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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, 2012 to December 31, 2012. 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, 2012, 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, 2012 and 2011

KATZ SAPPER & MILLER

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

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Independent Auditors' Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Children's Bureau, Inc. and Children's Bureau Foundation, Inc. (both Indiana not-for-profit organizations), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Children's Bureau, Inc. and Children's Bureau Foundation, Inc. as of December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of statement of financial position information, statement of activities information, and statement of cash flows information and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2013, on our consideration of Children's Bureau, Inc.'s and Children's Bureau Foundation, Inc.'s internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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* in considering Children's Bureau, Inc.'s and Children's Bureau Foundation, Inc.'s internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
April 8, 2013

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

	2012	2011
ASSETS		
Cash and equivalents	$ 2,119,807	$ 1,697,143
Investments	145,866	105,577
Accounts receivable, net	2,980,321	3,432,803
Contributions receivable, net	425,270	536,622
Prepaid expenses and other assets	313,497	290,986
Investments - endowment	2,405,964	2,390,709
Property and equipment, net	12,006,440	12,684,987
TOTAL ASSETS	$ 20,397,165	$ 21,138,827
LIABILITIES		
Accounts payable and other liabilities	$ 784,133	$ 636,962
Deferred income	244,581	137,993
Accrued payroll	593,927	495,731
Accrued pension expense	2,723,635	2,806,832
FSC loan	1,515,055	1,589,372
Total Liabilities	5,861,331	5,666,890
NET ASSETS		
Unrestricted:		
Board designated	2,192,290	2,197,348
Undesignated	10,577,760	11,586,980
	12,770,050	13,784,328
Temporarily restricted	1,576,414	1,498,239
Permanently restricted	189,370	189,370
Total Net Assets	14,535,834	15,471,937
TOTAL LIABILITIES AND NET ASSETS	$ 20,397,165	$ 21,138,827

See accompanying notes.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2012 and 2011

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND SUPPORT				
Contributions	$ 300,417	$ 7,700		$ 308,117
Government grant revenue and Medicaid	9,073,206			9,073,206
Brokered government grant revenue	2,103,089			2,103,089
Non-government grants	622,704	623,048		1,245,752
Service revenue	2,149,640			2,149,640
United Way	87,606	795,002		882,608
Special events	43,388	94,309		137,697
Interest income	97,150			97,150
Net realized and unrealized gains (losses) on investments	148,474	20,313		168,787
Miscellaneous income	114,798			114,798
	14,740,472	1,540,372		16,280,844
Net assets released from restrictions	1,462,197	(1,462,197)		
Total Revenue, Gains and Support	16,202,669	78,175		16,280,844
EXPENSES				
Program services:				
Prevention programs	8,119,265			8,119,265
Preservation programs	2,012,996			2,012,996
Placement programs	4,522,931			4,522,931
Supporting services:				
Management and general	2,028,631			2,028,631
Fundraising	229,946			229,946
Total Expenses	16,913,769			16,913,769
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(711,100)	78,175		(632,925)
NONOPERATING ACTIVITIES				
Pension liability adjustment	(303,178)			(303,178)
INCREASE (DECREASE) IN NET ASSETS	(1,014,278)	78,175		(936,103)
NET ASSETS				
Beginning of Year	13,784,328	1,498,239	$ 189,370	15,471,937
End of Year	$ 12,770,050	$ 1,576,414	$ 189,370	$ 14,535,834

See accompanying notes.

