



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B35131

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

November 18, 2009

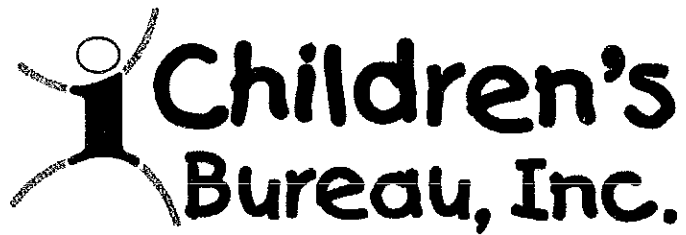
Board of Directors
Children's Bureau, Inc.
615 N. Alabama St., Ste. 426
Indianapolis, IN 46204

We have reviewed the audit report prepared by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Children's Bureau, Inc., as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the finding in the report. Page 30 contains the status of one prior audit finding.

STATE BOARD OF ACCOUNTS



**CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2008 and 2007

**CHILDREN'S BUREAU, INC.
AND
CHILDREN'S BUREAU FOUNDATION, INC.**

CONTENTS

	Page
CONSOLIDATED FINANCIAL STATEMENTS	
Independent Auditors' Report	1-2
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-18
CONSOLIDATING AND ADDITIONAL INFORMATION	
Consolidating Schedule-Statement of Financial Position Information	19
Consolidating Schedule-Statement of Activities Information	20
Consolidating Schedule-Statement of Cash Flows Information	21
Schedule of Government Grants and Contract Fees	22
OTHER REPORTS AND SCHEDULES	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Schedule of Expenditures of Federal Awards	25-26
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	27-28
Schedule of Findings and Questioned Costs	29-30

800 East 96th Street
Suite 500
Indianapolis, IN 46240

Tel 317.580.2000
Fax 317.580.2117

Independent Auditors' Report

Board of Directors
Children's Bureau, Inc. and
Children's Bureau Foundation, Inc.

We have audited the accompanying consolidated statements of financial position of Children's Bureau, Inc. and Children's Bureau Foundation, Inc. (both Indiana not-for-profit organizations) as of December 31, 2008 and 2007, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children's Bureau, Inc. and Children's Bureau Foundation, Inc. at December 31, 2008 and 2007, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 12 to the consolidated financial statements, as of December 31, 2008, the Organizations adopted the measurement provisions and, as of December 31, 2007, adopted the recognition provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit and other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 123R*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2009, on our consideration of Children's Bureau, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidating and additional information on pages 19 to 22 is presented for purposes of additional analysis of the basic consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations. The accompanying schedule of expenditures of federal awards on pages 25 to 26 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Kathy A. Jones Miller, CPA

Indianapolis, Indiana
June 11, 2009

**CHILDREN'S BUREAU, INC. AND
CHILDREN'S BUREAU FOUNDATION, INC.**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007**

	2008	2007
ASSETS		
Cash and equivalents	\$ 1,590,504	\$ 1,017,309
Accounts receivable	2,763,018	2,528,769
Contributions receivable	558,580	611,317
Prepaid expenses and other assets	191,115	190,990
Investments-Board designated and restricted	2,037,881	3,146,286
Property and equipment	<u>7,921,505</u>	<u>5,267,901</u>
TOTAL ASSETS	<u><u>\$15,062,603</u></u>	<u><u>\$12,762,572</u></u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 295,240	\$ 366,295
Deferred support	2,344,095	203,828
Accrued payroll and taxes	294,056	254,151
Accrued vacation pay	162,787	155,782
Accrued pension expense	2,005,264	687,706
Line of credit borrowings		70,000
Annuity payment liability		10,373
Total Liabilities	<u>5,101,442</u>	<u>1,748,135</u>
NET ASSETS		
Unrestricted		
Board designated	1,963,185	2,793,647
Undesignated	<u>6,468,770</u>	<u>6,704,308</u>
Temporarily restricted	8,431,955	9,497,955
Permanently restricted	1,339,836	1,327,112
Total Net Assets	<u>189,370</u>	<u>189,370</u>
	<u>9,961,161</u>	<u>11,014,437</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$15,062,603</u></u>	<u><u>\$12,762,572</u></u>

See accompanying notes.

**CHILDREN'S BUREAU, INC. AND
CHILDREN'S BUREAU FOUNDATION, INC.**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2008 and 2007**

	Unrestricted	2008 Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND SUPPORT				
Contributions	\$ 124,093	\$ 606,438		\$ 730,531
Capital Campaign		885,996		885,996
United Way allocation	508,544	508,345		1,016,889
Government grants and contract fees	11,958,327			11,958,327
In-kind contributions	195,090	130,385		325,475
Interest income	120,435			120,435
Net realized and unrealized investment gains (loss)	(749,300)			(749,300)
Other income	212,675			212,675
	<u>12,369,864</u>	<u>2,131,164</u>		<u>14,501,028</u>
Net assets released from restrictions:				
United Way	727,830	(727,830)		
Other	1,390,610	(1,390,610)		
Total Revenue, Gains and Support	<u>14,488,304</u>	<u>12,724</u>		<u>14,501,028</u>
EXPENSES				
United Way programs	2,378,506			2,378,506
Other programs	9,458,562			9,458,562
Management and general	2,209,938			2,209,938
Fundraising	207,323			207,323
Total Expenses	<u>14,254,329</u>			<u>14,254,329</u>
INCREASE IN NET ASSETS FROM OPERATIONS	233,975	12,724		246,699
NONOPERATING ACTIVITIES				
Minimum pension liability adjustment	(1,001,451)			(1,001,451)
Effect of adoption of recognition and measurement date provisions of SFAS No. 158	(298,524)			(298,524)
INCREASE (DECREASE) IN NET ASSETS	(1,066,000)	12,724		(1,053,276)
NET ASSETS				
Beginning of Year	<u>9,497,955</u>	<u>1,327,112</u>	<u>\$ 189,370</u>	<u>11,014,437</u>
End of Year	<u>\$ 8,431,955</u>	<u>\$ 1,339,836</u>	<u>\$ 189,370</u>	<u>\$ 9,961,161</u>

See accompanying notes.

