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April 2, 2018

Board of Directors
Woodland Child Development Center, Inc.
3027 J.F. Mahoney Drive
Hammond, IN 46323

We have reviewed the report prepared by Woodland Child Development Center, Inc. and opined upon by McMahon & Associates, CPAs, PC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Woodland Child Development Center, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, McMahon & Associates, CPAs, PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

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

WOODLAND CHILD DEVELOPMENT
CENTER, INC.

AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2015)

WOODLAND CHILD DEVELOPMENT CENTER, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	PAGES 3 - 4
STATEMENT OF FINANCIAL POSITION	PAGE 5
STATEMENT OF ACTIVITIES	PAGE 6
STATEMENT OF FUNCTIONAL EXPENSES	PAGE 7
STATEMENT OF CASH FLOWS	PAGE 8
NOTES TO THE FINANCIAL STATEMENTS	PAGES 9 - 13

INDEPENDENT AUDITORS' REPORT

Board of Directors
Woodland Child Development Center, Inc.
Hammond, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Woodland Child Development Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woodland Child Development Center, Inc., as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Woodland Child Development Center, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



McMahon & Associates Certified Public Accountants, P.C.
Munster, Indiana

July 18, 2017

WOODLAND CHILD DEVELOPMENT CENTER, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(With comparative totals for December 31, 2015)

ASSETS

	<u>2016</u>	<u>2015</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 96,732	\$ 39,384
Child care fees receivable (net of allowance of \$7,174 in 2016 and \$6,041 in 2015)	136,315	114,783
Total current assets	<u>233,047</u>	<u>154,167</u>
<u>FIXED ASSETS (NET)</u>	1,293,550	1,295,393
<u>CONSTRUCTION IN PROGRESS</u>	<u>6,732</u>	<u>0</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,533,329</u>	<u>\$ 1,449,560</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Current portion of long-term debt	\$ 43,056	\$ 41,244
Accounts payable	44,506	52,995
Payroll liabilities	52,896	40,182
Accrued compensated absences	11,697	11,770
Total current liabilities	<u>152,155</u>	<u>146,191</u>
<u>LONG TERM DEBT</u>	<u>286,877</u>	<u>329,934</u>
<u>TOTAL LIABILITIES</u>	<u>439,032</u>	<u>476,125</u>
<u>NET ASSETS:</u>		
Unrestricted net assets	1,054,286	947,377
Temporarily restricted net assets	40,011	26,058
Total net assets	<u>1,094,297</u>	<u>973,435</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,533,329</u>	<u>\$ 1,449,560</u>

WOODLAND CHILD DEVELOPMENT CENTER, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With comparative totals for the year ended December 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
<u>REVENUE AND SUPPORT:</u>				
<u>PUBLIC SUPPORT:</u>				
Contributions	\$ 14,891	\$ 37,000	\$ 51,891	\$ 32,703
Grants	0	647,561	647,561	263,095
Child care food program grant	169,223	0	169,223	146,435
Special events	14,538	0	14,538	9,296
Total public support	<u>198,652</u>	<u>684,561</u>	<u>883,213</u>	<u>451,529</u>
<u>REVENUE:</u>				
Program service fees	1,364,945	0	1,364,945	1,272,270
Miscellaneous	2,986	0	2,986	442
Assets released from restrictions	670,608	(670,608)	0	0
Total revenue	<u>2,038,539</u>	<u>(670,608)</u>	<u>1,367,931</u>	<u>1,272,712</u>
Revenue and support	<u>2,237,191</u>	<u>13,953</u>	<u>2,251,144</u>	<u>1,724,241</u>
<u>EXPENSES:</u>				
Program expenses	1,895,485	0	1,895,485	1,555,341
Management and general expenses	216,465	0	216,465	165,135
Special events	13,322	0	13,322	4,510
Bad debt expense	5,009	0	5,009	13,450
Total expenses	<u>2,130,281</u>	<u>0</u>	<u>2,130,281</u>	<u>1,738,436</u>
INCREASE (DECREASE) IN NET ASSETS	106,910	13,953	120,863	(14,195)
NET ASSETS - BEGINNING OF YEAR	<u>947,376</u>	<u>26,058</u>	<u>973,434</u>	<u>987,629</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 1,054,286</u>	<u>\$ 40,011</u>	<u>\$ 1,094,297</u>	<u>\$ 973,434</u>

WOODLAND CHILD DEVELOPMENT CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016
(With comparative totals for the year ended December 31, 2015)