Unrestricted	2011 Temporarily Restricted	Permanently Restricted	Total
$ 270,314	$ 9,685		$ 279,999
7,342,440			7,342,440
2,401,907			2,401,907
239,458	923,915		1,163,373
3,000,684			3,000,684
118,927	789,375		908,302
49,498	87,899		137,397
87,840			87,840
(13,063)	3,991		(9,072)
109,937			109,937
13,607,942	1,814,865		15,422,807
1,374,693	(1,374,693)		
14,982,635	440,172		15,422,807
7,407,366			7,407,366
1,454,265			1,454,265
3,907,716			3,907,716
2,597,664			2,597,664
240,975			240,975
15,607,986			15,607,986
(625,351)	440,172		(185,179)
(919,426)			(919,426)
(1,544,777)	440,172		(1,104,605)
15,329,105	1,058,067	$ 189,370	16,576,542
$ 13,784,328	$ 1,498,239	$ 189,370	$ 15,471,937

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2012 and 2011

	Prevention Programs		Preservation Programs		Placement Programs	
	2012	2011	2012	2011	2012	2011
Salaries expenses	$3,682,052	$3,362,897	$1,133,489	$ 904,713	$1,421,518	$1,515,543
Benefits expenses	1,155,702	1,056,394	339,769	266,752	480,561	512,420
Professional fees	1,391,962	1,404,369	59,587	9,181	509,602	281,665
Operation expenses	470,094	341,228	152,799	47,608	698,557	254,412
Equipment rental	56,463	61,126	13,349	13,214	9,316	9,403
Auto expenses	262,028	222,379	114,188	71,872	85,326	76,110
Fostercare and direct client costs	323,115	324,587	31,966	18,607	1,063,202	1,062,054
Occupancy	423,579	400,195	92,930	73,542	129,360	123,987
Depreciation	297,188	184,862	65,439	41,682	83,262	54,536
Maintenance and repairs	39,866	38,557	8,100	6,498	10,078	9,823
Interest expense						
Special events	16,598	6,071	581	291	30,886	4,921
Miscellaneous	618	4,701	799	305	1,263	2,842
TOTAL EXPENSES	$8,119,265	$7,407,366	$2,012,996	$1,454,265	$4,522,931	$3,907,716

See accompanying notes.

Management and General 2012	Management and General 2011	Fundraising 2012	Fundraising 2011	Total 2012	Total 2011
$ 843,206	$1,010,021	$ 58,452	$ 67,927	$ 7,138,717	$ 6,861,101
141,077	266,330	13,910	18,235	2,131,019	2,120,131
289,689	292,077	153	778	2,250,993	1,988,070
302,765	360,747	3,274	7,447	1,627,489	1,011,442
23,315	15,536	414	318	102,857	99,597
17,615	22,439	32	54	479,189	392,854
12,730	19,282	115,930	109,776	1,546,943	1,534,306
105,198	97,795	3,249	2,703	754,316	698,222
160,562	344,849	3,811	4,607	610,262	630,536
41,293	32,993	11,023	9,479	110,360	97,350
85,452	100,638			85,452	100,638
3,407	10,425	16,442	16,588	67,914	38,296
2,322	24,532	3,256	3,063	8,258	35,443
$2,028,631	$2,597,664	$ 229,946	$ 240,975	$16,913,769	$15,607,986

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	2012	2011
OPERATING ACTIVITIES		
Decrease in net assets	$ (936,103)	$ (1,104,605)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	610,262	630,536
Net losses on disposals of property and equipment	25,392	59,179
Net realized and unrealized (gains) losses on investments	(168,787)	9,072
(Increase) decrease in certain assets:		
Accounts receivable	452,482	183,282
Contributions receivable	4,682	5,615
Prepaid expenses and other assets	(22,511)	(14,180)
Increase (decrease) in certain liabilities:		
Accounts payable and other liabilities	147,171	(38,082)
Deferred income	106,588	117,002
Accrued payroll	98,196	84,772
Accrued pension expense	(83,197)	916,905
Contributions for capital campaign		(296)
In-kind contribution of investments		(51,710)
Net Cash Provided by Operating Activities	234,175	797,490
INVESTING ACTIVITIES		
Purchases of property and equipment	(42,607)	(33,260)
Proceeds from sale of property and equipment	85,500	32,135
Purchases of investments	(771,941)	(1,075,139)
Sales and maturities of investments	885,184	1,134,578
Decrease in cash and equivalents - endowment		13,852
Net Cash Provided by Investing Activities	156,136	72,166
FINANCING ACTIVITIES		
Cash collections of contributions for capital campaign	106,670	78,239
Principal payments on FSC loan	(74,317)	(331,551)
Net Cash Provided (Used) by Financing Activities	32,353	(253,312)
NET INCREASE IN CASH AND EQUIVALENTS	422,664	616,344
CASH AND EQUIVALENTS		
Beginning of Year	1,697,143	1,080,799
End of Year	$ 2,119,807	$ 1,697,143
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 85,542	$ 93,884
Noncash investing activities:		
In-kind contribution of investments		51,710