Unrestricted	2007		Total
	Temporarily Restricted	Permanently Restricted	
\$ 47,478	\$ 830,337		\$ 877,815
	617,900		617,900
271,801	797,597		1,069,398
11,215,594	12,500		11,228,094
507,852	71,143		578,995
129,574			129,574
46,815			46,815
<u>211,515</u>			<u>211,515</u>
12,430,629	<u>2,329,477</u>		<u>14,760,106</u>
894,066	(894,066)		
<u>1,176,674</u>	<u>(1,176,674)</u>		
14,501,369	<u>258,737</u>		<u>14,760,106</u>
2,386,602			2,386,602
9,134,980			9,134,980
2,315,629			2,315,629
<u>201,215</u>			<u>201,215</u>
<u>14,038,426</u>			<u>14,038,426</u>
462,943	258,737		721,680
(247,578)			(247,578)
215,365	258,737		474,102
<u>9,282,590</u>	<u>1,068,375</u>	<u>\$ 189,370</u>	<u>10,540,335</u>
<u>\$ 9,497,955</u>	<u>\$ 1,327,112</u>	<u>\$ 189,370</u>	<u>\$ 11,014,437</u>

**CHILDREN'S BUREAU, INC. AND
CHILDREN'S BUREAU FOUNDATION, INC.**

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2008 and 2007**

	United Way Programs		Other Programs	
	2008	2007	2008	2007
Salaries and wages	\$ 1,369,535	\$ 1,367,443	\$ 4,889,063	\$ 4,876,354
Payroll taxes and employee benefits	397,129	377,581	1,271,236	1,291,924
	<u>1,766,664</u>	<u>1,745,024</u>	<u>6,160,299</u>	<u>6,168,278</u>
Professional fees	59,246	79,121	457,203	288,036
Supplies	16,446	18,735	70,649	92,978
Occupancy and utilities	152,287	151,196	500,419	455,243
Postage	10,102	7,961	42,402	40,118
Printing and publications	9,861	10,931	47,340	41,998
Transportation	70,278	71,723	271,421	223,472
Conferences and meetings	7,186	6,920	25,981	26,867
Specific assistance	48,937	37,813	616,845	845,017
Repairs/maintenance and equipment rental	81,345	78,325	355,709	341,705
Depreciation	42,367	45,401	231,685	194,621
Bad debt expense			88,792	7,564
In-kind expense	92,925	113,285	444,708	291,813
Loss on disposals of property and equipment				56,025
Miscellaneous	20,862	20,167	145,109	61,245
	<u>20,862</u>	<u>20,167</u>	<u>145,109</u>	<u>61,245</u>
TOTAL EXPENSES	<u>\$ 2,378,506</u>	<u>\$ 2,386,602</u>	<u>\$ 9,458,562</u>	<u>\$ 9,134,980</u>

See accompanying notes.

Management and General		Fundraising		Total	
2008	2007	2008	2007	2008	2007
\$ 1,122,229	\$ 1,068,260	\$ 76,272	\$ 85,861	\$ 7,457,099	\$ 7,397,918
261,673	250,692	28,783	24,051	1,958,821	1,944,248
<u>1,383,902</u>	<u>1,318,952</u>	<u>105,055</u>	<u>109,912</u>	<u>9,415,920</u>	<u>9,342,166</u>
259,614	270,043	1,990	239	778,053	637,439
24,868	31,517	2,045	1,950	114,008	145,180
132,741	120,606	9,488	6,795	794,935	733,840
12,602	15,901	3,912	6,592	69,018	70,572
38,083	26,966	5,368	2,299	100,652	82,194
16,522	7,822	616	844	358,837	303,861
12,935	14,013	2,523	974	48,625	48,774
1,702	3,364			667,484	886,194
56,048	56,154	1,457	1,516	494,559	477,700
43,309	81,623	4,129	7,648	321,490	329,293
	7,450			88,792	15,014
181,222	336,268	35,411	30,477	754,266	771,843
46,390	24,950	35,329	31,969	247,690	56,025
<u>\$ 2,209,938</u>	<u>\$ 2,315,629</u>	<u>\$ 207,323</u>	<u>\$ 201,215</u>	<u>\$ 14,254,329</u>	<u>\$ 14,038,426</u>

**CHILDREN'S BUREAU, INC. AND
CHILDREN'S BUREAU FOUNDATION, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008 and 2007**

