Bauer
Family Resources

Creating brighter tomorrows by strengthening children and families today.

Financial Statements

BAUER FAMILY RESOURCES, INC.

DECEMBER 31, 2012 AND 2011

BAUER FAMILY RESOURCES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bauer Family Resources, Inc.
Lafayette, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Bauer Family Resources, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express and opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT--CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bauer Family Resources, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 27, 2013 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Huth Thompson LLP

June 27, 2013
Lafayette, Indiana

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF FINANCIAL POSITION
As of December 31,

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents, Including Interest Bearing Accounts of $35,384 and $22,649 in 2012 and 2011, Respectively	$ 117,932	$ 331,424
Accounts Receivable	260	-
Unconditional Promises to Give-- United Way Funding for Next Fiscal Year	339,633	323,464
Grants Receivable, Less Allowance for Doubtful Accounts of $-0- in both 2012 and 2011	325,633	258,496
Program Receivables, Less Allowance for Doubtful Accounts of $202,834 and $41,277 in 2012 and 2011, Respectively	292,265	265,909
Prepaid Expenses	54,880	25,929
Investments--Temporarily Restricted	178,958	166,435
TOTAL CURRENT ASSETS	1,309,561	1,371,657
PROPERTY, PLANT AND EQUIPMENT		
Building and Leasehold Improvements	3,148,957	3,225,161
Land Improvements	233,752	233,752
Equipment, Furniture and Fixtures	369,325	387,997
Vehicles	412,224	467,506
	4,164,258	4,314,416
Accumulated Depreciation	(2,050,208)	(2,024,024)
	2,114,050	2,290,392
Land	174,469	174,469
	2,288,519	2,464,861
OTHER ASSETS		
Investments--Permanently Restricted	113,106	113,106
	$ 3,711,186	$ 3,949,624

See Notes to Financial Statements.

	2012	2011
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 345,290	$ 37,931
Line of Credit	164,802	-
Accounts Payable	177,096	203,745
Refundable Advance	19,824	43,213
Accrued Expenses--		
Interest	329	423
Salaries, Vacation and Payroll Taxes	244,938	218,106
TOTAL CURRENT LIABILITIES	952,279	503,418
LONG-TERM DEBT, Less Current Maturities	9,723	355,834
TOTAL LIABILITIES	962,002	859,252
NET ASSETS		
Unrestricted, Undesignated	2,036,992	2,364,556
Temporarily Restricted	599,086	612,710
Permanently Restricted	113,106	113,106
	2,749,184	3,090,372
	$ 3,711,186	$ 3,949,624

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF ACTIVITIES
For Years Ended December 31,

	2012				2011			
	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED
SUPPORT AND REVENUE								
Public Support								
United Way Grants and Allocations	$ 340,041	$ -	$ 340,041	$ -	$ 324,138	$ -	$ 324,138	$ -
Contributions	142,191	6,373	135,818	-	71,504	7,479	64,025	-
	482,232	6,373	475,859	-	395,642	7,479	388,163	-
Program Services								
Grants	3,433,613	3,433,613	-	-	3,545,122	3,545,122	-	-
In-Kind Contributions	644,891	644,891	-	-	670,343	670,343	-	-
Program Fees	1,835,004	1,835,004	-	-	2,257,179	2,257,179	-	-
Miscellaneous	1,830	1,830	-	-	2,801	2,801	-	-
	5,915,338	5,915,338	-	-	6,475,445	6,475,445	-	-
Other Income								
Investment and Interest Income	23,751	497	23,254	-	8,535	568	7,967	-
NET ASSETS RELEASED FROM RESTRICTIONS	-	518,693	(518,693)	-	-	513,472	(513,472)	-
TOTAL SUPPORT AND REVENUE	6,421,321	6,440,901	(19,580)	-	6,879,622	6,996,964	(117,342)	-
EXPENSES								
Program Services	6,714,363	6,714,363	-	-	6,864,656	6,864,656	-	-
Management and General	66,752	66,752	-	-	49,893	49,893	-	-
Fundraising	629	629	-	-	-	-	-	-
TOTAL EXPENSES	6,781,744	6,781,744	-	-	6,914,549	6,914,549	-	-
INCREASE (DECREASE) IN NET ASSETS BEFORE UNREALIZED GAIN ON INVESTMENTS AND GAIN (LOSS) ON DISPOSAL OF ASSETS	(360,423)	(340,843)	(19,580)	-	(34,927)	82,415	(117,342)	-
GAIN (LOSS) ON DISPOSAL OF ASSETS	13,279	13,279	-	-	(2,660)	(2,660)	-	-
UNREALIZED GAIN ON INVESTMENTS	5,956	-	5,956	-	31,049	-	31,049	-
INCREASE (DECREASE) IN NET ASSETS	(341,188)	(327,564)	(13,624)	-	(6,538)	79,755	(86,293)	-
NET ASSETS--Beginning of Year	3,090,372	2,364,556	612,710	113,106	3,096,910	2,284,801	699,003	113,106
NET ASSETS--End of Year	$ 2,749,184	$ 2,036,992	$ 599,086	$ 113,106	$ 3,090,372	$ 2,364,556	$ 612,710	$ 113,106

