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August 28, 2020

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

We have reviewed the audit report of Children's Bureau, Inc., which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Children's Bureau, Inc. as of December 31, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Katz, Sapper & Miller, LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner



CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2018 and 2017

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, 2018 and 2017, 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 *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Those standards and guidelines 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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2018, Children's Bureau, Inc. and Children's Bureau Foundation, Inc. adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of contract and grant activity for federal, state, and local government awards and consolidating schedules of statement of financial position information, statement of activities information, and statement of cash flows information are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. The schedule of contract and grant activity for federal, state, and local government awards is required by the Indiana State Board of Accounts. 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.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
April 11, 2019

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017**

	2018	Adjusted 2017
ASSETS		
Cash	\$ 4,676,812	\$ 2,996,228
Grants receivable	4,235,847	4,707,824
Promises to give	388,231	305,261
Prepaid expenses and other assets	708,417	555,049
Cash restricted - pension liability		1,500,000
Cash restricted - endowment	4,400,515	8,500,000
Investments - endowment	8,160,406	3,983,919
Property and equipment, net	<u>11,877,301</u>	<u>12,185,601</u>
TOTAL ASSETS	<u><u>\$ 34,447,529</u></u>	<u><u>\$ 34,733,882</u></u>
LIABILITIES		
Accounts payable and other liabilities	\$ 738,539	\$ 996,857
Accrued payroll	935,872	909,042
Accrued pension expense		1,183,677
FSC loan	914,346	1,031,922
Total Liabilities	<u>2,588,757</u>	<u>4,121,498</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	18,751,791	16,245,970
Designated by the Board for operating reserve	<u>3,464,480</u>	<u>3,654,474</u>
	22,216,271	19,900,444
With donor restrictions	<u>9,642,501</u>	<u>10,711,940</u>
Total Net Assets	<u>31,858,772</u>	<u>30,612,384</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 34,447,529</u></u>	<u><u>\$ 34,733,882</u></u>

See accompanying notes.

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

**CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017**

	Without Donor Restrictions	2018 With Donor Restrictions	Total
REVENUE, GAINS AND SUPPORT			
Support:			
Contributions	\$ 765,451	\$ 7,192	\$ 772,643
Government grant revenue and Medicaid	17,587,171		17,587,171
Service revenue	6,771,304		6,771,304
Brokered government grant revenue	2,258,044		2,258,044
Non-government grants	532,510	164,600	697,110
United Way	780,873	308,215	1,089,088
Special events	231,641		231,641
Total Support	28,926,994	480,007	29,407,001
Revenue and Gains:			
Investment income (loss), net	(45,697)	(232,778)	(278,475)
Miscellaneous income	199,971		199,971
Total Revenue and Gains	154,274	(232,778)	(78,504)
Net assets released from restrictions	1,316,668	(1,316,668)	
Total Revenue, Gains and Support	30,397,936	(1,069,439)	29,328,497
EXPENSES			
Program services:	23,657,350		23,657,350
Supporting services:			
Management and general	3,619,767		3,619,767
Fundraising	804,992		804,992
Total Expenses	28,082,109		28,082,109
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	2,315,827	(1,069,439)	1,246,388
NONOPERATING ACTIVITIES			
Pension liability adjustment			
INCREASE (DECREASE) IN NET ASSETS	2,315,827	(1,069,439)	1,246,388
NET ASSETS			
Beginning of Year	19,900,444	10,711,940	30,612,384
End of Year	\$ 22,216,271	\$ 9,642,501	\$ 31,858,772

See accompanying notes.

Without Donor Restrictions	Adjusted 2017 With Donor Restrictions	Total
\$ 938,262		\$ 938,262
19,444,706		19,444,706
6,840,667		6,840,667
2,598,963		2,598,963
165,556	\$ 10,005,000	10,170,556
515,550	339,062	854,612
209,753		209,753
<u>30,713,457</u>	<u>10,344,062</u>	<u>41,057,519</u>
429,356	43,163	472,519
126,854		126,854
<u>556,210</u>	<u>43,163</u>	<u>599,373</u>
455,594	(455,594)	
<u>31,725,261</u>	<u>9,931,631</u>	<u>41,656,892</u>
25,640,956		25,640,956
3,411,940		3,411,940
1,009,694		1,009,694
<u>30,062,590</u>		<u>30,062,590</u>
1,662,671	9,931,631	11,594,302
(70,714)		(70,714)
1,591,957	9,931,631	11,523,588
18,308,487	780,309	19,088,796
<u>\$ 19,900,444</u>	<u>\$ 10,711,940</u>	<u>\$ 30,612,384</u>

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

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017**

	Programs		Management and General	
	2018	2017	2018	2017
Salaries expenses	\$ 11,356,034	\$ 12,455,533	\$ 1,512,207	\$ 1,657,541
Benefits expenses	3,427,193	3,098,897	420,024	413,177
Professional fees	1,624,711	2,324,195	648,457	483,087
Operation expenses	742,777	1,323,588	600,501	385,425
Equipment rental	170,054	193,910	19,237	56,562
Fostercare and direct client costs	1,777,884	2,099,525		
In-kind donated relief	1,399,294	1,075,826		
Auto expenses	703,950	762,208	38,060	36,178
Occupancy	1,339,897	1,344,601	182,606	131,909
Depreciation	776,380	709,292	119,542	102,501
Maintenance and repairs	61,841	71,016	13,594	21,403
Special events	275,789	175,346	25,726	86,083
Interest expense			38,638	33,537
Miscellaneous	1,546	7,019	1,175	4,537
	<u>1,546</u>	<u>7,019</u>	<u>1,175</u>	<u>4,537</u>
TOTAL EXPENSES	<u><u>\$ 23,657,350</u></u>	<u><u>\$ 25,640,956</u></u>	<u><u>\$ 3,619,767</u></u>	<u><u>\$ 3,411,940</u></u>

See accompanying notes.

