Financial Statements

BAUER FAMILY RESOURCES, INC.

DECEMBER 31, 2022 AND 2021

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 Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bauer Family Resources, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bauer Family Resources, Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit 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 Financial Statements section of our report. We are required to be independent of Bauer Family Resource, Inc. 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 audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 a material misstatement resulting from fraud is higher than 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 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 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 financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design and audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bauer Family Resources, 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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bauer Family Resources, 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 financial statements as a whole. 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 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 audits 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.

INDEPENDENT AUDITOR'S REPORT--CONTINUED

In our opinion, the schedule of expenditures of federal awards 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 September 28, 2023 on our consideration of Bauer Family Resources, Inc.'s internal control over financial reporting and on our tests of its 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 Bauer Family Resources, 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 Bauer Family Resources, Inc.'s internal control over financial reporting and compliance.

Huth Thompson LLP

September 28, 2023
Lafayette, Indiana

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF FINANCIAL POSITION
As of December 31,

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents, Including Interest Bearing Accounts of $19,296 and $14,903 in 2022 and 2021, Respectively	$ 95,723	$ 229,424
Employee Receivable	22,955	-
Unconditional Promises to Give-- United Way Funding for Next Fiscal Year	360,500	363,000
Grants Receivable, Less Allowance for Doubtful Accounts of $-0- in both 2022 and 2021	446,538	705,881
Program Receivables, Less Allowance for Doubtful Accounts of $184 and $3,676 in 2022 and 2021, Respectively	87,885	194,853
Prepaid Expenses	116,362	64,519
Investments--With Donor Restrictions	576,411	667,588
TOTAL CURRENT ASSETS	1,706,374	2,225,265
PROPERTY, PLANT AND EQUIPMENT		
Building and Leasehold Improvements	4,354,859	3,943,240
Land Improvements	233,752	233,752
Construction in Progress	-	51,542
Equipment, Furniture and Fixtures	625,862	398,376
Vehicles	194,560	33,560
	5,409,033	4,660,470
Accumulated Depreciation	(3,051,496)	(2,904,344)
	2,357,537	1,756,126
Land	178,170	178,170
	2,535,707	1,934,296
OTHER ASSETS		
Right of Use Assets, Operating--Net of Depreciation	792,000	-
Right of Use Assets, Finance--Net of Depreciation	38,807	-
Investments--With Donor Restrictions	113,106	113,106
	943,913	113,106
	$ 5,185,994	$ 4,272,667

See Notes to Financial Statements.

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 130,442	$ 15,375
Line of Credit	207,984	317,615
Accounts Payable	248,899	230,656
Accrued Expenses--		
Interest	787	1,215
Salaries, Vacation and Payroll Taxes	199,358	129,730
Current Portion of Operating Lease Liabilities	286,915	-
Current Portion of Finance Lease Liabilities	13,965	-
TOTAL CURRENT LIABILITIES	1,088,350	694,591
Operating Lease Liabilities, Less Current Portion	505,085	-
Finance Lease Liabilities, Less Current Portion	25,051	-
Long-Term Debt, Less Current Maturities	39,849	194,132
	569,985	194,132
TOTAL LIABILITIES	1,658,335	888,723
NET ASSETS		
Without Donor Restrictions	2,416,355	2,089,664
With Donor Restrictions	1,111,304	1,294,280
	3,527,659	3,383,944
	$ 5,185,994	$ 4,272,667

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF ACTIVITIES
For Years Ended December 31,