	2008	2007
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (1,053,276)	\$ 474,102
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	321,490	329,293
Net losses on disposals of property and equipment		56,025
Net realized (gains) losses on investments	215,656	(175,909)
Net unrealized losses on investments	533,644	129,094
(Increase) decrease in certain assets:		
Accounts receivable	(229,191)	(746,610)
Contributions receivable	112,390	9,369
Prepaid expenses and other assets	(125)	(61,925)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	(76,112)	96,416
Deferred support	(12,778)	203,799
Accrued payroll and taxes	39,905	37,236
Accrued vacation pay	7,005	384
Accrued pension expense	1,317,558	188,216
Annuity payment liability	(10,373)	554
Contributions restricted for Capital Campaign	(885,996)	(617,900)
Net Cash Provided (Used) by Operating Activities	<u>279,797</u>	<u>(77,856)</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(2,975,094)	(674,174)
Purchases of investments	(1,058,722)	(747,639)
Sales and maturities of investments	1,417,827	1,128,707
Net Cash Used by Investing Activities	<u>(2,615,989)</u>	<u>(293,106)</u>
FINANCING ACTIVITIES		
Cash collections related to Capital Campaign	2,979,387	561,684
Borrowings (payments) on line of credit	(70,000)	70,000
Net Cash Provided by Financing Activities	<u>2,909,387</u>	<u>631,684</u>
NET INCREASE IN CASH AND EQUIVALENTS	573,195	260,722
CASH AND EQUIVALENTS		
Beginning of Year	<u>1,017,309</u>	<u>756,587</u>
End of Year	<u>\$ 1,590,504</u>	<u>\$ 1,017,309</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 8,803	\$ 13,346
Noncash investing activities:		
Donated property and equipment		242,000

See accompanying notes.

**CHILDREN'S BUREAU, INC. AND
CHILDREN'S BUREAU FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Children's Bureau, Inc. (the Bureau) is a private, not-for-profit agency formed in 1851, providing human services to families and children living in central Indiana. The agency staff works together with volunteers to provide the services to fulfill the mission of the Bureau supporting and assisting children and families who are at risk. The Bureau offers a wide range of child and family services including programs on adoption, foster care, home-based counseling, group home care, teen pregnancy, crisis intervention, treatment for children who are victims of sexual abuse, shelter care for children who are at risk of abuse/neglect or are homeless, independent living services, and alternative residential programs for emotionally disturbed youth. The Bureau's primary sources of revenue are government grants and contracts, the United Way allocation, and contributions.

Children's Bureau Foundation, Inc. (the Foundation) operates for the benefit of and carries out the purposes of the Bureau. The Foundation's primary sources of revenue are contributions and investment earnings.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Principles of Consolidation: The consolidated financial statements include the accounts of the Bureau and the Foundation (together, the "Organizations"). All material interorganizational accounts and transactions have been eliminated in consolidation.

Net Asset Classifications: The consolidated financial statements have been prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. SFAS No. 117 requires, among other things, that the consolidated financial statements report the changes in and the total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted, and permanently restricted. The following classes of net assets are maintained by the Organizations:

Unrestricted Net Assets include general and board designated assets and liabilities which may be used at the discretion of management to support the Organizations' purposes and operations.

Temporarily Restricted Net Assets include assets related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

Permanently Restricted Net Assets include assets related to gifts with donor-imposed restrictions that stipulate the principal be held in perpetuity with the earnings there from being unrestricted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Equivalents: For purposes of the statement of cash flows, cash equivalents includes money market fund shares. 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.

Receivables and Credit Policies: The Bureau reviews its accounts receivable for collectibility on a monthly basis for client accounts that exceed 60 days past due and older. Payments of accounts receivable are allocated to the specific invoices identified on the client's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Periodically, management makes a determination if write-offs are necessary.

Promises to Give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Investments in marketable securities are carried at fair value based on quoted market prices. Unrealized gains and losses are included in the change in net assets in the statement of activities. The cost of securities used to compute realized gains and losses is determined on a specific identification basis. Dividend and interest income is recognized when received.

Property and Equipment: Expenditures for property and equipment and items 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 Bureau provides for depreciation on the straight-line method at rates designed to depreciate the cost of assets over estimated useful lives as follows:

Buildings	20-37.5 years
Leasehold improvements	5-20 years
Furnishings and equipment	5-10 years

Support and Revenue: The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Government Grants and Contract Fees: Support funded by grants is recognized as the Bureau performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. The Bureau also receives support under various fee-for-service and per diem contracts from various state and county agencies for providing services to individuals.

In-Kind Contributions: In addition to receiving cash contributions, the Bureau receives in-kind contributions from various donors. It is the policy of the Bureau to record the estimated fair market value of certain in-kind donations as an expense in its consolidated financial statements, and similarly increase donations by a like amount. This adjustment amounted to \$325,475 for 2008 and \$578,995 for 2007.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation: Expenses are allocated directly or indirectly to various programs and supporting services as listed in the statement of functional expenses. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural classification. All remaining indirect costs are allocated based upon estimates of time spent by Bureau personnel.

Income Taxes: The Organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are not considered to be private foundations. However, the Bureau would be required to pay income tax on unrelated business income. Accordingly, no provision for income taxes is required to be made in the consolidated financial statements.

Reclassifications: Certain items in the 2007 consolidated financial statements have been reclassified to conform to the 2008 presentation.

NOTE 2 - FAIR VALUE MEASUREMENTS

In accordance with Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, the Organizations have categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets or liabilities whose values are based on unadjusted quoted prices available in active markets for identical assets or liabilities.