See Notes to Financial Statements.

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For Years Ended December 31,

	TOTAL		PROGRAM SERVICES		MANAGEMENT AND GENERAL		FUNDRAISING	
	2012	2011	2012	2011	2012	2011	2012	2011
Salaries	$ 3,668,343	$ 3,903,774	$ 3,374,535	$ 3,704,629	$ 293,629	$ 199,145	$ 179	$ -
Payroll Taxes	259,073	267,744	237,655	254,358	21,405	13,386	13	-
Employee Benefits	311,779	375,634	279,817	340,953	31,961	34,681	1	-
Worker's Compensation and Unemployment	108,020	125,285	103,652	123,585	4,366	1,700	2	-
Minor Equipment	28,796	7,948	27,984	7,244	812	704	-	-
Repair and Maintenance	89,246	86,141	81,764	79,701	7,482	6,440	-	-
Rental and Lease Expense	584,798	515,798	563,118	494,153	21,680	21,645	-	-
Contractual Services	206,796	126,339	154,885	111,247	51,911	15,092	-	-
Special Direct Assistance	72,450	122,750	72,450	122,750	-	-	-	-
Materials and Supplies	522,503	472,231	491,570	432,483	30,933	39,748	-	-
Recruitment and Retention	31,739	33,673	17,851	18,928	13,888	14,745	-	-
Advertising	695	9,534	-	2,727	695	6,807	-	-
Duplication	26,808	28,144	20,952	21,834	5,624	6,310	232	-
Telephone	84,976	76,887	68,298	59,676	16,602	17,211	76	-
Postage	6,596	4,899	4,353	2,816	2,243	2,083	-	-
Occupancy	67,758	75,930	60,840	66,049	6,918	9,881	-	-
Training and Transportation	233,351	225,404	218,955	216,696	14,330	8,708	66	-
Dues and Subscriptions	10,298	11,580	7,320	7,206	2,978	4,374	-	-
Insurance	44,730	69,225	42,979	59,839	1,751	9,386	-	-
Professional Fees	47,015	83,564	21,773	55,880	25,242	27,684	-	-
Interest Expense	15,770	17,697	15,770	17,697	-	-	-	-
Bad Debts	161,557	88,948	161,557	88,948	-	-	-	-
Depreciation	175,122	176,904	130,154	132,159	44,968	44,745	-	-
Fundraising--Youth	4,812	-	4,812	-	-	-	-	-
Miscellaneous	18,713	8,516	14,996	6,031	3,657	2,485	60	-
Allocated Program, Facility, Technology and Fundraising Costs	-	-	536,323	437,067	(536,323)	(437,067)	-	-
	$ 6,781,744	$ 6,914,549	$ 6,714,363	$ 6,864,656	$ 66,752	$ 49,893	$ 629	$ -

See Notes to Financial Statements.

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF CASH FLOWS
For Years Ended December 31,