	2022 TOTAL	2022 WITHOUT DONOR RESTRICTIONS	2022 WITH DONOR RESTRICTIONS	2021 TOTAL	2021 WITHOUT DONOR RESTRICTIONS	2021 WITH DONOR RESTRICTIONS
SUPPORT AND REVENUE						
Public Support						
United Way Grants and Allocations	$ 360,500	$ -	$ 360,500	$ 363,000	$ -	$ 363,000
Contributions of Cash and Other Financial Assets	106,467	78,097	28,370	178,703	69,607	109,096
	466,967	78,097	388,870	541,703	69,607	472,096
Program Services						
Grants	6,183,122	6,183,122	-	6,132,060	6,132,060	-
Contributions of Nonfinancial Assets	902,526	902,526	-	635,426	635,426	-
Program Fees	415,384	415,384	-	533,970	533,970	-
Miscellaneous	58,202	58,202	-	14,753	14,753	-
	7,559,234	7,559,234	-	7,316,209	7,316,209	-
Other Income						
Realized Gain on Investments	7,526	-	7,526	75,698	-	75,698
Investment and Interest Income	18,443	-	18,443	21,308	121	21,187
	25,969	-	25,969	97,006	121	96,885
NET ASSETS RELEASED FROM RESTRICTIONS	-	505,957	(505,957)	-	609,411	(609,411)
TOTAL SUPPORT AND REVENUE	8,052,170	8,143,288	(91,118)	7,954,918	7,995,348	(40,430)
EXPENSES						
Program Services	7,629,186	7,629,186	-	7,730,358	7,730,358	-
Management and General	157,140	157,140	-	17,030	17,030	-
Fundraising	30,271	30,271	-	23,952	23,952	-
TOTAL EXPENSES	7,816,597	7,816,597	-	7,771,340	7,771,340	-
INCREASE (DECREASE) IN NET ASSETS BEFORE UNREALIZED GAIN (LOSS) AND (LOSS) ON DISPOSAL	235,573	326,691	(91,118)	183,578	224,008	(40,430)
(LOSS) ON DISPOSAL OF ASSETS	-	-	-	(10,000)	(10,000)	-
UNREALIZED GAIN (LOSS) ON INVESTMENTS	(91,858)	-	(91,858)	6,071	-	6,071
INCREASE (DECREASE) IN NET ASSETS	143,715	326,691	(182,976)	179,649	214,008	(34,359)
NET ASSETS--Beginning of Year	3,383,944	2,089,664	1,294,280	3,204,295	1,875,656	1,328,639
NET ASSETS--End of Year	$ 3,527,659	$ 2,416,355	$ 1,111,304	$ 3,383,944	$ 2,089,664	$ 1,294,280

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Salaries	$ 4,025,368	$ 4,001,614	$ 3,394,245	$ 3,425,637	$ 614,583	$ 566,579	$ 16,540	$ 9,398
Payroll Taxes	298,648	227,262	251,159	184,146	46,238	42,408	1,251	708
Employee Benefits	438,204	412,967	384,737	368,910	52,612	43,497	855	560
Worker's Compensation and Unemployment	71,532	76,444	64,286	74,940	7,036	1,479	210	25
Minor Equipment	33,745	73,290	29,427	69,855	4,318	3,435	-	-
Repair and Maintenance	130,343	202,264	128,424	195,108	1,919	7,156	-	-
Rental and Lease Expense	641,929	548,935	641,859	548,896	70	39	-	-
Contractual Services	598,162	497,506	552,912	445,069	45,250	52,437	-	-
Special Direct Assistance	70,760	144,385	70,674	144,385	86	-	-	-
Materials and Supplies	492,723	676,209	486,016	661,866	6,168	6,918	539	7,425
Recruitment and Retention	61,985	69,438	48,965	60,197	12,912	8,591	108	650
Advertising	4,822	23,369	4,014	22,817	-	54	808	498
Duplication	36,450	47,705	28,008	37,482	8,174	10,012	268	211
Telephone	124,809	106,601	114,319	97,163	10,402	9,377	88	61
Postage	2,739	2,300	334	66	2,030	2,234	375	-
Occupancy	106,983	86,400	101,881	82,932	5,064	3,451	38	17
Training and Transportation	192,101	191,654	157,949	183,040	34,093	8,614	59	-
Dues and Subscriptions	59,810	57,271	45,868	49,952	11,799	5,560	2,143	1,759
Insurance	76,768	73,648	71,084	69,262	5,481	4,381	203	5
Professional Fees	159,507	102,514	50,415	23,612	106,544	78,902	2,548	-
Interest Expense	19,905	17,935	19,905	17,935	-	-	-	-
Bad Debts	17	5,000	17	5,000	-	-	-	-
Depreciation	160,930	120,731	129,640	103,720	31,290	17,011	-	-
Miscellaneous	8,357	5,898	8,260	5,589	27	38	70	271
Allocated Program, Facility and Technology	-	-	844,788	852,779	(848,956)	(855,143)	4,168	2,364
	$ 7,816,597	$ 7,771,340	$ 7,629,186	$ 7,730,358	$ 157,140	$ 17,030	$ 30,271	$ 23,952

