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October 18, 2017

Board of Directors  
Children's Bureau, Inc.  
1575 Dr. Martin Luther King Jr. Street  
Indianapolis, IN 46202

We have reviewed the audit report prepared by Katz, Sapper & Miller, LLP, for the period January 1, 2015 to December 31, 2015. 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, 2015, 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



CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2015 and 2014

# 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.

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, 2015 and 2014, 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 of America; 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 of America 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, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 of America. 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 5, 2016, 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 5, 2016

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash and equivalents	\$ 2,396,051	\$ 1,249,086
Accounts receivable, net	4,359,052	4,429,883
Contributions receivable, net	420,492	1,448,833
Prepaid expenses and other assets	170,248	152,202
Cash and equivalents - endowment	121,643	132,354
Investments - endowment	3,157,322	3,202,979
Property and equipment, net	<u>12,124,722</u>	<u>11,441,086</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 22,749,530</u></u>	<u><u>\$ 22,056,423</u></u>
 <b>LIABILITIES</b>		
Accounts payable and other liabilities	\$ 887,394	\$ 1,249,160
Accrued payroll	1,028,334	723,145
Accrued pension expense	1,768,525	1,995,076
FSC loan	1,252,459	1,345,470
Total Liabilities	<u>4,936,712</u>	<u>5,312,851</u>
 <b>NET ASSETS</b>		
Unrestricted:		
Board designated	3,201,727	3,364,611
Undesignated	<u>13,722,574</u>	<u>11,293,657</u>
	16,924,301	14,658,268
Temporarily restricted	643,678	1,840,465
Permanently restricted	<u>244,839</u>	<u>244,839</u>
Total Net Assets	<u>17,812,818</u>	<u>16,743,572</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 22,749,530</u></u>	<u><u>\$ 22,056,423</u></u>

*See accompanying notes.*

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

**CONSOLIDATED STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2015 and 2014**

		2015		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUE, GAINS AND SUPPORT</b>				
Contributions	\$ 495,610			\$ 495,610
Government grant revenue and Medicaid	17,442,631	\$ 40,000		17,482,631
Brokered government grant revenue	2,777,402			2,777,402
Non-government grants	212,931	175,000		387,931
Service revenue	4,297,219			4,297,219
United Way	517,715	405,784		923,499
Special events	198,836			198,836
Interest income	88,174	7,443		95,617
Net realized and unrealized gains (losses) on investments	(127,941)	(13,038)		(140,979)
Miscellaneous income	146,337	16,988		163,325
	26,048,914	632,177		26,681,091
Net assets released from restrictions	1,828,964	(1,828,964)		
Total Revenue, Gains and Support	27,877,878	(1,196,787)		26,681,091
<b>EXPENSES</b>				
Program services:				
Prevention programs	12,525,424			12,525,424
Preservation programs	2,405,796			2,405,796
Placement programs	7,548,530			7,548,530
Supporting services:				
Management and general	2,654,282			2,654,282
Fundraising	617,729			617,729
Total Expenses	25,751,761			25,751,761
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	2,126,117	(1,196,787)		929,330
<b>NONOPERATING ACTIVITIES</b>				
Pension liability adjustment	139,916			139,916
<b>INCREASE (DECREASE) IN NET ASSETS</b>	2,266,033	(1,196,787)		1,069,246
<b>NET ASSETS</b>				
Beginning of Year	14,658,268	1,840,465	\$ 244,839	16,743,572
End of Year	\$ 16,924,301	\$ 643,678	\$ 244,839	\$ 17,812,818

See accompanying notes.

	2014		
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 948,455	\$ 239,154	\$ 55,469	\$ 1,243,078
17,013,531			17,013,531
2,716,194			2,716,194
31,337	579,106		610,443
1,855,105			1,855,105
375,509	1,119,768		1,495,277
79,096			79,096
88,620	7,613		96,233
112,584	11,474		124,058
223,450			223,450
<u>23,443,881</u>	<u>1,957,115</u>	<u>55,469</u>	<u>25,456,465</u>
1,166,902	(1,166,902)		
<u>24,610,783</u>	<u>790,213</u>	<u>55,469</u>	<u>25,456,465</u>
12,632,723			12,632,723
2,660,473			2,660,473
5,357,443			5,357,443
2,437,404			2,437,404
534,992			534,992
<u>23,623,035</u>			<u>23,623,035</u>
987,748	790,213	55,469	1,833,430
(1,604,575)			(1,604,575)
(616,827)	790,213	55,469	228,855
<u>15,275,095</u>	<u>1,050,252</u>	<u>189,370</u>	<u>16,514,717</u>
<u>\$ 14,658,268</u>	<u>\$ 1,840,465</u>	<u>\$ 244,839</u>	<u>\$ 16,743,572</u>