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) in Net Assets	$ (341,188)	$ (6,538)
Adjustments to Reconcile (Decrease) in Net		
Assets to Net Cash Provided (Used) by Operating Activities--		
Depreciation	175,122	176,904
(Gain) Loss on Disposal of Assets	(13,279)	2,660
Realized and Unrealized (Gain) on Investments	(19,609)	(31,049)
(Increase) Decrease in Current Assets--		
Accounts Receivable	(260)	737
Unconditional Promise to Give--		
United Way Funding for Next Fiscal Year	(16,169)	(10,938)
Grants Receivable	(67,137)	(18,930)
Program Receivable	(26,356)	123,047
Prepaid Expenses	(28,951)	26,727
Increase (Decrease) in Current Liabilities--		
Accounts Payable	(26,649)	24,666
Refundable Advance	(23,389)	(5,544)
Accrued Expenses	26,738	(51,157)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(361,127)	230,585
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant and Equipment	-	(43,482)
Proceeds from Assets Restricted for CAPE Program	-	32,844
Proceeds from the Sale of Investments	107,972	7,967
Purchases of Investments	(100,887)	(44,261)
Proceeds from the Sale of Property, Plant and Equipment	14,500	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	21,585	(46,932)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Borrowings (Payments) on Line of Credit	164,802	(128,111)
Payments on Long-Term Debt	(38,752)	(33,394)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	126,050	(161,505)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(213,492)	22,148
CASH AND CASH EQUIVALENTS--Beginning of Year	331,424	309,276
CASH AND CASH EQUIVALENTS--End of Year	$ 117,932	$ 331,424
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year For--		
Interest	$ 15,864	$ 17,784

See Notes to Financial Statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Bauer Family Resources, Inc.'s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

A) **Nature of Operations--Bauer Family Resources, Inc (the Organization) was formed in 1929 and incorporated in 1957 as a not-for-profit corporation located in Lafayette, Indiana. The Organization serves the citizens of Tippecanoe County by providing programs, services, and resources that improve the quality of life of children, adults, and families. The Organization's primary sources of revenue and support are through government grants, program fees, and the United Way.**

B) **Use of Estimates--The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.**

C) **Cash and Cash Equivalents--For the purpose of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.**

D) **Accounts, Grants, and Program Receivables--Accounts receivable include reimbursements owed to the Organization. Grants receivable include various federal, state, and local claim amounts owed to the Organization for services provided to the public along with additional grants awarded to the Organization from other sources. Program receivables include program fees owed to the Organization. Management determines the allowance for doubtful accounts by identifying troubled accounts. Recoveries of receivables previously written off are recorded when received.**

E) **Contributions--In accordance with Accounting Standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor-imposed restriction.**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Unconditional Promises to Give--Contributions are recognized when the donor makes a promise to give to the Organization that is in substance unconditional.

G) Refundable Advances--At times, various granting agencies will advance grant funds to the Organization. Refundable advances represent funds received from granting agencies that have not yet been earned by the Organization. If the Organization never earns the advance, then the advance must be returned to the granting agency.

H) Advertising--Advertising costs are expensed as incurred. During 2012 and 2011, advertising costs totaled $695 and $9,534, respectively.

I) Property, Plant and Equipment--Property, plant and equipment are recorded at cost. If donated, the cost is the fair market value at the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line method. Maintenance, repairs, and minor renewals are charged to operations as incurred. Improvements and major renewals are capitalized. Upon the sale or disposition of properties, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale. Any resultant gain or loss is credited or charged to operations. The Organization's policy is to capitalize property, plant and equipment with a value of $2,500 or greater and a useful life greater than one year. Depreciation expense was $175,122 and $176,904 for the years ended December 31, 2012 and 2011, respectively.

The Organization owns a building and equipment purchased with Head Start funding. In the event the Organization decides to no longer use the building, they are required to notify Head Start for instructions regarding disposition. In the event the Organization decides to no longer use a piece of equipment valued at $5,000 or more, the Organization is required to notify Head Start of their intentions. The Organization may elect to purchase the equipment from Head Start and use the piece of equipment in other functions within the Organization. Head Start will determine the purchase price. If the Organization has no need for the equipment, Head Start will instruct the Organization within 120 days with disposition instructions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) Donated Goods and Services--The Organization records various types of in-kind support including property and equipment, office space, professional services, and materials. Property and equipment donated are capitalized on the basis explained above. Contributed professional services are recognized if the services either create or enhance long-lived assets, or require specialized skills and would typically need to be purchased if not provided by the donation. Contributions of supplies and materials are recognized at fair market value when received.

A substantial number of unpaid volunteers have made significant contributions of their time to operate the Organization. Except for the Head Start and Early Head Start Programs, the value of this contributed time is not reflected in these statements.

The Department of Health & Human Services has set forth specific guidelines to value the donated services, called “in-kind contributions,” which is reported in the Head Start and Early Head Start Programs.