Fundraising		Total	
2018	2017	2018	2017
\$ 266,423	\$ 294,728	\$ 13,134,664	\$ 14,407,802
47,323	47,968	3,894,540	3,560,042
10,221	31,484	2,283,389	2,838,766
53,368	71,239	1,396,646	1,780,252
562	861	189,853	251,333
		1,777,884	2,099,525
336,405	442,314	1,735,699	1,518,140
2,045	3,183	744,055	801,569
17,598	6,683	1,540,101	1,483,193
9,029	6,203	904,951	817,996
778	5,114	76,213	97,533
61,188	99,784	362,703	361,213
		38,638	33,537
52	133	2,773	11,689
<u>\$ 804,992</u>	<u>\$ 1,009,694</u>	<u>\$ 28,082,109</u>	<u>\$ 30,062,590</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017**

	2018	Adjusted 2017
OPERATING ACTIVITIES		
Increase in net assets	\$1,246,388	\$11,523,588
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	904,951	817,996
In-kind contributions of property and equipment	(80,685)	
Retirement of property and equipment	239,649	9,559
Net realized and unrealized (gain) loss on investments	600,659	(389,390)
(Increase) decrease in certain assets:		
Grants receivable	471,977	387,090
Promises to give	(82,970)	35,561
Prepaid expenses and other assets	(151,882)	(344,639)
Increase (decrease) in certain liabilities:		
Accounts payable and other liabilities	(258,318)	(67,431)
Accrued payroll	26,830	15,145
Accrued pension expense	(1,183,677)	(168,443)
Contributions restricted for long-term purposes		(10,000,000)
Net Cash Provided by Operating Activities	1,732,922	1,819,036
INVESTING ACTIVITIES		
Purchases of property and equipment	(755,615)	(711,963)
Purchases of investments	(7,915,800)	(1,040,919)
Sales and maturities of investments	3,123,651	903,979
Collections of contributions restricted for long-term purposes:		
Endowment		8,500,000
Pension liability		1,500,000
Net Cash Provided (Used) by Investing Activities	(5,547,764)	9,151,097
FINANCING ACTIVITIES		
Principal payments on FSC loan	(117,576)	(111,978)
Net Cash Used by Financing Activities	(117,576)	(111,978)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH AND EQUIVALENTS	(3,932,418)	10,858,155
CASH AND RESTRICTED CASH AND EQUIVALENTS		
Beginning of Year	13,133,882	2,275,727
End of Year	\$9,201,464	\$13,133,882

See accompanying notes.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2018 and 2017**

	2018	Adjusted 2017
CASH AND RESTRICTED CASH AND EQUIVALENTS		
Cash	\$4,676,812	\$ 2,996,228
Cash restricted - pension		1,500,000
Cash restricted - endowment	4,400,515	8,500,000
Cash held in investments - endowment	<u>124,137</u>	<u>137,654</u>
TOTAL CASH AND RESTRICTED CASH AND EQUIVALENTS	<u><u>\$9,201,464</u></u>	<u><u>\$13,133,882</u></u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 38,638	\$ 33,537
Noncash investing and financing activities:		
In-kind contributions received for capital campaign	80,685	

See accompanying notes.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018 and 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Principles of Consolidation: The consolidated financial statements include the accounts of the Bureau and the Foundation (together, the Organizations). The Bureau has both control and an economic interest in the Foundation. All material intra-entity accounts and transactions have been eliminated in consolidation.

New Accounting Pronouncements: During 2018, the Organizations adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 has been applied retrospectively to all years presented.

Also, during 2018, the Organizations adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves accounting guidance for contributions received and contributions made by providing guidance on whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Accounting Standards Codification Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and whether a contribution is conditional. ASU 2018-08 has been applied retrospectively to all years presented, which did not result in any changes to amounts previously reported.

Also, during 2018, the Organizations adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that a statement of cash flows explain the change during the year in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 has been applied retrospectively to all years presented. Implementation resulted in the 2017 consolidated statement of cash flows explaining the change in restricted cash and equivalents of \$10,137,654 and \$194,724 at December 31, 2017 and 2016, respectively, that had previously not been explained on the 2017 consolidated statement of cash flows.

Basis of Presentation: The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organizations to report information regarding their financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** are not subject to donor or grantor-imposed restrictions and may be used at the discretion of the Organizations' management and the Board of Directors. This net asset category includes funds that the Board of Directors of the Foundation has designated for an operating reserve.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Net Assets With Donor Restrictions** are subject to stipulations imposed by donors (or grantors). Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organizations or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets without donor restrictions if the restrictions expire in the same year in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, and when a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Estimates: The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash and Equivalents consist of cash on hand or in demand deposit accounts and highly liquid investments purchased with an original maturity of three months or less. Cash and equivalents do not include cash held for or restricted by donors for long-term purposes. 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.

