B43507

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

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, 2013 to December 31, 2013. 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, 2013, 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, 2013 and 2012

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

CONTENTS

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, 2013 and 2012, 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.

Katz, Sapper & Miller, LLP
Certified Public Accountants
800 East 96th Street, Suite 500
Indianapolis, IN 46240
Tel 317.580.2000
Web ksmcpa.com
An Affiliate of
KSM Business Services, Inc.

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, 2013 and 2012, 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 15, 2014, 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 15, 2014

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and equivalents	$ 2,414,639	$ 2,119,807
Investments	27,963	145,866
Accounts receivable, net	3,344,162	2,980,321
Contributions receivable, net	454,837	425,270
Prepaid expenses and other assets	86,217	313,497
Investments - endowment	2,781,216	2,405,964
Property and equipment, net	11,394,290	12,006,440
TOTAL ASSETS	$ 20,503,324	$ 20,397,165
LIABILITIES		
Accounts payable and other liabilities	$ 866,308	$ 784,133
Deferred income	38,272	244,581
Accrued payroll	959,118	593,927
Accrued pension expense	709,303	2,723,635
FSC loan	1,415,606	1,515,055
Total Liabilities	3,988,607	5,861,331
NET ASSETS		
Unrestricted:		
Board designated	2,524,003	2,192,290
Undesignated	12,751,092	10,577,760
	15,275,095	12,770,050
Temporarily restricted	1,050,252	1,576,414
Permanently restricted	189,370	189,370
Total Net Assets	16,514,717	14,535,834
TOTAL LIABILITIES AND NET ASSETS	$ 20,503,324	$ 20,397,165

See accompanying notes.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2013 and 2012

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS AND SUPPORT				
Contributions	$ 273,147	$ 25,000		$ 298,147
Government grant revenue and Medicaid	15,383,303			15,383,303
Brokered government grant revenue	2,375,890			2,375,890
Non-government grants	523,127	467,444		990,571
Service revenue	2,010,093			2,010,093
United Way	53,023	859,586		912,609
Special events	31,048	84,815		115,863
Interest income	99,720			99,720
Net realized and unrealized gains on investments	357,551	43,538		401,089
Miscellaneous income	305,809			305,809
	21,412,711	1,480,383		22,893,094
Net assets released from restrictions	2,006,545	(2,006,545)		
Total Revenue, Gains and Support	23,419,256	(526,162)		22,893,094
EXPENSES				
Program services:				
Prevention programs	11,149,178			11,149,178
Preservation programs	2,364,099			2,364,099
Placement programs	6,641,177			6,641,177
Supporting services:				
Management and general	2,282,249			2,282,249
Fundraising	292,545			292,545
Total Expenses	22,729,248			22,729,248
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	690,008	(526,162)		163,846
NONOPERATING ACTIVITIES				
Pension liability adjustment	1,815,037			1,815,037
INCREASE (DECREASE) IN NET ASSETS	2,505,045	(526,162)		1,978,883
NET ASSETS				
Beginning of Year	12,770,050	1,576,414	$ 189,370	14,535,834
End of Year	$ 15,275,095	$ 1,050,252	$ 189,370	$ 16,514,717

See accompanying notes.

2012			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 300,417	$ 7,700		$ 308,117
9,073,206			9,073,206
2,103,089			2,103,089
622,704	623,048		1,245,752
2,149,640			2,149,640
87,606	795,002		882,608
43,388	94,309		137,697
97,150			97,150
148,474	20,313		168,787
114,798			114,798
14,740,472	1,540,372		16,280,844
1,462,197	(1,462,197)		
16,202,669	78,175		16,280,844
8,119,265			8,119,265
2,012,996			2,012,996
4,522,931			4,522,931
2,028,631			2,028,631
229,946			229,946
16,913,769			16,913,769
(711,100)	78,175		(632,925)
(303,178)			(303,178)
(1,014,278)	78,175		(936,103)
13,784,328	1,498,239	$ 189,370	15,471,937
$ 12,770,050	$ 1,576,414	$ 189,370	$ 14,535,834