In-kind contributions were as follows for the years ended December 31:

	2012	2011
Salaries and Fringe Benefits	$ 109,744	$ 168,448
Travel	4,821	1,740
Rent/Occupancy	427,831	360,541
Material and Supplies	63,380	139,259
Services	39,115	355
	$ 644,891	$ 670,343

K) Net Assets--In accordance with Accounting Standards, the net assets of the Organization are reported in each of the following three classes:

a) Unrestricted Net Assets--Net assets that are not subject to donor-imposed stipulations.

b) Temporarily Restricted Net Assets--Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K) Net Assets (Continued)--

c) Permanently Restricted Net Assets--Net assets subject to donor-imposed restrictions stipulate that the assets be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restrictions on gifts of fixed assets or contributions restricted for the purchase of fixed assets expire when the asset is placed in service, unless otherwise noted by the donor. This method of accounting is also followed when the restrictions on contributions are met in the same period that the contributions were received.

L) Income Taxes--The Organization is incorporated in the state of Indiana and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provisions of the State Code. The Organization is classified as a publicly supported organization rather than a private foundation under Section 509(a)(1). Contributions to the Organization are deductible for income tax purposes.

Accounting standards require entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including 2009 and later are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax exempt status and the existence and amount of unrelated business income. The Organization does not believe that it has any uncertain tax positions with respect to these or other matters, and therefore has not recorded any unrecognized tax benefits or liabilities. The Organization is not aware of any circumstances or events that make it reasonably possible that tax benefits or liabilities may increase or decrease within 12 months of the date of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M) Functional Allocation of Expenses--The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

N) Reclassification--Certain items from 2011 have been reclassified for current year presentation.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at December 31:

	2012	2011
Checking	$ 82,118	$ 308,345
Petty Cash	430	430
Cash Equivalents	35,384	22,649
	$ 117,932	$ 331,424

NOTE 3: CAPE PROGRAM

The total funding for the CAPE program was received and recorded in 2005 as temporarily restricted revenue. Historically, all CAPE expenses incurred since inception released this restriction. In 2012 and 2011, expenses of $81,413 and $112,706, respectively, were incurred as net asset releases with the CAPE Program.

As of December 31, 2011, $83,152 remained in temporarily restricted net assets to spend in future years. The CAPE program was discontinued effective June 2012. At that time remaining funds totaling $1,739 were returned to The Greater Lafayette Community Foundation.

NOTE 4: INVESTMENTS

Investments consist of the Dorothy W. McCaw Triangle Park Endowment Fund and the William J. McCaw Scholarship Endowment Fund.

The Dorothy W. McCaw Triangle Park Endowment Fund was created by the donor to benefit Triangle Park. All contributions to principal are permanently restricted. Income generated from the principal portion of the fund is classified as a temporarily restricted net asset.

Income may be used to provide for 1) the repair, maintenance and upkeep of the property known as Triangle Park, 2) the acquisition, construction and replacement of improvements at Triangle Park, 3) the operation of youth programs directly related to Triangle Park, 4) youth programs designed to promote good citizenship and community services, and 5) other programs sponsored by the Organization. The principal amount donated totaled $69,056.

The William J. McCaw Scholarship Endowment Fund was created by the donor to provide scholarships. All contributions to principal are permanently restricted. Income generated from the principal portion of the fund is classified as a temporarily restricted net asset. The fund was established to provide scholarship assistance for higher education at Ivy Tech and/or Purdue University for children in the area served by the Organization. The principal amount donated totaled $44,050.

In accordance with Accounting Standards, investments are carried at fair market value. Unrealized gains and losses are included in the change in net assets. Interest and dividends are accrued as earned. Investments of the Organization consisted of the following at December 31:

	2012		
	Fair Value	Cost	Unrealized Gain
Equities	$ 200,189	$ 50,863	$ 149,326
Fixed Income Securities	91,875	91,483	392
	$ 292,064	$ 142,346	$ 149,718

	2011		
	Fair Value	Cost	Unrealized Gain (Loss)
Equities	$ 231,732	$ 87,779	$ 143,953
Fixed Income Securities	47,809	48,000	(191)
	$ 279,541	$ 135,779	$ 143,762

NOTE 4: INVESTMENTS (Continued)

The following schedule summarizes the investment return in the statement of activities for the years ended December 31:

	2012	2011
Interest and Dividends	$ 23,254	$ 7,967
Investment Fees	(4,293)	(3,202)
Unrealized Gain on Investments	5,956	31,049
	$ 24,917	$ 35,814

NOTE 5: LINE OF CREDIT

The Organization has a line of credit with maximum borrowings available of $400,000 as of December 31, 2012 and 2011. The line of credit functions as a sweep account in conjunction with the general fund. Interest is due monthly at the variable prime rate of 4.75% for both years ending December 31, 2012 and 2011. The line of credit was renewed during August 2011 and matures August 2014. However, lender may call the line of credit on demand. Borrowings on this line of credit are collateralized by real estate. At December 31, 2012 and 2011, the balance on the line of credit was $164,802 and $-0-, respectively.

