B60580

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

January 17, 2023

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, 2021 to December 31, 2021. 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, 2021 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.

Tammy R White

Tammy R. White, CPA
Deputy State Examiner

FIREFLY

Children & Family Alliance

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2021 and 2020

ksm

Katz, Sapper & Miller, LLP
Certified Public Accountants

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.

CONTENTS

CPAs & Advisors

Katz, Sapper & Miller
800 East 96th Street, Suite 500
Indianapolis, IN 46240

Independent Auditors' Report

Board of Directors
Children's Bureau, Inc. d/b/a Firefly Children and Family Alliance, Inc. and
Children's Bureau Foundation, Inc., d/b/a Firefly Children and Family Alliance Foundation, Inc.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Children's Bureau, Inc. d/b/a Firefly Children and Family Alliance, Inc. and Children's Bureau Foundation, Inc. d/b/a Firefly Children and Family Alliance Foundation, Inc., (both Indiana not-for-profit organizations, which will utilize the d/b/a names throughout these consolidated financial statements), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc.'s ability to continue as a going concern within one year after the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of contract and grant activity for federal, state, and local government awards, 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of contract and grant activity for federal, state, and local government awards, consolidating schedules of statement of financial information, statement of activities information, and statement of cash flows information, and schedule of expenditures of federal awards are 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 June 2, 2022 on our consideration of Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance 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 solely 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 the effectiveness of Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc.'s 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 Firefly Children and Family Alliance, Inc. and Firefly Children and Family Alliance Foundation, Inc.'s internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
June 2, 2022

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash	$ 6,903,853	$ 7,095,624
Grants receivable	6,562,660	4,853,536
Promises to give	477,489	281,331
Investments	1,918,950	1,004,448
Prepaid expenses and other assets	977,102	1,083,243
Investments - endowment	35,618,891	14,744,132
Property and equipment, net	15,986,797	11,862,218
TOTAL ASSETS	$ 68,445,742	$ 40,924,532
LIABILITIES		
Accounts payable and other liabilities	$ 1,339,916	$ 756,926
Accrued payroll, vacations and related taxes	1,455,076	1,034,209
PPP loan		2,473,600
Line of credit	1,490,421	
FSC loan	582,634	685,479
Total Liabilities	4,868,047	4,950,214
NET ASSETS		
Without donor restrictions:		
Undesignated	25,991,582	20,211,327
Board designated - operating reserve	12,660,877	2,781,300
Board designated - maintenance reserve	250,000	45,000
	38,902,459	23,037,627
With donor restrictions	24,675,236	12,936,691
Total Net Assets	63,577,695	35,974,318
TOTAL LIABILITIES AND NET ASSETS	$ 68,445,742	$ 40,924,532

See accompanying notes.

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES
Years Ended December 31, 2021 and 2020

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
REVENUE, GAINS AND SUPPORT			
Revenue and gains:			
Investment return	$ 1,264,463	$ 2,546,109	$ 3,810,572
Gain on PPP loan forgiveness	2,248,329		2,248,329
Miscellaneous income	337,397		337,397
Total Revenue and Gains	3,850,189	2,546,109	6,396,298
Support:			
Contributions	1,243,793		1,243,793
Government grant revenue and Medicaid	22,976,358		22,976,358
Service revenue	6,047,546		6,047,546
Brokered government grant revenue	2,982,491		2,982,491
Non-government grants	384,839	325,345	710,184
United Way	580,241	421,332	1,001,573
Special events	160,977		160,977
Total Support	34,376,245	746,677	35,122,922
Net assets released from restrictions	837,607	(837,607)	
Total Revenue, Gains and Support	39,064,041	2,455,179	41,519,220
EXPENSES			
Program services	29,774,073		29,774,073
Supporting services:			
Management and general	4,944,096		4,944,096
Fundraising	1,023,096		1,023,096
Total Expenses	35,741,265		35,741,265
INCREASE IN NET ASSETS BEFORE ACQUISITION	3,322,776	2,455,179	5,777,955
EXCESS OF ASSETS ACQUIRED OVER LIABILITIES ASSUMED IN ACQUISITION OF FAMILIES FIRST INDIANA, INC.	12,542,056	9,283,366	21,825,422
INCREASE IN NET ASSETS	15,864,832	11,738,545	27,603,377
NET ASSETS			
Beginning of Year	23,037,627	12,936,691	35,974,318
End of Year	$ 38,902,459	$ 24,675,236	$ 63,577,695

See accompanying notes.

	2020 Without Donor Restrictions	2020 With Donor Restrictions	Total
	$ 324,284	$ 1,374,109	$ 1,698,393
	152,437		152,437
	476,721	1,374,109	1,850,830
	1,067,657	7,004	1,074,661
	17,084,842		17,084,842
	6,890,863		6,890,863
	2,606,810		2,606,810
	428,508	605,000	1,033,508
	733,743	277,331	1,011,074
	88,351		88,351
	28,900,774	889,335	29,790,109
	402,528	(402,528)	
	29,780,023	1,860,916	31,640,939
	25,035,502		25,035,502
	3,376,829		3,376,829
	933,556		933,556
	29,345,887		29,345,887
	434,136	1,860,916	2,295,052
	22,603,491	11,075,775	33,679,266
	$ 23,037,627	$ 12,936,691	$ 35,974,318

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2021 and 2020

	Programs		Management and General	
	2021	2020	2021	2020
Salaries expenses	$ 12,695,300	$ 10,329,210	$ 2,105,294	$ 1,466,763
Benefits expenses	3,557,832	3,079,424	757,903	416,180
Professional fees	2,367,046	1,994,003	944,413	494,786
Operation expenses	1,578,143	632,164	349,632	489,462
Equipment rental	149,385	144,539	57,008	59,937
Fostercare and direct client costs	3,856,015	4,220,772	5,525	6,719
In-kind donated relief	2,350,236	2,197,365		
Auto expenses	541,313	420,604	30,497	19,508
Occupancy	1,212,176	999,024	276,996	150,130
Depreciation	931,673	718,996	264,504	194,468
Maintenance and repairs	59,237	42,327	15,730	14,968
Special events	474,384	248,369	39,719	21,652
Interest expense			41,538	37,144
Miscellaneous	1,333	8,705	55,337	5,112
TOTAL EXPENSES	$ 29,774,073	$ 25,035,502	$ 4,944,096	$ 3,376,829

See accompanying notes.