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2013 and 2012

	Prevention Programs		Preservation Programs		Placement Programs	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Salaries expenses	$ 3,877,141	$3,682,052	$1,407,361	$1,133,489	$2,357,192	$1,421,518
Benefits expenses	1,237,127	1,155,702	376,035	339,769	747,891	480,561
Professional fees	1,900,807	1,391,962	63,642	59,587	494,355	509,602
Operation expenses	762,353	470,094	119,239	152,799	352,350	698,557
Equipment rental	72,839	56,463	16,748	13,349	16,957	9,316
Auto expenses	379,588	262,028	162,846	114,188	211,204	85,326
Fostercare and direct client costs	2,069,722	323,115	35,284	31,966	1,976,149	1,063,202
Occupancy	528,637	423,579	111,767	92,930	261,091	129,360
Depreciation	249,353	297,188	57,420	65,439	139,345	83,262
Maintenance and repairs	38,452	39,866	12,615	8,100	23,967	10,078
Interest expense						
Special events	27,045	16,598	636	581	57,199	30,886
Miscellaneous	6,114	618	506	799	3,477	1,263
TOTAL EXPENSES	$ 11,149,178	$8,119,265	$2,364,099	$2,012,996	$6,641,177	$4,522,931

See accompanying notes.

Management and General 2013	Management and General 2012	Fundraising 2013	Fundraising 2012	Total 2013	Total 2012
$ 967,171	$ 843,206	$ 83,216	$ 58,452	$ 8,692,081	$ 7,138,717
182,322	141,077	11,461	13,910	2,554,836	2,131,019
276,384	289,689	9,493	153	2,744,681	2,250,993
428,492	302,765	17,157	3,274	1,679,591	1,627,489
24,932	23,315	418	414	131,894	102,857
20,185	17,615	1,636	32	775,459	479,189
1,115	12,730	135,741	115,930	4,218,011	1,546,943
110,612	105,198	3,097	3,249	1,015,204	754,316
143,623	160,562	3,184	3,811	592,925	610,262
48,284	41,293	4,761	11,023	128,079	110,360
73,700	85,452			73,700	85,452
10,051	3,407	19,137	16,442	114,068	67,914
(4,622)	2,322	3,244	3,256	8,719	8,258
$2,282,249	$2,028,631	$ 292,545	$ 229,946	$22,729,248	$16,913,769

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	2013	2012
OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 1,978,883	$ (936,103)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	592,925	610,262
Net (gains) losses on sales of property and equipment	(193,350)	25,392
Net realized and unrealized gains on investments	(401,089)	(168,787)
(Increase) decrease in certain assets:		
Accounts receivable	(363,841)	452,482
Contributions receivable	(29,567)	4,682
Prepaid expenses and other assets	281,924	(22,511)
Increase (decrease) in certain liabilities:		
Accounts payable and other liabilities	27,531	147,171
Deferred income	(206,309)	106,588
Accrued payroll	365,191	98,196
Accrued pension expense	(2,014,332)	(83,197)
Net Cash Provided by Operating Activities	37,966	234,175
INVESTING ACTIVITIES		
Purchases of property and equipment	(76,338)	(42,607)
Proceeds from sales of property and equipment	288,913	85,500
Purchases of investments	(780,784)	(771,941)
Sales and maturities of investments	924,524	885,184
Net Cash Provided by Investing Activities	356,315	156,136
FINANCING ACTIVITIES		
Cash collections of contributions for capital campaign		106,670
Principal payments on FSC loan	(99,449)	(74,317)
Net Cash Provided (Used) by Financing Activities	(99,449)	32,353
NET INCREASE IN CASH AND EQUIVALENTS	294,832	422,664
CASH AND EQUIVALENTS		
Beginning of Year	2,119,807	1,697,143
End of Year	$ 2,414,639	$ 2,119,807
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 80,422	$ 85,452

See accompanying notes.

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.

