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May 23, 2014

Board of Directors
Children's Bureau, Inc.
1575 Martin Luther King
Suite 426
Indianapolis, IN 46202

We have reviewed the audit report prepared by Katz, Sapper, & Miller, LLP, for the period January 1, 2011 to December 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Children's Bureau, Inc., as of December 31, 2011, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

Children's Bureau, Inc.

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2011 and 2010

KSM KATZ SAPPER & MILLER

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

CONTENTS

KATZ SAPPER & MILLER

Our People: Your Success

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, 2011 and 2010, 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, 2011 and 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2012, 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 grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Katz, Sapper & Miller, LLP
Certified Public Accountants

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Indianapolis, IN 46240

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An Affiliate of
KSM Business Services, Inc.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information on pages 23 to 25 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. The supplemental information included in the accompanying schedule of expenditures of federal awards on pages 28 to 29 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 it 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. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
April 2, 2012

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and equivalents	$ 1,697,143	$ 1,080,799
Investments	105,577	
Accounts receivable	3,432,803	3,616,085
Contributions receivable	536,622	620,180
Prepaid expenses and other assets	290,986	276,806
Cash and equivalents-endowment		13,852
Investments-endowment	2,390,709	2,513,087
Property and equipment	12,684,987	13,373,577
TOTAL ASSETS	$ 21,138,827	$ 21,494,386
LIABILITIES		
Accounts payable and other liabilities	$ 636,962	$ 675,044
Deferred income	137,993	20,991
Accrued payroll	495,731	410,959
Accrued pension expense	2,806,832	1,889,927
FSC loan	1,589,372	1,920,923
Total Liabilities	5,666,890	4,917,844
NET ASSETS		
Unrestricted:		
Board designated	2,197,347	2,338,141
Undesignated	11,586,981	12,990,964
	13,784,328	15,329,105
Temporarily restricted	1,498,239	1,058,067
Permanently restricted	189,370	189,370
Total Net Assets	15,471,937	16,576,542
TOTAL LIABILITIES AND NET ASSETS	$ 21,138,827	$ 21,494,386

See accompanying notes.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2011 and 2010

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND SUPPORT				
Contributions	$ 270,314	$ 9,685		$ 279,999
Government grant revenue and Medicaid	7,342,440			7,342,440
Brokered government grant revenue	2,401,907			2,401,907
Non-government grants	239,458	923,915		1,163,373
Service revenue	3,000,684			3,000,684
United Way	118,927	789,375		908,302
Special events	49,498	87,899		137,397
Interest income	87,840			87,840
Net realized and unrealized gains (losses) on investments	(13,063)	3,991		(9,072)
Miscellaneous income	109,937			109,937
	13,607,942	1,814,865		15,422,807
Net assets released from restrictions	1,374,693	(1,374,693)		
Total Revenue, Gains and Support	14,982,635	440,172		15,422,807
EXPENSES				
Program services:				
Prevention programs	7,407,366			7,407,366
Preservation programs	1,454,265			1,454,265
Placement programs	3,907,716			3,907,716
Supporting services:				
Management and general	2,597,664			2,597,664
Fundraising	240,975			240,975
Total Expenses	15,607,986			15,607,986
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(625,351)	440,172		(185,179)
NONOPERATING ACTIVITIES				
Pension liability adjustment	(919,426)			(919,426)
INCREASE (DECREASE) IN NET ASSETS	(1,544,777)	440,172		(1,104,605)
NET ASSETS				
Beginning of Year	15,329,105	1,058,067	$ 189,370	16,576,542
End of Year	$ 13,784,328	$ 1,498,239	$ 189,370	$ 15,471,937

See accompanying notes.

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 274,549	$ 52,373		$ 326,922
7,064,159			7,064,159
2,479,764			2,479,764
166,502	657,399		823,901
3,515,592			3,515,592
38,432	869,601		908,033
	157,231		157,231
69,076			69,076
222,328			222,328
111,821	1,200		113,021
13,942,223	1,737,804		15,680,027
3,135,886	(3,135,886)		
17,078,109	(1,398,082)		15,680,027
7,528,678			7,528,678
1,622,820			1,622,820
3,760,121			3,760,121
2,573,851			2,573,851
277,544			277,544
15,763,014			15,763,014
1,315,095	(1,398,082)		(82,987)
78,603			78,603
1,393,698	(1,398,082)		(4,384)
13,935,407	2,456,149	$ 189,370	16,580,926
$ 15,329,105	$ 1,058,067	$ 189,370	$ 16,576,542