Fundraising 2021	Fundraising 2020	Total 2021	Total 2020
$ 331,150	$ 296,591	$ 15,131,744	$ 12,092,564
88,474	78,308	4,404,209	3,573,912
5,069	20,938	3,316,528	2,509,727
89,152	55,508	2,016,927	1,177,134
792	626	207,185	205,102
		3,861,540	4,227,491
390,735	438,991	2,740,971	2,636,356
1,436	901	573,246	441,013
11,296	6,292	1,500,468	1,155,446
6,607	6,855	1,202,784	920,319
1,628	132	76,595	57,427
96,757	28,414	610,860	298,435
		41,538	37,144
		56,670	13,817
$ 1,023,096	$ 933,556	$ 35,741,265	$ 29,345,887

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Increase in net assets	$ 27,603,377	$ 2,295,052
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	1,202,784	920,319
Gain on PPP loan forgiveness	(2,248,329)	
Net realized and unrealized gain on investments	(3,078,528)	(1,492,803)
Excess of assets acquired over liabilities assumed in acquisition of Families First Indiana, Inc.	(21,825,422)	
Interest expense added to line of credit	12,423	
(Increase) decrease in certain assets:		
Grants receivable	(1,491,447)	(1,333,691)
Promises to give	(59,301)	(58,151)
Prepaid expenses and other assets	339,879	(570,079)
Increase (decrease) in certain liabilities:		
Accounts payable and other liabilities	424,679	(82,595)
Accrued payroll, vacations and related taxes	(74,795)	95,227
Net Cash Provided (Used) by Operating Activities	805,320	(226,721)
INVESTING ACTIVITIES		
Purchases of property and equipment	(455,902)	(615,551)
Purchases of investments	(5,374,007)	(3,939,045)
Sales and maturities of investments	7,099,615	3,632,982
Net Cash Provided (Used) by Investing Activities	1,269,706	(921,614)
FINANCING ACTIVITIES		
Borrowings on PPP loan		2,473,600
Principal payments on PPP loan	(225,271)	
Net repayments on line of credit	(15,002)	
Principal payments on FSC loan	(102,845)	(107,597)
Net Cash Provided (Used) by Financing Activities	(343,118)	2,366,003
NET INCREASE IN CASH AND EQUIVALENTS	1,731,908	1,217,668
CASH FROM ACQUISITION	606,882	
CASH AND EQUIVALENTS		
Beginning of Year	8,379,109	7,161,441
End of Year	$ 10,717,899	$ 8,379,109
CASH AND EQUIVALENTS		
Cash	$ 6,903,853	$ 7,095,624
Cash equivalents held in investments	3,814,046	1,283,485
TOTAL CASH AND EQUIVALENTS	$ 10,717,899	$ 8,379,109
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 31,152	$ 37,403
Noncash investing and financing activities:		
Forgiveness of PPP loan	2,248,329	
Interest expense added to line of credit	12,423	
Recognized amounts of identifiable assets acquired and liabilities assumed from Families First Indiana, Inc.		
Grants receivable	217,677	
Promises to give	136,857	
Investments	865,470	
Prepaid expenses and other assets	181,804	
Investments - endowment	17,092,244	
Property and equipment	4,871,461	
Accounts payable and other liabilities	158,311	
Accrued payroll, vacations and related taxes	495,662	
Line of credit	1,493,000	

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In March 2022, Children's Bureau, Inc. (the Bureau) obtained a certificate of assumed business name to do business as Firefly Children and Family Alliance, Inc. (Firefly) and Children's Bureau Foundation, Inc. (the Foundation) obtained a certificate of assumed business name to do business as Firefly Children and Family Alliance Foundation, Inc. (the Foundation). The consolidated financial statements herein have utilized the assumed business names for each entity. The assumed business names were part of a rebranding initiative which commenced after the acquisition of Families First Indiana, Inc. (Families First) in March 2021, as discussed below.

Firefly is a private, not-for-profit agency formed in 1851, providing human services to families and children in Indiana. Firefly offers prevention, preservation and placement services to at-risk children and families throughout Indiana. Firefly’s primary sources of revenue are government grants and contracts, United Way Funding allocations, and contributions from donors. Firefly’s mission is preserving families and protecting the future of Indiana’s children.

The Foundation operates for the benefit of and carries out the purposes of Firefly. The Foundation’s primary sources of revenue are contributions and investment earnings.

Effective March 31, 2021, the Bureau and the Foundation acquired all the net assets of Families First through a merger agreement. Families First was an Indiana nonprofit corporation that provided mental health counseling, substance abuse services, community and parent education, alternatives to family violence, family preservation services, father engagement services, crisis and suicide prevention services, services for older and challenged adults, and other social services in the central Indiana area. See Note 3.

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

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-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 as an endowment fund for operations.

- ***Net Assets With Donor Restrictions*** are subject to stipulations imposed by donors. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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, historical experience, economic conditions, and other relevant factors. Management determined that no allowance was necessary at December 31, 2021 and 2020.

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 4 for discussion of fair value measurements.

Investment return 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2021 and 2020.

Beneficial Interest in Assets Held by Others: The Organizations maintain a quasi-endowment fund with a number of Community Foundations throughout the state. The original principal of the funds cannot be committed, granted or expended by the Community Foundations. Beneficial interest in assets held by others is reported at fair value and included in prepaid expenses and other assets in the consolidated statements of financial position. See Note 4 for discussion of fair value measurements. Beneficial interest in assets held by others is included in net assets without donor restrictions, and changes in value of the beneficial interest in trust is recognized in investment return.

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.

Service Revenue, which represents fee for service funding related to the Youth Placement Services programming, is recognized when earned at the time the service is performed. Amounts billed are subject to an allowed rate, as defined per the related government contracts. Amounts earned but not yet collected are included within grants receivable on the accompanying consolidated financial statements.

In-Kind Contributions: In addition to receiving cash contributions, Firefly receives in-kind contributions from various donors. It is the policy of Firefly 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 $284,801 in 2021 and $395,623 in 2020 and consisted primarily of property contributed as part of capital campaigns and clothing and household goods utilized by Firefly's shelters.

Contributions of services, which consist 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 Organizations' activities that do not meet recognition criteria, and the value of these contributed services is not reflected in the consolidated 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)

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, including salaries and benefits expenses, are allocated based on time and effort. Such allocations are determined by management on an equitable basis.

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.

Income Taxes: The Organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), though they are subject to tax on income unrelated to their 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 tax for the years ended December 31, 2021 and 2020.

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 2018. Management believes that the Organizations' income tax filing positions will be sustained on audit and does not anticipate any adjustments that will result in material change.

Upcoming Accounting Pronouncement: The Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases (Topic 842)* (ASU No. 2016-02), which is the result of a joint project of the FASB and the International Accounting Standards Board to increase transparency and comparability among entities in relation to leasing arrangements. ASU No. 2016-02 adds Topic 842 to the Accounting Standards Codification and requires a lessee to recognize a liability to make lease payments (lease liability) and a right-of-use asset representing its right to use the underlying asset (lease asset) for the lease term, initially measured at the present value of the lease payments. When measuring the lease asset and liability, lessees should include payments to be made during an optional lease extension if reasonably certain that the option will be exercised. Entities are permitted to make an accounting policy election to not recognize lease assets and liabilities for leases with a term of 12 months or less. ASU No. 2016-02, as amended, is effective for the Organizations as of January 1, 2022. The Organizations are assessing the impact ASU No. 2016-02 will have on their consolidated financial statements, including the related disclosures.