See accompanying notes.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

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, its 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 amounts of revenues and expenses. Actual results could vary from those estimates.

Principles of Consolidation: The consolidated financial statements include the accounts of the Bureau and the Foundation (together, the "Organizations"). All material intra-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 collectability 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, 2012, the allowance was $300,634. At December 31, 2011, 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

The Organizations' property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. To date, no adjustments to the carrying amount of property and equipment have been required.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 contributions by a like amount. This adjustment amounted to $140,103 for 2012 and $127,700 for 2011 and consisted primarily of clothing and household goods utilized by the Bureau's shelters.

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.

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, 2012 and 2011.

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 2009.

Subsequent Events: The Organizations have evaluated the consolidated financial statements for subsequent events occurring through April 8, 2013, 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.

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2012 and 2011.

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, and Exchange Traded Products: Valued at the closing price reported on the active market on which the individual securities are traded.

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 unadjusted market prices for the fair value of plan assets and the projected unit credit actuarial valuation method for the fair value of the benefit obligation.

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, 2012 and 2011:

2012	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Fixed income investments:				
Corporate bonds:				
Financials	$ 62,455			$ 62,455
Healthcare	60,902			60,902
Industrials	26,555			26,555
Telecommunications	57,346			57,346
Government agency bonds	58,194			58,194
Municipal bonds	45,831			45,831
Certificates of deposit		$ 25,208		25,208
Common stocks:				
Financials	142,183			142,183
Consumer staples	112,945			112,945
Healthcare	153,506			153,506
Consumer discretionary	146,336			146,336
Information technology	201,671			201,671
Industrials	153,246			153,246
Energy	149,760			149,760
Materials	56,141			56,141
Telecommunications services	50,437			50,437
Utilities	55,090			55,090

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

2012	Level 1	Level 2	Level 3	Total
Assets				
Investments (Continued):				
Mutual fund shares:				
Mid cap funds	$ 149,019			$ 149,019
Small cap funds	83,516			83,516
International funds	141,184			141,184
Bond funds	231,479			231,479
Convertible securities	37,625			37,625
Equity long/short	40,148			40,148
Senior bank loans	42,956			42,956
Market neutral	28,939			28,939
Managed futures	27,706			27,706
Currency	40,765			40,765
Real estate	28,062			28,062
Exchange traded products:				
Large cap funds	88,975			88,975
Precious metals	20,253			20,253
International funds	33,397			33,397
Cash Equivalents:				
Money market fund shares	93,929			93,929
Total Assets at Fair Value	$2,620,551	$ 25,208		$2,645,759
Liability				
Accrued pension expense			$2,723,635	$2,723,635
Total Liabilities at Fair Value			$2,723,635	$2,723,635

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

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

2011	Level 1	Level 2	Level 3	Total
Assets				
Investments (Continued):				
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
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

At December 31, 2012 and 2011, the Organizations had no other assets or liabilities that are measured at fair value on a recurring basis.

Changes in fair value of the Level 3 accrued pension expense for 2012 and 2011 and additional information about the valuation techniques and inputs used in the fair value measurements related to this liability are included in the details of the change in benefit obligation and the change in plan assets in Note 11.