Level 2 – Financial assets or liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Financial assets or liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

At December 31, 2008, the fair value of the Organizations’ financial instruments measured on a recurring basis was as follows:

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments	\$2,037,881			\$2,037,881
Money market fund shares	<u> </u>	<u>\$731,570</u>	<u> </u>	<u> 731,570</u>
Total	<u>\$2,037,881</u>	<u>\$731,570</u>	<u> </u>	<u>\$2,769,451</u>
Liability:				
Pension obligation			<u>\$2,005,264</u>	<u>\$2,005,264</u>

The fair value of the investments was based on unadjusted market prices. The fair value of the money market fund shares was valued at the published net asset value of the shares held at the reporting date. The fair value of the pension obligation was based on actuarial assumptions and unadjusted market prices.

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

Changes in fair value of the Level 3 financial liability for 2008 are included in the details of the change in benefit obligation and the change in plan assets in Note 12.

NOTE 3 - ENDOWMENT

The Foundation's endowment consists of one fund, which is maintained solely for the benefit of the Bureau. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Foundation and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Foundation
- (7) The investment policies of the Foundation.

The endowment net asset composition by type of fund as of December 31, 2008, was as follows:

	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$189,370	\$ 189,370
Board-designated funds	<u>\$1,956,734</u>	<u> </u>	<u>1,956,734</u>
Total funds	<u>\$1,956,734</u>	<u>\$189,370</u>	<u>\$2,146,104</u>

NOTE 3 - ENDOWMENT (CONTINUED)

Activity in the endowment by net asset class for the year ended December 31, 2008, is summarized as follows:

	Unrestricted	Permanently Restricted	Total
Balance at beginning of year	\$2,787,196	\$ 189,370	\$2,976,566
Investment loss	(659,338)		(659,338)
Designation by the board	8,668		8,668
Appropriated for expenditure	<u>(179,792)</u>	<u> </u>	<u>(179,792)</u>
Balance at end of year	<u>\$1,956,734</u>	<u>\$189,370</u>	<u>\$2,146,104</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States, deficiencies of this nature that are reported in unrestricted net assets were \$39,468 as of December 31, 2008. These deficiencies resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the Bureau while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified periods as well as board-designated funds. 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.

Strategies Employed for Achieving Objectives

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.

NOTE 3 - ENDOWMENT (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation may distribute on an annual basis an amount up to its current ordinary income to the Bureau. In order to distribute funds, the Bureau must submit a request for funding, including the programs to be benefited. The Board of Directors of the Foundation must review and approved the request before the distribution is made. In establishing this policy, the Foundation considered its desire to be flexible in providing support to the Bureau while maintaining a balance in the investment account. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31, 2008 and 2007:

	2008	2007
Pledges from related parties	\$ 129,773	\$ 66,118
Fairbanks grant		131,000
United Way	<u>436,257</u>	<u>421,649</u>
Total Contributions Receivable	566,030	618,767
Less allowance for doubtful accounts	<u>(7,450)</u>	<u>(7,450)</u>
Net Contributions Receivable	<u>\$ 558,580</u>	<u>\$ 611,317</u>
Amount due in:		
Less than one year	\$ 564,399	\$ 583,140
One to five years	<u>1,631</u>	<u>35,627</u>
Total Contributions Receivable	566,030	618,767
Less allowance for doubtful accounts	<u>(7,450)</u>	<u>(7,450)</u>
Net Contributions Receivable	<u>\$ 558,580</u>	<u>\$ 611,317</u>

NOTE 5 - INVESTMENTS

Investments are as follows at December 31, 2008 and 2007:

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
U.S. Government bonds	\$ 146,008	\$ 153,719	\$ 510,993	\$ 515,953
Corporate bonds	246,200	242,631	393,512	390,885
Bond funds	23,308	18,048	360,470	390,077
Common stocks	1,202,155	1,239,612	1,253,102	1,849,371
Exchange traded stock fund	70,248	49,095		
Mutual funds	301,220	193,547		
FDIC guaranteed bonds	50,535	51,705		
GNMA pass-through securities	<u>88,994</u>	<u>89,524</u>		
Total Investments	<u>\$2,128,668</u>	<u>\$2,037,881</u>	<u>\$2,518,077</u>	<u>\$3,146,286</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment are as follows at December 31, 2008 and 2007:

	2008	2007
Land	\$ 297,786	\$ 297,786
Buildings and improvements	5,605,831	5,569,027
Furnishings and equipment	<u>2,022,048</u>	<u>1,770,780</u>
	7,925,665	7,637,593
Less: Accumulated depreciation	<u>3,154,316</u>	<u>2,832,530</u>
	4,771,349	4,805,063
Construction in progress	<u>3,150,156</u>	<u>462,838</u>
Total Property and Equipment	<u>\$7,921,505</u>	<u>\$5,267,901</u>

NOTE 7 - ANNUITIES PAYABLE

The Foundation is the recipient of a gift annuity, which requires future payments to the donor. The asset received from the donor is recorded at fair market value. The Foundation recorded a liability of approximately \$10,000 at December 31, 2007, which represented the approximate present value of the future annuity obligation to the donor. The liability was determined using Internal Revenue Service joint annuity tables. During 2008, the annuity obligation was fulfilled.

NOTE 8 - DEBT

The Bureau has a \$200,000 bank line of credit for short-term borrowings through October 1, 2009. There were no borrowings as of December 31, 2008. As of December 31, 2007, \$70,000 was borrowed and outstanding. Interest on borrowings is due and payable monthly, and computed at the Bank's prime lending rate (3.25% and 7.25% at December 31, 2008 and 2007, respectively). Line of credit borrowings are secured by the Bureau's cash accounts on deposit with the Bank and all accounts receivable.

NOTE 9 - LEASES

The Bureau has several operating leases, primarily for office space and equipment. These leases generally contain renewal options for periods ranging from three to five years. Rental expense was \$244,422 in 2008 and \$210,358 in 2007.