See Notes to Financial Statements.

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF CASH FLOWS
For Years Ended December 31,

		2022		2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Increase in Net Assets	$	143,715	$	179,649
Adjustments to Reconcile Increase in Net				
Assets to Net Cash Provided (Used) by Operating Activities--				
Depreciation		147,264		120,731
Amortization of ROU Finance Assets		13,777		-
Loss on Disposal of Assets		-		10,000
Noncash Contributions of Property, Plant, and Equipment		(330,566)		-
Realized and Unrealized (Gain) Loss on Investments		84,332		(81,769)
Contributions Restricted for Long-Term Purposes		-		-
(Increase) Decrease in Current Assets--				
Employee Receivable		(22,955)		-
Unconditional Promise to Give--				
United Way Funding for Next Fiscal Year		2,500		-
Grants Receivable		259,343		(149,819)
Program Receivable		106,968		(26,226)
Prepaid Expenses		(51,843)		14,179
Increase (Decrease) in Current Liabilities--				
Bank Overdraft		-		(11,776)
Accounts Payable		18,243		(129,345)
Refundable Advance		-		(10)
Accrued Expenses		69,200		(43,826)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		439,978		(118,212)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of Property, Plant and Equipment		(418,109)		(113,739)
Proceeds from the Sale of Investments		110,279		504,780
Purchases of Investments		(103,434)		(539,385)
NET CASH (USED) BY INVESTING ACTIVITIES		(411,264)		(148,344)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Borrowings (Payments) on Line of Credit		(109,630)		152,964
Payments on Long-Term Debt		(39,217)		(14,941)
Payments on Finance Lease Liabilities		(13,568)		-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		(162,415)		138,023
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(133,701)		(128,533)
CASH AND CASH EQUIVALENTS--Beginning of Year		229,424		357,957
CASH AND CASH EQUIVALENTS--End of Year	$	95,723	$	229,424
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Cash Paid During the Year For--				
Interest	$	20,333	$	17,434
NON-CASH INVESTING AND FINANCING ACTIVITIES				
Assets Acquired through Operating Leases		901,906		-
Assets Acquired through Finance Leases		52,584		-

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) Revenue and Revenue Recognition--The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Revenue and Revenue Recognition (Continued)--A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advance in the statements of financial position.

F) Advertising--Advertising costs are expensed as incurred. During 2022 and 2021, advertising costs totaled $4,823 and $23,369, respectively.

G) 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 $5,000 or greater and a useful life greater than one year. Depreciation expense was $160,929 and $120,731 for the years ended December 31, 2022 and 2021, 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)

H) Contributed Nonfinancial Assets--The Organization records various types of contributed nonfinancial assets 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.

Unrestricted contributions of nonfinancial assets were as follows for the years ended December 31:

	2022	2021
Salaries and Fringe Benefits	$ 48,407	$ 42,916
Travel	5,387	1,827
Rent/Occupancy	495,103	475,804
Material and Supplies	2,380	95,733
Services	20,683	19,146
Capital Additions	330,566	-
	$ 902,526	$ 635,426

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. This includes the value of contributed time from unpaid volunteers. Except for the Head Start and Early Head Start Programs, the value of this contributed time is not reflected in these statements.