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.

NOTE 3 - ENDOWMENT (CONTINUED)

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, 2012 and 2011, was as follows:

2012	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds		$ 24,304	$189,370	$ 213,674
Board-designated funds	$2,192,290			2,192,290
Total Funds	$2,192,290	$ 24,304	$189,370	$2,405,964
2011				
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

NOTE 3 - ENDOWMENT (CONTINUED)

Activity in the endowment by net asset class for the years ended December 31, 2012 and 2011, is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment at December 31, 2010	$2,337,569	$	$189,370	$2,526,939
Investment return:				
Interest and dividends	81,841	5,990		87,831
Net 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
Investment return:				
Interest and dividends	89,263	7,855		97,118
Net appreciation, realized and unrealized	155,135	13,652		168,787
Total Investment Return	244,398	21,507		265,905
Investment fees	(13,568)	(1,194)		(14,762)
Appropriated for expenditure	(235,888)			(235,888)
Endowment at December 31, 2012	$2,192,290	$24,304	$189,370	$2,405,964

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 are reported in unrestricted net assets. There were no such deficiencies as of December 31, 2012 or 2011.

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.

NOTE 3 - ENDOWMENT (CONTINUED)

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.

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, 2012 and 2011:

	2012	2011
Capital campaign	$ 60,000	$170,000
United Way	367,533	372,215
	427,533	542,215
Less: Discount on pledges receivable	2,263	5,593
Net Contributions Receivable	$425,270	$536,622
Amount due in:		
Less than one year	$397,533	$482,215
One to five years	30,000	60,000
	427,533	542,215
Less: Discount on pledges receivable	2,263	5,593
Net Contributions Receivable	$425,270	$536,622

NOTE 5 - INVESTMENTS

Investments are as follows at December 31, 2012 and 2011:

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Fixed income investments	$ 300,170	$ 336,491	$ 401,522	$ 440,190
Common stocks	982,124	1,221,315	1,091,042	1,279,544
Mutual fund shares	794,670	851,399	675,527	664,930
Exchange traded products	123,569	142,625	91,940	111,622
Total Investments	$2,200,533	$2,551,830	$2,260,031	$2,496,286

NOTE 5 - INVESTMENTS (CONTINUED)

Investments are included in the consolidated statements of financial position at December 31, 2012 and 2011 as follows:

	2012	2011
Investments	$ 145,866	$ 105,577
Investments - endowment	2,405,964	2,390,709
Total Investments	$ 2,551,830	$ 2,496,286

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment are as follows at December 31, 2012 and 2011:

	2012	2011
Land	$ 272,021	$ 279,786
Buildings and improvements	12,923,807	13,043,780
Leasehold improvements	329,117	310,687
Furnishings and equipment	3,002,956	2,984,338
Vehicles	64,382	64,382
	16,592,283	16,682,973
Less: Accumulated depreciation	4,585,843	3,997,986
Total Property and Equipment	$12,006,440	$12,684,987

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

NOTE 7 - DEBT

The Foundation has a five-year term loan related to the construction of the Family Support Center in Indianapolis. The term loan is payable in monthly installments of $13,414, including interest, with a balloon payment due upon maturity in August 2015 for the remaining principal and interest. Interest on this loan is fixed at 5.40%. The balance on this loan at December 31, 2012 and 2011 was $1,515,055 and $1,589,372, respectively. The term loan is secured by the Family Support Center building and an assignment of all rents on the Foundation's real property located in Marion County, Indiana. In 2011, the Bureau, which originally was the borrower of the loan, 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, 2012, the aggregate maturities of long-term debt were as follows:

Payable In	Principal Payments
2013	$ 62,443
2014	65,949
2015	1,386,663
	$1,515,055

Total interest expense was $85,452 and $100,638 for 2012 and 2011, respectively.