Subsequent Events: The Organizations have evaluated the consolidated financial statements for subsequent events occurring through June 2, 2022, the date the consolidated financial statements were available to be issued. See above.

NOTE 2 - ACQUISITION OF FAMILIES FIRST INDIANA, INC.

Effective March 31, 2021, the Bureau and the Foundation acquired all the net assets of Families First through a merger agreement, which established the Bureau and the Foundation board of directors as the governing board, though Families First designated members of its board and other qualified individuals to serve on the Bureau board of directors. As a result of the acquisition, the Bureau intends to grow its services and impact and promote long-term sustainability through synergies and economies of scale. The transaction was accounted for under the acquisition method of accounting. The Bureau incurred acquisition related expenses of $17,388 in 2021 and $2,100 in 2020, which are recorded as operation expenses in the consolidated statements of functional expenses.

NOTE 2 - ACQUISITION OF FAMILIES FIRST INDIANA, INC. (CONTINUED)

The following table summarizes the net contribution recorded, assets acquired, and liabilities assumed on March 31, 2021, based on their estimated fair values as determined by management:

Cash	$ 606,882
Grants receivable	217,677
Promises to give	136,857
Investments	865,470
Prepaid expenses and other assets	181,804
Investments - endowment	17,092,244
Property and equipment	4,871,461
	23,972,395
Accounts payable and other liabilities	(158,311)
Accrued payroll, vacations and related taxes	(495,662)
Line of credit	(1,493,000)
	(2,146,973)
Net Contribution Recorded	$21,825,422

NOTE 3 - 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:

	2021	**2020**
Cash	$ 6,903,853	$ 7,095,624
Grants receivable	6,562,660	4,853,536
Promises to give	477,489	281,331
Investments	1,918,950	1,004,448
Gift cards included in prepaid expenses and other assets	379,014	727,278
Investments - endowment	35,618,892	14,744,132
Total Financial Assets	51,860,858	28,706,349
Donor-Imposed Restrictions:		
Endowment funds, net of amounts available per spending policy	(22,269,274)	(11,603,947)
Board-Designations:		
Building maintenance reserve	(250,000)	(45,000)
Endowment funds, net of amounts available per spending policy	(12,093,312)	(2,697,861)
Financial Assets Available Within One Year	$ 17,248,272	$ 14,359,541

For purposes of analyzing resources available to meet general expenditures within one year, 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 an endowment. Donor-restricted endowment funds are not available for general expenditure, except for appropriations for expenditure in accordance with the Foundation's spending policy.

NOTE 3 - AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

The Foundation's board-designated endowment of $3,273,931 and $2,781,300 at December 31, 2021 and 2020, respectively, is subject to an annual spending rate of up to 3%; however, amounts in excess of 3% can be made available, if necessary, for general expenditure as a part of the Foundation Board of Directors' annual budget approval and appropriation. Through the acquisition of Families First, the Foundation has a second board-designated endowment of $9,386,947 at December 31, 2021, that is subject to an annual spending rate up to 5%. See Note 5. Additionally, the Board designated $250,000 and $45,000 of the Foundation's assets for building maintenance at December 31, 2021 and 2020, respectively, which could be made available, if necessary, for general expenditures with approval of the Foundation's Board of Directors.

The Organizations operate with a balanced budget and anticipate collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows, which identify the sources and uses of the Organizations' cash.

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. The Organizations also have two lines of credit available to meet short-term needs. See Note 9 for information about these arrangements. Occasionally, the Board of Directors designates a portion of any operating surplus to its endowment fund for operations described in Note 5.

NOTE 4 - 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'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.

Following is a description of the valuation methodologies used by the Organizations for assets that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2021 and 2020.

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.

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

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 and Municipal 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.

Beneficial Interest in Assets Held by Others: Valued based on the Organizations' proportionate share of the fair value of the underlying investments in the Community Foundations' pooled investment portfolios as reported by the Community Foundations, without adjustment. The valuation methodology for the beneficial interest in assets held by others does not utilize any unobservable inputs.

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Organizations' assets that are measured at fair value on a recurring basis as of December 31, 2021 and 2020:

2021	Level 1	Level 2	Level 3	Total
Assets				
Money market fund shares	$ 3,814,046			$ 3,814,046
Fixed income investments:				
U.S. Treasury notes		$2,545,368		2,545,368
Corporate bonds		1,730,131		1,730,131
Municipal bonds		20,336		20,336
Registered investment companies:				
International funds	1,532,366			1,532,366
Large cap funds	2,683,161			2,683,161
Small cap funds	659,046			659,046
Mid cap funds	1,138,075			1,138,075
Bond funds	2,297,142			2,297,142
Fixed income	1,485,487			1,485,487
Equities	11,896,089			11,896,089
Other mutual fund shares	1,438,713			1,438,713
Exchange-traded funds (ETFs):				
International ETFs	124,858			124,858
Large cap ETFs	5,150,365			5,150,365
Mid cap ETFs	63,046			63,046
Small cap ETFs	447,642			447,642
Bond ETFs	511,970			511,970
Beneficial Interest in Assets Held by Others			$ 281,722	281,722
Total Assets at Fair Value	$33,242,006	$4,295,835	$ 281,722	$37,819,563

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

2020	Level 1	Level 2	Level 3	Total
Assets				
Money market fund shares	$ 1,283,485			$ 1,283,485
Fixed income investments:				
U.S. Treasury notes		$ 792,036		792,036
Corporate bonds		869,475		869,475
Municipal bonds		56,216		56,216
Registered investment companies:				
International funds	1,388,969			1,388,969
Large cap funds	2,525,331			2,525,331
Mid cap funds	972,647			972,647
Bond funds	1,908,916			1,908,916
Other mutual fund shares	698,769			698,769
Exchange-traded funds (ETFs):				
International ETFs	101,838			101,838
Large cap ETFs	3,839,580			3,839,580
Small cap ETFs	1,007,160			1,007,160
Bond ETFs	304,158			304,158
Beneficial Interest in Assets Held by Others			$ 72,166	72,166
Total Assets at Fair Value	$14,030,853	$1,717,727	$ 72,166	$15,820,746

NOTE 5 - ENDOWMENT

The Foundation’s endowment consists of three 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, 2021 and 2020, was as follows:

2021	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original gifts and amounts required to be maintained in perpetuity by donors		$15,994,833	$15,994,833
Accumulated investment gains		6,963,181	6,963,181
Board-designated funds	$12,660,878		12,660,878
Total Endowment Funds	$12,660,878	$22,958,014	$35,618,892
2020			
Donor-Restricted Endowment Funds:			
Original gifts and amounts required to be maintained in perpetuity by donors		$ 9,294,833	$ 9,294,833
Accumulated investment gains		2,667,999	2,667,999
Board-designated funds	$ 2,781,300		2,781,300
Total Endowment Funds	$ 2,781,300	$11,962,832	$14,744,132

NOTE 5 - ENDOWMENT (CONTINUED)

Activity in the endowment by net asset class for 2021 and 2020, is summarized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment at December 31, 2019	$ 2,465,396	$10,602,801	$13,068,197
Investment return	315,904	1,360,031	1,675,935
Endowment at December 31, 2020	2,781,300	11,962,832	14,744,132
Endowment funds contributed through merger	8,592,436	8,499,808	17,092,244
Investment return	1,209,212	2,495,374	3,704,586
Contributions	77,930		77,930
Endowment at December 31, 2021	$12,660,878	$22,958,014	$35,618,892

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. There were no underwater endowment funds at December 31, 2021 and 2020.

NOTE 5 - ENDOWMENT (CONTINUED)

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 Firefly 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 restrictions is to spend up to 3% annually with the calculation based on a five-year moving average of quarterly market values. Board-designated funds in excess of 3% can be made available if approved by the Board. The goal of this policy is to establish the resources necessary for both operating and future capital projects of the Foundation. The spending policy of the endowment with donor restrictions is a spending rate of up to 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 6 - PROMISES TO GIVE AND GRANTS RECEIVABLE

Unconditional Promises to Give and Grants Receivable

Unconditional promises to give at December 31, 2021 and 2020, consisted of time-restricted funds due from donors. As of December 31, 2021 and 2020, 71% and 74%, respectively, of the Organizations’ promises to give were due from the United Way. Grants receivable from two grantors represented 50% and 36% of outstanding grants receivable at December 31, 2021 and 2020, respectively. All promises to give and grants receivable at December 31, 2021 and 2020 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, 2021 was $81,230,158, of which $28,070,146 had been recognized as support through December 31, 2021. Some contracts include overages reimbursed through December 31, 2021, and the net amount remaining available based on these budgets was $53,160,012 at December 31, 2021. Based on history, the Organizations expect amendments to be made in 2022 to address these overages. Total budgeted amounts on open contracts as of December 31, 2020, was $30,757,054, of which $19,927,590 had been recognized as support through December 31, 2020.

NOTE 7 - INVESTMENTS

The Foundation's investments were as follows at December 31, 2021 and 2020:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Money market fund shares	$ 3,814,046	$ 3,814,046	$ 1,283,485	$ 1,283,485
Fixed income investments	4,264,782	4,295,835	1,717,401	1,717,727
Registered investment companies	18,171,947	23,130,079	6,458,432	7,494,632
Exchange-traded funds	4,767,148	6,297,881	3,941,381	5,252,736
Total Investments	$31,017,923	$37,537,841	$13,400,699	$15,748,580

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.

The Organizations' investment return consisted of the following for 2021 and 2020:

	2021	2020
Interest and dividends	$ 868,614	$ 259,331
Net realized and unrealized gains	3,078,528	1,492,803
Investment management fees	(136,570)	(53,741)
Total Investment Return, net	$3,810,572	$1,698,393

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment were as follows at December 31, 2021 and 2020:

	2021	2020
Land	$ 224,825	$ 224,825
Buildings and improvements	17,228,793	13,173,352
Leasehold improvements	5,552,381	4,273,085
Furnishings and equipment	4,837,434	3,893,069
Vehicles	100,213	90,953
	27,943,646	21,655,284
Less: Accumulated depreciation	11,956,849	9,793,066
Total Property and Equipment, net	$15,986,797	$11,862,218

NOTE 9 - DEBT AND CREDIT ARRANGEMENTS

Firefly has a $1,000,000 revolving line of credit for short-term bank borrowings. Interest on these borrowings is computed based on the bank's prime lending rate, subject to a floor of 3.25% (3.25% at December 31, 2021). The line of credit, which expires on September 30, 2022, is secured by substantially all of Firefly's grants receivable and requires compliance with a financial covenant. At December 31, 2021 and 2020, there were no borrowings outstanding on the line of credit.

NOTE 9 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)

The Foundation has a term loan payable 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, 2021 and 2020 was $582,634 and $685,479, 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 Firefly. Total interest expense was $29,115 in 2021 and $37,144 in 2020.

During 2021, the Foundation assumed a revolving line of credit with maximum borrowings of $5,000,000 in conjunction with the transaction described in Note 2. The line of credit has no specified expiration date and is due on demand. Interest on these borrowings is computed on LIBOR plus a variable spread (1.08% at December 31, 2021) based on the balance outstanding, as specified in the agreement, and is added to the borrowings outstanding. Borrowings are secured by certain endowment securities. At December 31, 2021, the outstanding balance on the line of credit was $1,490,421. Total interest expense was $12,423 for the period from April 1, 2021 to December 31, 2021.

On April 17, 2020, Firefly received loan proceeds of $2,473,600 under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). PPP loans, including accrued interest, are forgivable as long as the entity uses the proceeds for eligible purposes, including payroll, benefits, rent and utilities. Under the PPP, the amount of forgiveness is reduced if the entity terminates employees or reduces salaries during the covered period. Firefly believes it used $2,248,329 of the total proceeds for purposes consistent with the PPP and has received forgiveness from the bank. Firefly recognized a gain on loan forgiveness upon legal release of the obligation by the bank on January 13, 2021. The remaining $225,271 was repaid by Firefly on August 10, 2021.