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

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended December 31, 2015 and 2014**

	Prevention Programs		Preservation Programs		Placement Programs	
	2015	2014	2015	2014	2015	2014
Salaries expenses	\$ 5,435,502	\$ 5,128,634	\$ 1,570,522	\$ 1,589,890	\$ 2,939,600	\$ 1,722,364
Benefits expenses	1,472,211	1,417,510	392,379	463,935	705,603	474,971
Professional fees	1,851,621	1,937,562	12,673	26,676	715,707	668,708
Operation expenses	581,142	621,441	115,428	147,489	537,197	402,511
Equipment rental	148,176	128,931	19,426	27,268	25,066	31,929
Auto expenses	339,416	393,267	153,174	170,534	200,875	186,945
Fostercare and direct client costs	1,678,970	1,870,669	15,105	13,125	1,810,326	1,557,431
Occupancy	708,910	721,487	89,659	141,482	374,902	178,682
Depreciation	244,198	291,065	31,948	66,952	190,723	65,597
Maintenance and repairs	24,862	40,640	5,191	7,204	15,869	9,559
Interest expense						
Special events	39,296	65,645	291	3,217	30,180	51,651
Miscellaneous	1,120	15,872		2,701	2,482	7,095
<b>TOTAL EXPENSES</b>	<b><u>\$ 12,525,424</u></b>	<b><u>\$ 12,632,723</u></b>	<b><u>\$ 2,405,796</u></b>	<b><u>\$ 2,660,473</u></b>	<b><u>\$ 7,548,530</u></b>	<b><u>\$ 5,357,443</u></b>

See accompanying notes.

Management and General		Fundraising		Total	
2015	2014	2015	2014	2015	2014
\$ 1,202,694	\$ 1,129,955	\$241,381	\$200,831	\$ 11,389,699	\$ 9,771,674
257,308	313,750	48,835	42,327	2,876,336	2,712,493
419,169	359,261	17,294	10,837	3,016,464	3,003,044
318,766	217,653	42,952	25,891	1,595,485	1,414,985
45,027	35,454	676	691	238,371	224,273
25,387	19,596	2,724	2,794	721,576	773,136
17,070	7,709	217,336	198,354	3,738,807	3,647,288
131,345	107,995	4,446	4,719	1,309,262	1,154,365
161,016	131,966	3,637	3,604	631,522	559,184
7,842	29,100	2,612	3,876	56,376	90,379
62,988	76,194			62,988	76,194
5,511	6,278	34,327	39,318	109,605	166,109
159	2,493	1,509	1,750	5,270	29,911
<u>\$ 2,654,282</u>	<u>\$ 2,437,404</u>	<u>\$617,729</u>	<u>\$534,992</u>	<u>\$ 25,751,761</u>	<u>\$ 23,623,035</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 1,069,246	\$ 228,855
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	631,522	559,184
Net (gain) loss on sales of property and equipment	(2,869)	48,371
Net realized and unrealized (gain) loss on investments	140,979	(124,058)
Excess of assets acquired over liabilities assumed in acquisition of Hamilton Centers Youth Services Bureau, Inc.		(335,262)
(Increase) decrease in certain assets:		
Accounts receivable	70,831	(1,058,001)
Contributions receivable	(50,001)	84,346
Prepaid expenses and other assets	(18,046)	(96,239)
Increase (decrease) in certain liabilities:		
Accounts payable and other liabilities	(210,293)	189,859
Accrued payroll	305,189	(235,973)
Accrued pension expense	(226,551)	1,285,773
Contributions for capital campaign	(368,165)	(1,216,242)
Net Cash Provided (Used) by Operating Activities	<u>1,341,842</u>	<u>(669,387)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,415,845)	(381,275)
Proceeds from sales of property and equipment		208,158
Cash received in acquisition of Hamilton Centers Youth Services Bureau, Inc.		121,283
Purchases of investments	(1,118,740)	(1,556,910)
Sales and maturities of investments	1,023,418	1,287,168
(Increase) decrease in cash and equivalents - endowment	10,711	(132,354)
Net Cash Used by Investing Activities	<u>(1,500,456)</u>	<u>(453,930)</u>
<b>FINANCING ACTIVITIES</b>		
Cash collections of contributions for capital campaign	1,398,590	27,900
Proceeds during refinance of FSC loan		13,530
Principal payments on FSC loan	(93,011)	(83,666)
Net Cash Provided (Used) by Financing Activities	<u>1,305,579</u>	<u>(42,236)</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	1,146,965	(1,165,553)
<b>CASH AND EQUIVALENTS</b>		
Beginning of Year	<u>1,249,086</u>	<u>2,414,639</u>
End of Year	<u>\$ 2,396,051</u>	<u>\$ 1,249,086</u>

