Interest	3,009		3,009	227		3,236
Office expense				2,694		2,694
Professional fees-audit				5,400		5,400
Professional fees-accounting				2,280		2,280
Professional fees - legal expenses				2,295		2,295
Payroll processing fees				2,506		2,506
Postage expense				459		459
Program expenses	7,834		7,834			7,834
Rent	21,700		21,700	1,633		23,333
Repairs and maintenance	20,782		20,782	1,564		22,346
Salary and wages	178,770	14,886	193,656	36,469	686	230,811
Security expense	857		857	64		921
Supplies expense	333	2,857	3,190	4,937		8,127
Taxes-payroll	18,555	2,435	20,990	4,897	62	25,949
Taxes-property	340		340	26		366
Telephone expense	3,321		3,321	250		3,571
Workshops and meetings	1,825		1,825	1,020		2,845
Utilities	7,242		7,242	546		7,788
Other expenses	1,529	339	1,868	2,421		4,289
TOTAL EXPENSES	\$ 296,079	\$ 49,853	\$ 345,932	\$ 97,718	\$ 838	\$ 444,488

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2010

	Child Care	Food	Total Program	Management & General	Fundraising	Total Expenses
	\$	\$	\$	\$	\$	\$
Advertising	3,383		3,383	2,170		2,170
Bad debt expense						3,383
Bank charges				488		488
Contributions				144		144
Depreciation	11,790		11,790	1,310		13,100
Employee benefits and relations	10,350		10,350	9,892	85	20,327
Equipment rental				1,740		1,740
Food expense		26,158	26,158			26,158
Insurance	3,461		3,461	385		3,846
Interest	3,269		3,269	363		3,632
Office expense				1,425		1,425
Professional fees-audit				5,300		5,300
Professional fees-accounting				3,150		3,150
Professional fees-consulting				13,260		13,260
Professional fees - legal expenses				2,890		2,890
Payroll processing fees				2,349		2,349
Postage expense				657		657
Program expenses	5,520		5,520			5,520
Repairs and maintenance	17,305	437	17,742	1,971		19,713
Salary and wages	156,394	13,035	169,429	25,201	666	195,296
Security expense	338		338	38		376
Supplies expense	168	2,018	2,186	9,775		11,961
Taxes-payroll	15,003	1,996	16,999	2,327	51	19,377
Taxes-property	430		430	48		478
Telephone expense	3,190		3,190	354		3,544
Workshops and meetings	183		183	892		1,075
Utilities	10,816		10,816	1,202		12,018
Other expenses	2,538	25	2,563	1,044	1,713	5,320
TOTAL EXPENSES	\$ 244,138	\$ 43,669	\$ 287,807	\$ 88,375	\$ 2,515	\$ 378,697

See Notes to Financial Statements.

GINGERBREAD HOUSE, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, grants and parents	\$ 418,047	\$ 406,731
Investment income received	347	302
Miscellaneous income	1,300	2,246
Cash paid to suppliers and employees	(417,571)	(355,536)
Interest paid	(3,236)	(3,632)
Net Cash Provided by (Used in) Operating Activities	(1,113)	50,111
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,164)	(9,555)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of long-term debt	(6,860)	(6,464)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,137)	34,092
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	108,962	74,870
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 93,825	\$ 108,962
 CHANGE IN NET ASSETS	\$ (25,671)	\$ 50,654
 ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation	13,480	13,100
(Increase) Decrease in Current Assets:		
Receivables	12,453	(16,689)
Increase (Decrease) in Current Liabilities:		
Accounts payable	(4,328)	1,783
Accrued expenses	2,953	1,263
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (1,113)	\$ 50,111

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 are subject to taxation as unrelated business income. In addition, the Organization has been classified as a publicly supported organization.

The Organization files income tax returns in the U.S. federal and state jurisdictions. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before December 31, 2007.

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 \$13,480 in 2011 and \$13,100 in 2010.

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 been 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 2010 financial statements have been restated to include \$19,003 of income from C.A.N.I. that was earned in 2010 but received in 2011. This increased the receivable on the statement of financial position at December 31, 2010 by \$19,003. It increased the net revenue and the ending net unrestricted net assets by \$19,003 on the statement of activities for the year ended December 31, 2010.