At December 31, 2021, the aggregate maturities of long-term debt were as follows:

Payable In	Principal Payments
2022	$1,554,434
2023	67,239
2024	70,810
2025	74,477
2026	78,333
Thereafter	227,762
	$2,073,055

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes at December 31, 2021 and 2020:

	2021	2020
Firefly Children and Family Alliance, Inc.		
Subject to the Passage of Time:		
United Way allocation	$ 352,832	$ 247,331
	352,832	247,331
Subject to expenditure for Specified Purpose:		
Adoption	45,859	48,984
COVID-19 programming	250,000	468,794
Food and shelter programs	33,450	33,480
Johnson County	18,500	14,418
Mental health programming	75,000	
Capital campaign	542,536	
Crisis programming	31,534	
Next generation fund	36,021	
Training		50,544
Other purposes	49,768	38,142
	1,082,668	654,362
Beneficial interest in assets held by community foundations subject to the spending policy of the community foundations	281,722	72,166
	281,722	72,166
Total Firefly Children and Family Alliance, Inc.	1,717,222	973,859
Firefly Children and Family Alliance Foundation, Inc.		
Subject to endowment spending policy and appropriation:		
Appropriations available for general use	22,958,014	11,962,832
	22,958,014	11,962,832
Total Firefly Children and Family Alliance Foundation, Inc.	22,958,014	11,962,832
Total Net Assets with Donor Restrictions	$24,675,236	$12,936,691

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, 2021 and 2020:

	2021	2020
Firefly Children and Family Alliance, Inc.		
Expiration of time restrictions:		
United Way allocation	$247,331	$201,642
Satisfaction of purpose restrictions:		
Adoption	3,075	13,458
COVID-19 programming	469,123	67,206
Food and shelter programs		7,748
Johnson County	64,418	46,992
Training	50,544	62,032
Other	3,116	3,450
Total Net Assets Released from Restrictions	$837,607	$402,528

NOTE 11 - OPERATING LEASES

Firefly has several operating leases, primarily for office space and equipment, expiring at various dates through January 2026. These leases generally contain renewal options for periods ranging from three to five years. Rental expense was $638,017 in 2021 and $565,007 in 2020, of which $109,200 in 2021 and $93,600 in 2020 was paid to the Foundation and is eliminated on the consolidated financial statements.

Future minimum lease payments required by all long-term noncancellable operating leases at December 31, 2021, were as follows:

Payable In	Rental Payments
2022	$359,266
2023	167,237
2024	54,437
2025	13,919
2026	11,880
Total	$606,739

NOTE 12 - CONCENTRATIONS OF FUNDING

Government funding, excluding the gain on PPP loan forgiveness, provided 51% and 84% of total revenue for the Organizations in 2021 and 2020, respectively.

As part of federal funding, the Community Partners Grants provided 16% and 37% of the Organizations' total revenue in 2021 and 2020, respectively.

NOTE 13 - RETIREMENT PLAN

Firefly 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 Firefly contributes, on a matching basis, 100% of each participant's contribution up to 3% of each participant's annual compensation. Firefly may also make a discretionary contribution, to be determined annually, based on eligible earnings of participants. Participants become fully vested in Firefly's contributions and earnings thereon after five years of service. Firefly contributed $289,661 in 2021 and $219,677 in 2020 to the Plan.

NOTE 14 - EMPLOYEE INSURANCE OBLIGATION

Firefly self-insures its employee group medical plan. Claim expenses are recorded as incurred. Insurance policies in force at December 31, 2021 limit Firefly's maximum plan cost to approximately $5,050,000 in the plan year. Firefly's portion of the predetermined funding provision is charged to expense each month. A reinsurance policy is in place to limit Firefly'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 $230,000 and $156,525 at December 31, 2021 and 2020, respectively, which represents management's estimate of unpaid claims incurred prior to December 31, 2021 and 2020.

NOTE 15 - RELATED PARTY TRANSACTIONS

Firefly recognized $109,893 in 2021 and $92,699 in 2020 as contributions from members of its Board of Directors.

SUPPLEMENTARY INFORMATION

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC.

SCHEDULE OF CONTRACT AND GRANT ACTIVITY FOR FEDERAL, STATE, AND LOCAL GOVERNMENT AWARDS
Year Ended December 31, 2021

	Type of Funding	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Expenditures
FEDERAL AWARDS				
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through the United Way of Central Indiana:				
Emergency Food and Shelter National Board Program	Sub-recipient	97.024	272800-039	$ 6,769
COVID-19 - Emergency Food and Shelter National Board Program	Sub-recipient	97.024	272800-039	27,300
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	N/A	F1-2-49-12-34-0437	930,611
Passed through the Indiana Department of of Child Services:				
Community Partners for Child Safety (CPCS) - Operations	Fee for service	N/A	N/A	7,255,804
Therapeutic Fostercare	Fee for service	N/A	N/A	1,748,278
Home Based Case Work	Fee for service	N/A	N/A	3,645,472
Older Youth Services	Fee for service	N/A	N/A	3,999,311
Older Youth Services - Pandemic Funding	Fee for service	N/A	N/A	1,412,509
CPCS - Brokered Funds	Fee for service	N/A	N/A	2,694,974
Shelter - Respite	Fee for service	N/A	N/A	1,715,608
Fatherhood Initiative	Fee for service	N/A	N/A	3,192
Home Based Counseling - Home Based Therapy	Fee for service	N/A	N/A	1,120,598
Post Adoption Services	Fee for service	N/A	N/A	824,383
Adoption Recruitment And Retention	Fee for service	N/A	N/A	771,664
Child Summaries	Fee for service	N/A	N/A	173,662
Shelter - CPCS Prevention Service	Fee for service	N/A	N/A	287,517
Adoption Counseling	Fee for service	N/A	N/A	23,722
DV & Counseling	Fee for service	N/A	N/A	288,015
Substance Use	Fee for service	N/A	N/A	378,870
Passed through the Family Youth Services Bureau:				
Basic Center Grant	Sub-recipient	93.623	90CY7021-02-00	65,466
COVID-19 - Basic Center Grant	Sub-recipient	93.623	90CY7021-02-01	17,227
Passed through the Indiana Family and Social Services Administration, Division of Mental Health:				
Data Assessment Registry Mental Health & Addictions System (DARMHA)	Fee for service	N/A	N/A	196,439
Passed through Indiana Department of Health:				
Affordable Care Act (ACA) Personal Responsibility Education Program	Sub-recipient	93.092	HCET IN-PACT	16,808
Teenage Pregnancy Prevention Program	Sub-recipient	93.297	HCET IN-CAST	11,712
Passed through the Trustees of Indiana University				
Child Abuse and Neglect Discretionary Activities	Sub-recipient	93.670	90CA1864-01-00	418,576
Passed through the Indiana Criminal Justice				
Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	Sub-recipient	93.671	2001INFVPS	30,244
COVID-19 - Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	Sub-recipient	93.671	2001INFVPS	9,022
U.S DEPARTMENT OF JUSTICE				
Passed through Indiana Criminal Justice Institute:				
Sexual Assault Services Formula Program	Sub-recipient	16.017	2017-KF-AX-0045, 2018-KF-AX-0049, 2019-KF-AX-0008, 2020-KF-AX-0023	31,310
Crime Victim Assistance	Sub-recipient	16.575	2018-V2-GX-0031, 2019-V2-GX-0014	379,032
TOTAL EXPENDITURES OF FEDERAL AWARDS				28,484,095
NONFEDERAL AWARDS				
INDIANA DEPARTMENT OF CHILD SERVICES				
Direct programs:				
Courage Center	Fee for service	N/A	N/A	2,100,163
Passed through Choices Coordinated Care Solutions:				
Dawn Program	Fee for service	N/A	N/A	483,497

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC.

