



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513

Fax: (317) 232-4711

Web Site: www.in.gov/sboa

March 27, 2024

Board of Directors
Children's Bureau, Inc.
d/b/a Firefly Children and Family Alliance, Inc.
Marion County, Indiana

We have reviewed the audit report of Children's Bureau, Inc. d/b/a Firefly Children and Family Alliance, Inc., which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2022 to December 31, 2022. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Children's Bureau, Inc. as of December 31, 2022 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Katz, Sapper & Miller, LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

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

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

FIREFLY

Children & Family Alliance

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2022 and 2021

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.

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Independent Auditor's Report

Board of Directors

Children's Bureau, Inc. d/b/a Firefly Children and Family Alliance, Inc. and
Children's Bureau Foundation, Inc., d/b/a Firefly Children and Family Alliance Foundation, Inc.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Children's Bureau, Inc. d/b/a Firefly Children and Family Alliance, Inc. and Children's Bureau Foundation, Inc. d/b/a Firefly Children and Family Alliance Foundation, Inc. (both Indiana not-for-profit organizations, which will utilize the d/b/a names throughout these consolidated financial statements), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc. as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As described in Note 1 to the consolidated financial statements, effective January 1, 2022, Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc. adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* and Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Our opinion is not modified with respect to these matters.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc.'s ability to continue as a going concern within one year after the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of contract and grant activity for federal, state, and local government awards, consolidating schedules of statement of financial position information, statement of activities information, and statement of cash flows information are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of contract and grant activity for federal, state, and local government awards, consolidating schedules of statement of financial information, statement of activities information, and statement of cash flows information, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023 on our consideration of Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc.'s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc.'s internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
June 27, 2023

**FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021**

	2022	2021
ASSETS		
Cash	\$ 5,426,894	\$ 6,903,853
Grants receivable	9,633,532	6,562,660
Promises to give	438,381	477,489
Investments	1,861,352	1,918,949
Prepaid expenses and other assets	902,016	977,102
Investments - endowment	29,701,702	35,618,892
Operating lease right-of-use assets	1,054,468	
Property and equipment, net	<u>17,098,688</u>	<u>15,986,797</u>
TOTAL ASSETS	<u><u>\$ 66,117,033</u></u>	<u><u>\$ 68,445,742</u></u>
LIABILITIES		
Accounts payable and other liabilities	\$ 904,567	\$ 1,339,916
Accrued payroll, vacations and related taxes	1,659,135	1,455,076
Operating lease liabilities	1,054,468	
Line of credit borrowings	2,468,567	1,490,421
FSC loan	499,947	582,634
Total Liabilities	<u>6,586,684</u>	<u>4,868,047</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	27,223,317	25,991,582
Board designated - operating reserve	10,047,695	12,660,877
Board designated - maintenance reserve	175,000	250,000
	<u>37,446,012</u>	<u>38,902,459</u>
With donor restrictions	22,084,337	24,675,236
Total Net Assets	<u>59,530,349</u>	<u>63,577,695</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 66,117,033</u></u>	<u><u>\$ 68,445,742</u></u>

See accompanying notes.

**FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021**

	Without Donor Restrictions	2022 With Donor Restrictions	Total
REVENUE, GAINS (LOSSES) AND SUPPORT			
Revenue and gains (losses):			
Investment return	\$ (2,027,813)	\$ (3,334,915)	\$ (5,362,728)
Gain on PPP loan forgiveness			
Miscellaneous income	340,284		340,284
Total Revenue and Gains (Losses)	<u>(1,687,529)</u>	<u>(3,334,915)</u>	<u>(5,022,444)</u>
Support:			
Contributions	747,975	186,838	934,813
Government grant revenue and Medicaid	28,651,878		28,651,878
Service revenue	6,812,752		6,812,752
Brokered government grant revenue	2,743,312		2,743,312
Non-government grants	688,296	958,890	1,647,186
United Way	252,613	390,081	642,694
Special events	115,103		115,103
Contributed nonfinancial assets	323,277		323,277
Total Support	<u>40,335,206</u>	<u>1,535,809</u>	<u>41,871,015</u>
Net assets released from restrictions	791,793	(791,793)	
Total Revenue, Gains (Losses) and Support	<u>39,439,470</u>	<u>(2,590,899)</u>	<u>36,848,571</u>
EXPENSES			
Program services	33,757,847		33,757,847
Supporting services:			
Management and general	6,520,404		6,520,404
Fundraising	617,666		617,666
Total Expenses	<u>40,895,917</u>		<u>40,895,917</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE ACQUISITION	(1,456,447)	(2,590,899)	(4,047,346)
EXCESS OF ASSETS ACQUIRED OVER LIABILITIES ASSUMED IN ACQUISITION OF FAMILIES FIRST INDIANA, INC.			
INCREASE (DECREASE) IN NET ASSETS	(1,456,447)	(2,590,899)	(4,047,346)
NET ASSETS			
Beginning of Year	<u>38,902,459</u>	<u>24,675,236</u>	<u>63,577,695</u>
End of Year	<u>\$ 37,446,012</u>	<u>\$ 22,084,337</u>	<u>\$ 59,530,349</u>

See accompanying notes.

Without Donor Restrictions	2021 With Donor Restrictions	Total
\$ 1,264,463	\$ 2,546,109	\$ 3,810,572
2,248,329		2,248,329
337,397		337,397
<u>3,850,189</u>	<u>2,546,109</u>	<u>6,396,298</u>
958,992		958,992
22,976,358		22,976,358
6,047,546		6,047,546
2,982,491		2,982,491
384,839	325,345	710,184
580,241	421,332	1,001,573
160,977		160,977
284,801		284,801
<u>34,376,245</u>	<u>746,677</u>	<u>35,122,922</u>
837,607	(837,607)	
<u>39,064,041</u>	<u>2,455,179</u>	<u>41,519,220</u>
30,164,808		30,164,808
4,944,096		4,944,096
632,361		632,361
<u>35,741,265</u>		<u>35,741,265</u>
3,322,776	2,455,179	5,777,955
12,542,056	9,283,366	21,825,422
15,864,832	11,738,545	27,603,377
<u>23,037,627</u>	<u>12,936,691</u>	<u>35,974,318</u>
<u>\$ 38,902,459</u>	<u>\$ 24,675,236</u>	<u>\$ 63,577,695</u>

**FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 2021**

	Programs		Management and General	
	2022	2021	2022	2021
Salaries expenses	\$ 15,091,473	\$ 12,695,300	\$ 2,434,172	\$ 2,105,294
Benefits expenses	4,605,147	3,557,832	835,291	757,903
Professional fees	2,606,931	2,367,046	941,988	944,413
Operation expenses	2,225,666	1,578,143	1,516,511	349,632
Equipment rental	172,710	149,385	57,252	57,008
Fostercare and direct client costs	3,241,155	3,856,015	8,017	5,525
In-kind donated relief	2,279,827	2,740,971		
Auto expenses	570,530	541,313	32,336	30,497
Occupancy	1,373,730	1,212,176	242,674	276,996
Depreciation	997,729	931,673	255,195	264,504
Maintenance and repairs	77,520	59,237	15,173	15,730
Special events	485,840	474,384	77,976	39,719
Interest expense			78,508	41,538
Miscellaneous	29,589	1,333	25,311	55,337
TOTAL EXPENSES	<u>\$ 33,757,847</u>	<u>\$ 30,164,808</u>	<u>\$ 6,520,404</u>	<u>\$ 4,944,096</u>

See accompanying notes.