Subsequent events - Management has evaluated subsequent events through August 7, 2012, the date the financial statements were available to be issued.

NOTE B--LONG-TERM RESTRICTED CASH

Long-term restricted cash is represented as follows at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Playground equipment	<u>\$2,295</u>	<u>\$2,295</u>

GINGERBREAD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE C--ACCOUNTS RECEIVABLE-RELATED PARTY

This Organization's treasurer is also another Organization's treasurer. This Organization paid bills on the other Organization's behalf in prior years. The balance owed this Organization as of December 31, 2010 was \$9,006. This amount was written off at the end of 2011 due to the receivable being uncollectible.

NOTE D--PROMISES TO GIVE

As of December 31, 2011, the Organization had \$45,000 of unconditional promises to give for operating funds due in 2012. As of December 31, 2010, the Organization had \$45,000 of unconditional promises to give for operating funds due in 2011.

As of December 31, 2010, the Organization had total conditional promises to give for the building project of \$139,000, contingent on the Organization receiving commitments from others for this project. At the end of December 31, 2011, the Organization no longer had these commitments.

NOTE E--PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 22,737	\$ 22,737
Land improvements	21,018	21,018
Building and improvements	262,145	262,145
Construction in progress	33,036	33,036
Equipment	62,188	55,024
Transportation equipment	<u>21,013</u>	<u>21,013</u>
	422,137	414,973
Accumulated depreciation	<u>180,467</u>	<u>166,987</u>
	<u>\$241,670</u>	<u>\$247,986</u>

GINGERBREAD HOUSE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F--MORTGAGE PAYABLE

The Organization has a mortgage loan outstanding at Salin Bank. Payments of \$841, including interest at 7.44%, are due monthly with the final payment due June 2016 and it is secured by the building. The balance outstanding at December 31, 2011 and 2010 was \$38,418 and \$45,278, respectively. The current portion of this mortgage at December 31, 2011 and 2010 was \$7,492 and \$6,961, respectively.

The maturities of the mortgage payable at December 31, 2011 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2012	\$ 7,492
2013	8,069
2014	8,691
2015	9,360
2016	<u>4,806</u>
	<u>\$38,418</u>

NOTE G--RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Playground equipment grant	\$ 2,295	\$ 2,295
Early childhood development grant	0	395
Operating	<u>45,000</u>	<u>45,000</u>
	<u>\$47,295</u>	<u>\$47,690</u>

NOTE H--ADVERTISING

The Organization expenses advertising as it occurs. The amount expensed in 2011 and 2010 was \$4,204 and \$2,170, respectively.

NOTE I--CURRENT ECONOMIC CONDITIONS

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which could result in changes in contributions, grants and government reimbursements. The financial statements have been prepared using values and information currently available to the Organization.

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

NOTE J--LEASES

The Organization began leasing a copier in 2007 under a non-cancelable operating lease that expires October 2012. During 2011, this copier was traded in and a new lease was negotiated. This new non-cancelable operating lease begins December 2011 for sixty three months (63) and calls for monthly base payments of \$280. The rent expense for 2011 and 2010 under these leases were \$1,953 and \$1,740, respectively.

The following is a schedule of minimum rental payments required under the above operating lease as of December 31, 2011:

<u>Year Ending December 31</u>	<u>Amount</u>
2012	\$ 3,365
2013	3,365
2014	3,365
2015	3,365
2016	3,365
2017	<u>561</u>
	<u>\$17,386</u>

In 2011, the Organization also started renting a building for its child care operations under an annual lease agreement which calls for \$40,000 to cover utilities. Quarterly utilities will be reviewed and adjustments will be made for actual usage. The rental paid in 2011 under this agreement was \$23,333.

NOTE K--CONCENTRATION OF GRANTS

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

	<u>2011</u>	<u>2010</u>
C.A.N.I.	63%	63%
Foellinger Foundation	11%	14%
Indiana Department of Education	10%	9%

These grantors owed the Organization the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
C.A.N.I.	\$16,796	\$19,003
Foellinger Foundation	45,000	45,000
Indiana Department of Education	3,525	2,875