Basis of Presentation: The consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States and 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 statements 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: Accounts receivable primarily represent balances due for services performed under government grants and contracts. 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, 2013 and 2012, the allowance was $295,666 and $300,634, respectively. Periodically, management makes a determination if write-offs are necessary.

Contributions Receivable: 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 Grant and Service Revenue: 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 $135,634 for 2013 and $140,103 for 2012 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 statements 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 or space utilized by each function.

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, 2013 and 2012.

The Organizations file U.S. federal and state of Indiana information tax returns. The Organizations are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2010.

Subsequent Events: The Organizations have evaluated the consolidated financial statements for subsequent events occurring through April 15, 2014, the date the consolidated financial statements were available to be issued. See Note 14.

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, 2013 and 2012.

Mutual Fund Shares and Money Market Fund Shares: Valued at the published net asset value (NAV), as reported by each fund, 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, 2013 and 2012:

2013	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Fixed income investments:				
Corporate bonds		$197,237		$ 197,237
Government agency bonds		55,855		55,855
Municipal bonds	$ 43,298			43,298
Certificates of deposit		51,851		51,851
Common stocks:				
Financials	201,331			201,331
Healthcare	157,072			157,072
Information technology	276,631			276,631
Industrials	197,775			197,775
Energy	162,822			162,822
Other common stocks	401,481			401,481
Mutual fund shares:				
International funds	222,110			222,110
Bond funds	185,938			185,938
Other mutual fund shares	567,975			567,975
Exchange traded products	87,802			87,802
Cash Equivalents:				
Money market fund shares	227,144			227,144
Total Assets at Fair Value	$2,731,380	$304,943		$3,036,323

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

2013	Level 1	Level 2	Level 3	Total
Liability				
Accrued pension expense			$ 709,303	$ 709,303
Total Liabilities at Fair Value			$ 709,303	$ 709,303
2012				
Assets				
Investments:				
Fixed income investments:				
Corporate bonds		$207,258		$ 207,258
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
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
Other common stocks	274,613			274,613
Mutual fund shares:				
Mid cap funds	149,019			149,019
International funds	141,184			141,184
Bond funds	231,479			231,479
Other mutual fund shares	329,717			329,717
Exchange traded products	142,625			142,625
Cash Equivalents:				
Money market fund shares	93,929			93,929
Total Assets at Fair Value	$2,355,099	$290,660		$2,645,759
Liability				
Accrued pension expense			$2,723,635	$2,723,635
Total Liabilities at Fair Value			$2,723,635	$2,723,635

At December 31, 2013 and 2012, 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 2013 and 2012 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, 2013 and 2012, was as follows:

2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		$67,843	$189,370	$ 257,213
Board-designated funds	$2,524,003			2,524,003
Total Funds	$2,524,003	$67,843	$189,370	$2,781,216
2012				
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

NOTE 3 - ENDOWMENT (CONTINUED)

Activity in the endowment by net asset class for the years ended December 31, 2013 and 2012, is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
Investment return:				
Interest and dividends	90,850	8,855		99,705
Net appreciation, realized and unrealized	365,468	35,621		401,089
Total Investment Return	456,318	44,476		500,794
Investment fees	(9,620)	(937)		(10,557)
Appropriated for expenditure	(114,985)			(114,985)
Endowment at December 31, 2013	$2,524,003	$67,843	$189,370	$2,781,216

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, 2013 and 2012.

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, 2013 and 2012:

	2013	2012
Capital campaign	$ 30,000	$ 60,000
Promising Futures	55,089	
United Way	369,748	367,533
	454,837	427,533
Less: Discount on contributions receivable		2,263
Net Contributions Receivable	$454,837	$425,270
Amount due in:		
Less than one year	$454,837	$397,533
One to five years		30,000
	454,837	427,533
Less: Discount on contributions receivable		2,263
Net Contributions Receivable	$454,837	$425,270