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2011 and 2010

	Prevention Programs		Preservation Programs		Placement Programs	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Salaries expenses	$3,362,897	$3,055,168	$ 904,713	$1,010,909	$1,515,543	$1,461,429
Benefits expenses	1,056,394	979,759	266,752	275,552	512,420	489,714
Professional fees	1,404,369	1,767,052	9,181	16,626	281,665	152,640
Operation expenses	341,228	291,279	47,608	63,662	254,412	186,629
Equipment rental	61,126	63,829	13,214	8,872	9,403	11,735
Auto expenses	222,379	177,177	71,872	101,674	76,110	71,577
Fostercare and direct client costs	324,587	457,253	18,607	15,044	1,062,054	1,135,162
Occupancy	400,195	393,676	73,542	64,129	123,987	138,291
Depreciation	184,862	296,644	41,682	56,197	54,536	99,588
Maintenance and repairs	38,557	20,887	6,498	4,424	9,823	8,458
Interest expense						
Special events	6,071	24,351	291	3,854	4,921	1,972
Miscellaneous	4,701	1,603	305	1,877	2,842	2,926
TOTAL EXPENSES	$7,407,366	$7,528,678	$1,454,265	$1,622,820	$3,907,716	$3,760,121

See accompanying notes.

Management and General		Fundraising		Total	
2011	2010	2011	2010	2011	2010
$1,010,021	$1,078,152	$ 67,927	$ 73,661	$ 6,861,101	$ 6,679,319
266,330	336,268	18,235	15,037	2,120,131	2,096,330
292,077	242,852	778	225	1,988,070	2,179,395
360,747	412,775	7,447	7,854	1,011,442	962,199
15,536	15,159	318	406	99,597	100,001
22,439	14,837	54	282	392,854	365,547
19,282	27,342	109,776	129,537	1,534,306	1,764,338
97,795	76,904	2,703	2,724	698,222	675,724
344,849	201,655	4,607	10,540	630,536	664,624
32,993	24,266	9,479	9,033	97,350	67,068
100,638	91,579			100,638	91,579
10,425	49,543	16,588	25,372	38,296	105,092
24,532	2,519	3,063	2,873	35,443	11,798
$2,597,664	$2,573,851	$ 240,975	$ 277,544	$15,607,986	$15,763,014

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	2011	2010
OPERATING ACTIVITIES		
Decrease in net assets	$ (1,104,605)	$ (4,384)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	630,536	664,624
Net losses on disposals of property and equipment	59,179	61,082
Net realized and unrealized (gains) losses on investments	9,072	(222,328)
(Increase) decrease in certain assets:		
Accounts receivable	183,282	(950,162)
Contributions receivable	5,615	13,721
Prepaid expenses and other assets	(14,180)	(3,660)
Increase (decrease) in certain liabilities:		
Accounts payable and other liabilities	(38,082)	(25,713)
Deferred income	117,002	18,538
Accrued payroll	84,772	(86,415)
Accrued pension expense	916,905	(78,603)
Contributions for Capital Campaign	(296)	(419,686)
In-kind contribution of investments	(51,710)	(4,990)
Net Cash Provided (Used) by Operating Activities	797,490	(1,037,976)
INVESTING ACTIVITIES		
Purchases of property and equipment	(33,260)	(202,178)
Proceeds from sale of property and equipment	32,135	
Purchases of investments	(1,075,139)	(598,873)
Sales and maturities of investments	1,134,578	857,616
(Increase) decrease in cash and equivalents-endowment	13,852	(13,852)
Net Cash Provided by Investing Activities	72,166	42,713
FINANCING ACTIVITIES		
Cash collections of contributions for Capital Campaign	78,239	1,527,336
Net payments on line of credit		(200,000)
Payments on FSC loan	(331,551)	(1,217,896)
Net Cash Provided (Used) by Financing Activities	(253,312)	109,440
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	616,344	(885,823)
CASH AND EQUIVALENTS		
Beginning of Year	1,080,799	1,966,622
End of Year	$ 1,697,143	$ 1,080,799
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 93,884	$ 82,056
Noncash investing activities:		
In-kind contribution of investments	51,710	4,990

See accompanying notes.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011 and 2010

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 inter-entity accounts and transactions have been eliminated in consolidation.

Net Asset Classifications: 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 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.

Cash and Equivalents: For purposes of the consolidated statement of cash flows, cash equivalents include 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. If necessary, 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. At December 31, 2011 and 2010, management determined that no allowance was necessary. 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.

Investment Valuation and Income Recognition: Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 2 for discussion of fair value measurements.