SCHEDULE OF CONTRACT AND GRANT ACTIVITY FOR FEDERAL, STATE, AND LOCAL GOVERNMENT AWARDS
Year Ended December 31, 2021

	Type of Funding	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Expenditures
STATE OF INDIANA (IC 31-26-1)				
Direct programs:				
Shelter - YSB	Fee for service	N/A	N/A	37,684
Medicaid	Fee for service	N/A	N/A	694,523
Domestic Violence Prevention and Treatment (DVPT)	Fee for service	N/A	N/A	91,189
Sexual Assault Victim Assistance Fund (SAVAF)	Fee for service	N/A	N/A	68,358
INDIANA FAMILY AND SOCIAL SERVICES ADMINISTRATION				
System of Care (SOC) - Marion County	Fee for service	N/A	N/A	25,729
Data Assessment Registry Mental Health & Addictions System (DARMHA)	Fee for service	N/A	N/A	13,687
INDIANA DEPARTMENT OF HEALTH				
Wellness grant	Fee for service	N/A	N/A	7,470
TOTAL EXPENDITURES OF NONFEDERAL AWARDS				3,522,300
TOTAL EXPENDITURES OF FEDERAL, STATE, AND LOCAL GOVERNMENT AWARDS				$ 32,006,395

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.

CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION INFORMATION
December 31, 2021

	Firefly Children and Family Alliance, Inc.	Firefly Children and Family Alliance Foundation, Inc.	Eliminations	Consolidated
ASSETS				
Cash	$ 6,528,284	$ 375,569		$ 6,903,853
Grants receivable	6,562,660			6,562,660
Promises to give	477,489			477,489
Investments	1,004,747	914,203		1,918,950
Prepaid expenses and other assets	975,554	24,348	$ (22,800)	977,102
Investments - endowment		35,618,891		35,618,891
Property and equipment, net	7,696,123	8,290,674		15,986,797
TOTAL ASSETS	$ 23,244,857	$ 45,223,685	$ (22,800)	$ 68,445,742
LIABILITIES				
Accounts payable and other liabilities	$ 1,358,737	$ 3,979	$ (22,800)	$ 1,339,916
Accrued payroll, vacations and related taxes	1,455,076			1,455,076
Line of credit		1,490,421		1,490,421
FSC loan		582,634		582,634
Total Liabilities	2,813,813	2,077,034	(22,800)	4,868,047
NET ASSETS				
Without donor restrictions	18,713,822	20,188,637		38,902,459
With donor restrictions	1,717,222	22,958,014		24,675,236
Total Net Assets	20,431,044	43,146,651		63,577,695
TOTAL LIABILITIES AND NET ASSETS	$ 23,244,857	$ 45,223,685	$ (22,800)	$ 68,445,742

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.

CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES INFORMATION
Year Ended December 31, 2021

	Without Donor Restrictions			
	Firefly Children and Family Alliance, Inc.	Firefly Children and Family Alliance Foundation, Inc.	Eliminations	Total
REVENUE, GAINS AND SUPPORT				
Revenue and gains:				
Investment return	$ 11,811	$ 1,252,652		$ 1,264,463
Gain on PPP loan forgiveness	2,248,329			2,248,329
Miscellaneous income (expense)	314,823	311,774	$ (289,200)	337,397
Total Revenue and Gains	2,574,963	1,564,426	(289,200)	3,850,189
Support:				
Contributions	1,147,648	96,145	-	1,243,793
Government grant revenue and Medicaid	22,976,358			22,976,358
Service revenue	6,047,546			6,047,546
Brokered government grant revenue	2,982,491			2,982,491
Non-government grants	384,839			384,839
United Way	580,241			580,241
Special events	160,977			160,977
Total Support	34,280,100	96,145		34,376,245
Net assets released from restrictions	837,607			837,607
Total Revenue, Gains and Support	37,692,670	1,660,571	(289,200)	39,064,041
EXPENSES				
Program services	29,513,323	260,750		29,774,073
Supporting services:				
Management and general	5,064,002	169,294	(289,200)	4,944,096
Fundraising	1,020,672	2,424		1,023,096
Total Expenses	35,597,997	432,468	(289,200)	35,741,265
INCREASE IN NET ASSETS BEFORE ACQUISIT	2,094,673	1,228,103		3,322,776
EXCESS OF ASSETS ACQUIRED OVER LIABILITIES ASSUMED IN ACQUISITION OF FAMILIES FIRST INDIANA, INC.	4,574,922	7,967,134		12,542,056
INCREASE IN NET ASSETS	6,669,595	9,195,237		15,864,832
NET ASSETS				
Beginning of Year	12,044,227	10,993,400		23,037,627
End of Year	$ 18,713,822	$ 20,188,637	$ -	$ 38,902,459

With Donor Restrictions			
Firefly Children and Family Alliance, Inc.	**Firefly Children and Family Alliance Foundation, Inc.**	**Total**	**Consolidated**
$ 50,735	$ 2,495,374	$ 2,546,109	$ 3,810,572
			2,248,329
			337,397
50,735	2,495,374	2,546,109	6,396,298
		-	1,243,793
			22,976,358
			6,047,546
			2,982,491
325,345		325,345	710,184
421,332		421,332	1,001,573
			160,977
746,677		746,677	35,122,922
(837,607)		(837,607)	
(40,195)	2,495,374	2,455,179	41,519,220
			29,774,073
			4,944,096
			1,023,096
			35,741,265
(40,195)	2,495,374	2,455,179	5,777,955
783,558	8,499,808	9,283,366	21,825,422
743,363	10,995,182	11,738,545	27,603,377
973,859	11,962,832	12,936,691	35,974,318
$ 1,717,222	$ 22,958,014	$ 24,675,236	$ 63,577,695

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.