NOTE 5 - INVESTMENTS

Investments are as follows at December 31, 2013 and 2012:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Fixed income investments	$ 326,615	$ 348,241	$ 300,170	$ 336,491
Common stocks	981,386	1,397,113	982,124	1,221,315
Mutual fund shares	863,910	976,023	794,670	851,399
Exchange traded products	76,736	87,802	123,569	142,625
Total Investments	$2,248,647	$2,809,179	$2,200,533	$2,551,830

Investments are included in the consolidated statements of financial position at December 31, 2013 and 2012 as follows:

	2013	2012
Investments	$ 27,963	$ 145,866
Investments - endowment	2,781,216	2,405,964
Total Investments	$2,809,179	$2,551,830

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

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment are as follows at December 31, 2013 and 2012:

	2013	2012
Land	$ 232,021	$ 272,021
Buildings and improvements	12,318,646	12,923,807
Leasehold improvements	248,799	329,117
Furnishings and equipment	2,984,199	3,002,956
Vehicles	49,628	64,382
	15,833,293	16,592,283
Less: Accumulated depreciation	4,439,003	4,585,843
Total Property and Equipment	$11,394,290	$12,006,440

NOTE 7 - DEBT

The Foundation has a five-year term loan related to the construction of the Family Support Center in Indianapolis (FSC loan). 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, 2013 and 2012 was $1,415,606 and $1,515,055, 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.

NOTE 7 - DEBT (CONTINUED)

At December 31, 2013, the aggregate maturities of long-term debt were as follows:

Payable In	Principal Payments
2014	$ 65,949
2015	1,349,657
	$1,415,606

Total interest expense was $73,700 in 2013 and $85,452 in 2012.

The Bureau has a $1,000,000 revolving line of credit for short-term bank borrowings. Interest on these borrowings is computed based on the bank's prime rate plus 0.50% (3.75% at December 31, 2013). The line of credit, which expires on September 30, 2014, is secured by substantially all of the Bureau's accounts receivable and requires compliance with a financial covenant. At December 31, 2013 and 2012, there were no borrowings outstanding on the line of credit.

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 $519,266 in 2013 and $343,157 in 2012.

Future minimum lease payments required by all long-term noncancellable operating leases at December 31, 2013, are as follows:

Payable In	Rental Payments
2014	$ 580,482
2015	311,092
2016	154,389
2017	77,863
2018	61,067
Total	$1,184,893

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31, 2013 and 2012:

	2013	2012
Children's Bureau, Inc.		
Family Support Center capital project	$ 126,966	$ 330,100
Adoption	63,827	90,535
Pro-100	51,265	180,010
Johnson County	59,920	71,622
United Way allocation – time restrictions	365,286	367,533
Preschool scholarships		224,471
Promising futures	55,089	
Other purposes	73,056	100,839
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	67,843	24,304
Total Temporarily Restricted Net Assets	$1,050,252	$1,576,414

For the years ended December 31, 2013 and 2012, 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:

	2013	2012
Family Support Center capital project	$ 203,134	$ 50,000
Adoption	181,523	132,098
Pro-100	448,745	409,760
Johnson County	76,702	21,282
Preschool scholarships	224,471	37,642
Other purposes	130,226	71,667
United Way allocation – time restrictions	741,744	739,748
Total Restrictions Released	$2,006,545	$1,462,197

NOTE 10 - CONCENTRATIONS OF FUNDING

Government funding provided 89% and 82% of total revenue for the Organizations for the years ended December 31, 2013 and 2012, respectively.

As part of federal funding, the Community Partners Grant provided 30% and 29% of the Organizations' total revenue in 2013 and 2012, respectively.

NOTE 11 - EMPLOYEE BENEFITS

Defined Benefit Pension Plan

The Bureau sponsors a noncontributory defined benefit pension plan covering substantially all of its employees who met eligibility requirements prior to January 1, 2008. 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.

The following table sets forth the Plan's funded status and amounts recognized in the consolidated financial statements at December 31, 2013 and 2012, and for the years then ended.