See accompanying notes.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)  
Years Ended December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ 62,988	\$ 76,105
Noncash investing and financing activities:		
In-kind contributions received for capital campaign	47,917	110,000
Property and equipment acquisitions included in accounts payable		151,473
Balance of debt refinanced		1,346,270
Recognized amounts of identifiable assets acquired and liabilities assumed from Hamilton Centers Youth Services Bureau, Inc.		
Property and equipment		134,038
Other financial assets		83,189
Financial liabilities		3,248

*See accompanying notes.*

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2015 and 2014**

**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 in Indiana. The Bureau offers prevention, preservation and placement services to at risk children and families throughout Indiana. The Bureau's primary sources of revenue are government grants and contracts, United Way Funding allocations, and contributions from donors. The Bureau's mission is preserving families and protecting the future of Indiana's children.

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 of America. 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 of America 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, 2015 and 2014, management determined that no allowance was necessary. 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 \$266,413 for 2015 and \$382,483 for 2014 and consisted primarily of property contributed as part of a capital campaign and 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, 2015 and 2014.

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 2012.

***Reclassifications:*** Certain amounts in the 2014 consolidated financial statements have been reclassified to conform to the presentation of the 2015 consolidated financial statements.

***Subsequent Events:*** The Organizations have evaluated the consolidated financial statements for subsequent events occurring through April 5, 2016, the date the consolidated financial statements were available to be issued.

## NOTE 2 - FAIR VALUE MEASUREMENTS

The Organizations have categorized their assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset 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, 2015 and 2014.

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

**U.S. Treasury Notes, Corporate Bonds, and Government Agency Bonds:** Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

**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, 2015 and 2014:

2015	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash Equivalents:				
Money market fund shares	\$ 127,595			\$ 127,595
Investments:				
Fixed income investments:				
U.S. Treasury notes		\$ 30,175		30,175
Corporate bonds		365,759		365,759
Government agency bonds		51,908		51,908
Municipal bonds	43,978			43,978
Common stocks:				
Financials	243,178			243,178
Healthcare	234,783			234,783
Information technology	329,047			329,047
Industrials	150,127			150,127
Consumer discretionary	239,249			239,249
Other common stocks	362,193			362,193
Mutual fund shares:				
Mid cap funds	155,877			155,877
Other mutual fund shares	561,595			561,595
Exchange traded products:	389,453			187,470
Total Assets at Fair Value	<u>\$2,837,075</u>	<u>\$447,842</u>		<u>\$3,284,917</u>

**NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)**

<b>2015 (Continued)</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Liability</b>				
Accrued pension expense			<u>\$1,768,525</u>	<u>\$1,768,525</u>
Total Liabilities at Fair Value			<u>\$1,768,525</u>	<u>\$1,768,525</u>
 <b>2014</b>				
<b>Assets</b>				
Cash Equivalents:				
Money market fund shares	\$ 142,424			\$ 142,424
Investments:				
Fixed income investments:				
U.S. Treasury notes		\$ 30,706		30,706
Corporate bonds		265,060		265,060
Government agency bonds		53,903		53,903
Municipal bonds	44,718			44,718
Certificates of deposit		50,463		50,463
Common stocks:				
Financials	246,837			246,837
Healthcare	232,654			232,654
Information technology	290,974			290,974
Industrials	206,526			206,526
Energy	137,252			137,252
Other common stocks	496,856			496,856
Mutual fund shares:				
International funds	219,404			219,404
Bond funds	209,804			209,804
Other mutual fund shares	534,243			534,243
Exchange traded products	<u>183,579</u>			<u>183,579</u>
Total Assets at Fair Value	<u>\$2,945,271</u>	<u>\$400,132</u>		<u>\$3,345,403</u>
 <b>Liability</b>				
Accrued pension expense			<u>\$1,995,076</u>	<u>\$1,995,076</u>
Total Liabilities at Fair Value			<u>\$1,995,076</u>	<u>\$1,995,076</u>

At December 31, 2015 and 2014, 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 2015 and 2014 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 an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law***

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was adopted by Indiana in 2007. The Board of Directors of the Foundation has interpreted 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, 2015 and 2014, was as follows:

<b>2015</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds		\$81,334	\$189,370	\$ 270,704
Board-designated funds	<u>\$3,008,261</u>	<u>                    </u>	<u>                    </u>	<u>3,008,261</u>
<b>Total Funds</b>	<u><b>\$3,008,261</b></u>	<u><b>\$81,334</b></u>	<u><b>\$189,370</b></u>	<u><b>\$3,278,965</b></u>
 <b>2014</b>				
Donor-restricted endowment funds		\$86,929	\$189,370	\$ 276,299
Board-designated funds	<u>\$3,059,034</u>	<u>                    </u>	<u>                    </u>	<u>3,059,034</u>
<b>Total Funds</b>	<u><b>\$3,059,034</b></u>	<u><b>\$86,929</b></u>	<u><b>\$189,370</b></u>	<u><b>\$3,335,333</b></u>