NOTE 7 - DEBT (CONTINUED)

The Bureau has an $800,000 revolving line of credit for short-term bank borrowings. Interest on these borrowings is computed based on the bank's prime rate plus 0.50% (3.75% at December 31, 2012). The line of credit, which expires on September 30, 2013, is secured by substantially all of the Bureau's accounts receivable and requires compliance with a financial covenant. At December 31, 2012 and 2011, there were no borrowings outstanding.

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 $226,829 in 2012 and $227,462 in 2011.

Future minimum lease payments required by all long-term noncancellable operating leases at December 31, 2012, are as follows:

Payable In	Rental Payments
2013	$299,419
2014	203,884
2015	22,011
2016	5,931
Total	$531,245

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 $1,354 in 2013.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31, 2012 and 2011:

	2012	2011
Children's Bureau, Inc.		
Family Support Center capital project	$ 330,100	$ 250,000
Development	55,176	6,614
Adoption	90,535	60,824
Pro-100	180,010	558,761
Parents as Teachers – Family Support Center		15,000
Johnson County	71,622	17,387
Family Resource Center – Any Child	39,779	25,440
United Way allocation – time restrictions	367,533	372,215
Preschool Scholarships	224,471	
Other purposes	5,884	1,007
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	24,304	3,991
Total Temporary Restricted Net Assets	$1,576,414	$1,498,239

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

For the years ended December 31, 2012 and 2011, 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:

	2012	2011
Community relations and marketing		$ 5,000
Accounting software		8,356
Family Support Center capital project	$50,000	111,392
Advocacy	1,000	24,160
Adoption	132,098	140,415
Pro-100	409,760	266,238
Charter School	1,007	10,493
Johnson County	21,282	14,534
Family Resource Center – Any Child	49,660	339
Parents as Teachers	20,000	30,000
Preschool scholarships	37,642	
United Way allocation – time restrictions	739,748	763,766
Total Restrictions Released	$1,462,197	$1,374,693

NOTE 10 - CONCENTRATIONS OF FUNDING

Government funding provided 82% and 83% of revenue for the Organizations for the years ended December 31, 2012 and 2011, respectively.

As part of federal funding, the Community Partners Grant provided 29% and 31% of the Organizations' total revenue in 2012 and 2011, 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. The Bureau's funding policy is to generally make the minimum annual contribution required by applicable regulations.

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 consolidated financial statements at December 31, 2012 and 2011, and for the years then ended.

	2012	2011
Plan Obligations and Funded Status:		
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$ 6,927,765	$ 5,827,343
Service cost		243,604
Interest cost	276,340	302,149
Actuarial (gain) loss	433,022	1,184,004
Curtailment		(460,574)
Benefits paid	(207,801)	(168,761)
Benefit obligation at end of year	7,429,326	6,927,765
Change in Plan Assets:		
Fair value of plan assets at beginning of year	4,120,933	3,937,416
Actual return on plan assets	336,885	90,647
Employer contributions	455,674	261,631
Benefits paid	(207,801)	(168,761)
Fair value of plan assets at end of year	4,705,691	4,120,933
Funded Status at End of Year	$(2,723,635)	$(2,806,832)
Accumulated Benefit Obligation at End of Year	$ 7,429,326	$ 6,927,765
Amount recognized in the consolidated statement of financial position as a liability	$ 2,723,635	$ 2,806,832

Amounts recognized in the consolidated statement of activities consist of:

	2012	2011
Service cost		$ 243,604
Interest cost	$ 276,340	302,149
Expected (return) on plan assets	(336,885)	(90,647)
Amortization of prior service cost/(credit)		(12,262)
Recognized net loss/(gain)	130,560	(158,816)
Net Periodic Benefit Cost for the Year	$ 70,015	$ 284,028

Other changes in plan assets and benefit obligations previously recognized in changes in unrestricted net assets:

	2012	2011
Net loss previously recognized in unrestricted net assets, not yet recognized as periodic pension cost at end of year	$ 2,547,836	$ 2,245,374

The estimated net loss that will be amortized from changes in unrestricted net assets into net periodic benefit cost in 2013 is $133,351.