Fundraising		Total	
2022	2021	2022	2021
\$ 311,663	\$ 331,150	\$ 17,837,308	\$ 15,131,744
98,654	88,474	5,539,092	4,404,209
19,491	5,069	3,568,410	3,316,528
104,319	89,152	3,846,496	2,016,927
1,387	792	231,349	207,185
		3,249,172	3,861,540
		2,279,827	2,740,971
953	1,436	603,819	573,246
9,421	11,296	1,625,825	1,500,468
6,218	6,607	1,259,142	1,202,784
197	1,628	92,890	76,595
60,363	96,757	624,179	610,860
		78,508	41,538
5,000		59,900	56,670
<u>\$ 617,666</u>	<u>\$ 632,361</u>	<u>\$ 40,895,917</u>	<u>\$ 35,741,265</u>

**FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021**

	2022	2021
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (4,047,346)	\$ 27,603,377
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	1,259,142	1,202,784
Loss from retirement of property and equipment	2,906	
Gain on PPP loan forgiveness		(2,248,329)
Net realized and unrealized (gain) loss on investments	6,160,451	(3,078,528)
Excess of assets acquired over liabilities assumed in acquisition of Families First Indiana, Inc.		(21,825,422)
Interest expense added to line of credit	51,267	12,423
(Increase) decrease in certain assets:		
Grants receivable	(3,070,872)	(1,491,447)
Promises to give	39,108	(59,301)
Prepaid expenses and other assets	43,307	339,879
Increase (decrease) in certain liabilities:		
Accounts payable and other liabilities	(458,149)	424,679
Accrued payroll, vacations and related taxes	204,059	(74,795)
Net Cash Provided by Operating Activities	<u>183,873</u>	<u>805,320</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,405,662)	(455,902)
Purchases of investments	(20,977,570)	(5,374,007)
Sales and maturities of investments	19,708,853	7,099,615
Net Cash Provided (Used) by Investing Activities	<u>(2,674,379)</u>	<u>1,269,706</u>
FINANCING ACTIVITIES		
Principal payments on PPP loan		(225,271)
Net repayments on line of credit	(41,398)	(15,002)
Principal payments on FSC loan	(82,687)	(102,845)
Net Cash Used by Financing Activities	<u>(124,085)</u>	<u>(343,118)</u>
NET INCREASE IN CASH AND EQUIVALENTS	(2,614,591)	1,731,908
CASH FROM ACQUISITION		606,882
CASH AND EQUIVALENTS		
Beginning of Year	<u>10,717,899</u>	<u>8,379,109</u>
End of Year	<u>\$ 8,103,308</u>	<u>\$ 10,717,899</u>
CASH AND EQUIVALENTS		
Cash	\$ 5,426,894	\$ 6,903,853
Cash equivalents held in investments	<u>2,676,414</u>	<u>3,814,046</u>
TOTAL CASH AND EQUIVALENTS	<u>\$ 8,103,308</u>	<u>\$ 10,717,899</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 27,313	\$ 31,152
Noncash investing and financing activities:		
Forgiveness of PPP loan		2,248,329
Interest expense added to line of credit	51,267	12,423
Property and equipment purchased with line of credit borrowings	968,277	
Recognized amounts of identifiable assets acquired and liabilities assumed from Families First Indiana, Inc.		
Grants receivable		217,677
Promises to give		136,857
Investments		865,470
Prepaid expenses and other assets		181,804
Investments - endowment		17,092,244
Property and equipment		4,871,461
Accounts payable and other liabilities		158,311
Accrued payroll, vacations and related taxes		495,662
Line of credit borrowings		1,493,000

See accompanying notes.

**FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In March 2022, Children's Bureau, Inc. (the Bureau) obtained a certificate of assumed business name to do business as Firefly Children and Family Alliance, Inc. (Firefly) and Children's Bureau Foundation, Inc. obtained a certificate of assumed business name to do business as Firefly Children and Family Alliance Foundation, Inc. (the Foundation). The consolidated financial statements herein have utilized the assumed business names for each entity. The assumed business names were part of a rebranding initiative which commenced after the acquisition of Families First Indiana, Inc. (Families First) in March 2021, as discussed below.

Firefly is a private, not-for-profit agency formed in 1851, providing human services to families and children in Indiana. Firefly offers prevention, preservation and placement services to at-risk children and families throughout Indiana. Firefly's primary sources of revenue are government grants and contracts, United Way Funding allocations, and contributions from donors. Firefly's mission is preserving families and protecting the future of Indiana's children.

The Foundation operates for the benefit of and carries out the purposes of Firefly. The Foundation's primary sources of revenue are contributions and investment earnings.

Effective March 31, 2021, the Bureau and the Foundation acquired all the net assets of Families First through a merger agreement. Families First was an Indiana nonprofit corporation that provided mental health counseling, substance abuse services, community and parent education, alternatives to family violence, family preservation services, father engagement services, crisis and suicide prevention services, services for older and challenged adults, and other social services in the central Indiana area.

Principles of Consolidation: The consolidated financial statements include the accounts Firefly and the Foundation (together, the Organizations). Firefly has both control and an economic interest in the Foundation. All material intra-entity accounts and transactions have been eliminated in consolidation.

Adopted Accounting Pronouncements: On January 1, 2022, the Organizations adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU No. 2020-07) as required by the Financial Accounting Standards Board (FASB). ASU No. 2020-07 increases transparency of contributed nonfinancial assets through enhancements in presentation and disclosure requirements. As a result, the Organizations are now required to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial contributions. The Organizations are also required to disclose various information related to contributed nonfinancial assets. The amendments had no impact on financial position or changes in net assets. ASU No. 2020-07 was adopted on a retrospective basis. See Note 13.

Also effective January 1, 2022, the Organizations also adopted new lease accounting guidance in Accounting Standards Codification (ASC) Topic 842, *Leases (ASC 842)* as required by the FASB. The Organizations elected the package of practical expedients to not reassess lease definition, classification, or direct costs related to existing or expired leases.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organizations adopted the new lease accounting guidance retrospectively at the beginning of the period of adoption with the cumulative effect of initial application recognized at the beginning of the period of adoption. As a result, the Organizations recognized the following on January 1, 2022:

- Operating lease liabilities of \$1,419,974 which represent the present value of the remaining lease payments discounted using risk-free rates of periods comparable with that of the lease terms; and
- Operating lease right-of-use assets of \$1,419,974.

The adoption of ASC 842 did not have an impact on the financial position or results of operations of the Organizations; therefore, no cumulative effect adjustment was required upon adoption of ASC 842 on January 1, 2022.

Basis of Presentation: The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organizations to report information regarding their financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** are not subject to donor-imposed restrictions and may be used at the discretion of the Organizations' management and the Board of Directors. This net asset category includes funds that the Board of Directors of the Foundation has designated as an endowment fund for operations.
- **Net Assets With Donor Restrictions** are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organizations or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets without donor restrictions if the restrictions expire in the same year in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, and when a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Estimates: The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash and Equivalents consist of cash on hand or in demand deposit accounts and highly liquid investments purchased with an original maturity of three months or less. The Organizations maintain their cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organizations have not experienced any losses from their bank accounts.