### NOTE 3 - ENDOWMENT (CONTINUED)

Activity in the endowment by net asset class for 2015 and 2014, is summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment at December 31, 2013	<u>\$2,524,003</u>	<u>\$ 67,843</u>	<u>\$189,370</u>	<u>\$2,781,216</u>
Investment return:				
Interest and dividends	87,806	8,873		96,679
Net appreciation, realized and unrealized	<u>112,585</u>	<u>11,473</u>		<u>124,058</u>
Total Investment Return	200,391	20,346		220,737
Investment fees	(12,360)	(1,260)		(13,620)
Designations by the board	<u>347,000</u>			<u>347,000</u>
Endowment at December 31, 2014	<u>3,059,034</u>	<u>86,929</u>	<u>189,370</u>	<u>3,335,333</u>
Investment return:				
Interest and dividends	85,999	8,764		94,763
Net appreciation, realized and unrealized	<u>(127,941)</u>	<u>(13,039)</u>		<u>(140,980)</u>
Total Investment Return	(41,942)	(4,275)		(46,217)
Investment fees	(12,950)	(1,320)		(14,270)
Designations by the board	<u>4,119</u>			<u>4,119</u>
Endowment at December 31, 2015	<u>\$3,008,261</u>	<u>\$ 81,334</u>	<u>\$189,370</u>	<u>\$3,278,965</u>

#### ***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are reported against unrestricted net assets. There were no such deficiencies as of December 31, 2015 and 2014.

#### ***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. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index for core equity investments and Citigroup Government/Corporate (1-5 year) index for fixed income investments, as well as a blended index comprised of each asset class index weighted according to the target asset mix while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide a net real return (after fees and inflation) commensurate with the mix of the portfolio relative to market returns. Actual returns in any given year may vary from this expectation.

#### ***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### NOTE 3 - ENDOWMENT (CONTINUED)

#### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

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

### NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows at December 31, 2015 and 2014:

	2015	2014
Capital campaign		\$ 400,904
United Way - capital campaign		700,000
United Way - other	\$330,492	347,929
Other non-government grants	<u>90,000</u>	<u>          </u>
Total Contributions Receivable	<u>\$420,492</u>	<u>\$1,448,833</u>

All contributions receivable at December 31, 2015 and 2014 are due to be received in less than one year.

### NOTE 5 - INVESTMENTS

Investments are as follows at December 31, 2015 and 2014:

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Fixed income investments	\$ 480,736	\$ 487,697	\$ 439,703	\$ 444,850
Common stocks	1,329,142	1,558,577	1,257,637	1,611,099
Mutual fund shares	784,323	796,723	899,753	963,451
Exchange traded products	<u>305,198</u>	<u>314,325</u>	<u>170,712</u>	<u>183,579</u>
Total Investments	<u>\$2,899,399</u>	<u>\$3,157,322</u>	<u>\$2,767,805</u>	<u>\$3,202,979</u>

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, 2015 and 2014:

	<b>2015</b>	<b>2014</b>
Land	\$ 224,825	\$ 224,825
Buildings and improvements	12,182,936	12,182,936
Leasehold improvements	1,982,913	275,750
Furnishings and equipment	3,272,769	3,025,796
Vehicles	31,372	49,628
Construction in progress		<u>639,338</u>
	<u>17,694,815</u>	<u>16,398,273</u>
Less: Accumulated depreciation	<u>5,570,093</u>	<u>4,957,187</u>
Total Property and Equipment	<u>\$12,124,722</u>	<u>\$11,441,086</u>

## NOTE 7 - DEBT

The Bureau had a \$1,000,000 revolving line of credit for short-term bank borrowings. Interest on these borrowings was computed based on the bank's prime rate plus 0.50%. The line of credit expired on September 30, 2015 and was not renewed. At December 31, 2014, there were no borrowings outstanding on the line of credit.

The Foundation has a term loan related to the construction of the Family Support Center in Indianapolis (FSC loan), which was refinanced in 2014. The term loan is payable in monthly installments of \$8,199, including interest, with a balloon payment due upon maturity in October 2019 for the remaining unpaid principal and interest. Interest on this loan is fixed at 3.90%. The balance on this loan at December 31, 2015 and 2014 was \$1,252,459 and \$1,345,470, 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. The term loan is also guaranteed by the Bureau.

Total interest expense was \$62,988 in 2015 and \$76,194 in 2014.