CONSOLIDATING SCHEDULE - STATEMENT OF CASH FLOWS INFORMATION
Year Ended December 31, 2021

	Firefly Children and Family Alliance, Inc.	Firefly Children and Family Alliance Foundation, Inc.	Consolidated
OPERATING ACTIVITIES			
Increase in net assets	$ 7,412,958	$ 20,190,419	$ 27,603,377
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:			
Depreciation	812,059	390,725	1,202,784
Gain on PPP loan forgiveness	(2,248,329)		(2,248,329)
Net realized and unrealized gain on investments	(51,934)	(3,026,594)	(3,078,528)
Excess of assets acquired over liabilities assumed in acquisition of Families First Indiana, Inc.	(5,358,480)	(16,466,942)	(21,825,422)
Interest expense added to line of credit		12,423	12,423
(Increase) decrease in certain assets:			
Grants receivable	(1,491,447)		(1,491,447)
Promises to give	(59,301)		(59,301)
Prepaid expenses and other assets	339,879		339,879
Increase (decrease) in certain liabilities:			
Accounts payable and other liabilities	425,667	(988)	424,679
Accrued payroll, vacations and related taxes	(74,795)		(74,795)
Net Cash Provided (Used) by Operating Activities	(293,723)	1,099,043	805,320
INVESTING ACTIVITIES			
Purchases of property and equipment	(455,902)		(455,902)
Purchases of investments		(5,374,007)	(5,374,007)
Sales and maturities of investments		7,099,615	7,099,615
Net Cash Provided (Used) by Investing Activities	(455,902)	1,725,608	1,269,706
FINANCING ACTIVITIES			
Principal payments on PPP loan	(225,271)		(225,271)
Net repayments on line of credit		(15,002)	(15,002)
Principal payments on FSC loan		(102,845)	(102,845)
Net Cash Used by Financing Activities	(225,271)	(117,847)	(343,118)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(974,896)	2,706,804	1,731,908
CASH FROM ACQUISITION	604,654	2,228	606,882
CASH AND EQUIVALENTS			
Beginning of Year	7,903,273	475,836	8,379,109
End of Year	$ 7,533,031	$ 3,184,868	$ 10,717,899
CASH AND EQUIVALENTS			
Cash	$ 6,528,284	$ 375,569	$ 6,903,853
Cash equivalents held in investments	1,004,747	2,809,299	3,814,046
TOTAL CASH AND EQUIVALENTS	$ 7,533,031	$ 3,184,868	$ 10,717,899
SUPPLEMENTAL DISCLOSURES			
Interest paid		$ 31,152	$ 31,152
Noncash investing and financing activities:			
Forgiveness of PPP loan	$ 2,248,329		2,248,329
Interest expense added to line of credit	12,423		12,423
Recognized amounts of identifiable assets acquired and liabilities assumed from Families First Indiana, Inc.			
Grants receivable	217,677		217,677
Promises to give	136,857		136,857
Investments		865,470	865,470
Prepaid expenses and other assets	181,804		181,804
Investments - endowment		17,092,244	17,092,244
Property and equipment	4,871,461		4,871,461
Accounts payable and other liabilities	158,311		158,311
Accrued payroll, vacations and related taxes	495,662		495,662
Line of credit		1,493,000	1,493,000

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

ksm
CPAs & Advisors

Katz, Sapper & Miller
800 East 96th Street, Suite 500
Indianapolis, IN 46240

Independent Auditor's Report on Internal Control
Over Financial Reporting 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. d/b/a Firefly Children and Family Alliance, Inc.
Children's Bureau Foundation, Inc. d/b/a Firefly Children and Family Alliance 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. d/b/a Firefly Children and Family Alliance, Inc. and Children's Bureau Foundation, Inc. d/b/a Firefly Children and Family Alliance Foundation, Inc. (both Indiana not-for-profit organizations, together the Organizations), which comprise the consolidated statement of financial position as of December 31, 2021, 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 June 2, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organizations' internal control over financial reporting (internal control) as a basis for designing 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 the Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of Organizations' 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organizations' 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 consoldiated financial statements. 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
June 2, 2022

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC.
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2021

	Federal Assistance Listing Number	Pass-through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Family Youth Services Bureau:			
Basic Center Grant	93.623	90CY7021-02-00	$ 65,466
COVID-19 - Basic Center Grant	93.623	90CY7021-02-01	17,227
Total Basic Center Grant			82,693
Passed through Indiana Department of Health:			
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	HCET IN-PACT	16,808
Teenage Pregnancy Prevention Program	93.297	HCET IN-CAST	11,712
Passed through the Trustees of Indiana University			
Child Abuse and Neglect Discretionary Activities	93.670	90CA1864-01-00	418,576
Passed through Indiana Criminal Justice Institute:			
Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	93.671	2001INFVPS	30,244
COVID-19 - Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services	93.671	2001INFVPS	9,022
Total Family Violence Prevention and Services/ Domestic Violence Shelter and Supportive Services			39,266
Total for U.S. Department of Health and Human Services			569,055
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through United Way of Central Indiana:			
Emergency Food and Shelter National Board Program	97.024	272800-039	6,769
COVID-19 - Emergency Food and Shelter National Board Program	97.024	272800-039	27,300
Total Emergency Food and Shelter National Board Program			34,069
Total for U.S. Department of Homeland Security			34,069
U.S. DEPARTMENT OF JUSTICE			
Passed through Indiana Criminal Justice Institute:			
Sexual Assault Services Formula Program	16.017	2017-KF-AX-0045 2018-KF-AX-0049 2019-KF-AX-0008 2020-KF-AX-0023	31,310
COVID-19 - Crime Victim Assistance	16.575	2018-V2-GX-0031	34,854
Crime Victim Assistance	16.575	2019-V2-GX-0014	344,178
Total Crime Victim Assistance			379,032
Total for U.S. Department of Justice			410,342
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,013,466

See accompanying notes to schedule of expenditures of federal awards.

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Children's Bureau, Inc. d/b/a Firefly Children and Family Alliance, Inc. and Children's Bureau Foundation, inc. d/b/a Firefly Children and Family Alliance Foundation, Inc. (the Organizations). In March 2022, Children's Bureau, Inc. (the Bureau) obtained a certificate of assumed business name to do business as Firefly Children and Family Alliance, Inc. (Firefly) and Children's Bureau Foundation, Inc. (the Foundation) obtained a certificate of assumed business name to do business as Firefly Children and Family Alliance Foundation, Inc. (the Foundation). The Schedule has utilized the assumed business names for each entity. The assumed business names were part of a rebranding initiative which commenced after the acquisition of Families First Indiana, Inc. (Families First) in March 2021, as discussed below.

The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR), *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organizations, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the Organizations. In addition, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Effective March 31, 2021, the Bureau and the Foundation acquired all the net assets of Families First through a merger agreement. Families First was an Indiana nonprofit corporation that provided mental health counseling, substance abuse services, community and parent education, alternatives to family violence, family preservation services, father engagement services, crisis and suicide prevention services, services for older and challenged adults, and other social services in the central Indiana area. The federal grant activity of Families First since the date of the merger has been included in the Schedule.

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 or federal award guidance, when such cost principles are not applicable to the specific federal award.

Subrecipients: The Organizations provided no funds to subrecipients in 2021.

NOTE 2 - INDIRECT COST RATE

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

ksm
CPAs & Advisors

Katz, Sapper & Miller
800 East 96th Street, Suite 500
Indianapolis, IN 46240

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Children's Bureau, Inc. d/b/a Firefly Children and Family Alliance, Inc.
Children's Bureau Foundation, Inc. d/b/a Firefly Children and Family Alliance Foundation, Inc.