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. Realized and unrealized gains and losses on investments are included in the consolidated statements of activities.

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 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	5-20 years
Furnishings and equipment	5-10 years
Vehicles	5 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 consolidated 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 services are performed or 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, property and equipment, or investments in its consolidated financial statements, and similarly increase donations by a like amount. This adjustment amounted to $127,700 for 2011 and $178,685 for 2010.

Expense Allocation: Expenses are allocated directly or indirectly to various programs and supporting services as listed in the consolidated 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.

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. Therefore, no provision or liability for income taxes has been included in the consolidated financial statements. 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 Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2011 and 2010.

The Organizations file U.S. federal and state of Indiana information returns. The Organizations are no longer subject to U.S. federal and state tax examinations by tax authorities for years before 2008.

Reclassifications: Certain items in the 2010 consolidated financial statements have been reclassified to conform to the 2011 presentation.

Subsequent Events: The Organizations have evaluated the consolidated financial statements for subsequent events occurring through April 2, 2012, the date the consolidated financial statements were available to be issued.

NOTE 2 – FAIR VALUE MEASUREMENTS

The Organizations categorize 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset or liability'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.

Assets and Liabilities Measured at Fair Value on a Recurring Basis: Following is a description of the valuation methodologies used by the Organizations for assets and liabilities that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2011 and 2010.

> ***Mutual Fund Shares and Money Market Fund Shares***: Valued at the published net asset value (NAV) of the shares held by the Organizations at the reporting date.
>
> ***Common Stocks, Corporate Bonds, Government Agency Bonds, Municipal Bonds, FDIC Guaranteed Bonds, and Exchange Traded Products***: Valued at the closing price reported on the active market on which the individual securities are traded.

NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)

Certificates of Deposit: Valued by discounting the related cash flows on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

Accrued Pension Expense: Valued using actuarial assumptions and unadjusted market prices.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organizations' management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain assets and liabilities could result in a different fair value measurement at the reporting date.

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Organizations' assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2011 and 2010:

2011	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Fixed income investments:				
Corporate bonds:				
Financials	$ 56,706			$ 56,706
Healthcare	60,181			60,181
Industrials	27,518			27,518
Telecommunications	57,151			57,151
Services	59,008			59,008
Government agency bonds	58,694			58,694
Municipal bonds	94,926			94,926
Certificates of deposit		$ 26,008		26,008
Common stocks:				
Financials	172,557			172,557
Consumer staples	146,326			146,326
Healthcare	147,814			147,814
Information technology	224,030			224,030
Industrials	167,577			167,577
Materials	228,473			228,473
Services	85,242			85,242
Telecommunications services	36,288			36,288
Utilities	71,237			71,237
Mutual fund shares:				
Mid cap funds	124,484			124,484
Small cap funds	55,918			55,918
International funds	118,471			118,471
Intermediate government	155,537			155,537
Convertible securities	39,230			39,230
Equity long/short	37,041			37,041
Senior bank loans	41,204			41,204
Market neutral	27,680			27,680
Managed futures	27,111			27,111
Currency	38,252			38,252

NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)

2011	Level 1	Level 2	Level 3	Total
Assets				
Investments (Continued):				
Exchange traded products:				
Large cap funds	$ 46,320			46,320
Mid cap funds	26,283			26,283
Precious metals	12,919			12,919
Real estate	26,100			26,100
Cash Equivalents:				
Money market fund shares	134,376			134,376
Total Assets at Fair Value	$2,604,654	$26,008		$2,630,662
Liability				
Accrued pension expense			$2,806,832	$2,806,832
Total Liabilities at Fair Value			$2,806,832	$2,806,832

2010	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Fixed income investments:				
Corporate bonds:				
Financials	$ 113,499			$ 113,499
Consumer staples	57,165			57,165
Healthcare	57,532			57,532
Industrials	28,375			28,375
Telecommunications	55,117			55,117
FDIC guaranteed bonds	51,325			51,325
Government agency bonds	108,500			108,500
Municipal bonds	92,068			92,068
Common stocks:				
Financials	152,687			152,687
Consumer staples	135,343			135,343
Healthcare	169,385			169,385
Consumer discretionary	137,174			137,174
Information technology	229,125			229,125
Industrials	140,716			140,716
Energy	160,381			160,381
Materials	29,960			29,960
Telecommunications services	53,277			53,277
Utilities	31,157			31,157
Mutual fund shares:				
Mid cap funds	114,701			114,701
Small cap funds	60,112			60,112
International funds	198,964			198,964
Arbitrage	40,073			40,073
Convertible securities	33,072			33,072
Equity long/short	32,013			32,013
Developing markets	40,381			40,381
Senior bank loans	40,331			40,331
Commodities	14,481			14,481

NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)

2010	Level 1	Level 2	Level 3	Total
Assets				
Investments (Continued):				
Exchange traded products:				
Large cap funds	$ 46,065			$ 46,065
Mid cap funds	27,207			27,207
International funds	19,258			19,258
Precious metals	18,727			18,727
Real estate	24,916			24,916
Cash Equivalents:				
Money market fund shares	248,011			248,011
Total Assets at Fair Value	$2,761,098			$2,761,098
Liability:				
Accrued pension expense			$1,889,927	$1,889,927
Total Liabilities at Fair Value			$1,889,927	$1,889,927

At December 31, 2011 and 2010, the Organizations had no other assets or liabilities that are measured at fair value on a recurring basis.

There were no significant transfers between Level 1 and Level 2 assets and liabilities during 2011 and 2010.

Changes in fair value of the Level 3 accrued pension expense for 2011 and 2010 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.

NOTE 3 - ENDOWMENT (CONTINUED)

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, 2011 and 2010, was as follows:

2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$ 3,991	$189,370	$193,361
Board-designated funds	$2,197,348			2,197,348
Total Funds	$2,197,348	$ 3,991	$189,370	$2,390,709
2010				
Donor-restricted endowment funds	$ (572)		$189,370	$ 188,798
Board-designated funds	2,338,141			2,338,141
Total Funds	$2,337,569		$189,370	$2,526,939

Activity in the endowment by net asset class for the years ended December 31, 2011 and 2010, is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment at December 31, 2009	$ 2,181,101		$189,370	$2,370,471
Investment return:				
Interest and dividends	68,545			68,545
Net appreciation (depreciation), realized and unrealized	222,328			222,328
Total Investment Return	290,873			290,873
Investment fees	(16,395)			(16,395)
New gifts designated by the Board	4,990			4,990
Appropriated for expenditure	(123,000)			(123,000)
Endowment at December 31, 2010	2,337,569		189,370	2,526,939

NOTE 3 - ENDOWMENT (CONTINUED)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment return:				
Interest and dividends	$ 81,841	$ 5,990		$ 87,831
Net appreciation (depreciation), realized and unrealized	(8,394)	(678)		(9,072)
Total Investment Return	73,447	5,312		78,759
Investment fees	(16,356)	(1,321)		(17,677)
New gifts designated by the Board	63,171			63,171
Appropriated for expenditure	(260,483)			(260,483)
Endowment at December 31, 2011	$ 2,197,348	$ 3,991	$189,370	$2,390,709

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 $0 and $572 as of December 31, 2011 and 2010, respectively. 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 Foundation 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 approve 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 Foundation expects the current spending policy to allow its endowment to grow. This is consistent with the Foundation'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, 2011 and 2010:

	2011	**2010**
Capital campaign	$170,000	$242,350
United Way	372,215	391,551
	542,215	633,901
Less: Discount on pledges receivable	5,593	13,721
Net Contributions Receivable	$536,622	$620,180
Amount due in:		
Less than one year	$482,215	$493,901
One to five years	60,000	140,000
	542,215	633,901
Less: Discount on pledges receivable	5,593	13,721
Net Contributions Receivable	$536,622	$620,180

NOTE 5 - INVESTMENTS

Investments are as follows at December 31, 2011 and 2010:

	2011		**2010**	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Fixed income investments	$ 401,522	$ 440,190	$ 526,938	$ 563,581
Common stocks	1,091,042	1,279,544	983,650	1,239,205
Mutual fund shares	675,527	664,930	499,561	574,128
Exchange traded products	91,940	111,622	113,079	136,173
Total Investments	$2,260,031	$2,496,286	$2,123,228	$2,513,087

NOTE 5 – INVESTMENTS (CONTINUED)

Investments are included in the consolidated statements of financial position at December 31, 2011 and 2010 as follows:

	2011	2010
Investments	$ 105,577	
Investments-endowment	2,390,709	$2,513,087
Total Investments	$2,496,286	$2,513,087

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment are as follows at December 31, 2011 and 2010:

	2011	2010
Land	$ 279,786	$ 297,786
Buildings and improvements	13,043,780	13,110,325
Leasehold improvements	310,687	322,750
Furnishings and equipment	2,984,338	3,000,582
Vehicles	64,382	64,382
	16,682,973	16,795,825
Less: Accumulated depreciation	3,997,986	3,422,248
Total Property and Equipment	$12,684,987	$13,373,577

In 2011, the Bureau transferred land and buildings of $11,565,377 to the Foundation.