At December 31, 2015, the aggregate maturities of long-term debt were as follows:

<b>Payable In</b>	<b>Principal Payments</b>
2016	\$ 47,506
2017	49,563
2018	51,559
2019	<u>1,103,831</u>
	<u>\$1,252,459</u>

**NOTE 8 - LEASES**

The Bureau has several operating leases, primarily for office space and equipment, expiring at various dates through September 2020. These leases generally contain renewal options for periods ranging from three to five years. Rental expense was \$777,773 in 2015 and \$684,750 in 2014.

Future minimum lease payments required by all long-term noncancellable operating leases at December 31, 2015, are as follows:

Payable In	Rental Payments
2016	\$ 638,816
2017	571,638
2018	442,569
2019	168,482
2020	<u>38,117</u>
Total	<u>\$1,859,622</u>

**NOTE 9 - NET ASSETS**

Board designated net assets were available for the following purposes at December 31, 2015 and 2014:

	2015	2014
<b>Children's Bureau Foundation, Inc.</b>		
Board-designated endowment fund	\$3,008,261	\$3,059,034
Funds designated for capital improvements	<u>193,466</u>	<u>305,577</u>
Total Board Designated Net Assets	<u>\$3,201,727</u>	<u>\$3,364,611</u>

Temporarily restricted net assets were available for the following purposes at December 31, 2015 and 2014:

	2015	2014
<b>Children's Bureau, Inc.</b>		
United Way allocation - time restrictions	\$330,491	\$ 347,929
Courage Center capital project Development		1,241,221
Education	165,000	121,181
Adoption	5,112	5,112
Johnson County	3,046	4,697
Food and shelter programs	8,695	
Other purposes	50,000	33,396
<b>Children's Bureau Foundation, Inc.</b>		
Unappropriated appreciation on permanently restricted endowment	<u>81,334</u>	<u>86,929</u>
Total Temporarily Restricted Net Assets	<u>\$643,678</u>	<u>\$1,840,465</u>

## NOTE 9 - RESTRICTED NET ASSETS (CONTINUED)

For the years ended December 31, 2015 and 2014, 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:

	2015	2014
<b>Children's Bureau, Inc.</b>		
United Way allocation – time restrictions	\$ 347,929	\$ 365,286
Courage Center capital project	1,241,221	
Development	121,181	127,242
Adoption	6,000	111,215
Johnson County	25,944	82,062
Food and shelter programs	8,293	
Family Support Center capital project		126,966
Pro-100		51,264
Other purposes	78,396	115,867
<b>Children's Bureau Foundation, Inc.</b>		
Fay Biccard Glick Family Place and Rachel Glick Courage Center		182,000
Advocacy		<u>5,000</u>
Total Restrictions Released	<u>\$1,828,964</u>	<u>\$1,166,902</u>

As of December 31, 2015 and 2014, permanently restricted net assets consisted of the following:

	2015	2014
Donor-restricted endowment funds	\$189,370	\$189,370
Fund held by community foundation	<u>55,469</u>	<u>55,469</u>
Total Permanently Restricted Funds	<u>\$244,839</u>	<u>\$244,839</u>

## NOTE 10 - CONCENTRATIONS OF FUNDING

Government funding provided 92% and 85% of total revenue for the Organizations for the years ended December 31, 2015 and 2014, respectively.

As part of federal funding, the Community Partners Grants provided 33% and 36% of the Organizations' total revenue in 2015 and 2014, 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.

## NOTE 11 - EMPLOYEE BENEFITS (CONTINUED)

On October 11, 2007, the Bureau's Board of Directors voted to amend the Plan to freeze Plan participation effective January 1, 2008. Plan participants who had met eligibility requirements before the effective date of the freeze 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, 2015 and 2014, and for the years then ended.

	2015	2014
Plan Obligations and Funded Status:		
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 8,010,183	\$ 6,440,013
Interest cost	303,985	294,199
Actuarial (gain) loss	(519,621)	1,559,757
Benefits paid	<u>(299,411)</u>	<u>(283,786)</u>
Benefit obligation at end of year	<u>7,495,136</u>	<u>8,010,183</u>
Change in Plan Assets:		
Fair value of plan assets at beginning of year	6,015,107	5,730,710
Actual return on plan assets	(114,085)	321,049
Employer contributions	125,000	247,134
Benefits paid	<u>(299,411)</u>	<u>(283,786)</u>
Fair value of plan assets at end of year	<u>5,726,611</u>	<u>6,015,107</u>
Funded Status at End of Year	<u><u>\$(1,768,525)</u></u>	<u><u>\$(1,995,076)</u></u>
Amount recognized in the consolidated statements of financial position as accrued pension expense	<u><u>\$ 1,768,525</u></u>	<u><u>\$ 1,995,076</u></u>
Amounts recognized in the consolidated statements of activities consist of:		
Interest cost	\$ 303,985	\$ 294,199
Actual return on plan assets	114,085	(321,049)
Amortization of net loss	122,337	5,536
Difference between expected and actual return on plan assets	<u>(502,042)</u>	<u>(50,354)</u>
Net Periodic Benefit Cost for the Year	<u><u>\$ 38,365</u></u>	<u><u>\$ (71,668)</u></u>
Other changes in plan assets and benefit obligations previously recognized in changes in unrestricted net assets:		
Net loss previously recognized in unrestricted net assets, not yet recognized as periodic pension cost at end of year	<u><u>\$ 2,175,640</u></u>	<u><u>\$ 2,315,556</u></u>