Promises to Give and Grants Receivable: Unconditional promises to give and grants receivable expected to be collected within one year are recorded at net realizable value. Amounts expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions in the consolidated statements of activities. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Promises to give and grants receivable are reviewed for collectability and a provision for doubtful accounts is recorded based on management's judgment and analysis of the creditworthiness of the donors and grantors, historical experience, economic conditions, and other relevant factors. Management determined that no allowance was necessary at December 31, 2018 and 2017.

Investment Valuation and Income Recognition: Investments initially recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are stated at fair value. See Note 3 for discussion of fair value measurements.

Net investment return (loss) reported in the consolidated statements of activities consists of interest and dividend income and realized and unrealized capital gains and losses, net of external and direct internal investment expenses. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment: Expenditures for property and equipment and purchases 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. No adjustments to the carrying amount of property and equipment were required in 2018 and 2017.

Contributions and Grants, which include almost all of the Organizations' support, are recognized as support when they are received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially met. Cash received prior to when conditions are substantially met are recognized as refundable advances.

The Organizations receive a significant amount of financial assistance from government grants and contracts. Grants and contracts normally provide for the recovery of direct and indirect costs. Entitlement to the recovery of the direct and related indirect costs is conditional upon compliance with the terms and conditions of the grant agreements and with applicable regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance reviews and audits by the grantors. Management believes an adverse material outcome from those reviews and audits is unlikely.

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, and others as property and equipment or investments, and similarly increase contributions by a like amount. In-kind contributions amounted to \$353,683 for 2018 and \$441,023 for 2017 and consisted primarily of property contributed as part of capital campaigns and clothing and household goods utilized by the Bureau's shelters.

Contributions of services, which consisted primarily of donated professional services, are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. Volunteers contribute significant amounts of time to the Organization's activities that do not meet recognition criteria, and the value of these contributed services is not reflected in the financial statements.

Special Event Revenue, including related sponsorship revenue, is recognized upon occurrence of the event. Revenue and support received for events occurring subsequent to the consolidated statement of financial position date is reflected as deferred revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Other Assistance are recognized as expense when the grant is made or other assistance is provided. Promises to give to others are recognized as grants payable and expense when the promise has been communicated to the grantees and becomes unconditional.

Functional Allocation of Expenses: The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural classification. All remaining indirect costs have been allocated to program and supporting services benefited using an administrative cost rate determined based on cost studies. Depreciation and other occupancy costs are allocated based on square footage. All other allocable costs are based on time and effort. Such allocations are determined by management on an equitable basis.

Income Taxes: The Organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. 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 IRC. There was no unrelated business income for the years ended December 31, 2018 and 2017.

The Organizations file U.S. federal and state of Indiana information returns. The Organizations are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2015.

Subsequent Events: The Organizations have evaluated the consolidated financial statements for subsequent events occurring through April 11, 2019, the date the consolidated financial statements were available to be issued. See Note 15.

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

The following reflects the Organizations' financial assets available for general expenditure, including donor-restricted funds, within one year of the consolidated statement of financial position date:

	2018	2017
Cash	\$ 4,676,812	\$ 2,996,228
Grants receivable	4,235,847	4,707,824
Promises to give	388,231	305,261
Gift cards included in prepaid expenses and other assets	387,800	263,876
Cash restricted - pension liability		1,500,000
Cash restricted - endowment	4,400,515	8,500,000
Investments - endowment	<u>8,160,406</u>	<u>3,983,919</u>
Total Financial Assets	22,249,611	22,257,108

NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

	2018	2017
Donor-Imposed Restrictions:		
Endowment funds, net amounts available per spending policy	\$ (8,914,438)	\$ (8,564,564)
Pension		(1,500,000)
Board-Designations:		
Operating reserve, net of amounts available per spending policy	<u>(3,360,515)</u>	<u>(3,544,840)</u>
Financial Assets Available Within One Year	<u>\$ 9,974,658</u>	<u>\$ 8,647,704</u>

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organizations consider all expenditures related to ongoing activities of their program services as well as the conduct of services undertaken to support those activities to be general expenditures.

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the Foundation's Board of Directors as endowments. Donor-restricted endowment funds are not available for general expenditure. Income from donor-restricted endowments is restricted for general use, subject to the Foundation's spending policy.

The Foundation's board-designated endowment of \$3,464,480 and \$3,645,474 at December 31, 2018 and 2017, respectively, is subject to an annual spending rate of 3% as described in Note 4. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Foundation Board of Director's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of the Organizations' liquidity management plan, the Organizations invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. Occasionally, the Board of Directors designates a portion of any operating surplus to its operating reserve endowment described in Note 4.

NOTE 3 - 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 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2018 and 2017.

Registered Investment Companies and Money Market Fund Shares: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds held by the Organizations are deemed to be actively traded.

Common Stocks and Exchange-Traded Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. Treasury Notes and Corporate, Municipal and Federal Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Accrued Pension Cost: Valued based on the difference between the fair value of the plan assets and the projected benefit obligation. The methodology used to measure the fair value of the plan assets are described in Note 12. The benefit obligation is projected using the unit credit actuarial valuation method.