NOTE 7 - DEBT

The Bureau had a $3,937,500 construction line of credit, which it used to finance a portion of the construction of the Family Support Center in Indianapolis. In August 2010, the line of credit was refinanced as a five-year term loan. The term loan is payable in monthly installments of $13,414, including interest, with a balloon payment of $1,644,907 due upon maturity in August 2015. Interest on this loan is fixed at 5.40%. The balance on this loan at December 31, 2011 and 2010 was $1,589,372 and $1,920,923, respectively. The term loan is secured by the Family Support Center building and an assignment of all rents on the Bureau's real property located in Marion County, Indiana. In 2011, the Bureau transferred the term loan, as well as the corresponding real property to the Foundation. All terms of the loan remained the same.

At December 31, 2011, the aggregate maturities of long-term debt were as follows:

Payable In	Principal Payments
2012	$ 58,849
2013	62,443
2014	65,949
2015	1,402,131
	$1,589,372

Total interest expense was $100,638 and $90,987 for 2011 and 2010, respectively.

NOTE 8 - 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 $227,462 in 2011 and $235,559 in 2010.

Future minimum lease payments required by all long-term noncancellable operating leases at December 31, 2011, are as follows:

Payable In	Rental Payments
2012	$251,994
2013	179,930
2014	97,768
Total	$529,692

The Foundation has a long-term operating lease as the lessor for one its facilities through March 2013. Future minimum lease payments to be received are $8,124 in 2012 and $1,354 in 2013, for a total of $9,478.

In March 2012, the Foundation entered into a sales-type lease agreement as the lessor for one of its facilities. The lease agreement requires total payments of $90,000 through March 2017.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

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

	2011	2010
Children's Bureau, Inc.		
Accounting software		$ 8,356
Family Support Center capital project	$ 250,000	361,095
Development	6,614	6,614
Advocacy		500
Adoption	60,824	56,500
Pro-100	558,761	
Parents as Teachers – Family Support Center	15,000	15,000
Charter school	1,007	
Johnson County	17,387	7,450
Family Resource Center – Any Child	25,440	24,000
United Way allocation – time restrictions	372,215	391,552
Children's Bureau Foundation, Inc.		
Fay Biccard Glick Family Place and Rachel Glick Courage Center	182,000	182,000
Advocacy	5,000	5,000
Unappropriated appreciation on permanently restricted endowment	3,991	
Total Temporary Restricted Net Assets	$1,498,239	$1,058,067

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

For the years ended December 31, 2011 and 2010, 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:

	2011	2010
Community relations and marketing	$ 5,000	$ 5,000
Executive – other		281
Accounting software	8,356	57,992
Cause marketing		34,580
Volunteer services		3,819
Family Support Center capital project	111,392	1,648,435
Development		83,988
Advocacy	24,160	21,785
Adoption	140,415	58,864
Pro-100	266,238	295,055
NACS-West		48,525
NACS-East		5,002
NACS-North		36,462
Charter School	10,493	
ACT Services		625
Johnson County	14,534	13,750
Community Partners – Region 11		3,621
Family Resource Center – Any Child	339	20,000
Parents as Teachers	30,000	15,000
United Way allocation – time restrictions	763,766	783,102
Total Restrictions Released	$1,374,693	$3,135,886

NOTE 10 - CONCENTRATIONS OF FUNDING

Government funding provided 63% and 80% of revenue for the Organizations for the years ended December 31, 2011 and 2010, respectively.

As part of federal funding, the Community Partners Grant provided 31% and 30% of the Organizations' total revenue in 2011 and 2010, respectively.

NOTE 11 - 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.

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 continued to accrue benefits through December 31, 2011. All benefit accruals ceased effective December 31, 2011. All plan participants became fully vested in the Plan effective December 31, 2011.

NOTE 11 - EMPLOYEE BENEFITS (CONTINUED)

The following table sets forth the Plan's funded status and amounts recognized in the Bureau's financial statements at December 31, 2011 and 2010, 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, 2011 and 2010.