Future minimum lease payments required by all noncancellable operating leases at December 31, 2008, are as follows:

Payable In	Rental Payments
2009	\$316,768
2010	228,524
2011	119,486
2012	19,993
2013	<u>1,967</u>
Total	<u>\$686,738</u>

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31, 2008 and 2007:

	2008	2007
Children's Bureau, Inc.		
United Way Programs		
Adoption Program	\$ 91,098	\$ 8,382
Pro-100	33,593	15,000
Crisis/Respite	185,000	32,500
PEACE	10,000	
Counseling	17,500	
Wise	110,000	
Daycare	31,259	
NACS-West Program	23,300	
United Way Funding Allocation		421,649
Lilly Grant	139,046	267,832
Advocacy Program		280
NACS-East Program	11,722	5,002
TLP Program	68,451	70,444
Adoption/Celebrity Cook-off	39,182	36,921
Fairbanks Grant		131,000
Family Support Center Pledges	115,870	52,216
Family Support Center Capital Campaign	250,498	98,886
Community Relations & Marketing	17,500	
Volunteer Services	6,733	
Johnson County	2,084	
Children's Bureau Foundation, Inc.		
Fay Biccard Glick Family Place and Rachel Glick Courage Center	182,000	182,000
Advocacy	<u>5,000</u>	<u>5,000</u>
Total Temporary Restricted Net Assets	<u>\$1,339,836</u>	<u>\$1,327,112</u>

NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

For the years ended December 31, 2008 and 2007, net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows:

	2008	2007
Purpose restrictions accomplished (United Way):		
Crisis/Respite	\$ 217,500	\$ 278,570
Adoption Program	72,284	105,158
Counseling	17,500	199,217
Teen Pregnancy Program		107,500
Daycare	31,258	
Transition Funds	14,977	
PEACE	10,000	
Wise	110,000	
Pro-100	252,611	145,000
NACS-West Program	1,700	23,250
Anderson - Any Child		10,760
Anderson - Parents as Teachers		<u>24,611</u>
Total Restrictions Released (United Way)	<u>727,830</u>	<u>894,066</u>
Purpose restrictions accomplished (Other):		
TLP Program	\$ 1,993	\$ 125,565
Parents as Teachers	30,000	
Johnson County	10,417	
Advocacy Program	19,040	9,940
Community relations and marketing	51,500	32,000
Volunteer Services	17,169	14,344
Development	46,289	16,000
Adoption/Celebrity Cook-off	72,906	62,282
NACS-East Program	108,280	73,568
Executive/Lilly Endowment	17,500	32,500
Executive/Lilly Grant	202,786	140,128
Foster Care		3,500
Pro-100/CICF	11,000	8,000
TLP/Fairbanks Grant	131,000	196,009
Family Support Center Capital Expenditures	<u>670,730</u>	<u>462,838</u>
Total Restrictions Released (Other)	<u>1,390,610</u>	<u>1,176,674</u>
Total Restrictions Released	<u>\$2,118,440</u>	<u>\$2,070,740</u>

NOTE 11 - CONCENTRATIONS OF FUNDING

Government funding provided 82% and 76% of revenue for the Organization for the years ended December 31, 2008 and 2007, respectively. As part of federal funding, the Community Partners Grant provided 19% and 10% of revenue in 2008 and 2007, respectively.

NOTE 12 - EMPLOYEE BENEFITS

Defined Benefit Pension Plan

The Bureau sponsors a noncontributory defined benefit pension plan covering substantially all of its employees. Plan benefits are determined by a formula based on earnings.

As of December 31, 2007, the Bureau adopted the recognition provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 123R* (SFAS No. 158), which requires that the funded status of defined benefit pension and other postretirement plans be fully recognized in the statement of financial position. The incremental effects of applying SFAS No. 158 on individual line items in the consolidated statement of financial position as of that date are as follows:

	Before Application	Adjustments	After Application
Pension liability	\$ 440,128	\$ 247,578	\$ 687,706
Unrestricted net assets	9,745,533	(247,578)	9,497,955

As of December 31, 2008, the Bureau adopted the measurement provisions of SFAS No. 158, which requires that plan assets and obligations be measured at the year-end statement of financial position date. As a result, the Bureau changed its measurement date for its defined benefit pension plan from September 30 to December 31. Application of the measurement provision of SFAS No. 158 resulted in a \$298,524 decrease in unrestricted net assets.

The following table sets forth the Plan's funded status and amounts recognized in the Bureau's financial statements at December 31, 2008 and 2007, and for the years then ended. The measurement date used to determine the pension measurements for the majority of Plan assets and benefit obligations was December 31, 2008 and September 30, 2007, respectively:

	Obligations and Funded Status	
	2008	2007
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 4,375,149	\$ 4,197,687
Service cost	223,973	193,664
Interest cost	260,365	237,645
Actuarial (gain) loss	105,418	(131,548)
Benefits paid	(172,629)	(122,299)
Adoption of measurement date provisions of SFAS No. 158	298,524	
Benefit obligation at end of year	<u>5,090,800</u>	<u>4,375,149</u>
Change in Plan Assets:		
Fair value of plan assets at beginning of year	3,687,444	3,201,488
Actual return/(loss) on plan assets	(642,870)	372,267
Employer contributions	213,591	235,987
Benefits paid	(172,629)	(122,299)
Fair value of plan assets at end of year	<u>3,085,536</u>	<u>3,687,443</u>
Funded Status at End of Year	<u>\$(2,005,264)</u>	<u>\$ (687,706)</u>
Accumulated benefit obligation at end of year	<u>\$ 4,370,556</u>	<u>\$ 3,805,702</u>
Amount recognized in the statement of financial position as a noncurrent liability	<u>\$ 2,005,264</u>	<u>\$ 687,706</u>