Promises to Give and Grants Receivable: Unconditional promises to give and grants receivable expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions in the consolidated statements of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to give and grants receivable are reviewed for collectability and a provision for doubtful accounts is recorded based on management's judgment and analysis of the creditworthiness of the donors, historical experience, economic conditions, and other relevant factors. Management determined that no allowance was necessary at December 31, 2022 and 2021.

Investment Valuation and Income Recognition: Investments initially recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are stated at fair value. See Note 4 for discussion of fair value measurements.

Investment return reported in the consolidated statements of activities consists of interest and dividend income and realized and unrealized capital gains and losses, net of external and direct internal investment expenses. Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific-identification method.

Property and Equipment: Expenditures for property and equipment and purchases which substantially increase the useful lives of existing assets are capitalized at cost, except for donated items, which are recorded at fair market value at the date of donation. The Organizations provide for depreciation on the straight-line method at rates designed to depreciate the cost of assets over estimated useful lives as follows:

Buildings and improvements	20-37.5 years
Leasehold improvements	Lesser of the lease term or 5 -20 years
Furnishings and equipment	5-10 years
Vehicles	5 years

Leases: Firefly determines if an arrangement is a lease at inception. Firefly recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding obligation to make lease payments. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The present value is calculated using the rate implicit in the lease. If the rate is not readily determinable from the lease, Firefly uses a risk-free rate of a period comparable with that of the lease term. Lease terms include options to extend or terminate the lease when it is reasonably certain that Firefly will exercise the option. Operating lease expense is recognized in a straight-line basis over the lease term. Variable lease expenses are recorded when incurred. Firefly does not recognize an asset and liability for leases with a term of 12 months or less. Firefly does not separate lease and non-lease components for all leases. Prior to January 1, 2022, Firefly recognized operating lease expense on a straight-line basis over the lease term. However, no asset was recognized for its right to use the underlying asset and no liability was recognized for the obligation to make lease payments.

Long-lived Assets, including property and equipment and lease right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. No adjustments to the carrying amount of long-lived assets were required in 2022 and 2021.

Beneficial Interest in Assets Held by Others: The Organizations maintain a quasi-endowment fund with a number of Community Foundations throughout the state. The original principal of the funds cannot be committed, granted or expended by the Community Foundations. Beneficial interest in assets held by others is reported at fair value and included in prepaid expenses and other assets in the consolidated statements of financial position. See Note 4 for discussion of fair value measurements. Beneficial interest in assets held by others is included in net assets without donor restrictions, and changes in value of the beneficial interest in trust is recognized in investment return.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants, which include almost all of the Organizations' support, are recognized as support when they are received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided.

Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially met. Cash received prior to when conditions are substantially met are recognized as refundable advances.

The Organizations receive a significant amount of financial assistance from government grants and contracts. Grants and contracts normally provide for the recovery of direct and indirect costs. Entitlement to the recovery of the direct and related indirect costs is conditional upon compliance with the terms and conditions of the grant agreements and with applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance reviews and audits by the grantors. Management believes an adverse material outcome from those reviews and audits is unlikely.

Service Revenue, which represents fee for service funding related to the Youth Placement Services programming, is recognized when earned at the time the service is performed. Amounts billed are subject to an allowed rate, as defined per the related government contracts. Amounts earned but not yet collected are included within grants receivable on the accompanying consolidated financial statements.

Contributed Nonfinancial Assets: Contributions of services are recorded at estimated fair value when received if they create or enhance a nonfinancial asset or if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. All other contributions of nonfinancial assets are also recorded at fair value. Volunteers contribute significant amounts of time to the Organizations' activities that do not meet recognition criteria, and the value of these contributed services is not reflected in the consolidated financial statements. Contributed nonfinancial assets amounted to \$323,277 in 2022 and \$284,801 in 2021 and consisted primarily of property contributed as part of capital campaigns and clothing and household goods utilized by Firefly's shelters. See Note 13.

Special Event Revenue, including related sponsorship revenue, is recognized upon occurrence of the event. Revenue and support received for events occurring subsequent to the consolidated statement of financial position date is reflected as deferred revenue.

Functional Allocation of Expenses: The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural classification. All remaining indirect costs have been allocated to program and supporting services benefited using an administrative cost rate determined based on cost studies. Depreciation and other occupancy costs are allocated based on square footage. All other allocable costs, including salaries and benefits expenses, are allocated based on time and effort. Such allocations are determined by management on an equitable basis.

Grants and Other Assistance are recognized as expense when the grant is made or other assistance is provided. Promises to give to others are recognized as grants payable and expense when the promise has been communicated to the grantees and becomes unconditional.

Advertising Costs are expensed as incurred and totaled \$112,691 in 2022 and \$65,141 in 2021.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes: The Organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), though they are subject to tax on income unrelated to their exempt purpose, unless that income is otherwise excluded by the IRC. In addition, the Organizations have been determined by the Internal Revenue Service not to be private foundations within the meaning of Section 509(a) of the IRC. There was no unrelated business income tax for the years ended December 31, 2022 and 2021.

The Organizations file U.S. federal and state of Indiana information returns. The Organizations are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2019. Management believes that the Organizations' income tax filing positions will be sustained on audit and does not anticipate any adjustments that will result in material change.

Reclassifications: Certain amounts in the 2021 consolidated financial statements have been reclassified to conform to the presentation of the 2022 consolidated financial statements.

Subsequent Events: The Organizations have evaluated the consolidated financial statements for subsequent events occurring through June 27, 2023, the date the consolidated financial statements were available to be issued.

NOTE 2 - ACQUISITION OF FAMILIES FIRST INDIANA, INC.

Effective March 31, 2021, the Bureau and the Foundation acquired all the net assets of Families First through a merger agreement, which established the Bureau and the Foundation board of directors as the governing board, though Families First designated members of its board and other qualified individuals to serve on the Bureau board of directors. As a result of the acquisition, the Bureau intends to grow its services and impact and promote long-term sustainability through synergies and economies of scale. The transaction was accounted for under the acquisition method of accounting. The Bureau incurred acquisition related expenses of \$17,388 in 2021, which are recorded as operation expenses in the consolidated statements of functional expenses.