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 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, 2018 and 2017:

2018	Level 1	Level 2	Level 3	Total
Assets				
Investments - Endowment:				
Money market fund shares	\$ 124,137			\$ 124,137
Fixed income investments:				
U.S. Treasury notes		\$ 297,825		297,825
Corporate bonds		851,113		851,113
Municipal bonds		105,860		105,860
Federal bonds		50,006		50,006
Registered investment companies:				
International funds	295,941			295,941
Large cap funds	1,595,935			1,595,935
Mid cap funds	281,821			281,821
Bond funds	551,072			551,072
Other mutual fund shares	384,653			384,653

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

2018 (Continued)	Level 1	Level 2	Level 3	Total
Assets (Continued)				
Exchange-traded funds (ETFs)				
International ETFs	533,401			533,401
Large cap ETFs	2,418,284			2,418,284
Mid cap ETFs	196,011			196,011
Small cap ETFs	262,042			262,042
Bond ETFs	175,345			175,345
REITs	<u>36,960</u>			<u>36,960</u>
Total Assets at Fair Value	<u>\$6,855,602</u>	<u>\$1,304,804</u>		<u>\$8,160,406</u>
2017	Level 1	Level 2	Level 3	Total
Assets				
Investments - Endowment:				
Money market fund shares	\$ 137,654			\$ 137,654
Fixed income investments:				
U.S. Treasury notes		\$244,710		244,710
Corporate bonds		333,484		333,484
Municipal bonds		97,766		97,766
Common stocks:				
Financials	171,341			171,341
Healthcare	138,506			138,506
Information technology	295,667			295,667
Industrials	126,905			126,905
Consumer discretionary	208,920			208,920
Other common stocks	332,812			332,812
Registered investment companies:				
Mid cap funds	313,315			313,315
Bond funds	153,977			153,977
Other mutual fund shares	538,862			538,862
Exchange-traded funds	<u>890,000</u>			<u>890,000</u>
Total Assets at Fair Value	<u>\$3,307,959</u>	<u>\$675,960</u>		<u>\$3,983,919</u>
Liability				
Accrued pension expense			<u>\$1,183,677</u>	<u>\$1,183,677</u>
Total Liabilities at Fair Value			<u>\$1,183,677</u>	<u>\$1,183,677</u>

At December 31, 2018 and 2017, 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 2018 and 2017 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 12.

NOTE 4 - ENDOWMENT

The Foundation's endowment consists of two funds established by donors to provide annual funding for general operations. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Foundation's Board of Directors.

The endowment net asset composition by type of fund as of December 31, 2018 and 2017, was as follows:

2018	Without Donor Restriction	With Donor Restriction	Total
Donor-Restricted Endowment Funds:			
Original gifts and amounts required to be maintained in perpetuity by donors		\$9,189,885	\$ 9,189,885
Accumulated investment losses		(93,444)	(93,444)
Board-designated funds	<u>\$3,464,480</u>	<u> </u>	<u>3,464,480</u>
 Total Endowment Funds	 <u>\$3,464,480</u>	 <u>\$9,096,441</u>	 <u>\$12,560,921</u>
 2017			
Donor-Restricted Endowment Funds:			
Original gifts and amounts required to be maintained in perpetuity by donors		\$8,689,370	\$ 8,689,370
Accumulated investment gains		140,075	140,075
Board-designated funds	<u>\$3,654,474</u>	<u> </u>	<u>3,654,474</u>
 Total Endowment Funds	 <u>\$3,654,474</u>	 <u>\$8,829,445</u>	 <u>\$12,483,919</u>

Activity in the endowment by net asset class for 2018 and 2017, is summarized as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment at December 31, 2016	\$3,230,628	\$ 291,185	\$ 3,521,813
Investment return, net	424,515	38,260	462,775
Contributions		8,500,000	8,500,000
Removal of board-designations	<u>(669)</u>	<u> </u>	<u>(669)</u>
Endowment at December 31, 2017	<u>3,654,474</u>	<u>8,829,445</u>	<u>12,483,919</u>
Investment loss, net	(89,994)	(233,519)	(323,513)
Reclassification of donor intent		500,515	500,515
Appropriations for expenditure	<u>(100,000)</u>	<u> </u>	<u>(100,000)</u>
Endowment at December 31, 2018	<u>\$3,464,480</u>	<u>\$9,096,441</u>	<u>\$12,560,921</u>

NOTE 4 - ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

The Foundation is subject to the Indiana Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions, because those assets are time restricted until the Board of Directors appropriates such amounts for expenditure. The Board of Directors has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. The Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the level that the donor requires the Foundation to retain as a fund of perpetual duration. At December 31, 2018, funds with original gift values of \$9,000,515, fair values of \$8,775,707, and deficiencies of \$224,808 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds. These amount were fully recovered during 2019 due to favorable market fluctuations.

Investment and Spending Policies

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. 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.

The Foundation's spending policy for endowment funds without donor restriction is to spend up to 3% yearly with the calculation based on a five year moving average of quarterly market values. The goal of this policy is to establish the resources necessary for both operating and future capital products of the Foundation. The spending policy of the endowment with donor restriction is a spending rate of 3% utilizing an eight quarter rolling average of market values. Should the fund become underwater, the spending rate for the fund reduces to 2% until the fund is no longer underwater.