Report on Compliance for Each Major Federal Program

Qualified Opinion on Assistance Listing No. 93.670 Child Abuse and Neglect Discretionary Activities

We have audited Children's Bureau, Inc. d/b/a Firefly Children and Family Alliance, Inc. and Children's Bureau Foundation, Inc. d/b/a Firefly Children and Family Alliance Foundation, Inc. (both Indiana not-for-profit organizations, together the Organizations) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organizations' major federal programs for the year ended December 31, 2021. The Organizations' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the Organizations complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Assistance Listing (AL) No. 93.670 *Child Abuse and Neglect Discretionary Activities* for the year ended December 31, 2021.

Basis for Qualified Opinion

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* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organizations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organizations' compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on AL 93.670 Child Abuse and Neglect Discretionary Activities

As described in the accompanying schedule of findings and questioned costs, the Organizations did not comply with requirements regarding AL 93.670 *Child Abuse and Neglect Discretionary Activities* as described in item 2021-002 regarding Procurement and Suspension and Debarment.

Compliance with such requirements is necessary, in our opinion, for the Organizations to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and the provisions of contracts or grant agreements applicable to the Organizations' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organizations' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organizations' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organizations' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organizations' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organizations' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organizations' response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organizations' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A d*eficiency 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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organizations' response to the internal control findings over compliance identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organizations' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
June 2, 2022

FIREFLY CHILDREN AND FAMILY ALLIANCE, INC. AND
FIREFLY CHILDREN AND FAMILY ALLIANCE FOUNDATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2021

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes ✓ no
- Significant deficiency(ies) identified? ____ yes ✓ no

Noncompliance material to financial statements noted? ____ yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ✓ yes ____ no
- Significant deficiency(ies) identified? ____ yes ✓ no

Type of auditors' report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? ✓ yes ____ no

Identification of major programs:

Federal Assistance Listing Number	**Agency**	**Title**
93.670	U.S Department of Health and Human Services	Child Abuse and Neglect Discretionary Activities

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ____ yes ✓ no

FINDINGS – FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. Department of Health and Human Services

2021-001 Child Abuse and Neglect Discretionary Activities – AL #93.670

Material Weakness in Internal Control Over Compliance and Noncompliance – Allowable Costs/Cost Principles and Procurement and Suspension and Debarment

Criteria: Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires non-Federal entities receiving Federal funds to have certain written policies, procedures, and standards of conduct (policies) in place.

Condition and Context: The Organizations do not have the required written policies in place in accordance with §200.319 (c)(1), §200.319 (c)(2),§200.320 (d)(3), §200.430 (a), and §200.431 (c).

Cause and Effect: As the policies referenced above are not written, the Organizations cannot be in compliance with the requirements. In addition, lack of written policies §200.319 (c)(1), §200.319 (c)(2), §200.320 (d)(3) resulted in noncompliance identified in finding 2021-002.

Recommendation: We recommend the policies noted above be written by the Organizations, approved by the Board of Directors, and included in the permanent files of the Organizations.

Views of Responsible Officials and Planned Corrective Actions: The Organizations agree with the finding and recommendation noted above. Management is in the process of developing written policies related to these requirements and plans to have the written policies implemented before the fourth quarter of 2022.

U.S. Department of Health and Human Services

2021-002 Child Abuse and Neglect Discretionary Activities – AL #93.670

Noncompliance – Procurement and Suspension and Debarment

Criteria: 2 CFR 200.318(i) establishes the need to maintain records sufficient to detail the history of procurement. 2 CFR 180.300 establishes the responsibilities of participants entering into covered transactions.

Condition and Context: We noted one new procurement in the current year, which was selected for testing, totaling $54,000 for advertising services. We noted the entity lacked sufficient documentation to support the rationale of the procurement method, selection of contract type, contractor selection or rejection, and basis for the contract price. We also noted suspension and debarments requirements were not given consideration prior to entering into these transactions. However, we noted there were adequate invoices to support the purchases.

Cause and Effect: As described in item 2021-001, the Organizations have not established formal written policies related to procurement. Additionally, individuals responsible for the use of federal funds lacked knowledge of the compliance requirements pertaining to the use of the funds. As a result, the Organizations did not comply with requirement for proper procurement, or in relation to suspension and debarment.

Recommendation: We recommend the Organizations develop a system of internal controls aligned with the applicable compliance requirements to sufficiently document procurements and to ensure suspension and debarment is considered prior to entering into future covered transactions.

Views of Responsible Officials and Planned Corrective Actions: The Organizations agree with the finding and recommendation noted above. Management plans to have the recommendations implemented before the fourth quarter of 2022.

FIREFLY
Children & Family Alliance

CORRECTIVE ACTION PLAN
Year Ended December 31, 2021

U.S. Department of Health and Human Services

Children's Bureau, Inc. d/b/a Firefly Children and Families Alliance, Inc. and Children's Bureau Foundation, Inc. d/b/a Firefly Children and Families Alliance Foundation, Inc. (the Organizations) respectively submit the following corrective action plan for the year ended December 31, 2021.

Name and address of independent public accounting firm:

Katz, Sapper & Miller, LLP
800 East 96th Street, Suite 500
Indianapolis, IN 46240

Audit period: Year ended December 31, 2021

The findings from the schedule of findings and questioned costs (the schedule) for the year ended December 31, 2021, are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. Department of Health and Human Services

2021-001 Child Abuse and Neglect Discretionary Activities – AL #93.670

Material Weakness in Internal Control Over Compliance and Noncompliance – Allowable Costs/Cost Principles and Procurement and Suspension and Debarment

Recommendation: The Auditors recommend the required written policies noted in the Summary of Findings and Questioned Costs be written by the Organizations, approved by the Board of Directors, and included in the permanent files of the Organizations.

Planned Corrective Action: We agree with the issues noted in the finding, agree with the recommendation, and plan to implement the corrective action plan during 2022.

U.S. Department of Health and Human Services

2021-002 Child Abuse and Neglect Discretionary Activities – AL #93.670

Noncompliance – Procurement and Suspension and Debarment

Recommendation: The Auditors recommend the Organizations develop a system of internal controls aligned with the applicable compliance requirements to sufficiently document procurements and to ensure suspension and debarment is considered prior to entering into future covered transactions.

Planned Corrective Action: We agree with the issues noted in the finding, agree with the recommendation, and plan to implement the corrective action plan during 2022.

If the U.S Department of Health and Human Services has questions regarding this plan, please call Mark Kern, Chief Financial Officer, at 812-797-3232 or communicate via email at mkern@fireflyin.org.

Sincerely yours,

Mark Kern, Chief Financial Officer
Firefly Children and Family Alliance, Inc.
Firefly Children and Family Alliance Foundation, Inc.