NOTE 6: ACCRUED VACATION

Employees of the Organization are entitled to paid vacation depending on length of service and other factors. The value of accumulated vacation leave is estimated at $66,013 and $66,717 as of December 31, 2012 and 2011, respectively, and has been accrued.

NOTE 7: PENSION PLAN

The Organization has a defined contribution pension plan for its employees. The Organization matches up to 1% of an employee’s gross salary per year. Pension plan expense charged to operations for 2012 and 2011 was $10,653 and $12,512, respectively.

NOTE 8: LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	2012	2011
Mortgage--		
Secured by real estate, original monthly payments of $4,890 including original interest at 7.25%. Effective September 2009, the agreement was re-valued with monthly payments of $4,309 including interest at 4.02%. Effective September 2012, the agreement was revalued with monthly payments of $3,129 including interest at 2.84%. Estimated balloon payment of $322,652 due September 2013. The Organization has accrued an additional principal payment of $-0- and $80,664 which is included in accounts payable at December 31, 2012 and 2011, respectively.	$ 340,972	$ 375,731
Land Contract Payable--		
Secured by land. Semi-annual installments of $2,679 including interest at 8.00% beginning March 2006 through September 2015.	14,041	18,034
	355,013	393,765
Less Current Maturities	345,290	37,931
	$ 9,723	$ 355,834

Aggregate maturities of long-term debt for the years following December 31, 2012 are as follows:

2013	$ 345,290
2014	4,671
2015	5,052
2016	-
	$ 355,013

NOTE 9: LEASES AND RELATED PARTY TRANSACTIONS

The Organization leases land, office and program space. Lease agreements expire from June 2012 through January 2018 and call for monthly variable payments ranging from $1,188 to $5,670 during the lease periods.

NOTE 9: LEASES AND RELATED PARTY TRANSACTIONS (Continued)

Lease payments (other than in-kind) for the years ended December 31, 2012 and 2011 totaled $158,350 and $157,063, respectively, which included $-0- and $75,938 to a company owned by a board member, respectively.

The minimum lease payments under these operating leases for the years following December 31, 2012 are as follows:

2013	$ 119,587
2014	94,577
2015	45,271
2016	1
2017	1
Thereafter	1
	$ 259,438

NOTE 10: CONCENTRATION OF CREDIT RISK

At certain times during the year, the Organization maintained cash deposits with its bank which exceeded the limit insured by the Federal Deposit Insurance Corporation (FDIC). The amount of cash over the FDIC limit at year-end was $-0- in both years ending December 31, 2012 and 2011.

NOTE 11: COMMITMENTS

Lawsuits arising in the normal conduct of business are pending. In the opinion of management, the ultimate disposition of these matters will not have a significant impact on the financial position of the Organization.

NOTE 12: ECONOMIC DEPENDENCY AND MAJOR SOURCES OF REVENUE AND SUPPORT

During 2012 and 2011, the Organization received 43% and 41%, respectively, of its total revenue from the Head Start/Early Head Start programs in each year. During 2012 and 2011, the Organization received 24% and 27% respectively, of its total revenue from contracts with a local agency.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 13: HEAD START AND EARLY HEAD START GRANTS

While the Head Start and Early Head Start Grant is awarded as one grant, the Organization internally maintains separate accounting for the Head Start and Early Head Start programs.

At the end of each grant year, if remaining grant funds are unexpended, the Organization has ninety days to expend and draw down the funds.

As of December 31, the Organization had the following unexpended grant funds:

2012

Grant	Grant Year	Total Grant Award	Grant Funds Expended	Unexpended Grant Funds
Head Start	1/1/12-6/30/13	$ 2,759,308	$ 1,661,835	$ 1,097,473
Early Head Start	1/1/12-6/30/13	1,590,589	1,088,505	502,084
		$ 4,349,897	$ 2,750,340	$ 1,599,557

2011

Grant	Grant Year	Total Grant Award	Grant Funds Expended	Unexpended Grant Funds
Head Start	1/1/11-12/31/11	$ 1,790,573	$ 1,715,644	$ 74,929
Early Head Start	1/1/11-12/31/11	842,599	763,801	78,798
Early Head Start Expansion--ARRA*	9/30/10-9/29/11	415,800	320,815	94,985
		$ 3,048,972	$ 2,800,260	$ 248,712