The following table summarizes the net contribution recorded, assets acquired, and liabilities assumed on March 31, 2021, based on their estimated fair values as determined by management:

Cash	\$ 606,882
Grants receivable	217,677
Promises to give	136,857
Investments	865,470
Prepaid expenses and other assets	181,804
Investments - endowment	17,092,244
Property and equipment	<u>4,871,461</u>
	<u>23,972,395</u>
Accounts payable and other liabilities	(158,311)
Accrued payroll, vacations and related taxes	(495,662)
Line of credit borrowings	<u>(1,493,000)</u>
	<u>(2,146,973)</u>
Net Contribution Recorded	<u>\$21,825,422</u>

NOTE 3 - AVAILABLE RESOURCES AND LIQUIDITY

The following reflects the Organizations' financial assets available for general expenditure, including donor-restricted funds, within one year of the consolidated statement of financial position date:

	2022	2021
Cash	\$ 5,426,894	\$ 6,903,853
Grants receivable	9,633,532	6,562,660
Promises to give	438,381	477,489
Investments	1,861,352	1,918,950
Gift cards included in prepaid expenses and other assets	327,478	379,014
Investments - endowment	<u>29,701,702</u>	<u>35,618,892</u>
Total Financial Assets	47,389,339	51,860,858
Donor-Imposed Restrictions:		
Endowment funds, net of amounts available per spending policy	(19,064,387)	(22,269,274)
Board-Designations:		
Building maintenance reserve	(175,000)	(250,000)
Endowment funds, net of amounts available per spending policy	<u>(9,587,034)</u>	<u>(12,093,312)</u>
Financial Assets Available Within One Year	<u>\$ 18,562,918</u>	<u>\$ 17,248,272</u>

For purposes of analyzing resources available to meet general expenditures within one year, the Organizations consider all expenditures related to ongoing activities of their program services as well as the conduct of services undertaken to support those activities to be general expenditures.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Foundation's Board of Directors as an endowment. Donor-restricted endowment funds are not available for general expenditure, except for appropriations for expenditure in accordance with the Foundation's spending policy.

The Foundation has board-designated endowments of \$10,047,695 and \$12,660,878 at December 31, 2022 and 2021, respectively, and are subject to an annual spending rates. See Note 5. Additionally, the Board designated \$175,000 and \$250,000 of the Foundation's assets for building maintenance at December 31, 2022 and 2021, respectively, which could be made available, if necessary, for general expenditures with approval of the Foundation's Board of Directors.

The Organizations operate with a balanced budget and anticipate collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows, which identify the sources and uses of the Organizations' cash.

As part of the Organizations' liquidity management plan, the Organizations invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. The Organizations also have two lines of credit available to meet short-term needs. See Note 9 for information about these arrangements. Occasionally, the Board of Directors designates a portion of any operating surplus to its endowment fund for operations described in Note 5.

NOTE 4 - FAIR VALUE MEASUREMENTS

The Organizations have categorized their assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organizations have the ability to access.

Level 2 - Inputs to the valuation methodology may include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and/or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the Organizations make estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodologies used by the Organizations for assets that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Registered Investment Companies and Money Market Fund Shares: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds held by the Organizations are deemed to be actively traded.

Exchange-Traded Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed Income Investments: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Beneficial Interest in Assets Held by Others: Valued based on the Organizations' proportionate share of the fair value of the underlying investments in the Community Foundations' pooled investment portfolios as reported by the Community Foundations, without adjustment. The valuation methodology for the beneficial interest in assets held by others does not utilize any unobservable inputs.

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Organizations' assets that are measured at fair value on a recurring basis as of December 31, 2022 and 2021:

2022	Level 1	Level 2	Level 3	Total
Assets				
Investments and Investments – Endowment:				
Money market fund shares	\$ 2,676,414			\$ 2,676,414
Registered investment companies	20,686,732			20,686,732
Fixed income investments		\$5,981,233		5,981,233
Exchange-traded funds (ETFs)	2,218,675			2,218,675
Prepaid Expenses and Other Assets:				
Beneficial Interest in Assets Held by Others			\$250,814	250,814
Total Assets at Fair Value	<u>\$25,581,821</u>	<u>\$5,981,233</u>	<u>\$250,814</u>	<u>\$31,813,868</u>
2021				
Assets				
Investments and Investments – Endowment:				
Money market fund shares	\$ 3,814,046			\$ 3,814,046
Registered investment companies	23,130,079			23,130,079
Fixed income investments		\$4,295,835		4,295,835
Exchange-traded funds (ETFs)	6,297,881			6,297,881
Prepaid Expenses and Other Assets:				
Beneficial Interest in Assets Held by Others			\$281,722	281,722
Total Assets at Fair Value	<u>\$33,242,006</u>	<u>\$4,295,835</u>	<u>\$281,722</u>	<u>\$37,819,563</u>

NOTE 5 - ENDOWMENT

The Foundation's endowment consists of three funds established by donors to provide annual funding for general operations. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Foundation's Board of Directors.

The endowment net asset composition by type of fund as of December 31, 2022 and 2021, was as follows:

2022	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original gifts and amounts required to be maintained in perpetuity by donors		\$15,994,833	\$15,994,833
Accumulated investment gains		3,659,174	3,659,174
Board-designated funds	<u>\$10,047,695</u>		<u>10,047,695</u>
Total Endowment Funds	<u>\$10,047,695</u>	<u>\$19,654,007</u>	<u>\$29,701,702</u>

NOTE 5 - ENDOWMENT (CONTINUED)

2021	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original gifts and amounts required to be maintained in perpetuity by donors		\$15,994,833	\$15,994,833
Accumulated investment gains		6,963,181	6,963,181
Board-designated funds	<u>\$12,660,878</u>	<u> </u>	<u>12,660,878</u>
 Total Endowment Funds	 <u>\$12,660,878</u>	 <u>\$22,958,014</u>	 <u>\$35,618,892</u>

Activity in the endowment by net asset class for 2022 and 2021, is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment at December 31, 2020	\$ 2,781,300	\$11,962,832	\$14,744,132
Endowment funds contributed through merger	8,592,436	8,499,808	17,092,244
Investment return	1,209,212	2,495,374	3,704,586
Designations by the Board	<u>77,930</u>	<u> </u>	<u>77,930</u>
 Endowment at December 31, 2021	 12,660,878	 22,958,014	 35,618,892
Investment return	(1,879,183)	(3,304,007)	(5,183,190)
Appropriations for expenditure	<u>(734,000)</u>	<u> </u>	<u>(734,000)</u>
 Endowment at December 31, 2022	 <u>\$10,047,695</u>	 <u>\$19,654,007</u>	 <u>\$29,701,702</u>

Interpretation of Relevant Law

The Foundation is subject to the Indiana Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions, because those assets are time restricted until the Board of Directors appropriates such amounts for expenditure. The Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

NOTE 5 - ENDOWMENT (CONTINUED)

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the level that the donor requires the Foundation to retain as a fund of perpetual duration. There were no underwater endowment funds at December 31, 2022 and 2021.

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to Firefly while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index for core equity investments and Citigroup Government/Corporate (1-5 year) index for fixed income investments, as well as a blended index comprised of each asset class index weighted according to the target asset mix while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide a net real return (after fees and inflation) commensurate with the mix of the portfolio relative to market returns. Actual returns in any given year may vary from this expectation. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation's board-designated endowment of \$2,086,176 and \$3,273,931 at December 31, 2022 and 2021, respectively, is subject to an annual spending rate of up to 3%; however, amounts in excess of 3% can be made available, if necessary, for general expenditure as a part of the Foundation Board of Directors' annual budget approval and appropriation. Through the acquisition of Families First, the Foundation has a second board-designated endowment of \$7,961,519 and \$9,386,947 at December 31, 2022 and 2021, respectively, that is subject to an annual spending rate up to 5%. The Foundation's spending policy for endowment funds is based on a five-year moving average of quarterly market values. In 2022, the Board approved the appropriation of \$734,000 for the purposes of building renovations. The goal of this policy is to establish the resources necessary for both operating and future capital projects of the Foundation. The spending policy of the endowment with donor restrictions is a spending rate of up to 3% utilizing an eight-quarter rolling average of market values. Should the fund become underwater, the spending rate for the fund reduces to 2% until the fund is no longer underwater.