	2013	2012
Plan Obligations and Funded Status:		
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$ 7,429,326	$ 6,927,765
Interest cost	270,881	276,340
Actuarial (gain) loss	(1,008,330)	433,022
Benefits paid	(251,864)	(207,801)
Benefit obligation at end of year	6,440,013	7,429,326
Change in Plan Assets:		
Fair value of plan assets at beginning of year	4,705,691	4,120,933
Actual return on plan assets	1,025,562	336,885
Employer contributions	251,321	455,674
Benefits paid	(251,864)	(207,801)
Fair value of plan assets at end of year	5,730,710	4,705,691
Funded Status at End of Year	$ (709,303)	$(2,723,635)
Amount recognized in the consolidated statement of financial position as accrued pension expense	$ 709,303	$ 2,723,635

Amounts recognized in the consolidated statement of activities consist of:

	2013	2012
Interest cost	$ 270,881	$ 276,340
Actual return on plan assets	(1,025,562)	(336,885)
Amortization of net loss	133,351	112,271
Difference between expected and actual return on plan assets	695,174	18,289
Net Periodic Benefit Cost for the Year	$ 73,844	$ 70,015

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

	2013	2012
Net loss previously recognized in unrestricted net assets, not yet recognized as periodic pension cost at end of year	$ 710,981	$ 2,547,836

NOTE 11 - EMPLOYEE BENEFITS (CONTINUED)

The estimated net loss that will be amortized from changes in unrestricted net assets into net periodic benefit cost in 2014 is $5,536.

The following assumptions were used in accounting for the Plan:

	2013	**2012**
Weighted-average assumptions used to determine pension benefit obligations at year end:		
Discount rate	4.68%	3.70%
Rate of compensation increase	None	None
Weighted-average assumptions used to determine net periodic pension benefit cost for the year:		
Discount rate	3.70%	4.04%
Expected long-term return on plan assets	7.00	7.50
Rate of compensation increase	None	None

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 2014, the expected rate of return has been decreased to 6.50% 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, 2013 and 2012.

Common Stocks, Corporate Bonds and Exchange Traded Products: 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), as reported by each fund, 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, 2013 and 2012:

2013	**Level 1**	**Level 2**	**Total**
Corporate bonds		$752,576	$ 752,576
Common stocks:			
Financials	$ 517,355		517,355
Healthcare	384,060		384,060
Consumer discretionary	478,934		478,934
Information technology	653,029		653,029
Industrials	347,408		347,408
Other common stocks	560,427		560,427
Mutual fund shares:			
International funds	417,940		417,940
Other mutual fund shares	1,159,216		1,159,216
Exchange traded products	242,082		242,082
Total Plan Investments at Fair Value	$4,760,451	$752,576	$5,513,027

2012	**Level 1**	**Level 2**	**Total**
Corporate bonds		$902,269	$ 902,269
Common stocks:			
Financials	$ 272,067		272,067
Healthcare	333,698		333,698
Consumer discretionary	330,710		330,710
Information technology	518,281		518,281
Industrials	250,453		250,453
Other common stocks	407,851		407,851
Mutual fund shares:			
International funds	373,018		373,018
Other mutual fund shares	803,156		803,156
Exchange traded products	328,178		328,178
Total Plan Investments at Fair Value	$3,617,412	$902,269	$4,519,681

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 $245,000 to the Plan in 2014. No plan assets are expected to be returned to the Bureau during 2014.

NOTE 11 - EMPLOYEE BENEFITS (CONTINUED)

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

Payable In	Benefits
2014	$ 283,786
2015	283,765
2016	280,890
2017	284,454
2018	285,458
2019-2023	1,628,559

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 compensation. 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 $78,697 in 2013 and $96,305 in 2012 to the Plan.

NOTE 12 - EMPLOYEE INSURANCE OBLIGATION

Effective December 1, 2013, the Bureau self-insures its employee group medical plan. Claim expenses are recorded as incurred. Insurance policies in force at December 31, 2013 limit the Bureau's maximum plan cost to approximately $1,580,507 in the plan year. The Bureau's portion of the predetermined funding provision is charged to expense each month. A reinsurance policy is in place to limit the Agency's maximum claim liability to $50,000 per covered individual, unless a specific stop-loss deductible is noted in the policy for an individual. The self-insurance liability was $131,709 at December 31, 2013, which represents management's estimate of unpaid claims incurred prior to December 31, 2013.