NOTE 5 - PROMISES TO GIVE AND GRANTS RECEIVABLE

Unconditional Promises to Give and Grants Receivable

Unconditional promises to give at December 31, 2018 and 2017 consisted of time-restricted funds due from donors. As of December 31, 2018 and 2017, 77% and 100%, respectively, of the Organizations' promises to give were due from the United Way. Grants receivable from two grantors represented 35% and one grantor represented 21% of outstanding grants receivable at December 31, 2018 and 2017, respectively. All promises to give and grants receivable at December 31, 2018 and 2017 are due to be received in less than one year.

Conditional Promises to Give and Grants Receivable

The Organizations receive a significant amount of financial assistance from government grants and contracts. Grants and contracts normally provide for the recovery of direct and indirect costs. Entitlement to the recovery of the direct and related indirect costs is conditional upon compliance with the terms and conditions of the grant agreements and with applicable regulations, including the expenditure of the resources for eligible purposes. Total budgeted amounts on open contracts as of December 31, 2018 was \$54,315,412, of which \$37,140,981 has been recognized as support through December 31, 2018. Some contracts include overages reimbursed through December 31, 2018, and net remaining available based on these budgets was \$17,174,431 at December 31, 2018. Based on history, the Organizations expect amendments to be made in 2019 to address these overages.

NOTE 6 - INVESTMENTS - ENDOWMENT

The Foundation's investments - endowment are as follows at December 31, 2018 and 2017:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 123,626	\$ 123,626	\$ 137,654	\$ 137,654
Fixed income investments	1,306,471	1,304,804	669,250	675,960
Common stocks			866,102	1,274,151
Registered investment companies	3,348,600	3,109,422	914,244	1,006,154
Exchange-traded funds	<u>3,749,977</u>	<u>3,622,554</u>	<u>757,591</u>	<u>890,000</u>
Total Investments - Endowment	<u>\$8,528,674</u>	<u>\$8,160,406</u>	<u>\$3,344,841</u>	<u>\$3,983,919</u>

Investments 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 consolidated financial statements.

Property and equipment were as follows at December 31, 2018 and 2017:

	2018	2017
Land	\$ 224,825	\$ 224,825
Buildings and improvements	12,038,352	12,378,436
Leasehold improvements	3,690,662	2,960,435
Furnishings and equipment	3,780,658	3,707,208
Vehicles	<u>76,893</u>	<u>76,893</u>
	19,811,390	19,347,797
Less: Accumulated depreciation	<u>7,934,089</u>	<u>7,162,196</u>
Total Property and Equipment, net	<u>\$11,877,301</u>	<u>\$12,185,601</u>

NOTE 8 - DEBT

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 higher of the bank’s prime rate or 3.75% (5.50% at December 31, 2018). The line of credit, which expires on September 30, 2020, is secured by substantially all of the Bureau’s grants receivable and requires compliance with a financial covenant. At December 31, 2018 and 2017, there were no borrowings outstanding on the line of credit.

The Foundation has a term loan payable which was refinanced in 2018 and is due in monthly installments of \$8,140, including interest, with a balloon payment due upon maturity in October 2029 for the remaining unpaid principal and interest. Interest on the loan is fixed at 4.99%. The balance at December 31, 2018 and 2017 was \$914,346 and \$1,031,922, respectively. The loan is secured by the Family Support Center (FSC) building and assignment of all rents on the Foundation’s real property located in Marion County, Indiana. The loan is also guaranteed by the Bureau.

Total interest expense was \$38,638 in 2018 and \$33,537 in 2017.

At December 31, 2018, the aggregate maturities of long-term debt were as follows:

Payable In	Principal Payments
2019	\$ 52,314
2020	54,899
2021	57,865
2022	60,862
2023	64,013
Thereafter	<u>624,393</u>
	<u>\$914,346</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes at December 31, 2018 and 2017:

	2018	2017
Children's Bureau, Inc.		
Subject to the Passage of Time:		
United Way allocation	\$ <u>298,631</u>	\$ <u>305,261</u>
	<u>298,631</u>	<u>305,261</u>
Subject to expenditure for Specified Purpose:		
Adoption	3,900	3,000
Johnson County	9,584	8,922
Training	164,600	
Other purposes	<u>8,232</u>	<u>4,940</u>
	<u>186,316</u>	<u>16,862</u>
Beneficial interest in assets held by community foundation subject to the spending policy of the community foundation	<u>61,189</u>	<u>60,370</u>
	<u>61,189</u>	<u>60,370</u>
Total Children’s Bureau, Inc.	<u>546,136</u>	<u>382,493</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	2018	2017
Children's Bureau Foundation, Inc.		
Subject to expenditure for Specified Purpose:		
Defined benefit pension plan		<u>\$ 1,500,000</u>
		<u>1,500,000</u>
Endowments:		
Subject to endowment spending policy and appropriation:		
General use	<u>\$9,096,365</u>	<u>8,829,447</u>
	<u>9,096,365</u>	<u>8,829,447</u>
Total Children's Bureau Foundation, Inc.	<u>9,096,365</u>	<u>10,329,447</u>
Total Net Assets with Donor Restrictions	<u>\$9,642,501</u>	<u>\$10,711,940</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Children's Bureau, Inc.		
Expiration of time restrictions:		
United Way allocation	\$ 305,261	\$340,822
Satisfaction of purpose restrictions:		
Adoption	3,000	8,112
Johnson County	8,922	23,541
Food and shelter programs		5,928
Other purposes		77,191
Children's Bureau Foundation, Inc.		
Satisfaction of purpose restrictions:		
Defined benefit pension plan	<u>999,485</u>	<u> </u>
Total Net Assets Released from Restrictions	<u>\$1,316,668</u>	<u>\$455,594</u>

NOTE 10 - OPERATING LEASES

The Bureau has several operating leases, primarily for office space and equipment, expiring at various dates through June 2023. These leases generally contain renewal options for periods ranging from three to five years. Rental expense was \$808,106 in 2018 and \$844,595 in 2017.