NOTE 6 - PROMISES TO GIVE AND GRANTS RECEIVABLE

Unconditional Promises to Give and Grants Receivable

Unconditional promises to give at December 31, 2022 and 2021, consisted of time-restricted funds due from donors. As of December 31, 2022 and 2021, 73% and 71%, respectively, of the Organizations' promises to give were due from the United Way. Grants receivable from two grantors represented 47% and 50% of grants receivable at December 31, 2022 and 2021, respectively. All promises to give and grants receivable at December 31, 2022 and 2021 are due to be received in less than one year.

NOTE 6 - PROMISES TO GIVE AND GRANTS RECEIVABLE (CONTINUED)

Conditional Promises to Give and Grants Receivable

The Organizations receive a significant amount of financial assistance from government grants and contracts. Grants and contracts normally provide for the recovery of direct and indirect costs. Entitlement to the recovery of the direct and related indirect costs is conditional upon compliance with the terms and conditions of the grant agreements and with applicable regulations, including the expenditure of the resources for eligible purposes. Total budgeted amounts on open contracts as of December 31, 2022 was \$106,369,142, of which \$57,463,277 had been recognized as support through December 31, 2022. Some contracts include overages reimbursed through December 31, 2022, and the net amount remaining available based on these budgets was \$48,905,866 at December 31, 2022. Based on history, the Organizations expect amendments to be made in 2023 to address these overages. Total budgeted amounts on open contracts as of December 31, 2021, was \$81,230,158, of which \$28,070,146 had been recognized as support through December 31, 2021.

NOTE 7 - INVESTMENTS

The Foundation's investments were as follows at December 31, 2022 and 2021:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Money market fund shares	\$ 2,676,414	\$ 2,676,414	\$ 3,814,046	\$ 3,814,046
Registered investment companies	20,002,824	20,686,732	18,171,947	23,130,079
Fixed income investments	6,474,370	5,981,233	4,264,782	4,295,835
Exchange-traded funds	<u>2,228,972</u>	<u>2,218,675</u>	<u>4,767,148</u>	<u>6,297,881</u>
Total Investments	<u>\$31,382,580</u>	<u>\$31,563,054</u>	<u>\$31,017,923</u>	<u>\$37,537,841</u>

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the consolidated financial statements.

The Organizations' investment return consisted of the following for 2022 and 2021:

	2022	2021
Interest and dividends	\$ 927,826	\$ 868,614
Net realized and unrealized gains (losses)	(6,160,451)	3,078,528
Investment management fees	<u>(130,103)</u>	<u>(136,570)</u>
Total Investment Return, net	<u>\$(5,362,728)</u>	<u>\$3,810,572</u>

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment were as follows at December 31, 2022 and 2021:

	2022	2021
Land	\$ 224,825	\$ 224,825
Buildings and improvements	17,483,531	17,228,793
Leasehold improvements	6,042,358	5,552,381
Furnishings and equipment	4,901,611	4,837,434
Vehicles	122,579	100,213
Construction in progress	748,940	
	<u>29,523,844</u>	<u>27,943,646</u>
Less: Accumulated depreciation	<u>12,425,156</u>	<u>11,956,849</u>
Total Property and Equipment, net	<u>\$17,098,688</u>	<u>\$15,986,797</u>

NOTE 9 - DEBT AND CREDIT ARRANGEMENTS

Firefly has a \$1,000,000 revolving line of credit for short-term bank borrowings. Interest on these borrowings is computed based on the bank's prime lending rate, subject to a floor of 3.25% (7.5% at December 31, 2022). The line of credit, which expires on September 30, 2023, is secured by substantially all of Firefly's grants receivable and requires compliance with a financial covenant. At December 31, 2022 and 2021, there were no borrowings outstanding on the line of credit.

The Foundation has a term loan payable due in monthly installments of \$8,140, including interest, with a balloon payment due upon maturity in October 2029 for the remaining unpaid principal and interest. Interest on the loan is fixed at 4.99%. The balance at December 31, 2022 and 2021 was \$499,947 and \$582,634, respectively. The loan is secured by the Family Support Center (FSC) building and assignment of all rents on the Foundation's real property located in Marion County, Indiana. The loan is also guaranteed by Firefly. Total interest expense was \$27,241 in 2022 and \$29,115 in 2021.

During 2021, the Foundation assumed a revolving line of credit with maximum borrowings of \$5,000,000 in conjunction with the transaction described in Note 2. The line of credit has no specified expiration date and is due on demand. Interest on these borrowings is computed on the overnight bank funding rate plus a variable spread (4.90% at December 31, 2022) based on the balance outstanding, as specified in the agreement, and is added to the borrowings outstanding. Borrowings are secured by certain endowment securities. At December 31, 2022, the outstanding balance on the line of credit was \$2,468,567. Total interest expense was \$51,267 in 2022 and \$12,423 for the period from April 1, 2021 to December 31, 2021.

On April 17, 2020, Firefly received loan proceeds of \$2,473,600 under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). PPP loans, including accrued interest, are forgivable as long as the entity uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities. Under the PPP, the amount of forgiveness is reduced if the entity terminates employees or reduces salaries during the covered period. Firefly believes it used \$2,248,329 of the total proceeds for purposes consistent with the PPP and has received forgiveness from the bank. Firefly recognized a gain on loan forgiveness upon legal release of the obligation by the bank on January 13, 2021. The remaining \$225,271 was repaid by Firefly on August 10, 2021.

NOTE 9 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)

At December 31, 2022, the aggregate maturities of long-term debt were as follows:

Payable In	Principal Payments
2023	\$2,535,806
2024	70,810
2025	74,477
2026	78,333
2027	82,343
Thereafter	<u>126,745</u>
	<u>\$2,968,514</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes at December 31, 2022 and 2021:

	2022	2021
Firefly Children and Family Alliance, Inc.		
Subject to the Passage of Time:		
United Way allocation	\$ <u>319,526</u>	\$ <u>352,832</u>
	<u>319,526</u>	<u>352,832</u>
Subject to expenditure for Specified Purpose:		
Adoption	39,938	45,859
COVID-19 programming		250,000
Building capacity support	900,000	
Food and shelter programs	23,963	33,450
Johnson County	57,945	18,500
Mental health programming		75,000
Capital campaign	501,138	542,536
Crisis programming	31,534	31,534
Next generation fund	36,021	36,021
Training	100,000	
Other purposes	<u>169,451</u>	<u>49,768</u>
	<u>1,859,990</u>	<u>1,082,668</u>
Beneficial interest in assets held by community foundations subject to the spending policy of the community foundations	<u>250,814</u>	<u>281,722</u>
	<u>250,814</u>	<u>281,722</u>
 Total Firefly Children and Family Alliance, Inc.	 <u>2,430,330</u>	 <u>1,717,222</u>
Firefly Children and Family Alliance Foundation, Inc.		
Subject to endowment spending policy and appropriation:		
Appropriations available for general use	<u>19,654,007</u>	<u>22,958,041</u>
	<u>19,654,007</u>	<u>22,958,041</u>
 Total Firefly Children and Family Alliance Foundation, Inc.	 <u>19,654,007</u>	 <u>22,958,041</u>
 Total Net Assets with Donor Restrictions	 <u>\$22,084,337</u>	 <u>\$24,675,236</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Firefly Children and Family Alliance, Inc.		
Expiration of time restrictions:		
United Way allocation	\$352,832	\$247,331
Satisfaction of purpose restrictions:		
Adoption		3,075
COVID-19 programming	250,000	469,123
Food and shelter programs	5,935	
Johnson County	31,110	64,418
Training		50,544
Mental health programming	75,000	
Capital campaign	41,398	
Other	<u>35,518</u>	<u>3,116</u>
 Total Net Assets Released from Restrictions	 <u>\$791,793</u>	 <u>\$837,607</u>

NOTE 11 - LEASES

Firefly has several operating leases, primarily for office space and equipment, expiring at various dates through May 2030. These leases generally contain renewal options for periods ranging from three to five years. Management included all lease terms reasonably expected to be exercised when determining the lease liability. Firefly also leases equipment and vehicles under short-term leases, with no expected renewal options. Rental expense was \$528,817 in 2021.