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

a) *Net Assets Without Donor Restrictions*--Net assets that are not subject to donor-imposed stipulations.

b) *Net Assets With Donor Restrictions*--Net assets subject to donor-imposed stipulations that the assets may or will be met, either by actions of the Organization and/or the passage of time; and those that will be maintained in perpetuity. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) Net Assets (Continued)--All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without restrictions 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.

J) 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 2019 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)

K) 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.

L) Accounting Pronouncement--Effective January 1, 2022, the Organization adopted FASB 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization has elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use assets and lease liabilities of $219,146 as of January 1, 2022. Results for periods beginning prior to January 1, 2022 continue to be reported in accordance with our historical accounting treatment. The adoption of FASB 842 did not have a material impact on the Organization’s statement of activities or cash flows.

NOTE 2: CASH AND CASH EQUIVALENTS

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

	2022	2021
Checking	$ 76,327	$ 214,421
Petty Cash	100	100
Cash Equivalents	19,296	14,903
	$ 95,723	$ 229,424

NOTE 3: LIQUIDITY AND AVAILABILTY

The following table reflects Bauer Family Resources' financial assets as of December 31, reduced by amounts not available for general expenditure within one year. Financial assets are considered to be unavailable when illiquid or not convertible to cash within one year, state-required annuity reserves, trust assets, assets held for others, perpetual endowments and accumulated earnings net appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

	2022	2021
Financial assets at year end--		
Cash and Cash Equivalents	$ 95,723	$ 229,424
Unconditional Promise to Give	360,500	363,000
Grants Receivable	446,538	705,881
Program Receivable	87,885	194,853
Employee Receivable	22,955	-
Investments	689,517	780,694
	1,703,118	2,273,852
Less amounts not available to be used within one year--	637,698	795,597
Financial assets available to meet cash needs for general expenditures within one year	$ 1,065,420	$ 1,478,255

Bauer Family Resources has a policy to structure its financials assets to be available as its general expenditures, liabilities, and other obligations come due. Bauer Family Resources has secured a $400,000 line of credit, which it could draw upon in the event of an anticipated liquidity need.

NOTE 4: INVESTMENTS

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

NOTE 4: INVESTMENTS (Continued)

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

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 restricted. Income generated from the principal portion of the fund is classified as net assets with donor restrictions. 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:

	2022		
	Fair Value	Cost	Unrealized Gain
Equities	$ 369,483	$ 325,378	$ 44,105
Fixed Income Securities	320,034	343,102	(23,068)
	$ 689,517	$ 668,480	$ 21,037

	2021		
	Fair Value	Cost	Unrealized Gain
Equities	$ 424,863	$ 323,475	$ 101,388
Fixed Income Securities	355,831	344,324	11,507
	$ 780,694	$ 667,799	$ 112,895

NOTE 4: INVESTMENTS (Continued)

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

	2022	2021
Interest and Dividends	$ 18,443	$ 21,367
Investment Fees	(7,305)	(6,984)
Realized Gain on Investments	7,526	75,698
Unrealized Gain on Investments	(91,858)	6,071
	$ (73,194)	$ 96,152

NOTE 5: LINE OF CREDIT

The Organization has a line of credit with maximum borrowings available of $400,000 for both years ended December 31, 2022 and 2021. The line of credit functions as a sweep account in conjunction with the general fund and is due immediately upon the lender's demand. The line of credit matures in February 2025. Interest is due monthly at a variable rate of 0.40% above prime rate, which was 7.90% and 3.35% for the years ended December 31, 2022 and 2021, respectively. Borrowings on this line of credit are collateralized by real estate. At December 31, 2022 and 2021, the balance on the line of credit was $207,984 and $317,615, 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 $21,580 and $20,318 as of December 31, 2022 and 2021, 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 2022 and 2021 was $43,114 and $25,440, respectively.