The estimated net loss that will be amortized from changes in unrestricted net assets into net periodic benefit cost in 2016 is \$115,851.

**NOTE 11 - EMPLOYEE BENEFITS (CONTINUED)**

The following assumptions were used in accounting for the Plan:

	<b>2015</b>	<b>2014</b>
Weighted-average assumptions used to determine pension benefit obligations at year end:		
Discount rate	4.21%	3.87%
Rate of compensation increase	None	None
Mortality rates	RP-2014/MP-2015	RP/MP-2014
Weighted-average assumptions used to determine net periodic pension benefit cost for the year:		
Discount rate	3.87%	4.68%
Expected long-term return on plan assets	6.50%	6.50%
Rate of compensation increase	None	None
Mortality rates	RP/MP-2014	2013 IRS Table

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 2016, the expected rate of return has remained at 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, 2015 and 2014.

**Common Stocks, Municipal 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.

**Corporate Bond and U.S. Treasury Notes:** Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

## 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, 2015 and 2014:

<b>2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Cash and cash equivalents	\$ 264,100		\$ 264,100
Corporate bonds		\$499,335	499,335
U.S. Treasury notes		253,648	253,648
Municipal bonds	199,903		199,903
Common stocks:			
Financials	373,322		373,322
Healthcare	515,760		515,760
Consumer discretionary	477,793		477,793
Information technology	657,071		657,071
Consumer staples	218,764		218,764
Industrials	199,487		199,487
Other common stocks	321,061		321,061
Mutual fund shares:			
International funds	153,632		153,632
Bond funds	271,350		271,350
Mid cap funds	264,824		264,824
Other mutual fund shares	509,319		509,319
Exchange traded products:	<u>547,242</u>		<u>186,857</u>
Total Plan Investments at Fair Value	<u>\$4,973,628</u>	<u>\$752,983</u>	<u>\$5,726,611</u>
<b>2014</b>			
Cash and cash equivalents	\$ 116,293		\$ 116,293
Corporate bonds		\$692,749	692,749
U.S. Treasury notes		203,852	203,852
Common stocks:			
Financials	482,994		482,994
Healthcare	566,865		566,865
Consumer discretionary	423,379		423,379
Information technology	703,325		703,325
Industrials	389,103		389,103
Other common stocks	625,243		625,243
Mutual fund shares:			
International funds	371,736		371,736
Other mutual fund shares	1,071,832		1,071,832
Exchange traded products	<u>367,736</u>		<u>367,736</u>
Total Plan Investments at Fair Value	<u>\$5,118,506</u>	<u>\$896,601</u>	<u>\$6,015,107</u>

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 \$368,059 to the Plan in 2016. No plan assets are expected to be returned to the Bureau during 2016.

## 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
2016	\$ 296,434
2017	293,950
2018	304,382
2019	306,183
2020	312,267
2021-2025	1,835,901

### *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 \$97,125 in 2015 and \$88,401 in 2014 to the Plan.

## NOTE 12 - EMPLOYEE INSURANCE OBLIGATION

The Bureau self-insures its employee group medical plan. Claim expenses are recorded as incurred. Insurance policies in force at December 31, 2015 limit the Bureau's maximum plan cost to approximately \$2,650,000 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 Bureau'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 \$215,130 and \$187,367 at December 31, 2015 and 2014, respectively, which represents management's estimate of unpaid claims incurred prior to December 31, 2015 and 2014.

## NOTE 13 - RELATED PARTY TRANSACTIONS

The Bureau recognized \$40,316 in 2015 and \$26,533 in 2014 as contributions from members of its Board of Directors.

## NOTE 14 - ACQUISITION OF PROMISING FUTURES

Effective January 1, 2014, the Bureau obtained control and acquired Hamilton Centers Youth Service Bureau, Inc. d/b/a Promising Futures. Promising Futures is now being administered as a department of the Bureau. The transaction was accounted for under the acquisition method of accounting. The governing bodies of the Bureau and Promising Futures believe the acquisition provides strategic and economic benefits. The Bureau provided no consideration during the acquisition. The following summarizes the net contribution recorded, assets acquired, and liabilities assumed at the date of acquisition, based on their estimated fair values as determined by management.