NOTE 12 - EMPLOYEE BENEFITS (CONTINUED)

	2008	2007
Components of Net Periodic Benefit Cost:		
Service cost	\$ 223,973	\$ 193,664
Interest cost	260,365	237,645
Expected loss/(return) on plan assets	514,296	(372,268)
Amortization of prior service cost/(credit)	(12,262)	(12,262)
Recognized net loss/(gain)	<u>(793,723)</u>	<u>149,772</u>
Net Periodic Benefit Cost for the Year	<u>\$ 192,649</u>	<u>\$ 196,551</u>
Weighted-average assumptions:		
Discount rate	5.80%	5.75%
Expected long-term return on plan assets	7.50	7.50
Rate of compensation increase	3.50	3.50

The expected long-term rate of return on assets assumption is 7.5%. As defined in SFAS No. 87, this assumption represents the rate of return on Plan assets reflecting the average rate of earnings expected on the funds invested, or to be invested, to provide for the benefits included in the benefit obligation. The assumption has been determined by reflecting expectations regarding future rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class.

The Plan's investment policy is to seek primarily capital appreciation and to a lesser extent income for reinvestment or cash flow purposes, with the preservation of capital also being an important investment objective. Equity securities consist of investments in common stock shares and have a target asset allocation of 50-70% of total Plan assets. Debt securities (U.S. Government securities and corporate bonds) and other investments (money market fund shares) have target asset allocations of 30-50% and 0-20%, respectively. Investments are purchased with the intent to hold the asset for the long-term. The Plan does not participate in hedging transactions.

The Plan's weighted-average asset allocations at December 31, 2008 and September 30, 2007 (the Plan's measurement dates) by asset category are as follows:

	2008	2007
Equity securities	43%	54%
Debt securities	42	41
Other	15	5

The Bureau expects to contribute \$228,329 to the Plan in 2009.

The expected benefits to be paid in each of the next five years and thereafter are as follows:

Payable In	Benefits
2009	\$ 143,919
2010	148,977
2011	170,208
2012	205,619
2013	226,078
2014-2018	<u>1,377,620</u>
	<u>\$2,272,421</u>

NOTE 12 - EMPLOYEE BENEFITS (CONTINUED)

On October 11, 2007, the Bureau's Board of Directors voted to amend the Plan to freeze Plan participation effective January 1, 2008. Plan participants who had met eligibility requirements before the effective date of the freeze will continue to accrue benefits. Employees hired prior to January 1, 2008 will continue to participate even if they have not met eligibility requirements yet.

Defined Contribution Plan (401k)

The Bureau also sponsors a defined contribution plan for all of its qualified employees. All plan participants are permitted to make salary reduction contributions to the Plan and the Bureau contributes, on a matching basis, 100% of each participant's contribution up to 3% of each participant's annual salary. The Bureau may also make a discretionary contribution, to be determined annually based on eligible earnings of participants. Participants become fully vested in the Bureau's contributions and earnings thereon after five years of service. The Bureau contributed \$134,075 in 2008 and \$97,191 in 2007 to the Plan.

NOTE 13 - FAMILY SUPPORT CENTER COMMITMENT

The Bureau is in the process of building a new Family Support Center. The Center is expected to cost \$8.2 million. The Bureau is conducting a capital campaign to raise funding for this project. The Bureau was the recipient of two conditional grants based on matching requirements. Total outstanding conditional promises to give were \$4,544,095 and \$3,691,050 as of December 31, 2008 and 2007, respectively. The Bureau spent \$3,150,156 and \$462,838 on the project during 2008 and 2007, respectively.

**CHILDREN'S BUREAU, INC. AND
CHILDREN'S BUREAU FOUNDATION, INC.**

**CONSOLIDATING SCHEDULE-STATEMENT OF FINANCIAL POSITION INFORMATION
December 31, 2008**

	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Consolidated
ASSETS			
Cash and equivalents	\$ 1,248,063	\$ 342,441	\$ 1,590,504
Accounts receivable	2,763,018		2,763,018
Contributions receivable	552,129	6,451	558,580
Prepaid expenses and other assets	191,115		191,115
Investments-Board designated and restricted	47,218	1,990,663	2,037,881
Property and equipment	7,921,505		7,921,505
	<u>7,921,505</u>	<u>1,990,663</u>	<u>7,921,505</u>
TOTAL ASSETS	<u>\$ 12,723,048</u>	<u>\$ 2,339,555</u>	<u>\$ 15,062,603</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 295,240		\$ 295,240
Deferred support	2,344,095		2,344,095
Accrued payroll and taxes	294,056		294,056
Accrued vacation pay	162,787		162,787
Accrued pension expense	2,005,264		2,005,264
Total Liabilities	<u>5,101,442</u>		<u>5,101,442</u>
NET ASSETS			
Unrestricted	6,468,770	\$ 1,963,185	8,431,955
Temporarily restricted	1,152,836	187,000	1,339,836
Permanently restricted		189,370	189,370
Total Net Assets	<u>7,621,606</u>	<u>2,339,555</u>	<u>9,961,161</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,723,048</u>	<u>\$ 2,339,555</u>	<u>\$ 15,062,603</u>