NOTE 13 - RELATED PARTY TRANSACTIONS

The Bureau recognized $12,460 in 2013 and $18,320 in 2012 as contributions from members of its Board of Directors.

NOTE 14 - MERGER WITH PROMISING FUTURES

On January 1, 2014, the Bureau obtained control and merged with Hamilton Centers Youth Service Bureau, Inc. d/b/a Promising Futures. Promising Futures will be administered as a department of the Bureau. The merger added approximately $275,000 in assets and no liabilities to the Bureau and was accounted for under the acquisition method of accounting. As of December 31, 2013, Promising Futures owed the Bureau $21,689 for payroll expenses incurred during 2013.

CONSOLIDATING INFORMATION

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

CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION INFORMATION
December 31, 2013

	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Consolidated
ASSETS				
Cash and equivalents	$ 1,886,711	$ 527,928		$ 2,414,639
Investments		27,963		27,963
Accounts receivable, net	3,344,162			3,344,162
Contributions receivable, net	454,837			454,837
Prepaid expenses and other assets	86,217	6,821	$ (6,821)	86,217
Investments - endowment		2,781,216		2,781,216
Property and equipment, net	1,000,923	10,393,367		11,394,290
TOTAL ASSETS	$ 6,772,850	$ 13,737,295	$ (6,821)	$ 20,503,324
LIABILITIES				
Accounts payable and other liabilities	$ 873,129		$ (6,821)	$ 866,308
Deferred income	38,272			38,272
Accrued payroll	959,118			959,118
Accrued pension expense	709,303			709,303
FSC loan		$ 1,415,606		1,415,606
Total Liabilities	2,579,822	1,415,606	(6,821)	3,988,607
NET ASSETS				
Unrestricted	3,397,618	11,877,477		15,275,095
Temporarily restricted	795,410	254,842		1,050,252
Permanently restricted		189,370		189,370
Total Net Assets	4,193,028	12,321,689		16,514,717
TOTAL LIABILITIES AND NET ASSETS	$ 6,772,850	$ 13,737,295	$ (6,821)	$ 20,503,324

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

CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES INFORMATION
Year Ended December 31, 2013

	Unrestricted			
	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Total
REVENUE, GAINS AND SUPPORT				
Contributions	$ 273,147			$ 273,147
Government grant revenue and Medicaid	15,383,303			15,383,303
Brokered government grant revenue	2,375,890			2,375,890
Non-government grants	563,127		$ (40,000)	523,127
Service revenue	2,010,093			2,010,093
United Way	53,023			53,023
Special events	31,048			31,048
Interest income	15	$ 99,705		99,720
Net realized and unrealized gains on investments		357,551		357,551
Miscellaneous income	107,136	298,121	(99,448)	305,809
	20,796,782	755,377	(139,448)	21,412,711
Net assets released from restrictions	2,006,545			2,006,545
Total Revenue, Gains and Support	22,803,327	755,377	(139,448)	23,419,256
EXPENSES				
Program services:				
Prevention programs	10,949,601	199,577		11,149,178
Preservation programs	2,321,904	42,195		2,364,099
Placement programs	6,542,608	98,569		6,641,177
Grants to affiliate		40,000	(40,000)	
Supporting services:				
Management and general	2,253,500	128,197	(99,448)	2,282,249
Fundraising	291,376	1,169		292,545
Total Expenses	22,358,989	509,707	(139,448)	22,729,248
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	444,338	245,670		690,008
NONOPERATING ACTIVITIES				
Pension liability adjustment	1,815,037			1,815,037
INCREASE (DECREASE) IN NET ASSETS	2,259,375	245,670		2,505,045
NET ASSETS				
Beginning of Year	1,138,243	11,631,807		12,770,050
End of Year	$ 3,397,618	$ 11,877,477	$ -	$ 15,275,095