Future minimum lease payments required by all long-term noncancellable operating leases at December 31, 2018, are as follows:

Payable In	Rental Payments
2019	\$ 512,986
2020	351,713
2021	232,001
2022	<u>110,763</u>
Total	<u>\$1,207,463</u>

NOTE 11 - CONCENTRATIONS OF FUNDING

Government funding provided 91% and 69% of total revenue for the Organizations in 2018 and 2017, respectively.

As part of federal funding, the Community Partners Grants provided 31% and 21% of the Organizations' total revenue in 2018 and 2017, respectively.

NOTE 12 - EMPLOYEE BENEFITS

Defined Benefit Pension Plan

The Bureau sponsored a noncontributory defined benefit pension plan covering substantially all of its employees who met eligibility requirements prior to January 1, 2008. Plan benefits were determined by a formula based on earnings. The Bureau's funding policy was 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.

During 2017, the Bureau received \$1,500,000 contribution restricted for funding and closing the Plan. On September 21, 2018, the Bureau made a final contribution funding deposit to the Plan of \$828,292 to fund all required vested retirement benefits of the Plan's participants. The Bureau purchased annuities equal to the vested retirement benefits for participants that chose an annuity option of \$2,042,182 on September 21, 2018. All Plan assets were distributed as of October 10, 2018, at which time the Plan and its related trust ceased to exist. As of December 31, 2018, the Bureau has no benefit obligation.

The following table sets forth the Plan's funded status and amounts recognized in the consolidated financial statements at December 31, 2018 and 2017, and for the years then ended.

	2018	2017
Plan Obligations and Funded Status:		
Change in Benefit Obligation:		
Benefit obligation at beginning of year	\$ 7,408,834	\$ 7,015,200
Interest cost		272,552
Actuarial loss		431,982
Settlement gain	(223,449)	
Benefits paid	<u>(7,185,385)</u>	<u>(310,900)</u>
Benefit obligation at end of year	<u>7,408,834</u>	<u>7,408,834</u>
Change in Plan Assets:		
Fair value of plan assets at beginning of year	6,225,157	5,663,080
Actual return on plan assets	131,936	622,977
Employer contributions	828,292	250,000
Benefits paid	<u>(7,185,385)</u>	<u>(310,900)</u>
Fair value of plan assets at end of year	<u>6,225,157</u>	<u>6,225,157</u>
Funded Status at End of Year	<u>\$ -</u>	<u>\$(1,183,677)</u>

NOTE 12 - EMPLOYEE BENEFITS (CONTINUED)

	2018	2017
Amount recognized in the consolidated statements of financial position as accrued pension expense	\$ <u>-</u>	<u>\$ 1,183,677</u>

Amounts recognized in the consolidated statements of activities consist of:

	2018	2017
Interest cost		\$ 272,552
Actual return on plan assets	\$(131,936)	(622,977)
Amortization of net loss	102,295	102,295
Difference between expected and actual return on plan assets	<u>65,140</u>	<u>258,972</u>
Net Periodic Benefit Cost for the Year	<u>\$ (35,499)</u>	<u>\$ 10,842</u>

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

Net loss previously recognized in unrestricted net assets, not yet recognized as periodic pension cost at end of year	\$ <u>-</u>	<u>\$2,017,169</u>
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The following assumptions were used in accounting for the Plan:

	2018	2017
Weighted-average assumptions used to determine pension benefit obligations at year end:		
Discount rate		3.48%
Rate of compensation increase		None
Mortality rates		RP-2014/MP-2017
Weighted-average assumptions used to determine net periodic pension benefit cost for the year:		
Discount rate	3.48%	3.98%
Expected long-term return on plan assets	6.50%	6.50%
Rate of compensation increase	None	None
Mortality rates	RP-2014/MP-2017	RP-2014/MP-2016

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, 2017.

Registered Investment Companies and Money Market Fund Shares: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds held by the Plan are deemed to be actively traded.

Common Stocks, Exchange-Traded Funds and Real Estate Investment Trusts: Valued at the closing price reported on the active market on which the individual securities are traded.

NOTE 12 - EMPLOYEE BENEFITS (CONTINUED)

Corporate Bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

U.S. Government Securities: Valued using pricing models maximizing the use of observable inputs for similar securities.

Following is a summary, by major nature and risks class within each level of the fair value hierarchy (see Note 3), of the Plan's investment assets that are measured at fair value on a recurring basis as of December 31, 2017:

	Level 1	Level 2	Total
Money market fund shares (cash equivalents)	\$ 234,041		\$ 234,041
Registered investment companies	1,435,563		1,435,563
Common stocks	2,409,893		2,409,893
Corporate bonds		\$ 502,786	502,786
U.S. Government securities		585,403	585,403
Exchange-traded funds	950,361		950,361
Real estate investment trusts	<u>107,110</u>	<u> </u>	<u>107,110</u>
Total Plan Investments at Fair Value	<u>\$5,136,968</u>	<u>\$1,088,189</u>	<u>\$6,225,157</u>

Defined Contribution 401(k) Plan

The Bureau also sponsors a defined contribution 401(k) 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 \$231,463 in 2018 and \$201,076 in 2017 to the Plan.