Cash	\$121,283
Property and equipment	134,038
Other financial assets	<u>83,189</u>
	338,510
Financial liabilities assumed	<u>(3,248)</u>
Net Contributions Recorded	<u>\$335,262</u>

## **CONSOLIDATING INFORMATION**

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

**CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION INFORMATION  
December 31, 2015**

	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Consolidated
<b>ASSETS</b>				
Cash and equivalents	\$ 2,063,045	\$ 333,006		\$ 2,396,051
Accounts receivable, net	4,359,052			4,359,052
Contributions receivable, net	420,492			420,492
Prepaid expenses and other assets	170,248	13,000	\$ (13,000)	170,248
Cash and equivalents - endowment		121,643		121,643
Investments - endowment		3,157,322		3,157,322
Property and equipment, net	<u>2,614,869</u>	<u>9,509,853</u>		<u>12,124,722</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 9,627,706</u></u>	<u><u>\$ 13,134,824</u></u>	<u><u>\$ (13,000)</u></u>	<u><u>\$ 22,749,530</u></u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 893,860	\$ 6,534	\$ (13,000)	\$ 887,394
Accrued payroll	1,028,334			1,028,334
Accrued pension expense	1,768,525			1,768,525
FSC loan		1,252,459		1,252,459
Total Liabilities	<u>3,690,719</u>	<u>1,258,993</u>	<u>(13,000)</u>	<u>4,936,712</u>
<b>NET ASSETS</b>				
Unrestricted	5,319,174	11,605,127		16,924,301
Temporarily restricted	562,344	81,334		643,678
Permanently restricted	55,469	189,370		244,839
Total Net Assets	<u>5,936,987</u>	<u>11,875,831</u>		<u>17,812,818</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 9,627,706</u></u>	<u><u>\$ 13,134,824</u></u>	<u><u>\$ (13,000)</u></u>	<u><u>\$ 22,749,530</u></u>

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

**CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES INFORMATION  
Year Ended December 31, 2015**

	Unrestricted			
	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Total
<b>REVENUE, GAINS AND SUPPORT</b>				
Contributions	\$ 495,610			\$ 495,610
Government grant revenue and Medicaid	17,442,631			17,442,631
Brokered government grant revenue	2,777,402			2,777,402
Non-government grants	212,931	\$ 193,466	\$ (193,466)	212,931
Service revenue	4,297,219			4,297,219
United Way	517,715			517,715
Special events	198,836			198,836
Interest income	738	87,436		88,174
Net realized and unrealized losses on investments		(127,941)		(127,941)
Miscellaneous income	146,337	156,000	(156,000)	146,337
	<u>26,089,419</u>	<u>308,961</u>	<u>(349,466)</u>	<u>26,048,914</u>
Net assets released from restrictions	1,828,964			1,828,964
Total Revenue, Gains and Support	<u>27,918,383</u>	<u>308,961</u>	<u>(349,466)</u>	<u>27,877,878</u>
<b>EXPENSES</b>				
Program services:				
Prevention programs	12,324,494	200,930		12,525,424
Preservation programs	2,380,378	25,418		2,405,796
Placement programs	7,442,295	106,235		7,548,530
Grants to affiliate	193,466		(193,466)	
Supporting services:				
Management and general	2,693,507	116,775	(156,000)	2,654,282
Fundraising	616,467	1,262		617,729
Total Expenses	<u>25,650,607</u>	<u>450,620</u>	<u>(349,466)</u>	<u>25,751,761</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	2,267,776	(141,659)		2,126,117
<b>NONOPERATING ACTIVITIES</b>				
Pension liability adjustment	<u>139,916</u>			<u>139,916</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	2,407,692	(141,659)		2,266,033
<b>NET ASSETS</b>				
Beginning of Year	<u>2,911,482</u>	<u>11,746,786</u>		<u>14,658,268</u>
End of Year	<u>\$ 5,319,174</u>	<u>\$11,605,127</u>	<u>\$ -</u>	<u>\$16,924,301</u>