Temporarily Restricted Children's Bureau, Inc.	Temporarily Restricted Children's Bureau Foundation, Inc.	Temporarily Restricted Total	Permanently Restricted Children's Bureau Foundation, Inc.	Consolidated
$ 25,000		$ 25,000		$ 298,147
				15,383,303
				2,375,890
467,444		467,444		990,571
				2,010,093
859,586		859,586		912,609
84,815		84,815		115,863
				99,720
	$ 43,538	43,538		401,089
				305,809
1,436,845	43,538	1,480,383		22,893,094
(2,006,545)		(2,006,545)		
(569,700)	43,538	(526,162)		22,893,094
				11,149,178
				2,364,099
				6,641,177
				2,282,249
				292,545
				22,729,248
(569,700)	43,538	(526,162)		163,846
				1,815,037
(569,700)	43,538	(526,162)		1,978,883
1,365,110	211,304	1,576,414	$ 189,370	14,535,834
$ 795,410	$ 254,842	$ 1,050,252	$ 189,370	$ 16,514,717

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

CONSOLIDATING SCHEDULE - STATEMENT OF CASH FLOWS INFORMATION
Year Ended December 31, 2013

	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Consolidated
OPERATING ACTIVITIES				
Increase in net assets	$ 1,689,675	$ 289,208		$ 1,978,883
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:				
Depreciation	209,758	383,167		592,925
Net (gains) losses on sales of property and equipment	5,323	(198,673)		(193,350)
Net realized and unrealized gains on investments		(401,089)		(401,089)
(Increase) decrease in certain assets:				
Accounts receivable	(363,841)			(363,841)
Contributions receivable	(29,567)			(29,567)
Prepaid expenses and other assets	227,280	54,644		281,924
Increase (decrease) in certain liabilities:				
Accounts payable and other liabilities	34,253	(6,722)		27,531
Deferred income	(206,309)			(206,309)
Accrued payroll	365,191			365,191
Accrued pension expense	(2,014,332)			(2,014,332)
Net Cash Provided (Used) by Operating Activities	(82,569)	120,535		37,966
INVESTING ACTIVITIES				
Purchases of property and equipment	(76,338)			(76,338)
Proceeds of sales of property and equipment		288,913		288,913
Purchases of investments		(780,784)		(780,784)
Sales and maturities of investments		924,524		924,524
Net Cash Provided (Used) by Investing Activities	(76,338)	432,653		356,315
FINANCING ACTIVITIES				
Principal payments on FSC loan		(99,449)		(99,449)
Net Cash Used by Financing Activities		(99,449)		(99,449)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(158,907)	453,739		294,832
CASH AND EQUIVALENTS				
Beginning of Year	2,045,618	74,189		2,119,807
End of Year	$ 1,886,711	$ 527,928	$ -	$ 2,414,639

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, 2013, 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 15, 2014.

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.

Katz, Sapper & Miller, LLP
Certified Public Accountants
800 East 96th Street, Suite 500
Indianapolis, IN 46240
Tel 317.580.2000
Web ksmcpa.com
An Affiliate of
KSM Business Services, Inc.

OTHER REPORTS AND SCHEDULES

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 15, 2014

CHILDREN'S BUREAU, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2013

	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct programs:			
Basic Center Grant	93.623		$ 112,500
Passed through the Indiana Family and Social Services Administration:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	F1-2-49-12-34-0437	2,311,457
U.S. DEPARTMENT OF AGRICULTURE			
Direct programs:			
National School Lunch Program	10.555		30,465
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct programs:			
Community Development Block Grants/ Entitlement Grants	14.218		5,125
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,459,547

See accompanying notes to schedule of expenditures of federal awards.

CHILDREN'S BUREAU, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2013

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, 2013. The information in the 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, 2013. 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
Tel 317.580.2000
Web ksmcpa.com
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, 2013.

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 15, 2014

CHILDREN'S BUREAU, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2013

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, 2013

Findings - Consolidated Financial Statement Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

None