NOTE 11 - EMPLOYEE BENEFITS (CONTINUED)

The following assumptions were used in accounting for the Plan:

	2012	2011
Weighted-average assumptions used to determine pension benefit obligations at year end:		
Discount rate	3.70%	4.04%
Rate of compensation increase	None	None
Weighted-average assumptions used to determine net periodic pension benefit cost for the year:		
Discount rate	4.04%	5.26%
Expected long-term return on plan assets	7.50	7.50
Rate of compensation increase	None	2.50

The expected long-term rate of return on Plan assets is determined by those assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class. For 2013, the expected rate of return has been decreased to 7.00% for use in determining net periodic pension cost to reflect changes in asset allocation and economic expectations.

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 (mutual funds, exchange traded products, and common stock shares) have a target asset allocation of 59-71% of total Plan assets. Debt securities (U.S. Government securities and corporate bonds) have a target asset allocation of 17-23%. Cash and cash equivalents (money market fund shares) have a target asset allocation of 10-18%.

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, 2012 and 2011.

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.

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

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, 2012 and 2011:

2012	Level 1	Total
Corporate bonds:		
Financials	$ 184,147	$ 184,147
Consumer Staples	107,093	107,093
Health Care	98,957	98,957
Consumer Discretionary	135,180	135,180
Information Technology	108,594	108,594
Industrials	126,975	126,975
Energy	48,368	48,368
Materials	44,089	44,089
Telecommunications	48,866	48,866

NOTE 11 - EMPLOYEE BENEFITS (CONTINUED)

2012 (Continued)	Level 1	Total
Common stocks:		
Financials	$ 272,067	$ 272,067
Consumer staples	172,247	172,247
Healthcare	333,698	333,698
Consumer discretionary	330,710	330,710
Information technology	518,281	518,281
Industrials	250,453	250,453
Energy	167,716	167,716
Materials	23,662	23,662
Telecommunications services	22,754	22,754
Utilities	21,472	21,472
Mutual fund shares:		
Mid cap funds	129,367	129,367
Small cap funds	50,476	50,476
International funds	373,018	373,018
Convertible securities	100,603	100,603
Equity long/short	89,340	89,340
Senior bank loans	110,044	110,044
Market neutral	71,399	71,399
Managed future	73,557	73,557
Currency	106,956	106,956
Real estate	71,414	71,414
Exchange traded products:		
Mid cap funds	114,410	114,410
Small cap funds	109,340	109,340
Precious metals	44,556	44,556
International funds	59,782	59,782
Total Plan Investments at Fair Value	$4,519,681	$4,519,681

2011	Level 1	Total
U.S. Treasury notes	$ 110,625	$ 110,625
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

NOTE 11 - EMPLOYEE BENEFITS (CONTINUED)

2011 (Continued)	Level 1	Total
Domestic common stocks:		
Financial	$ 106,823	$ 106,823
Technology	526,500	526,500
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

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

The Bureau expects to contribute $213,271 to the Plan in 2013. No plan assets are expected to be returned to the Bureau during 2013.

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

Payable In	Benefits
2013	$ 233,470
2014	272,233
2015	271,206
2016	267,276
2017	274,784
2018-2022	1,531,047

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 $96,305 in 2012 and $98,540 in 2011 to the Plan.