NOTE 13 - 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, 2018 limit the Bureau's maximum plan cost to approximately \$3,460,000 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 \$184,000 and \$115,000 at December 31, 2018 and 2017, respectively, which represents management's estimate of unpaid claims incurred prior to December 31, 2018 and 2017.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Bureau recognized \$71,394 in 2018 and \$42,838 in 2017 as contributions from members of its Board of Directors.

NOTE 15 - SUBSEQUENT EVENT

In January 2019 the Foundation purchased a building for \$1,123,216, which was paid for with cash.

SUPPLEMENTARY INFORMATION

CHILDREN'S BUREAU, INC.

**SCHEDULE OF CONTRACT AND GRANT ACTIVITY FOR FEDERAL, STATE,
AND LOCAL GOVERNMENT AWARDS
Year Ended December 31, 2018**

	Type of Funding	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
FEDERAL AWARDS				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Indiana Family and Social Services Administration:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	Fee for service	93.596	F1-2-49-12-34-0437	\$ 2,576,938
Passed through the Indiana Department of Child Services:				
Community Partners for Child Safety (CPCS) - Operations	Fee for service	N/A	N/A	6,769,280
Therapeutic Fostercare	Fee for service	N/A	N/A	2,163,197
Home Based Case Work	Fee for service	N/A	N/A	1,802,555
Older Youth Services	Fee for service	N/A	N/A	2,094,780
CPCS - Brokered Funds	Fee for service	N/A	N/A	2,051,970
Shelter - Respite	Fee for service	N/A	N/A	1,924,934
Fatherhood Initiative	Fee for service	N/A	N/A	1,197,248
Home Based Counseling - Home Based Therapy	Fee for service	N/A	N/A	1,074,804
Post Adoption Services	Fee for service	N/A	N/A	703,347
Adoption Recruitment And Retention	Fee for service	N/A	N/A	623,963
Child Summaries	Fee for service	N/A	N/A	329,505
Shelter - CPCS Prevention Service	Fee for service	N/A	N/A	205,679
Supervised Visitation	Fee for service	N/A	N/A	77,055
Adoption Counseling	Fee for service	N/A	N/A	15,296
Shelter - RHY	Fee for service	N/A	N/A	81,774
Passed through the Family Youth Services Bureau:				
Affordable Care Act (ACA) Personal Responsibility Education Program	Federal Grant	93.092	N/A	20,159
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>23,712,484</u>
NONFEDERAL AWARDS				
INDIANA DEPARTMENT OF CHILD SERVICES				
Direct programs:				
Courage Center	Fee for service	N/A	N/A	2,072,063
Passed through Choices Coordinated Care Solutions:				
Dawn Program	Fee for service	N/A	N/A	666,134
STATE OF INDIANA (IC31-26-1)				
Direct programs:				
Shelter - YSB	Fee for service	N/A	N/A	28,672
Medicaid	Fee for service	N/A	N/A	<u>137,166</u>
CITY OF INDIANAPOLIS DEPARTMENT OF METROPOLITAN DEVELOPMENT				
Direct programs:				
Indiana Housing Trust Funds	Fee for service	N/A	N/A	<u> </u>
TOTAL EXPENDITURES OF NONFEDERAL AWARDS				<u>2,904,035</u>
TOTAL EXPENDITURES OF FEDERAL, STATE, AND GOVERNMENT AWARDS				<u><u>\$ 26,616,519</u></u>

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

**CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION INFORMATION
December 31, 2018**

	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	Consolidated
ASSETS				
Cash	\$ 4,534,253	\$ 142,559		\$ 4,676,812
Grants receivable	4,235,847			4,235,847
Promises to give	388,231			388,231
Prepaid expenses and other assets	681,869	39,548	\$ (13,000)	708,417
Cash restricted - endowment		4,400,515		4,400,515
Investments - endowment		8,160,406		8,160,406
Property and equipment, net	<u>3,490,490</u>	<u>8,386,811</u>		<u>11,877,301</u>
TOTAL ASSETS	<u><u>\$13,330,690</u></u>	<u><u>\$21,129,839</u></u>	<u><u>\$ (13,000)</u></u>	<u><u>\$34,447,529</u></u>
LIABILITIES				
Accounts payable and other liabilities	\$ 748,529	\$ 3,010	\$ (13,000)	\$ 738,539
Accrued payroll	935,872			935,872
FSC loan		914,346		914,346
Total Liabilities	<u>1,684,401</u>	<u>917,356</u>	<u>(13,000)</u>	<u>2,588,757</u>
NET ASSETS				
Without donor restriction	11,100,153	11,116,118		22,216,271
With donor restriction	<u>546,136</u>	<u>9,096,365</u>		<u>9,642,501</u>
Total Net Assets	<u>11,646,289</u>	<u>20,212,483</u>		<u>31,858,772</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$13,330,690</u></u>	<u><u>\$21,129,839</u></u>	<u><u>\$ (13,000)</u></u>	<u><u>\$34,447,529</u></u>