**CHILDREN'S BUREAU, INC. AND
CHILDREN'S BUREAU FOUNDATION, INC.**

**CONSOLIDATING SCHEDULE-STATEMENT OF ACTIVITIES INFORMATION
Year Ended December 31, 2008**

	Unrestricted			
	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Total
REVENUE, GAINS AND SUPPORT				
Contributions	\$ 275,425	\$ 8,668	\$ (160,000)	\$ 124,093
Capital Campaign				
United Way allocation	508,544			508,544
Government grants and contract fees	11,958,327			11,958,327
In-kind contributions	195,090			195,090
Interest income	19,077	101,358		120,435
Net realized and unrealized investment gains (losses)	11,396	(760,696)		(749,300)
Other income	212,675			212,675
	<u>13,180,534</u>	<u>(650,670)</u>	<u>(160,000)</u>	<u>12,369,864</u>
Net assets released from restrictions:				
United Way	727,830			727,830
Other	1,390,610			1,390,610
Total Revenue, Gains and Support	<u>15,298,974</u>	<u>(650,670)</u>	<u>(160,000)</u>	<u>14,488,304</u>
EXPENSES				
United Way programs	2,378,506			2,378,506
Other programs	9,458,562			9,458,562
Management and general	2,190,146	179,792	(160,000)	2,209,938
Fundraising	207,323			207,323
Total Expenses	<u>14,234,537</u>	<u>179,792</u>	<u>(160,000)</u>	<u>14,254,329</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	1,064,437	(830,462)		233,975
NONOPERATING ACTIVITIES				
Minimum pension liability adjustment	(1,001,451)			(1,001,451)
Effect of adoption of measurement date provisions of SFAS No. 158	(298,524)			(298,524)
INCREASE (DECREASE) IN NET ASSETS	(235,538)	(830,462)		(1,066,000)
NET ASSETS				
Beginning of Year	<u>6,704,308</u>	<u>2,793,647</u>		<u>9,497,955</u>
End of Year	<u>\$ 6,468,770</u>	<u>\$ 1,963,185</u>	<u>\$</u>	<u>\$ 8,431,955</u>

Temporarily Restricted			Permanently Restricted	
Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Total	Children's Bureau Foundation, Inc.	Consolidated
\$ 606,438		\$ 606,438		\$ 730,531
885,996		885,996		885,996
508,345		508,345		1,016,889
130,385		130,385		11,958,327
				325,475
				120,435
				(749,300)
<u>2,131,164</u>		<u>2,131,164</u>		<u>212,675</u>
				14,501,028
(727,830)		(727,830)		
<u>(1,390,610)</u>		<u>(1,390,610)</u>		
12,724		12,724		<u>14,501,028</u>
				2,378,506
				9,458,562
				2,209,938
				207,323
				<u>14,254,329</u>
12,724		12,724		246,699
				(1,001,451)
				<u>(298,524)</u>
12,724		12,724		(1,053,276)
<u>1,140,112</u>	<u>\$ 187,000</u>	<u>1,327,112</u>	<u>\$ 189,370</u>	<u>11,014,437</u>
<u>\$ 1,152,836</u>	<u>\$ 187,000</u>	<u>\$ 1,339,836</u>	<u>\$ 189,370</u>	<u>\$ 9,961,161</u>

**CHILDREN'S BUREAU, INC. AND
CHILDREN'S BUREAU FOUNDATION, INC.**

**CONSOLIDATING SCHEDULE-STATEMENT OF CASH FLOWS INFORMATION
Year Ended December 31, 2008**

	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Consolidated
OPERATING ACTIVITIES			
Decrease in net assets	\$ (222,814)	\$ (830,462)	\$ (1,053,276)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:			
Depreciation	321,490		321,490
Net realized (gains) losses on investments	(10,276)	225,932	215,656
Net unrealized (gains) losses on investments	(1,120)	534,764	533,644
(Increase) decrease in certain assets:			
Accounts receivable	(229,192)	1	(229,191)
Contributions receivable	112,390		112,390
Prepaid expenses and other assets	(125)		(125)
Increase (decrease) in certain liabilities:			
Accounts payable and accrued expenses	(71,055)	(5,057)	(76,112)
Deferred support	(12,778)		(12,778)
Accrued payroll and taxes	39,905		39,905
Accrued vacation pay	7,005		7,005
Accrued pension expense	1,317,558		1,317,558
Annuity payment liability		(10,373)	(10,373)
Contributions restricted for Capital Campaign	(885,996)		(885,996)
Net Cash Provided (Used) by Operating Activities	<u>364,992</u>	<u>(85,195)</u>	<u>279,797</u>
INVESTING ACTIVITIES			
Purchases of property and equipment	(2,975,094)		(2,975,094)
Purchases of investments		(1,058,722)	(1,058,722)
Sales and maturities of investments	40,328	1,377,499	1,417,827
Net Cash Provided (Used) by Investing Activities	<u>(2,934,766)</u>	<u>318,777</u>	<u>(2,615,989)</u>
FINANCING ACTIVITIES			
Cash collected related to Capital Campaign	2,979,387		2,979,387
Payments on line of credit	(70,000)		(70,000)
Net Cash Provided by Financing Activities	<u>2,909,387</u>		<u>2,909,387</u>
NET INCREASE IN CASH AND EQUIVALENTS	339,613	233,582	573,195
CASH AND EQUIVALENTS			
Beginning of Year	<u>908,450</u>	<u>108,859</u>	<u>1,017,309</u>
End of Year	<u>\$ 1,248,063</u>	<u>\$ 342,441</u>	<u>\$ 1,590,504</u>

CHILDREN'S BUREAU, INC.