NOTE 12 - RELATED PARTY TRANSACTIONS

The Bureau recognized $18,320 in 2012 and $16,247 in 2011 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, 2012

	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Consolidated
ASSETS				
Cash and equivalents	$ 2,045,618	$ 74,189		$ 2,119,807
Investments		145,866		145,866
Accounts receivable, net	2,980,321			2,980,321
Contributions receivable, net	425,270			425,270
Prepaid expenses and other assets	313,497	61,465	$ (61,465)	313,497
Investments - endowment		2,405,964		2,405,964
Property and equipment, net	1,139,666	10,866,774		12,006,440
TOTAL ASSETS	$ 6,904,372	$ 13,554,258	$ (61,465)	$ 20,397,165
LIABILITIES				
Accounts payable and other liabilities	$ 838,876	$ 6,722	$ (61,465)	$ 784,133
Deferred income	244,581			244,581
Accrued payroll	593,927			593,927
Accrued pension expense	2,723,635			2,723,635
FSC loan		1,515,055		1,515,055
Total Liabilities	4,401,019	1,521,777	(61,465)	5,861,331
NET ASSETS				
Unrestricted	1,138,243	11,631,807		12,770,050
Temporarily restricted	1,365,110	211,304		1,576,414
Permanently restricted		189,370		189,370
Total Net Assets	2,503,353	12,032,481		14,535,834
TOTAL LIABILITIES AND NET ASSETS	$ 6,904,372	$ 13,554,258	$ (61,465)	$ 20,397,165

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

CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES INFORMATION
Year Ended December 31, 2012

	Unrestricted			
	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Total
REVENUE, GAINS AND SUPPORT				
Contributions	$ 300,417			$ 300,417
Government grant revenue and Medicaid	9,073,206			9,073,206
Brokered government grant revenue	2,103,089			2,103,089
Non-government grants	788,157		$ (165,453)	622,704
Service revenue	2,149,640			2,149,640
United Way	87,606			87,606
Special events	43,388			43,388
Interest income	7	$ 97,143		97,150
Net realized and unrealized gains on investments		148,474		148,474
Miscellaneous income	114,798	74,317	(74,317)	114,798
	14,660,308	319,934	(239,770)	14,740,472
Net assets released from restrictions	1,462,197			1,462,197
Total Revenue, Gains and Support	16,122,505	319,934	(239,770)	16,202,669
EXPENSES				
Program services:				
Prevention programs	7,901,318	217,947		8,119,265
Preservation programs	1,965,180	47,816		2,012,996
Placement programs	4,456,371	66,560		4,522,931
Grants to affiliate		165,453	(165,453)	
Supporting services:				
Management and general	1,921,455	181,493	(74,317)	2,028,631
Fundraising	228,274	1,672		229,946
Total Expenses	16,472,598	680,941	(239,770)	16,913,769
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(350,093)	(361,007)		(711,100)
NONOPERATING ACTIVITIES				
Pension liability adjustment	(303,178)			(303,178)
INCREASE (DECREASE) IN NET ASSETS	(653,271)	(361,007)		(1,014,278)
NET ASSETS				
Beginning of Year	1,791,514	11,992,814		13,784,328
End of Year	$ 1,138,243	$ 11,631,807	$ -	$ 12,770,050

Temporarily Restricted			Permanently Restricted	
Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Total	Children's Bureau Foundation, Inc.	Consolidated
$ 7,700		$ 7,700		$ 308,117
				9,073,206
				2,103,089
623,048		623,048		1,245,752
				2,149,640
795,002		795,002		882,608
94,309		94,309		137,697
				97,150
	$ 20,313	20,313		168,787
				114,798
1,520,059	20,313	1,540,372		16,280,844
(1,462,197)		(1,462,197)		
57,862	20,313	78,175		16,280,844
				8,119,265
				2,012,996
				4,522,931
				2,028,631
				229,946
				16,913,769
57,862	20,313	78,175		(632,925)
				(303,178)
57,862	20,313	78,175		(936,103)
1,307,248	$ 190,991	1,498,239	$ 189,370	15,471,937
$ 1,365,110	$ 211,304	$ 1,576,414	$ 189,370	$ 14,535,834