	2011	2010
Obligations and Funded Status		
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$ 5,827,343	$ 5,482,693
Service cost	243,604	272,183
Interest cost	302,149	294,079
Actuarial (gain) loss	1,184,004	(46,052)
Curtailment	(460,574)	
Benefits paid	(168,761)	(175,560)
Benefit obligation at end of year	6,927,765	5,827,343
Change in Plan Assets:		
Fair value of plan assets at beginning of year	3,937,416	3,514,163
Actual return on plan assets	90,647	245,070
Employer contributions	261,631	353,743
Benefits paid	(168,761)	(175,560)
Fair value of plan assets at end of year	4,120,933	3,937,416
Funded Status at End of Year	$(2,806,832)	$(1,889,927)
Accumulated benefit obligation at end of year	$ 6,927,765	$ 5,457,893
Amount recognized in the consolidated statement of financial position as a liability	$ 2,806,832	$ 1,889,927
Net Periodic Benefit Cost		
Components of Net Periodic Benefit Cost:		
Service cost	$ 243,604	$ 272,183
Interest cost	302,149	294,079
Expected loss/(return) on plan assets	(90,647)	(245,070)
Amortization of prior service cost/(credit)	(12,262)	(12,262)
Recognized net loss/(gain)	(158,816)	35,677
Net Periodic Benefit Cost for the Year	$ 284,028	$ 344,607
Weighted-average assumptions:		
Discount rate	4.04%	5.26%
Expected long-term return on plan assets	7.50	7.50
Rate of compensation increase (none after December 31, 2011)	2.50	2.50

The expected long-term rate of return on assets assumption is 7.5%. 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.

NOTE 11 - EMPLOYEE BENEFITS (CONTINUED)

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 40-80% of total Plan assets. Debt securities (U.S. Government securities and corporate bonds) have target asset allocation of 20-60%. 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, 2011 and 2010 (the Plan's measurement dates) by asset category are as follows:

	2011	2010
Equity securities	50%	62%
Debt securities	39	37
Cash equivalents	11	1

The Bureau expects to contribute $329,459 to the Plan in 2012.

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

Payable In	Benefits
2012	$ 210,325
2013	226,709
2014	260,887
2015	268,151
2016	265,301
2017-2021	1,454,778
	$2,686,151

Following is a description of the valuation methodologies used by the Plan for investment assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2011 and 2010.

***Common Stocks, Corporate Bonds and U.S. Government Securities*:** Valued at the closing price reported on the active market on which the individual securities are traded.

***Money Market Fund Shares*:** Valued at the published net asset value (NAV) of the shares held by the Plan at the reporting date.

NOTE 11 - EMPLOYEE BENEFITS (CONTINUED)

Following is a summary, by major nature and risks class within each level of the fair value hierarchy (see Note 2), of the Plan's investment assets that are measured at fair value on a recurring basis as of December 31, 2011 and 2010:

2011	Level 1	Total
U.S. Treasury notes	$ 110,625	$ 110,325
Corporate bonds:		
AA+	58,260	58,260
AA	233,497	233,497
AA-	138,028	138,028
A+	212,095	212,095
A	519,094	519,094
A-	195,050	195,050
BBB+	93,016	93,016
BBB	36,237	36,237
Domestic common stocks:		
Financial	106,822	106,823
Technology	526,501	526,502
Healthcare	346,779	346,779
Services	255,200	255,200
Basic materials	249,446	249,446
Consumer goods	358,045	358,045
Industrial goods	80,630	80,630
Conglomerates	137,617	137,617
Money market fund shares	445,113	445,113
Total Plan Investments at Fair Value	$4,102,055	$4,102,055

2010	Level 1	Total
U.S. Treasury notes	$ 109,047	$ 109,047
Corporate bonds:		
AA+	42,973	42,973
AA	172,147	172,147
AA-	181,390	181,390
A+	93,568	93,568
A	580,041	580,041
A-	64,362	64,362
BBB+	62,482	62,482
BBB-	37,730	37,730
Domestic common stocks:		
Financial	190,798	190,798
Technology	564,007	564,007
Healthcare	313,543	313,543
Services	343,667	343,667
Basic materials	319,333	319,333
Consumer goods	329,127	329,127
Industrial goods	197,752	197,752
Conglomerates	97,425	97,425

NOTE 11 - EMPLOYEE BENEFITS (CONTINUED)

2010 (Continued)	**Level 1**	**Total**
Foreign equities:		
Basic materials	$ 68,550	$ 68,550
Healthcare	7,625	7,625
Industrial goods	6,920	6,920
Money market fund shares	135,164	135,164
Total Investments at Fair Value	$3,917,651	$3,917,651

The Plan's total investments at fair value may vary from the fair value of plan assets due to accrued income and other assets included in the fair value of plan assets.

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 $98,540 in 2011 and $95,830 in 2010 to the Plan.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Bureau recognized $16,247 in 2011 and $15,620 in 2010 as contributions from members of its Board of Directors.