Total lease cost for 2022 was as follows:

Operating lease cost	\$333,513
Short-term lease cost	<u>148,915</u>
 Total Lease Cost	 <u>\$482,428</u>

The following summarizes the weighted-average remaining lease term and weighted-average discount rate for operating leases at December 31, 2022:

Weighted-average remaining lease term	4.4 years
Weighted-average discount rate	2.63%

The following summarizes supplemental cash flow information related to leases for 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows – operating leases	\$333,513

NOTE 11 - LEASES (CONTINUED)

Future minimum lease payments required by all long-term noncancellable operating leases at December 31, 2022, were as follows:

Payable In	Operating Leases
2023	\$ 346,346
2024	254,778
2025	203,761
2026	169,928
2027	67,260
Thereafter	<u>146,804</u>
Total future undiscounted lease payments	1,188,877
Less: interest	<u>(134,409)</u>
Total Lease Liabilities	<u>\$1,054,468</u>

NOTE 12 - CONCENTRATIONS OF FUNDING

Government funding, excluding the gain on PPP loan forgiveness, provided 90% and 51% of total revenue for the Organizations in 2022 and 2021, respectively.

As part of federal funding, the Community Partners Grants provided 24% and 16% of the Organizations' total revenue in 2022 and 2021, respectively.

NOTE 13 - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized in the consolidated statements of activities consisted of the following:

	2022	2021
Furniture, food, books	\$ 6,713	\$ 3,808
Household goods and clothing	87,530	58,369
Gift certificates	52,885	17,241
Hope for the Holidays toys	120,264	190,170
Tickets for client field trip experiences	15,327	
Services	<u>40,558</u>	<u>15,213</u>
Total Recognized Contributed Nonfinancial Assets	<u>\$323,277</u>	<u>\$284,801</u>

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed food, clothing and household goods are used to support programs and clients, in line with supporting the mission of the agency and impacting clients' lives. In valuing these items, the Organization estimated the fair value at the time of the donation based on the cost to purchase similar goods in the Indiana market.

Recognized contributed services comprised of printing, advertising, and various professional services to support the operations of the agency and its mission. Contributed services are valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar services in the Indiana market.

Additionally, the Foundation contributes certain building space to Firefly, that totaled \$812,600 in 2022. The amount is eliminated in consolidation.

NOTE 14 - RETIREMENT PLAN

Firefly sponsors a defined contribution 401(k) plan for all of its qualified employees. All plan participants are permitted to make salary reduction contributions to the Plan, and Firefly contributes, on a matching basis, 100% of each participant's contribution up to 3% of each participant's annual compensation. Firefly may also make a discretionary contribution, to be determined annually, based on eligible earnings of participants. Participants become fully vested in Firefly's contributions and earnings thereon after five years of service. Firefly contributed \$297,903 in 2022 and \$291,290 in 2021 to the Plan.

NOTE 15 - EMPLOYEE INSURANCE OBLIGATION

Firefly self-insures its employee group medical plan. Claim expenses are recorded as incurred. Insurance policies in force at December 31, 2022 limit Firefly's maximum plan cost to approximately \$5,050,000 in the plan year. Firefly's portion of the predetermined funding provision is charged to expense each month. A reinsurance policy is in place to limit Firefly's maximum claim liability to \$50,000 per covered individual, unless a specific stop-loss deductible is noted in the policy for an individual. The self-insurance liability was \$230,000 and \$230,000 at December 31, 2022 and 2021, respectively, which represents management's estimate of unpaid claims incurred prior to December 31, 2022 and 2021.

NOTE 16 - RELATED PARTY TRANSACTIONS

Firefly recognized \$136,100 in 2022 and \$109,893 in 2021 as contributions from members of its Board of Directors.

SUPPLEMENTARY INFORMATION

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC.
SCHEDULE OF CONTRACT AND GRANT ACTIVITY FOR FEDERAL, STATE,
AND LOCAL GOVERNMENT AWARDS
Year Ended December 31, 2022

	Type of Funding	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Expenditures
FEDERAL AWARDS				
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through the United Way of Central Indiana:				
Emergency Food and Shelter National Board Program	Sub-recipient	97.024	272800-039	\$ 3,673
COVID-19 - Emergency Food and Shelter National Board Program	Sub-recipient	97.024	272800-039	29,608
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Indiana Department of Child Services:				
Child Care Development Fund CCDF	Fee for service	N/A	N/A	5,160,897
Community Partners for Child Safety (CPCS) - Operations	Fee for service	N/A	N/A	8,008,431
Therapeutic Fostercare	Fee for service	N/A	N/A	1,973,556
Home Based Case Work	Fee for service	N/A	N/A	4,801,823
Older Youth Services	Fee for service	N/A	N/A	4,949,798
CPCS - Brokered Funds	Fee for service	N/A	N/A	2,451,909
Shelter - Respite	Fee for service	N/A	N/A	2,142,941
Fatherhood Initiative	Fee for service	N/A	N/A	23,163
Home Based Counseling - Home Based Therapy	Fee for service	N/A	N/A	1,094,048
Post Adoption Services	Fee for service	N/A	N/A	453,697
Adoption Recruitment And Retention	Fee for service	N/A	N/A	898,367
Child Summaries	Fee for service	N/A	N/A	150,021
Shelter - CPCS Prevention Service	Fee for service	N/A	N/A	291,403
DV & Counseling	Fee for service	N/A	N/A	300,737
Substance Use	Fee for service	N/A	N/A	157,698
Passed through Indiana Department of Health:				
Affordable Care Act (ACA) Personal Responsibility Education Program	Sub-recipient	93.092	HCET IN-PACT	15,771
Teenage Pregnancy Prevention Program	Sub-recipient	93.297	HCET IN-CAST	113,265
Passed through the Trustees of Indiana University				
Child Abuse and Neglect Discretionary Activities	Sub-recipient	93.670	90CA1864-01-00	519,662

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC.
SCHEDULE OF CONTRACT AND GRANT ACTIVITY FOR FEDERAL, STATE,
AND LOCAL GOVERNMENT AWARDS (CONTINUED)
Year Ended December 31, 2022