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

CONSOLIDATING SCHEDULE - STATEMENT OF CASH FLOWS INFORMATION
Year Ended December 31, 2012

	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Consolidated
OPERATING ACTIVITIES				
Decrease in net assets	$ (595,409)	$ (340,694)		$ (936,103)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:				
Depreciation	222,692	387,570		610,262
Net losses on disposals of property and equipment	1,059	24,333		25,392
Net realized and unrealized gains on investments		(168,787)		(168,787)
(Increase) decrease in certain assets:				
Accounts receivable	452,482			452,482
Contributions receivable	4,682			4,682
Prepaid expenses and other assets	(22,511)	(55,860)	$ 55,860	(22,511)
Increase (decrease) in certain liabilities:				
Accounts payable and other liabilities	203,031		(55,860)	147,171
Deferred income	106,588			106,588
Accrued payroll	98,196			98,196
Accrued pension expense	(83,197)			(83,197)
Net Cash Provided (Used) by Operating Activities	387,613	(153,438)		234,175
INVESTING ACTIVITIES				
Purchases of property and equipment	(42,607)			(42,607)
Proceeds of sale of property and equipment		85,500		85,500
Purchases of investments		(771,941)		(771,941)
Sales and maturities of investments		885,184		885,184
Net Cash Provided (Used) by Investing Activities	(42,607)	198,743		156,136
FINANCING ACTIVITIES				
Cash collections of contributions for capital campaign	106,670			106,670
Principal payments on FSC loan		(74,317)		(74,317)
Net Cash Provided (Used) by Financing Activities	106,670	(74,317)		32,353
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	451,676	(29,012)		422,664
CASH AND EQUIVALENTS				
Beginning of Year	1,593,942	103,201		1,697,143
End of Year	$ 2,045,618	$ 74,189	$ -	$ 2,119,807

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

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

We have audited, in accordance with the 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, the consolidated financial statements of Children's Bureau, Inc. and Children's Bureau Foundation, Inc., which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Children's Bureau, Inc.'s and Children's Bureau Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Children's Bureau, Inc.'s and Children's Bureau Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Children's Bureau, Inc.'s and Children's Bureau Foundation, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
April 8, 2013

CHILDREN'S BUREAU, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2012

	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	658
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	F1-2-49-12-34-0437	2,057,199
U.S. DEPARTMENT OF AGRICULTURE			
Direct programs:			
National School Lunch Program	10.555		37,858
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct programs:			
Community Development Block Grants/ Entitlement Grants	14.218		31,993
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,277,708

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 (the Schedule) includes the federal grant activity of Children's Bureau, Inc. under programs of the federal government for the year ended December 31, 2012. 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.* Because the Schedule presents only a selected portion of the operations of Children's Bureau, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Children's Bureau, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through Entity Identifying Numbers are presented where available.

KATZ SAPPER & MILLER

Our People: Your Success

Independent Auditors' Reports on Compliance
For Each Major Federal Program and on
Internal Control Over Compliance

Board of Directors
Children's Bureau, Inc.

Report on Compliance for Each Major Federal Program

We have audited Children's Bureau, Inc.'s compliance with the types of compliance requirements described in the *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, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Children's Bureau, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Children's Bureau, Inc.'s compliance.

Katz, Sapper & Miller, LLP
Certified Public Accountants
800 East 96th Street, Suite 500
Indianapolis, IN 46240
An Affiliate of
KSM Business Services, Inc.

Opinion on Each Major Federal Program

In our opinion, Children's Bureau, Inc. complied, in all material respects, with the types of 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, 2012.

Report on Internal Control Over Compliance

Management of Children's Bureau, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Children's Bureau, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
April 8, 2013

CHILDREN'S BUREAU, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2012

Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued [*unmodified, qualified, adverse, or disclaimer*]: Unmodified

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 consolidated 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 auditors' report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]: Unmodified

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

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, 2012

Findings – Consolidated Financial Statement Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

None