* Grant funds expended in 2010. No remaining balance at December 31, 2011

NOTE 14: PROGRAM SERVICE EXPENSES

The Organization's major programs provide programs, services, and resources that improve the quality of life of children, adults, and families. Program service expenses consisted of the following at December 31:

	2012	2011
Emergency Services	$ 623	2,852
VOCA	48,884	47,928
Youth Development	364,639	331,829
Counseling Center	968,395	979,875
Fatherhood	-	40,779
Food Program	216,354	166,294
Head Start	2,391,142	2,347,762
Early Head Start	1,348,080	970,398
Early Head Start Expansion	-	453,322
Family Centered Services	965,310	1,054,088
Community Partners	350,381	302,501
Early Care & Transaction	60,494	165,658
Events	61	1,370
	$ 6,714,363	$ 6,864,656

NOTE 15: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31:

	2012	2011
Purpose Restrictions--		
Book Cycle	6,267	3,393
CAPE Grant	-	83,152
Head Start/ Early Head Start	15,469	5,343
McCaw Endowments	214,342	189,084
Youth Programs	3,191	-
Book Fund	4,810	7,246
Kidnect	15,000	-
Other Miscellaneous Items	374	1,028
Time Restriction--		
United Way Funding for Next Fiscal Year	339,633	323,464
	$ 599,086	$ 612,710

Restricted net assets included in cash and cash equivalents, certificates of deposit, and investments are temporary restrictions of $259,453 and $289,246 as of December 31, 2012 and 2011, respectively.

NOTE 16: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the Dorothy W. McCaw Triangle Park Endowment Fund and the William J. McCaw Scholarship Endowment Fund. As stated in Note 4, gifts of $113,106 were received by the Organization to create these endowment funds and are held in investment accounts. As per the gift instruments, all gifts are permanently restricted. Income earned from the permanently restricted gifts is restricted for Triangle Park and scholarships, unless pre-approved by the trustee.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 17: GRANTS BY FUNDING STREAM

Revenues received by funding stream as of December 31 are as follows:

2012

Funding	Funding Source	Total
Youth Service Bureau	IFSSA	$ 28,420
Teen Court	IFSSA	6,721
Community Partners	IFSSA	388,372
CACFP/SFSPC	Dept. of Agriculture	190,330
Head Start	Dept. of Health & Human Services	1,661,835
Early Head Start	Dept. of Health & Human Services	1,088,505
VOCA	Indiana Criminal Justice Institute	35,795
IYI	Indiana Youth Institute	1,089
Coalition	Drug Free Coalition	1,490
Miscellaneous Grants	Various Local Organizations	31,056
		$ 3,433,613

2011

Funding	Funding Source	Total
Youth Service Bureau	IFSSA	$ 38,893
Teen Court	IFSSA	6,816
CACFP/SFSPC	Dept. of Agriculture	189,584
Head Start	Dept. of Health & Human Services	2,422,534
Early Head Start - ARRA	Dept. of Health & Human Services	377,756
Community Partners	Wabash Valley Hospital	380,211
VOCA	Indiana Criminal Justice Institute	33,606
IYI	Indiana Youth Institute	1,309
Fatherhood	Casey Foundation	38,134
Miscellaneous Grants	Various Local Organizations	56,279
		$ 3,545,122

In both 2012 and 2011, approximately 46% of the total revenue was received directly from federal agencies.

NOTE 18: FAIR VALUE MEASUREMENTS

The Organization follows Accounting Standards which provides a framework for measuring fair value. Accounting standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting standards require that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. Accounting standards also establish a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

A) Market approach--Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades, or other sources.

B) Cost approach--Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and

C) Income approach--Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (including present value techniques, and option pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Assets were measured at fair value during the years ended December 31, 2012 and 2011. The market approach was used for Level 1.

NOTE 18: FAIR VALUE MEASUREMENTS (Continued)

Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets using level 3 inputs were primarily valued using managements assumptions about the assumptions market participants would utilize in pricing the asset. Valuation techniques utilized to determine fair value are consistently applied.