	Type of Funding	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Expenditures
FEDERAL AWARDS				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)				
Passed through the Indiana Criminal Justice				
Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	Sub-recipient	93.671	2001INFVPS, Contract 70571	72,427
COVID-19 - Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	Sub-recipient	93.671	2001INFVPS, Contract #62613	34,233
Sexual Assault/Rape Crisis Services and Supports	Sub-recipient	93.497	Contract #64277	8,000
U.S DEPARTMENT OF JUSTICE				
Passed through Indiana Criminal Justice Institute:				
Sexual Assault Services Formula Program	Sub-recipient	16.017	2017-KF-AX-0045, 2018-KF-AX-0049, 2019-KF-AX-0008, 2020-KF-AX-0023	55,039
Crime Victim Assistance	Sub-recipient	16.575	2018-V2-GX-0031, 2019-V2-GX-0014	536,820
				<u>34,246,987</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				
NONFEDERAL AWARDS				
INDIANA DEPARTMENT OF CHILD SERVICES				
Direct programs:				
Courage Center	Fee for service	N/A	N/A	2,696,256
STATE OF INDIANA (IC 31-26-1)				
Direct programs:				
Shelter - YSB	Fee for service	N/A	N/A	35,110
Medicaid	Fee for service	N/A	N/A	758,724
Domestic Violence Prevention and Treatment (DVPT)	Fee for service	N/A	N/A	160,814
Sexual Assault Victim Assistance Fund (SAVAF)	Fee for service	N/A	N/A	134,040
INDIANA FAMILY AND SOCIAL SERVICES ADMINISTRATION				
Data Assessment Registry Mental Health & Addictions System (DARMHA)	Fee for service	N/A	N/A	183,748
				<u>3,968,692</u>
TOTAL EXPENDITURES OF NONFEDERAL AWARDS				
				<u>\$ 38,215,679</u>

**FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.**

**CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION INFORMATION
December 31, 2022**

	Firefly Children and Family Alliance, Inc.	Firefly Children and Family Alliance Foundation, Inc.	Eliminations	Consolidated
ASSETS				
Cash	\$ 5,165,075	\$ 261,819		\$ 5,426,894
Grants receivable	9,633,532			9,633,532
Promises to give	438,381			438,381
Investments	1,004,801	856,551		1,861,352
Prepaid expenses and other assets	902,016			902,016
Investments - endowment		29,701,702		29,701,702
Operating lease right-of-use assets	1,054,468			1,054,468
Property and equipment, net	4,274,594	12,824,094		17,098,688
TOTAL ASSETS	<u>\$ 22,472,867</u>	<u>\$ 43,644,166</u>	<u>\$ -</u>	<u>\$ 66,117,033</u>
LIABILITIES				
Accounts payable and other liabilities	\$ 900,660	\$ 3,907		\$ 904,567
Accrued payroll, vacations and related taxes	1,659,135			1,659,135
Operating lease liability	1,054,468			1,054,468
Line of credit borrowings		2,468,567		2,468,567
FSC loan		499,947		499,947
Total Liabilities	<u>3,614,263</u>	<u>2,972,421</u>		<u>6,586,684</u>
NET ASSETS				
Without donor restrictions	16,428,274	21,017,738		37,446,012
With donor restrictions	2,430,330	19,654,007		22,084,337
Total Net Assets	<u>18,858,604</u>	<u>40,671,745</u>		<u>59,530,349</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,472,867</u>	<u>\$ 43,644,166</u>	<u>\$ -</u>	<u>\$ 66,117,033</u>

**FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.**

**CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES INFORMATION
Year Ended December 31, 2022**

	Without Donor Restrictions			Total
	Firefly Children and Family Alliance, Inc.	Firefly Children and Family Alliance Foundation, Inc.	Eliminations	
REVENUE, GAINS (LOSSES) AND SUPPORT				
Revenue and gains (losses):				
Investment return	\$ (9,110)	\$ (2,018,703)		\$ (2,027,813)
Miscellaneous income (expense)	338,736	275,148	\$ (273,600)	340,284
Total Revenue and Gains (Losses)	<u>329,626</u>	<u>(1,743,555)</u>	<u>(273,600)</u>	<u>(1,687,529)</u>
Support:				
Contributions	1,687,899	4,071,615	(5,011,539)	747,975
Government grant revenue and Medicaid	28,651,878			28,651,878
Service revenue	6,812,752			6,812,752
Brokered government grant revenue	2,743,312			2,743,312
Non-government grants	688,296			688,296
United Way	252,613			252,613
Special events	115,103			115,103
Contributed nonfinancial assets	1,135,877		(812,600)	323,277
Total Support	<u>42,087,730</u>	<u>4,071,615</u>	<u>(5,824,139)</u>	<u>40,335,206</u>
Net assets released from restrictions	791,793			791,793
Total Revenue, Gains (Losses) and Support	<u>43,209,149</u>	<u>2,328,060</u>	<u>(6,097,739)</u>	<u>39,439,470</u>
EXPENSES				
Program services	34,225,519	344,928	(812,600)	33,757,847
Supporting services:				
Management and general	10,653,864	1,151,679	(5,285,139)	6,520,404
Fundraising	615,314	2,352		617,666
Total Expenses	<u>45,494,697</u>	<u>1,498,959</u>	<u>(6,097,739)</u>	<u>40,895,917</u>
INCREASE (DECREASE) IN NET ASSETS	(2,285,548)	829,101		(1,456,447)
NET ASSETS				
Beginning of Year	<u>18,713,822</u>	<u>20,188,637</u>		<u>38,902,459</u>
End of Year	<u>\$ 16,428,274</u>	<u>\$ 21,017,738</u>	<u>\$ -</u>	<u>\$ 37,446,012</u>

With Donor Restrictions

Firefly Children and Family Alliance, Inc.	Firefly Children and Family Alliance Foundation, Inc.	Total	Consolidated
\$ (30,908)	\$ (3,304,007)	\$ (3,334,915)	\$ (5,362,728)
<u>(30,908)</u>	<u>(3,304,007)</u>	<u>(3,334,915)</u>	<u>340,284</u> <u>(5,022,444)</u>
186,838		186,838	934,813
			28,651,878
			6,812,752
			2,743,312
958,890		958,890	1,647,186
390,081		390,081	642,694
			115,103
			<u>323,277</u>
<u>1,535,809</u>		<u>1,535,809</u>	<u>41,871,015</u>
<u>(791,793)</u>		<u>(791,793)</u>	
<u>713,108</u>	<u>(3,304,007)</u>	<u>(2,590,899)</u>	<u>36,848,571</u>
			33,757,847
			6,520,404
			<u>617,666</u>
			<u>40,895,917</u>
713,108	(3,304,007)	(2,590,899)	(4,047,346)
<u>1,717,222</u>	<u>22,958,014</u>	<u>24,675,236</u>	<u>63,577,695</u>
<u>\$ 2,430,330</u>	<u>\$ 19,654,007</u>	<u>\$ 22,084,337</u>	<u>\$ 59,530,349</u>

**FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.**

**CONSOLIDATING SCHEDULE - STATEMENT OF CASH FLOWS INFORMATION
Year Ended December 31, 2022**

	Firefly Children and Family Alliance, Inc.	Firefly Children and Family Alliance Foundation, Inc.	Consolidated
OPERATING ACTIVITIES			
Decrease in net assets	\$ (1,572,440)	\$ (2,474,906)	\$ (4,047,346)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:			
Depreciation	779,142	480,000	1,259,142
Retirement of property and equipment	2,906		2,906
Net realized and unrealized loss on investments	54,579	6,105,872	6,160,451
Interest expense added to line of credit		51,267	51,267
Contributions of properties to Firefly Children and Family Alliance Foundation	4,030,143	(4,030,143)	
(Increase) decrease in certain assets:			
Grants receivable	(3,070,872)		(3,070,872)
Promises to give	39,108		39,108
Prepaid expenses and other assets	18,959	24,348	43,307
Increase (decrease) in certain liabilities:			
Accounts payable and other liabilities	(458,077)	(72)	(458,149)
Accrued payroll, vacations and related taxes	204,059		204,059
Net Cash Provided by Operating Activities	<u>27,507</u>	<u>156,366</u>	<u>183,873</u>
INVESTING ACTIVITIES			
Purchases of property and equipment	(1,390,662)	(15,000)	(1,405,662)
Purchases of investments		(20,977,570)	(20,977,570)
Sales and maturities of investments		19,708,853	19,708,853
Net Cash Used by Investing Activities	<u>(1,390,662)</u>	<u>(1,283,717)</u>	<u>(2,674,379)</u>
FINANCING ACTIVITIES			
Net repayments on line of credit		(41,398)	(41,398)
Principal payments on FSC loan		(82,687)	(82,687)
Net Cash Used by Financing Activities		<u>(124,085)</u>	<u>(124,085)</u>
NET DECREASE IN CASH AND EQUIVALENTS	(1,363,155)	(1,251,436)	(2,614,591)
CASH AND EQUIVALENTS			
Beginning of Year	<u>7,533,031</u>	<u>3,184,868</u>	<u>10,717,899</u>
End of Year	<u>\$ 6,169,876</u>	<u>\$ 1,933,432</u>	<u>\$ 8,103,308</u>
CASH AND EQUIVALENTS			
Cash	\$ 5,165,075	\$ 261,819	\$ 5,426,894
Cash equivalents held in investments	<u>1,004,801</u>	<u>1,671,613</u>	<u>2,676,414</u>
TOTAL CASH AND EQUIVALENTS	<u>\$ 6,169,876</u>	<u>\$ 1,933,432</u>	<u>\$ 8,103,308</u>
SUPPLEMENTAL DISCLOSURES			
Interest paid		\$ 27,313	\$ 27,313
Noncash investing and financing activities:			
Interest expense added to line of credit	\$ 51,267		51,267
Contributions of properties to Firefly Children and Family Alliance Foundation	4,030,143	(4,030,143)	
Property and equipment purchased with line of credit borrowings		968,277	968,277

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

*Independent Auditor's Report on Internal Control
Over Financial Reporting on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards*

Board of Directors
Firefly Children and Family Alliance, Inc.
Firefly Children and Family Alliance Foundation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Children's Bureau, Inc. d/b/a Firefly Children and Family Alliance, Inc. and Children's Bureau Foundation, Inc. d/b/a Firefly Children and Family Alliance Foundation, Inc. (both Indiana not-for-profit organizations, together the Organizations), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organizations' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of Organizations' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organizations' consolidated financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
June 27, 2023

**FIREFLY CHILDREN AND FAMILY ALLIANCE, INC.
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2022**

	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Indiana Department of Health:			
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	HCET IN-PACT	\$ 15,771
Teenage Pregnancy Prevention Program	93.297	HCET IN-CAST	113,265
Passed through the Trustees of Indiana University			
Child Abuse and Neglect Discretionary Activities	93.670	90CA1864-01-00	519,662
Passed through Indiana Criminal Justice Institute:			
Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	93.671	2001INFPVPS, Contract 70571	72,427
COVID-19 - Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	93.671	2001INFPVPS, Contract #62613	34,233
Total Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services			<u>106,660</u>
Sexual Assault/Rape Crisis Services and Supports	93.497	Contract #64277	8,000
Total for U.S. Department of Health and Human Services			<u>763,358</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through United Way of Central Indiana:			
Emergency Food and Shelter National Board Program	97.024	272800-039	3,673
COVID-19 - Emergency Food and Shelter National Board Program	97.024	272800-039	29,608
Total Emergency Food and Shelter National Board Program			<u>33,281</u>
Total for U.S. Department of Homeland Security			<u>33,281</u>
U.S. DEPARTMENT OF JUSTICE			
Passed through Indiana Criminal Justice Institute:			
Sexual Assault Services Formula Program	16.017	Contract 61407	55,039
Crime Victim Assistance	16.575	2018-V2-GX-0031 2019-V2-GX-0014 Contract 61407 Contract 68913	536,820
Total for U.S. Department of Justice			<u>591,859</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,388,498</u>

See accompanying notes to schedule of expenditures of federal awards.

**FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc. (the Organizations). The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR), Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organizations, it is not intended to and does not present the financial position, changes in operations, or cash flows of the Organizations. In addition, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or federal award guidance when such cost principles are not applicable to the specific federal award.

Subrecipients: The Organizations provided no funds to subrecipients in 2022.

NOTE 2 - INDIRECT COST RATE

The Organizations have not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance except for Assistance Listing No. 93.670 Child Abuse and Neglect Discretionary Activities.

*Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance*

Board of Directors
Firefly Children and Family Alliance, Inc.
Firefly Children and Family Alliance Foundation, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Children's Bureau, Inc. d/b/a Firefly Children and Family Alliance, Inc. and Children's Bureau Foundation, Inc. d/b/a Firefly Children and Family Alliance Foundation, Inc. (both Indiana not-for-profit organizations, together the Organizations) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organizations' major federal programs for the year ended December 31, 2022. The Organizations' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organizations complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organizations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organizations' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and the provisions of contracts or grant agreements applicable to the Organizations' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organizations' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organizations' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organizations' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organizations' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
June 27, 2023

**FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2022**

Summary of Auditor's Results

Consolidated Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified? _____ yes _____ no

• Significant deficiency(ies) identified? _____ yes _____ no

Noncompliance material to consolidated financial statements noted? _____ yes _____ no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? _____ yes _____ no

• Significant deficiency(ies) identified? _____ yes _____ no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes _____ no

Identification of major programs:

Federal Assistance Listing Number	Agency	Title
93.670	U.S Department of Health and Human Services	Child Abuse and Neglect Discretionary Activities
16.575	U.S Department of Justice	Crime Victim Assistance

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ yes _____ no

**FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2022**

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

FIREFLY

Children & Family Alliance

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended December 31, 2022

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. Department of Health and Human Services

2021-001 Child Abuse and Neglect Discretionary Activities – AL #93.670

Material Weakness in Internal Control Over Compliance and Noncompliance – Allowable Costs/Cost Principles and Procurement and Suspension and Debarment

Recommendation: The Auditors recommend the required written policies noted in the Summary of Findings and Questioned Costs be written by the Organizations, approved by the Board of Directors, and included in the permanent files of the Organizations.

Status: **Completed**

U.S. Department of Health and Human Services

2021-002 Child Abuse and Neglect Discretionary Activities – AL #93.670

Noncompliance – Procurement and Suspension and Debarment

Recommendation: The Auditors recommend the Organizations develop a system of internal controls aligned with the applicable compliance requirements to sufficiently document procurements and to ensure suspension and debarment are considered prior to entering into future covered transactions.

Status: **Completed**