NOTE 8: LONG-TERM DEBT

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

	2022	2021
Mortgage-- Secured by real estate, monthly payments of $3,507, including interest at 5.40%. Effective September 2018, the loan was refinanced with monthly payments of $1,712, including interest at 5.20%. Due September 2023.	$ 126,862	$ 140,325
Mortgage-- Secured by real estate, regular monthly payments of $537 including interest at 6.00%. Due February 2029.	43,429	69,182
	170,291	209,507
Less Current Maturities	130,442	15,375
	$ 39,849	$ 194,132

Aggregate maturities of long-term debt for the years following December 31, 2022 are as follows:

2023	$ 130,442
2024	4,126
2025	4,392
2026	4,667
2027	4,959
Thereafter	21,705
	$ 170,291

NOTE 9: LEASING ARRANGEMENTS

The Organization has operating leases for land, offices, and program space under ASC 842. The Organization also has certain vehicle and equipment finance leases under 842. The Organization recognizes certain leases with terms under 12 months in Rental and Lease expense on a straight line basis. The Organization has elected to use a risk free discount rate based on US Treasury Bills.

Operating leases have various monthly payments that range from $335 to $6,508. The weighted average lease term of operating leases is 2.74 years. The weighted average discount rate of operating leases is 2.88%.

NOTE 9: LEASING ARRANGEMENTS (Continued)

Finance leases have various monthly payments that range from $297 to $904. The weighted average lease term of finance leases is 2.90 years. The weighted average discount rate of finance leases is 1.35%.

The components of operating lease costs consist of the following for the year ended December 31, 2022:

Operating Leases, included in Rental Expense	$ 117,305
Short-term Leases, included in Rental Expense	29,521

The components of finance lease costs consist of the following for the year ended December 31, 2022:

Amortization of Assets, included in Depreciation	$ 13,777
Interest, included in Interest Expense	591

The maturities of future minimum payments of lease liabilities are as follows for periods ending December 31:

	Operating	Finance
2023	$ 304,580	$ 14,412
2024	297,710	14,412
2025	211,339	7,180
2026	10,096	3,564
Total Future Lease Payments	823,725	39,865
Less: Imputed Interest	(31,725)	(849)
	$ 792,000	$ 39,016

NOTE 10: 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:

2022

Grant	Grant Year	Total Grant Award	Grant Funds Expended	Unexpended Grant Funds
Head Start	1/1/22-12/31/22	$ 2,235,576	$ 1,879,727	$ 355,849
Head Start - WCC	1/1/22-12/31/22	1,373,580	1,311,225	62,355
Early Head Start	1/1/22-12/31/22	1,241,325	1,077,108	164,217
Head Start - American Rescue Plan	4/1/21-3/31/23	816,569	204,680	611,889
Head Start HOM	8/1/22-12/31/22	597,391	550,288	47,103
Early Head Start HOM	8/1/22-12/31/22	345,014	11,778	333,236
HOM Start Up	8/1/22-12/31/22	729,850	23,009	706,841
		$ 7,339,305	$ 5,057,815	$ 2,281,490

2021

Grant	Grant Year	Total Grant Award	Grant Funds Expended	Unexpended Grant Funds
Head Start	1/1/21-12/31/21	$ 2,265,652	$ 1,899,890	$ 365,762
Head Start - WCC	1/1/21-12/31/21	1,383,586	1,249,207	134,379
Early Head Start	1/1/21-12/31/21	1,208,163	1,057,651	150,512
Head Start - WCC Extension	1/1/20-5/30/21	50,000	50,000	-
Head Start - COVID	4/1/21-3/31/23	123,999	58,277	65,722
Head Start - American Rescue Plan	4/1/21-3/31/23	492,958	213,135	279,823
		$ 5,524,358	$ 4,528,160	$ 996,198

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 11: RESTRICTED NET ASSETS

Restricted net assets were available for the following purposes as of December 31:

	2022	2021
Purpose Restrictions--		
Family Center Services	$ 5,128	$ 3,094
Head Start/Early Head Start	23,640	41,500
McCaw Endowments	595,707	682,491
Youth Programs	3,806	25,415
After School Literacy	-	19,776
Book Fund	7,916	7,716
Fundraising	-	3,780
NCHS	-	22,902
Community Partners	856	10,856
Safe Sleep	569	569
Other Miscellaneous Items	76	75
Time Restriction--		
United Way Funding for Next Fiscal Year	360,500	363,000
	998,198	1,181,174
Net Assets Held in Perpetuity--		
Not Subject to Appropriation or Expenditure	113,106	113,106
	$ 1,111,304	$ 1,294,280

Included in cash and cash equivalents, unconditional promises to give, and investments are restricted net assets of $1,111,304 and $1,294,280 as of December 31, 2022 and 2021, respectively.

Net assets not subject to appropriation or expenditure 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 restricted. Income earned from the restricted gifts is restricted for Triangle Park and scholarships, unless pre-approved by the trustee.

NOTE 12: GRANTS BY FUNDING STREAM

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

2022

Funding	Funding Source	Total
Youth Service Bureau	Indiana Youth Services Association	$ 33,459
Community Partners	IFSSA	713,178
CACFP/SFSPC	Dept. of Agriculture	217,952
Head Start	Dept. of Health & Human Services	1,879,727
American Rescue Plan	Dept. of Health & Human Services	204,680
Head Start - WCC	Dept. of Health & Human Services	1,311,225
Early Head Start	Dept. of Health & Human Services	1,077,108
Head Start HOM	Dept. of Health & Human Services	550,288
Early Head Start HOM	Dept. of Health & Human Services	11,778
HOM Start Up	Dept. of Health & Human Services	23,009
21st Century	Indiana Department of Education	160,718
		$ 6,183,122

2021

Funding	Funding Source	Total
Youth Service Bureau	Indiana Youth Services Association	$ 49,573
Community Partners	IFSSA	1,095,785
CACFP/SFSPC	Dept. of Agriculture	197,372
Head Start	Dept. of Health & Human Services	1,899,890
Head Start Covid	Dept. of Health & Human Services	58,277
Head Start - WCC	Dept. of Health & Human Services	1,299,207
Early Head Start	Dept. of Health & Human Services	1,057,651
American Rescue Plan	Dept. of Health & Human Services	213,135
21st Century	Indiana Department of Education	261,170
		$ 6,132,060

In the years ended December 31, 2022 and 2021, respectively, approximately 71% and 63% of the total revenue was received directly from federal agencies. For the years 2022 and 2021, respectively, approximately 10% and 14% of total revenue was received directly from state agencies.

NOTE 13: 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 net assets with donor restrictions (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 is classified as net assets with donor restrictions 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 13: ENDOWMENT (Continued)

For the years ended December 31, 2022 and 2021, the Organization had the following endowment related activities:

December 31, 2022	Endowment Funds With Donor Restrictions
Endowment Net Assets, Beginning of Year	$ 795,597
Investment Return--	
Investment Income	18,443
Realized and Unrealized (Loss)	(84,332)
Total Investment Return	(65,889)
Release of Restriction --	
Withdrawals	(13,590)
Investment Fees	(7,305)
Total Release of Restriction	(20,895)
Endowment Net Assets, End of Year	$ 708,813

December 31, 2021	Endowment Funds With Donor Restrictions
Endowment Net Assets, Beginning of Year	$ 702,600
Investment Return--	
Investment Income	21,187
Realized and Unrealized Gain	81,769
Total Investment Return	102,956
Release of Restriction --	
Withdrawals	(2,975)
Investment Fees	(6,984)
Total Release of Restriction	(9,959)
Endowment Net Assets, End of Year	$ 795,597

NOTE 13: ENDOWMENT (Continued)

There were no funds with deficiencies as of December 31, 2022 and 2021.