	<u>Program Services</u>		<u>Total 2016</u>	<u>Total 2015</u>
	<u>Child Care</u>	<u>Mgmt and Genl Expenses</u>		
Salaries and Related Expenses				
Salaries	\$ 1,084,534	\$ 147,891	\$ 1,232,425	\$ 1,008,054
Employee benefits	36,548	4,984	41,532	5,852
Payroll taxes	83,017	11,320	94,337	79,407
	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	1,204,099	164,195	1,368,294	1,093,313
Advertising	0	0	0	911
Conferences and training	3,056	417	3,473	2,934
Contracted services	11,563	1,577	13,140	26,030
Equipment expenses	11,663	1,014	12,677	12,804
Interest expense	13,970	1,215	15,185	16,921
Local transportation	707	2,121	2,828	2,688
Miscellaneous	952	10,946	11,898	8,994
Occupancy	131,799	11,461	143,260	155,927
Penalties	0	0	0	25
Postage	172	516	688	129
Special assistance to individuals	195,391	0	195,391	107,652
Supplies for classroom and office	46,550	6,348	52,898	31,556
Supplies food	214,408	0	214,408	201,448
Telephone	2,844	2,843	5,687	4,914
Workmans comp insurance	6,786	6,786	13,572	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	1,843,960	209,439	2,053,399	1,666,246
Depreciation and amortization	51,525	7,026	58,551	54,230
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 1,895,485	\$ 216,465	\$ 2,111,950	\$ 1,720,476
	<hr/>	<hr/>	<hr/>	<hr/>

WOODLAND CHILD DEVELOPMENT CENTER, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(With comparative totals for the year ended December 31, 2015)

	2016	2015
<u>OPERATING ACTIVITIES:</u>		
Contributions	\$ 51,891	\$ 32,703
Program service fees	1,343,413	1,250,149
Grants	647,561	263,095
Child care food program grant	169,223	146,435
Special events	14,538	9,296
Miscellaneous income	2,986	442
Interest expense	(15,185)	(16,921)
Cash paid for expenses	(2,052,393)	(1,648,352)
Net cash provided by operating activities	<u>162,034</u>	<u>36,847</u>
<u>INVESTING ACTIVITIES:</u>		
Purchase of fixed assets	(56,709)	(11,187)
Construction in progress	(6,732)	0
Net cash used by investing activities	<u>(63,441)</u>	<u>(11,187)</u>
<u>FINANCING ACTIVITIES</u> - Mortgage payments	<u>(41,245)</u>	<u>(39,506)</u>
NET INCREASE (DECREASE) IN CASH	57,348	(13,846)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>39,384</u>	<u>53,230</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 96,732</u>	<u>\$ 39,384</u>
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
<u>OPERATING ACTIVITIES:</u>		
Change in net assets	\$ 120,863	\$ (14,195)
Add non-cash items		
Depreciation	58,551	54,230
Loss on disposal of assets	0	159
Allowance for doubtful accounts	1,133	0
Decrease (increase) in assets:		
Child care fees receivable	(22,665)	(22,121)
Increase (decrease) in liabilities:		
Accounts payable	(8,489)	19,568
Accrued payroll and deductions	12,714	6,080
Accrued compensated absences	(73)	(6,874)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>\$ 162,034</u>	<u>\$ 36,847</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:</u>		
Non-cash investing and financing activities - tax sale on property:		
Land	\$ 0	\$ (120,205)
Property tax accrual	\$ 0	\$ 120,205

WOODLAND CHILD DEVELOPMENT CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Woodland Child Development Center, Inc. is a non-profit agency in Northwest Indiana that provides quality childcare and early learning programs for families with infants through twelve years of age. The program is accredited by the National Association for the Education of Young Children.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting, which is used for both income tax and financial reporting purposes.

Financial Statement Presentation - The Organization has adopted Financial Accounting Standards Board's Accounting Standards Codification (ASC) 958-205, which provided guidance to reporting on not-for-profit organizations. Under ASC 958-205, 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. Contributions whose restrictions are met in the same period as the recognition of the contribution are considered unrestricted for reporting purposes. There were no permanently restricted net assets at December 31, 2016. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Use of Estimates in Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates of revenues and expenses during the reporting period.

Cash and Cash Equivalents - Cash and cash equivalents as presented on the accompanying statement of financial position and statement of cash flows includes cash on hand and deposits in interest bearing and non-interest bearing accounts in financial institutions. Cash equivalents consist of highly liquid accounts with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as short-term investments and stated at cost, which approximates market value.

Fixed Assets - The Organization capitalizes expenses over \$1,000 with an expected useful life of more than one year, as determined by management. The fair market value of donated fixed assets is also capitalized. Depreciation expense is computed using straight-line methods over the estimated useful life of the assets. When fixed assets are retired or otherwise disposed of, the cost of related accumulated depreciation is removed from the accounts and any gain or loss resulting from the transactions is recognized as income for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized.

Advertising - Advertising costs are included in operating expenses and are expensed as incurred. Advertising expense was \$0 for the year ended December 31, 2016.

WOODLAND CHILD DEVELOPMENT CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Construction in Progress - At December 31, 2016 the Organization started remodeling the teacher's breakroom. The remodel was not completed by year end and therefore the costs recognized in 2016 are recorded as construction in progress. Once the remodel is completed the total cost will be capitalized and depreciated over its useful life. Total construction in progress at December 31, 2016 is \$6,732.

Child Care Food Program Grant - The Organization records the child care revenue when it is earned. Reimbursement through the state voucher program is recorded as a receivable when it is earned. Uncollectable receivables are directly written off. These amounts are generally immaterial.

Income Taxes - Woodland Child Development Center, Inc. is a not-for-profit corporation organized under the laws of the State of Indiana. The Internal Revenue Service has given the Organization a favorable determination under Section 501 (c) (3) of the Internal Revenue Code, exempting the Organization from taxation.