CONSOLIDATING INFORMATION

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

CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION INFORMATION
December 31, 2011

	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Consolidated
ASSETS				
Cash and equivalents	$ 1,593,942	$ 103,201		$ 1,697,143
Investments		105,577		105,577
Accounts receivable	3,432,803			3,432,803
Contributions receivable	536,622			536,622
Prepaid expenses and other assets	290,986	5,605	$ (5,605)	290,986
Investments-endowment		2,390,709		2,390,709
Property and equipment	1,320,810	11,364,177		12,684,987
TOTAL ASSETS	$ 7,175,163	$ 13,969,269	$ (5,605)	$ 21,138,827
LIABILITIES				
Accounts payable and other liabilities	$ 635,845	$ 6,722	$ (5,605)	$ 636,962
Deferred income	137,993			137,993
Accrued payroll	495,731			495,731
Accrued pension expense	2,806,832			2,806,832
FSC loan		1,589,372		1,589,372
Total Liabilities	4,076,401	1,596,094	(5,605)	5,666,890
NET ASSETS				
Unrestricted	1,791,514	11,992,814		13,784,328
Temporarily restricted	1,307,248	190,991		1,498,239
Permanently restricted		189,370		189,370
Total Net Assets	3,098,762	12,373,175		15,471,937
TOTAL LIABILITIES AND NET ASSETS	$ 7,175,163	$ 13,969,269	$ (5,605)	$ 21,138,827

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

CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES INFORMATION
Year Ended December 31, 2011

	Unrestricted			
	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Total
REVENUE, GAINS AND SUPPORT				
Contributions	$ 270,314			$ 270,314
Government grant revenue and Medicaid	7,342,440			7,342,440
Brokered government grant revenue	2,401,907			2,401,907
Non-government grants	376,344		$ (136,886)	239,458
Service revenue	3,000,684			3,000,684
United Way	118,927			118,927
Special events	49,498			49,498
Interest income	3	$ 87,837		87,840
Net realized and unrealized gains (losses) on investments		(13,063)		(13,063)
Miscellaneous income	107,240	32,267	(29,570)	109,937
	13,667,357	107,041	(166,456)	13,607,942
Net assets released from restrictions	1,374,693			1,374,693
Total Revenue, Gains and Support	15,042,050	107,041	(166,456)	14,982,635
EXPENSES				
Program services:				
Prevention programs	7,407,366			7,407,366
Preservation programs	1,454,265			1,454,265
Placement programs	3,907,716			3,907,716
Supporting services:				
Management and general	2,363,269	400,851	(166,456)	2,597,664
Fundraising	240,975			240,975
Total Expenses	15,373,591	400,851	(166,456)	15,607,986
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(331,541)	(293,810)		(625,351)
NONOPERATING ACTIVITIES				
Pension liability adjustment	(919,426)			(919,426)
Net transfer of fixed assets and debt	(9,946,435)	9,946,435		
INCREASE (DECREASE) IN NET ASSETS	(11,197,402)	9,652,625		(1,544,777)
NET ASSETS				
Beginning of Year	12,988,916	2,340,189		15,329,105
End of Year	$ 1,791,514	$ 11,992,814	$ -	$ 13,784,328

Temporarily Restricted			Permanently Restricted	
Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Total	Children's Bureau Foundation, Inc.	Consolidated
$ 9,685		$ 9,685		$ 279,999
				7,342,440
				2,401,907
923,915		923,915		1,163,373
				3,000,684
789,375		789,375		908,302
87,899		87,899		137,397
				87,840
	$ 3,991	3,991		(9,072)
				109,937
1,810,874	3,991	1,814,865		15,422,807
(1,374,693)		(1,374,693)		
436,181	3,991	440,172		15,422,807
				7,407,366
				1,454,265
				3,907,716
				2,597,664
				240,975
				15,607,986
436,181	3,991	440,172		(185,179)
				(919,426)
436,181	3,991	440,172		(1,104,605)
871,067	$ 187,000	1,058,067	$ 189,370	16,576,542
$ 1,307,248	$ 190,991	$ 1,498,239	$ 189,370	$ 15,471,937

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

CONSOLIDATING SCHEDULE - STATEMENT OF CASH FLOWS INFORMATION
Year Ended December 31, 2011