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 14: FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 820, Fair Value Measurements and Disclosures, specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs--Unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access. Valuations of these instruments do not require a high degree of judgment since the valuations are based on quoted prices in active markets.

Level 2 Inputs--Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

Level 3 Inputs--Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

As of December 31, 2022 and 2021, the assets noted below are reported at fair value on a recurring basis. Carrying values of non-derivative financial instruments, including cash and cash equivalents, receivables, payables, etc. approximate their values due to the short-term nature of these financial instruments. There were no changes in methods or assumptions during the years ended December 31, 2022 and 2021.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 14: FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets at December 31, are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities Level 1
December 31, 2022--		
Financial Assets--		
Recurring--		
Investments--Equities		
Corporate Stock	$ 369,483	$ 369,483
Investments--Fixed Income Securities		
Mutual Funds	320,034	320,034
Total Financial Assets	$ 689,517	$ 689,517
December 31, 2021--		
Financial Assets--		
Recurring--		
Investments--Equities		
Corporate Stock	$ 424,863	$ 424,863
Investments--Fixed Income Securities		
Mutual Funds	355,831	355,831
Total Financial Assets	$ 780,694	$ 780,694

NOTE 15: 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:

	2022	2021
Youth Development	$ 265,779	$ 338,264
Homebuilders	-	51,636
Head Start	2,347,480	2,218,326
Head Start HOM	617,075	-
Early Head Start	1,114,274	1,183,502
Early Head Start HOM	12,369	-
HOM Start Up	18,194	-
Head Start - WCC	1,645,023	1,526,639
ECE - Covid	28,585	60,445
Family Centered Services	327,541	426,646
Family Preservation	120,460	145,976
Community Partners	720,885	985,518
Community Partners - ARF	42,788	118,445
We Bloom	17,271	16,484
21st Century	229,326	332,673
American Rescue Plan	18,102	227,542
Other Program Expenses	104,034	98,262
	$ 7,629,186	$ 7,730,358

NOTE 16: ECONOMIC DEPENDENCY AND MAJOR SOURCES OF REVENUE AND SUPPORT

During 2022 and 2021, the Organization received 66% and 57%, respectively, of its total revenue from the Head Start/Early Head Start programs. During 2022 and 2021, the Organization received 14% and 20%, respectively, of its total revenue from contracts with a state agency.

NOTE 17: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 28, 2023, 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, 2022

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 Grants by Type--			
Head Start	93.600	05CH010775-04	$ 1,879,727
Early Head Start	93.600	05CH010775-04	1,077,108
Head Start - WCC	93.600	05CH011904-02	1,311,225
Head Start American Rescue Plan	93.600	05HE000406-02	204,680
Head Start HOM	93.600	05CH012183-01	550,288
Early Head Start HOM	93.600	05CH012183-01	11,778
HOM Start Up	93.600	05CH012183-01	23,009
Total U.S. Department of Health & Human Services/Total Head Start			5,057,815
U.S. Department of Education			
Passed Through the Indiana Department of Education--			
21st Century Community Learning Centers	84.287	N/A	159,608
U.S. Department of Agriculture			
Passed Through the State of Indiana			
Division of School and Community			
Nutrition Program--			
Child and Adult Care Food Program	10.558	179-0154	211,182
Summer Food Service Program for Children	10.559	179-0154	6,771
Total U.S. Department of Agriculture			217,953
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 5,435,376

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

BAUER FAMILY RESOURCES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2022

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Bauer Family Resources, Inc. under programs of the federal government for the year December 31, 2022. The information in this Schedule is presented in accordance with the 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*)*. 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.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

B) Bauer Family Resources, Inc. has elected to not use the 10% de minimis indirect cost rate allowed under Uniform Guidance. The Department of Health and Human Services allowed a provisional 25.1% indirect cost rate for 2022.

C) Pass-through entity identifying numbers are presented where available.