<u>Temporarily Restricted</u>			<u>Permanently Restricted</u>			<u>Consolidated</u>
<u>Children's Bureau, Inc.</u>	<u>Children's Bureau Foundation, Inc.</u>	<u>Total</u>	<u>Children's Bureau, Inc.</u>	<u>Children's Bureau Foundation, Inc.</u>	<u>Total</u>	
						\$ 495,610
\$ 40,000		\$ 40,000				17,482,631
175,000		175,000				2,777,402
405,784		405,784				387,931
	\$ 7,443	7,443				4,297,219
	(13,038)	(13,038)				923,499
16,988		16,988				198,836
637,772	(5,595)	632,177				95,617
(1,828,964)		(1,828,964)				(140,979)
(1,191,192)	(5,595)	(1,196,787)				163,325
						26,681,091
						12,525,424
						2,405,796
						7,548,530
						2,654,282
						617,729
						25,751,761
(1,191,192)	(5,595)	(1,196,787)				929,330
						139,916
(1,191,192)	(5,595)	(1,196,787)				1,069,246
1,753,536	86,929	1,840,465	\$ 55,469	\$ 189,370	\$ 244,839	16,743,572
\$ 562,344	\$ 81,334	\$ 643,678	\$ 55,469	\$ 189,370	\$ 244,839	\$17,812,818

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

**CONSOLIDATING SCHEDULE - STATEMENT OF CASH FLOWS INFORMATION  
Year Ended December 31, 2015**

	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Consolidated
<b>OPERATING ACTIVITIES</b>				
Increase (decrease) in net assets	\$ 1,216,500	\$ (147,254)		\$ 1,069,246
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities				
Depreciation	260,460	371,062		631,522
Net gain on sales of property and equipment	(2,869)			(2,869)
Net realized and unrealized loss on investments		140,979		140,979
(Increase) decrease in certain assets:				
Accounts receivable	70,831			70,831
Contributions receivable	(50,001)			(50,001)
Prepaid expenses and other assets	(18,046)	(5,718)	\$ 5,718	(18,046)
Increase (decrease) in certain liabilities:				
Accounts payable and other liabilities	(211,109)	6,534	(5,718)	(210,293)
Accrued payroll	305,189			305,189
Accrued pension expense	(226,551)			(226,551)
Contributions for capital campaign	(368,165)			(368,165)
Net Cash Provided by Operating Activities	<u>976,239</u>	<u>365,603</u>	<u>-</u>	<u>1,341,842</u>
<b>INVESTING ACTIVITIES</b>				
Purchases of property and equipment	(1,415,845)			(1,415,845)
Purchases of investments		(1,118,740)		(1,118,740)
Sales and maturities of investments		1,023,418		1,023,418
Decrease in cash and equivalents - endowment		10,711		10,711
Net Cash Used by Investing Activities	<u>(1,415,845)</u>	<u>(84,611)</u>		<u>(1,500,456)</u>
<b>FINANCING ACTIVITIES</b>				
Cash collections of contributions for capital campaign	1,398,590			1,398,590
Principal payments on FSC loan		(93,011)		(93,011)
Net Cash Provided (Used) by Financing Activities	<u>1,398,590</u>	<u>(93,011)</u>		<u>1,305,579</u>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	958,984	187,981		1,146,965
<b>CASH AND EQUIVALENTS</b>				
Beginning of Year	<u>1,104,061</u>	<u>145,025</u>		<u>1,249,086</u>
End of Year	<u>\$ 2,063,045</u>	<u>\$ 333,006</u>	<u>\$ -</u>	<u>\$ 2,396,051</u>

## **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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Children's Bureau, Inc. and Children's Bureau Foundation, Inc., which comprise the consolidated statement of financial position as of December 31, 2015, 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 5, 2016.

### **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 5, 2016

**CHILDREN'S BUREAU, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2015**

	<b>Federal CFDA Number</b>	<b>Pass-through Entity Identifying Number</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct programs:			
Basic Center Grant	93.623		\$ 1,666
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	1,624,876
Passed through Health Care Education and Training, Inc.			
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	None Identified	49,804
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Direct programs:			
National School Lunch Program	10.555		<u>41,722</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,718,068</u></u>

*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, 2015

#### 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. (the Bureau) under programs of the federal government for the year ended December 31, 2015. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Bureau, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Bureau.

#### 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Pass-through Entity Identifying Numbers** are presented where available.

#### NOTE 3 – INDIRECT COST RATE

The Bureau has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

*Independent Auditors' Reports on Compliance  
for Each Major Federal Program and on  
Internal Control over Compliance  
Required by the Uniform Guidance*

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 U.S. *Office of Management and Budget (OMB) 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, 2015. 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance 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.

## ***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, 2015.

## **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 as a basis for designing 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
April 5, 2016

**CHILDREN'S BUREAU, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2015**

**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 the Uniform Guidance? \_\_\_\_\_ yes  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
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: \$750,000

Auditee qualified as low-risk auditee?  yes \_\_\_\_\_ no

**CHILDREN'S BUREAU, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended December 31, 2015**

**Findings - Consolidated Financial Statement Audit**

None

**Findings and Questioned Costs - Major Federal Award Programs Audit**

None