Contributed (In-Kind) Services, Materials, and Facilities - Certain contributed services, food, household supplies and facilities are recorded as support and expensed at fair market value when determinable, otherwise at values indicated by the donor. Volunteer services neither create nor enhance non-financial assets and do not require specialized skills, and thus are not recognized as support in the accompanying Statement of Activities. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organizations' program services.

Concentration - The Organization received \$901,695, and \$520,609 which is 40%, and 23% of their revenue and support, from their voucher program and Early Head Start grant respectively during 2016. Reductions or loss of this funding could severely limit the Organization's ability to continue operations.

Accounts Receivable - The Organization carries its accounts receivable for parent accounts at cost less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and adjusts its allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collections.

Comparative Amounts - The financial statements include certain prior year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized financial information was derived.

Subsequent Events - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through July 18, 2017, the date the financial statements were available to be issued.

WOODLAND CHILD DEVELOPMENT CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 - FIXED ASSETS

Depreciation expense was \$58,551 for the year ended December 31, 2016.

Fixed assets consist of the following at December 31, 2016:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Buildings	\$ 1,889,212	\$ 668,113	\$ 1,221,099
Equipment	<u>224,921</u>	<u>152,470</u>	<u>72,451</u>
Total fixed assets - net	<u>\$ 2,114,133</u>	<u>\$ 820,583</u>	<u>\$ 1,293,550</u>

NOTE 3 - RETIREMENT PLAN

The Organization has a 401k savings plan effective January 1, 1993. Employees must meet age and service requirements to be eligible for the plan. At December 31, 2016, there are no un-funded retirement plan costs. The Organization made no discretionary contributions during 2016.

NOTE 4 - LEASES

The Organization leases the land on which they are located from the Parks District of the City of Hammond for \$10 per year. The lease began in 2003 and is for 50 years; expiring in 2052. The Organization also leases an electrical sign for \$510, which is an annual lease.

The Organization leases an office copier for \$487 each month through August 2021. The Organization also has two leases for computers. The first lease is for \$283 each month through March 2017 and the second lease is for \$145 each month through June 2019.

The lease expenses are recorded on the Statement of Functional Expenses in the equipment expenses line. For the year ended December 31, 2016 the lease expense was \$8,307.

Minimum lease payments for the next five years are:

2017	\$ 8,440
2018	7,592
2019	6,723
2020	5,854
2021	3,419
Thereafter	<u>310</u>
Total	<u>\$ 32,338</u>

WOODLAND CHILD DEVELOPMENT CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5 - LONG TERM DEBT

The Organization had the following debt outstanding at December 31, 2016:

Mortgage Loan

Payable to Chase Bank, bearing interest at 4.25%, due in monthly payments of \$4,702, with a balloon payment in September 2018, secured by the building, all the equipment, fixtures, and other property in the building and the leasehold with the Parks Department of the City of Hammond.

Less: current portion
Long - term debt

\$	329,933
	<u>43,056</u>
\$	<u>286,877</u>

The following are maturities of debt over the next two years:

2017	\$	43,056
2018		<u>286,877</u>
Total	\$	<u>329,933</u>

NOTE 6 - GOVERNMENT FUNDS RECEIVED

The Organization is a contracted provider with the Indiana Family and Social Services Administration to provide day care to eligible participants through the Lake County Child Care Voucher Program. On an accrual basis the total funds received for day care were \$827,572 for 2016. Also, under a contract with the Indiana Family and Social Services Administration, Title XX funds were received for day care in the amount of \$74,123 for 2016 on an accrual basis.

The Organization provided meals to participants on a paid, reduced, or free basis as part of the U.S. Department of Agriculture through the Indiana Department of Education Child and Adult Food Program. On an accrual basis the total funds received under this program were \$169,223 for 2016.

WOODLAND CHILD DEVELOPMENT CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

The Organization received grants in 2016 for designated purposes that have not been met as of December 31, 2016. As of December 31, 2016, the Organization had \$40,011 that had not yet been released for their restricted purpose from current and prior years. This amount is shown in the Organization's financial statements as temporarily restricted net assets.

Temporarily restricted net assets are available for the following purposes for the year ended December 31, 2016:

	<u>Temporarily Restricted</u>
Kemper Funds - Tuition for single working moms	\$ 39,391
On My Way PreK	<u>620</u>
Total Temporarily Restricted Net Assets	<u>\$ 40,011</u>

NOTE 8 - INCOME TAX UNCERTAINTIES

The Organization has adopted the provisions of ASC 740-10-25, which requires an organization to disclose any income tax uncertainties, including tax positions, for which it is reasonably possible that the unrecognized tax benefit will significantly change in the next 12 months. The Organization believes that all income tax positions are reasonable and that the total amounts of unrecognized tax benefits will not significantly increase or decrease within 12 months of the reporting date. As a non-profit organization, the entity is exempt from income taxes. The Organization has not recognized any interest or penalties in the December 31, 2016 financial statements. In general, the Organization is no longer subject to examinations for years prior to 2014.