Fair values of assets measured at December 31, 2012 and 2011 are as follows:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
December 31, 2012--				
Financial Assets--				
Investments--Equities				
Corporate Stock	$ 200,189	$ 200,189	$ -	$ -
Investments--Fixed Income Securities				
Intermediate Term Bond	13,659	13,659	-	-
Conservation Allocation	78,216	78,216	-	-
Total Investments-- Fixed Income Securities	91,875	91,875	-	-
Total Investments	292,064	292,064	-	-
Total Financial Assets	$ 292,064	$ 292,064	$ -	$ -

NOTE 18: FAIR VALUE MEASUREMENTS (Continued)

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
December 31, 2011--				
Financial Assets--				
Investments--Equities				
Corporate Stock	$ 215,373	$ 215,373	$ -	$ -
Mid-Cap Value	1,107	1,107	-	-
Mid-Cap Growth	1,069	1,069	-	-
Mid-Cap Blend	1,151	1,151	-	-
Foreign Large Value	931	931	-	-
Foreign Large Blend	1,857	1,857	-	-
Large Growth	1,824	1,824	-	-
Large Value	3,844	3,844	-	-
Large Blend	1,878	1,878	-	-
Real Estate	1,057	1,057	-	-
Small Blend	1,641	1,641	-	-
Total Investments--Equities	231,732	231,732	-	-
Investments--Fixed Income Securities				
Intermediate Term Bond	20,811	20,811	-	-
Inflation-Protected Bond	5,492	5,492	-	-
Short-Term Bond	21,506	21,506	-	-
Total Investments-- Fixed Income Securities	47,809	47,809	-	-
Total Investments	279,541	279,541	-	-
Total Financial Assets	$ 279,541	$ 279,541	$ -	$ -

NOTE 19: ENDOWMENT

The Organization's endowment includes donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

NOTE 19: ENDOWMENT (Continued)

For the years ended December 31, 2012 and 2011, the Organization had the following endowment related activities:

	Endowment Funds	
December 31, 2012	Temporarily Restricted	Permanently Restricted
Endowment Net Assets, Beginning of Year	$ 189,084	$ 113,106
Investment Return--		
Investment Income	9,603	-
Realized and Unrealized Gain	19,607	-
Total Investment Return	29,210	-
Contributions	341	-
Release of Temporary Restriction --		
Investment Fees	(4,293)	-
Total Release of Restriction	(4,293)	-
Endowment Net Assets, End of Year	$ 214,342	$ 113,106

	Endowment Funds	
December 31, 2011	Temporarily Restricted	Permanently Restricted
Endowment Net Assets, Beginning of Year	$ 153,270	$ 113,106
Investment Return--		
Investment Income	7,967	-
Realized and Unrealized Gain	31,049	-
Total Investment Return	39,016	-
Release of Temporary Restriction --		
Investment Fees	(3,202)	-
Total Release of Restriction	(3,202)	-
Endowment Net Assets, End of Year	$ 189,084	$ 113,106

NOTE 19: ENDOWMENT (Continued)

There were no funds with deficiencies as of December 31, 2012 and 2011.

Return Objectives and Risk Parameters

The terms of the Organization's endowment specify that the Organization is to rely on financial advisors to manage the funds. Return objectives and risk parameters are also left to the discretion of these financial advisors. The selection of financial advisors is left to the discretion of the Organization.

Strategies Employed for Achieving Objectives

The Organization relies on financial advisors to also manage and provide return strategies to realize funds needed for the general benefit and welfare of the residents of that part of the City of Lafayette, Indiana which is served by the Bauer Community Center.

Spending Policy and How the Investment Objectives Relate to Spending Policy

On an as needed basis, a consulting board meets to discuss the requirements of the residents served by the Bauer Community Center. This consulting board makes recommendations to the Board of Directors regarding expenditures from the temporarily restricted portions of endowment funds.

NOTE 20: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 27, 2013, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

BAUER FAMILY RESOURCES, INC.

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

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
MAJOR PROGRAMS			
U.S. Department of Health & Human Services--			
Head Start/Early Head Start	93.600	05CH4334/44	$ 2,750,339
Total U.S. Department of Health & Human Services			2,750,339
U.S. Department of Justice			
Passed Through the State of Indiana			
Indiana Criminal Justice Institute			
VOCA	16.575	11VANP110	26,108
VOCA	16.575	12VA7909	9,687
Total U.S. Department of Justice			35,795
U.S. Department of Agriculture			
Passed Through the State of Indiana			
Division of School and Community			
Nutrition Program--			
Child Care Food Program	10.558	79-0154	184,845
Child Care Food Program--Summer	10.559	7904	5,484
Total U.S. Department of Agriculture			190,329
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,976,463

CFDA: Catalog of Federal Domestic Assistance
NA: Not Available

See Accompanying Note to Schedule of Expenditures of Federal Awards.