**SCHEDULE OF GOVERNMENT GRANTS AND CONTRACT FEES
Year Ended December 31, 2008**

U.S. Department of Health and Human Services:	
Runaway and Homeless Youth Basic Grant/Street Outreach Grant	\$ 137,500
Indiana Department of Education:	
School Lunch Program	48,394
Indiana Family and Social Services Administration-Division of Family and Children:	
CCDF Voucher Program	1,250,094
Emergency Shelter Grant	96,391
CDBG Pro 100 Program	25,500
Youth Services	36,667
Home Maker Services	69,272
Foster Parent Support & Recognition	23,310
Home Based Casework and Therapy	359,662
Parent Assessment	338,750
State of Indiana-Division of Family and Children:	
Title IV-B Supervised Visitation	372,766
Title IV-E Aftercare/Horizons	195,455
Title IV-B Foster Adoption Kinship Training	303,448
Indiana Adoption Grant	114,161
Community Partners for Child Safety	2,803,086
State of Indiana-Department of Corrections	163,873
Johnson County, Indiana:	
Healthy Families	185,840
ATOD	57,250
County Contracts	139,192
Marion County, Indiana:	
FSC Daycare	250,554
Home Based Casework Services (PEACE)	103,417
LEAP	57,877
NACS	1,253,050
Family Group Conferencing	73,340
Medicaid	39,008
County per diems (including Marion County)	3,428,040
Other	32,430
TOTAL GOVERNMENT GRANTS AND CONTRACT FEES	<u>\$ 11,958,327</u>

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

Year Ended December 31, 2008

Board of Directors
Children's Bureau, Inc.

We have audited the consolidated financial statements of Children's Bureau, Inc. and Children's Bureau Foundation, Inc. (both Indiana not-for-profit organizations), as of and for the year ended December 31, 2008, and have issued our report thereon dated June 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Children's Bureau, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 Children's Bureau, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Children's Bureau, Inc.'s internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

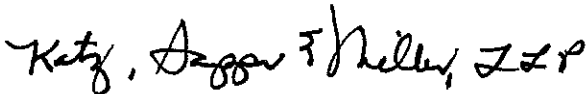
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Children’s Bureau, Inc.’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

We noted certain matters that we reported to management of Children’s Bureau, Inc. in a separate letter dated June 11, 2009.

This report is intended solely for the information and use of Children’s Bureau, Inc.’s Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Indianapolis, Indiana
June 11, 2009

CHILDREN'S BUREAU, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008**

	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct programs:		
Runaway and Homeless Youth Basis Center	93.623	\$ 137,500
Passed through the Indiana Family and Social Services Administration:		
Title IV-B Part I - Child Welfare Services	93.645	303,448
Title IV-B Part II - Child Welfare Services	93.556	990,666
Community Partners	93.590	2,885,518
CCDF Voucher Program	93.596	1,250,064
Passed through Purdue University:		
Alcohol Tobacco and Other Drugs	93.959	57,250
U.S. DEPARTMENT OF AGRICULTURE		
Direct programs:		
School lunch	10.550	42,388
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct programs:		
Pro 100	14.218	<u>25,500</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 5,692,334</u></u>

CHILDREN'S BUREAU, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Children's Bureau, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

800 East 96th Street
Suite 500
Indianapolis, IN 46240

Tel 317.580.2000
Fax 317.580.2117

*Independent Auditors' Report on Compliance with
Requirements Applicable to Each Major Program and
on Internal Control over Compliance
in Accordance with OMB Circular A-133*

Year Ended December 31, 2008

Board of Directors
Children's Bureau, Inc.

Compliance

We have audited the compliance of Children's Bureau, Inc. (an Indiana not-for-profit organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Children's Bureau, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Children's Bureau, Inc.'s management. Our responsibility is to express an opinion on Children's Bureau, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Children's Bureau, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Bureau's compliance with those requirements.

In our opinion, Children's Bureau, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

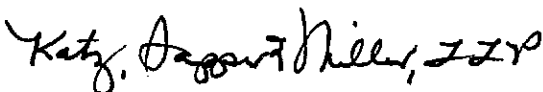
The management of Children's Bureau, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Children's Bureau, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Children's Bureau, Inc.'s internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Children's Bureau, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Children's Bureau, Inc.'s Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Indianapolis, Indiana
June 11, 2009

CHILDREN'S BUREAU, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2008

SECTION I

Summary of Auditors' Results

Type of report issued on the financial statements:	Unqualified
Significant deficiencies in internal control over financial reporting:	No
Material weakness in internal control over financial reporting:	No
Material noncompliance:	No
Significant deficiencies in internal control over compliance for major programs:	No
Material weakness in internal control over compliance for major programs:	No
Type of report issued on compliance for major programs:	Unqualified
Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133:	No

The program identified and tested as a major program was:

U.S. Department of Health and Human Services – CFDA 93.590
Discretionary grant with the Indiana Family and Social Services Administration for
Community Partners Program

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

Children's Bureau, Inc. was determined to qualify as a low risk auditee.

CHILDREN'S BUREAU, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2008**

SECTION II

Financial Statement Findings

None

SECTION III

Federal Award Findings and Questioned Costs

None

SECTION IV

Summary Schedule of Prior Audit Findings

Item 07 – 01: Eligibility

All client files tested contained the necessary eligibility documentation.