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

**CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES INFORMATION
Year Ended December 31, 2018**

	Without Donor Restriction			Total
	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Eliminations	
REVENUE, GAINS AND SUPPORT				
Support:				
Contributions	\$ 1,903,874		\$ (1,138,423)	\$ 765,451
Government grant revenue and Medicaid	17,587,171			17,587,171
Service revenue	6,771,304			6,771,304
Brokered government grant revenue	2,258,044			2,258,044
Non-government grants	527,066	\$ 5,444		532,510
United Way	780,873			780,873
Special events	231,641			231,641
Total Support	30,059,973	5,444	(1,138,423)	28,926,994
Revenue and Gains:				
Investment income (loss), net	960	(46,657)		(45,697)
Miscellaneous income (expense)	392,190	(36,219)	(156,000)	199,971
Total Revenue and Gains	393,150	(82,876)	(156,000)	154,274
Net assets released from restrictions	317,183	999,485		1,316,668
Total Revenue, Gains and Support	30,770,306	922,053	(1,294,423)	30,397,936
EXPENSES				
Program services:	23,350,116	307,234		23,657,350
Supporting services:				
Management and general	3,689,160	1,225,030	(1,294,423)	3,619,767
Fundraising	800,966	4,026		804,992
Total Expenses	27,840,242	1,536,290	(1,294,423)	28,082,109
INCREASE (DECREASE) IN NET ASSETS	2,930,064	(614,237)		2,315,827
NET ASSETS				
Beginning of Year	8,170,089	11,730,355		19,900,444
End of Year	\$ 11,100,153	\$ 11,116,118	\$ -	\$ 22,216,271

With Donor Restriction			
Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Total	Consolidated
\$ 7,192		\$ 7,192	\$ 772,643
			17,587,171
			6,771,304
			2,258,044
164,600		164,600	697,110
308,215		308,215	1,089,088
<u>480,007</u>		<u>480,007</u>	<u>231,641</u>
			29,407,001
819	\$ (233,597)	(232,778)	(278,475)
			199,971
<u>819</u>	<u>(233,597)</u>	<u>(232,778)</u>	<u>(78,504)</u>
(317,183)	(999,485)	(1,316,668)	
<u>163,643</u>	<u>(1,233,082)</u>	<u>(1,069,439)</u>	<u>29,328,497</u>
			23,657,350
			3,619,767
			804,992
			<u>28,082,109</u>
163,643	(1,233,082)	(1,069,439)	1,246,388
<u>382,493</u>	<u>10,329,447</u>	<u>10,711,940</u>	<u>30,612,384</u>
<u>\$ 546,136</u>	<u>\$ 9,096,365</u>	<u>\$ 9,642,501</u>	<u>\$ 31,858,772</u>

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

**CONSOLIDATING SCHEDULE - STATEMENT OF CASH FLOWS INFORMATION
Year Ended December 31, 2018**

	Children's Bureau, Inc.	Children's Bureau Foundation, Inc.	Consolidated
OPERATING ACTIVITIES			
Increase (decrease) in net assets	\$ 3,093,707	\$ (1,847,319)	\$ 1,246,388
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:			
Depreciation	556,898	348,053	904,951
Net loss on sales of property and equipment	27,604	212,045	239,649
In-kind contributions of property and equipment	(80,685)		(80,685)
Net realized and unrealized (gain) loss on investments	(1,486)	602,145	600,659
(Increase) decrease in certain assets:			
Grants receivable	471,977		471,977
Promises to give	(82,970)		(82,970)
Prepaid expenses and other assets	(126,710)	(25,172)	(151,882)
Increase (decrease) in certain liabilities:			
Accounts payable and other liabilities	(258,511)	193	(258,318)
Accrued payroll	26,830		26,830
Accrued pension expense	(1,183,677)		(1,183,677)
Net Cash Provided (Used) by Operating Activities	<u>2,442,977</u>	<u>(710,055)</u>	<u>1,732,922</u>
INVESTING ACTIVITIES			
Purchases of property and equipment	(755,615)		(755,615)
Purchases of investments		(7,915,800)	(7,915,800)
Sales and maturities of investments		3,123,651	3,123,651
Net Cash Used by Investing Activities	<u>(755,615)</u>	<u>(4,792,149)</u>	<u>(5,547,764)</u>
FINANCING ACTIVITIES			
Principal payments on FSC loan		(117,576)	(117,576)
Net Cash Used by Financing Activities		<u>(117,576)</u>	<u>(117,576)</u>
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH AND EQUIVALENTS	1,687,362	(5,619,780)	(3,932,418)
CASH AND RESTRICTED CASH AND EQUIVALENTS			
Beginning of Year	<u>2,846,891</u>	<u>10,286,991</u>	<u>13,133,882</u>
End of Year	<u>\$ 4,534,253</u>	<u>\$ 4,667,211</u>	<u>\$ 9,201,464</u>
CASH AND RESTRICTED CASH AND EQUIVALENTS			
Cash	\$ 4,534,253	\$ 142,559	\$ 4,676,812
Cash restricted - endowment		4,400,515	4,400,515
Cash held in investments - endowment		124,137	124,137
TOTAL CASH AND RESTRICTED CASH AND EQUIVALENTS	<u>\$ 4,534,253</u>	<u>\$ 4,667,211</u>	<u>\$ 9,201,464</u>
SUPPLEMENTAL DISCLOSURES			
Interest paid		\$ 38,638	\$ 38,638
Noncash investing and financing activities:			
In-kind contributions of property and equipment	\$ 80,685		80,685