	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Consolidated
OPERATING ACTIVITIES				
Increase (decrease) in net assets	$ (10,761,221)	$ 9,656,616		$ (1,104,605)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:				
Depreciation	429,336	201,200		630,536
Net losses on disposals of property and equipment	59,179			59,179
Net realized losses on investments		9,072		9,072
Noncash transfer of property and equipment	11,565,377	(11,565,377)		
Noncash transfer of FSC loan	(1,618,942)	1,618,942		
(Increase) decrease in certain assets:				
Accounts receivable	183,282			183,282
Contributions receivable	5,615			5,615
Prepaid expenses and other assets	(14,180)	(5,605)	$ 5,605	(14,180)
Increase (decrease) in certain liabilities:				
Accounts payable and other liabilities	(39,199)	6,722	(5,605)	(38,082)
Deferred income	117,002			117,002
Accrued payroll	84,772			84,772
Accrued pension expense	916,905			916,905
Contributions for Capital Campaign	(296)			(296)
In-kind contribution of investments	(49,035)	(2,675)		(51,710)
Net Cash Provided (Used) by Operating Activities	878,595	(81,105)		797,490
INVESTING ACTIVITIES				
Purchases of property and equipment	(33,260)			(33,260)
Proceeds of sale of property and equipment	32,135			32,135
Purchases of investments		(1,075,139)		(1,075,139)
Sales and maturities of investments	49,035	1,085,543		1,134,578
Decrease in cash and equivalents-endowment		13,852		13,852
Net Cash Provided by Investing Activities	47,910	24,256		72,166
FINANCING ACTIVITIES				
Cash collections of contributions for Capital Campaign	78,239			78,239
Payments on FSC loan	(301,981)	(29,570)		(331,551)
Net Cash Used by Financing Activities	(223,742)	(29,570)		(253,312)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	702,763	(86,419)		616,344
CASH AND EQUIVALENTS				
Beginning of Year	891,179	189,620		1,080,799
End of Year	$ 1,593,942	$ 103,201	$ -	$ 1,697,143

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 Government Auditing Standards

Year Ended December 31, 2011

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, 2011, and have issued our report thereon dated April 2, 2012. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Katz, Sapper & Miller, LLP
Certified Public Accountants

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Indianapolis, IN 46240

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An Affiliate of
KSM Business Services, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Children's Bureau, Inc.'s consolidated 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*.

This report is intended solely for the information and use of Children's Bureau, Inc.'s Board of Directors, management, others within the Organization, and 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
April 2, 2012

CHILDREN'S BUREAU, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2011

	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct programs:			
Basic Center Grant	93.623		$ 150,000
Passed through the Indiana Family and Social Services Administration:			
Chafee Foster Care Independence Program	93.674	97-09-24-0437	126,112
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	F1-6-49-06-34-0437/ F1-2-49-12-34-0437	1,460,266
ARRA – Child Care and Development Block Grant*	93.713	F1-6-49-06-34-0437/ F1-2-49-12-34-0437	45,980
U.S. DEPARTMENT OF AGRICULTURE			
Direct programs:			
National School Lunch Program	10.555		29,877
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct programs:			
Community Development Block Grants/ Entitlement Grants	14.218		20,750
Passed through the United Way of Central Indiana, Inc.:			
ARRA – Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)*	14.257	None Noted	54,288
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,887,273

* *Grant relates to the American Recovery and Reinvestment Act of 2009*

See accompanying notes to schedule of expenditures of federal awards.

CHILDREN'S BUREAU, INC.

NOTES 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.

Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Year Ended December 31, 2011

Board of Directors
Children's Bureau, Inc.

Compliance

We have audited Children's Bureau, Inc.'s compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Children's Bureau, Inc.'s major federal programs for the year ended December 31, 2011. Children's Bureau, Inc.'s major federal programs are identified in the summary of auditors' 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 Children's Bureau, Inc.'s compliance with those requirements.

In our opinion, Children's Bureau, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 *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 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 the Children's Bureau, Inc.'s management and Board of Directors, others within Children's Bureau, Inc., and 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
April 2, 2012

CHILDREN'S BUREAU, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011

Summary of Auditors' Results

Financial Statements

Type of auditor's report issued [*unqualified, qualified, adverse, or disclaimer*]:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	______ yes __✓__ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______ yes __✓__ none reported
• Noncompliance material to financial statements noted?	______ yes __✓__ no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	______ yes __✓__ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	______ yes __✓__ none reported
Type of auditor's report issued on compliance for major programs [unqualified, qualified, adverse, or disclaimer]:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	______ yes __✓__ no

Identification of major programs:

CFDA Numbers	Name of Federal Program
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)
93.713	ARRA – Child Care and Development Block Grant (CCDF Cluster)

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? __✓__ yes ______ no

CHILDREN'S BUREAU, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2011

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None