BAUER FAMILY RESOURCES, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2012

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bauer Family Resources, Inc. under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*." Because the schedule presents only a selected portion of the operations of Bauer Family Resources, Inc. it is not intended to and does not present the financial position, changes in net assets or cash flows of Bauer Family Resource, Inc.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Bauer Family Resources, Inc.
Lafayette, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bauer Family Resources, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report there dated June 27, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 this is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*--CONTINUED

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bauer Family Resources, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain matters that we reported to management of Bauer Family Resources, Inc. in a separate letter dated June 27, 2013.

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 Organization's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Huth Thompson LLP

June 27, 2013
Lafayette, Indiana

Huth THOMPSON LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Bauer Family Resources, Inc.
Lafayette, Indiana

Report on Compliance for Each Major Federal Program

We have audited Bauer Family Resources, Inc.'s compliance with the types of compliance requirements described in the OMB *Circular A-133, Compliance Supplement* that could have a direct and material effect on each of Bauer Family Resources, Inc.'s major federal programs for the year ended December 31, 2012. Bauer Family Resources, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bauer Family Resources, Inc.'s, major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bauer Family Resources, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Bauer Family Resources, Inc.'s compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133--CONTINUED

Opinion on Each Major Federal Program

In our opinion, Bauer Family Resources, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Bauer Family Resources, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bauer Family Resources, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bauer Family Resources, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133--CONTINUED

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

Huth Thompson LLP

June 27, 2013
Lafayette, Indiana

BAUER FAMILY RESOURCES, INC.

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

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	**__Yes _X_ No**
Significant deficiency(ies) identified?	**__Yes _X_ None reported**
Noncompliance material to financial statements noted?	**__Yes _X_ No**

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	**__Yes _X_ No**
Significant deficiency(ies) identified?	**__Yes _X_ None reported**

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	**__Yes _X_ No**

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start and Early Head Start Program

Dollar threshold used to distinguish between type A and type B programs	**$ 300,000**
Auditee qualified as low-risk auditee?	**__Yes _X_ No**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For Year Ended December 31, 2012

II. FINANCIAL STATEMENT FINDINGS

None reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Department of Health & Human Services--CFDA No. 93.600; Grant No. O5CH4334/44; Grant period--1/1/12-6/30/13:

None Reported.

BAUER FAMILY RESOURCES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For Year Ended December 31, 2012

FINDINGS AND QUESTIONED COSTS FOR FINANCIAL STATEMENT FINDINGS AND FEDERAL AWARDS

Department of Health & Human Services--CFDA No. 93.709; Grant No. O5SA4334/02; Grant period--9/30/10-9/29/11:

Department of Health & Human Services--CFDA No. 93.600; Grant No. O5CH4334/43; Grant period--1/1/11-12/31/11:

11-01 ADMINISTRATIVE EXPENSES EXCEED 15%

Condition and Criteria: **The Organization incurred administrative expenses to manage the program in excess of the 15% of the actual expenses. This condition affects the internal control structure at the compliance level as it relates to controls over earmarking.**

Context: **The amount of funds in excess of 15% of actual expenses total $7,379 for the program ending September 29, 2011 and $17,511 for the program ending December 31, 2011. Due to the inherent lack of controls to adequately monitor the appropriate level of administrative amounts, a qualified compliance report is issued. In addition, this lack of internal controls is deemed a significant deficiency. The internal control process identified the noncompliance with earmarking requirements, but failed to correct or address the noncompliance timely.**

Cause: **Significant turnover in direct program staffing has required increased participation by the CEO and Business Office staff. In addition, a lack of internal controls to detect and effectively manage administrative costs charged to the program is contributing to this overage.**

Effect: **Because the Organization incurred administrative expenses in excess of allowed amounts (15% of actual expenses), the program may be overdrawn for the total stated amount above of $24,890.**

Auditor's Recommendation: **We recommend the Organization train new staff to ensure minimal administrative time is required. We also recommend timely monitoring to insure proper management of administrative costs as they are charged to the program.**

Current Status: **In 2012, proper controls over recording and monitoring administrative expenses charged to the Head Start/Early Head Start grant were implemented. As of December 31, 2012, the Organization does not exceed 15% in administrative expenses compliance requirement associated with this federal award.**