NOTE C: PASSED THROUGH TO SUBRECIPIENTS

Bauer Family Resources, Inc. had no awards that were passed through to subrecipients.

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<u>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*</u>

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2023.

<u>Report on Internal Control Over Financial Reporting</u>

In planning and performing our audits of the financial statements, we considered Bauer Family Resource, Inc.'s 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bauer Family Resources, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bauer Family Resources, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

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

Report on 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 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*.

Bauer Family Resources, Inc.'s Response to Findings

***Government Auditing Standards* requires the auditor to perform limited procedures on Bauer Family Resources, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Bauer Family Resources, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.**

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

Huth Thompson LLP

September 28, 2023
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 THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bauer Family Resources, Inc.'s 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 each of Bauer Family Resources, Inc.'s major federal programs for the year ended December 31, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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 Bauer Family Resources, Inc. and to meet our other ethical responsibilities, in accordance with 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 Bauer Family Resources, Inc.'s compliance with the compliance requirements referred to above.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE--CONTINUED

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 requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Bauer Family Resources, Inc.'s 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 Bauer Family Resources, Inc.'s 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 Bauer Family Resources, Inc.'s 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 Bauer Family Resource, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.**

- **Obtain an understanding of Bauer Family Resources, Inc.'s 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 Bauer Family Resources, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.**

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE--CONTINUED

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.

Report on 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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.

Huth Thompson LLP

September 28, 2023
Lafayette, Indiana

BAUER FAMILY RESOURCES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For Year Ended December 31, 2022

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?	_X_ Yes __ 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 2 CFR section 200.516(a)?	___Yes _X_ No

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start Programs

Dollar threshold used to distinguish between type A and type B programs	$ 750,000
Auditee qualified as low-risk auditee?	_X_ Yes __ No

II. FINANCIAL STATEMENT FINDINGS

2022-001 PREPARATION OF FINANCIAL STATEMENTS

Criteria: **The Organization is required to issue financial statements in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP).**

Condition: **The Organization did not prepare financial statements that were free from material misstatements.**

Cause: **The Organization did not properly record investment income, net assets, or lease expense.**

Effect: **A material audit adjustment to the December 31, 2022 financial statements was necessary to comply with U.S. GAAP.**

Questioned Costs: **N/A**

Perspective Information: **This issue is not considered to be prevalent throughout the financial statements, as other material adjustments were not identified.**

Repeat Findings: **This is not a repeat finding.**

Recommendation: **The Organization should follow established controls to ensure proper recording of net assets as well as recognition of investment income and lease expense in accordance with U.S. GAAP.**

View of Responsible Officials and Planned Corrective Action: **Administration agrees that the agency should follow established controls to ensure proper recording of net asset, as well as recognition of investment income and lease expense in accordance with U.S. GAAP. Because of the full turnover of our accounting team, including all accountants and the Chief Financial Officer prior to the audit starting, we hired an outsourced accounting and business consulting firm to assist us in the transition. Our new Chief Financial Officer continues to work with leadership and the consulting firm to transition into this new role. We believe we have all procedures and policies in place to continue a successful transition.**

III. FINDINGS AND QUESTIONED COSTS FEDERAL AWARDS

Department of Health & Human Services--CFDA No. 93.600; Grant No. 05CH011904-02, Grant Period 1/1/22-12/31/22; Grant No. 05CH010775-04, Grant Period 1/1/22-12-31/22; Grant No. 05HE000406-02, Grant Period 4/1/21-3/31/23; Grant No. 05CH012183-01, Grant Period 8/1/22-12/31/22

None reported.

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Lafayette, IN 47902
T (765) 742-4848
bauerfamilyresources.org

Corrective Action Plan

September 28, 2023

MAJOR PROGRAM - U.S. Department of Health and Human Services

Bauer Family Resources, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2022:

Name and address of Independent Public Accounting Firm:

Huth Thompson LLP
PO Box 970
Lafayette, IN 47902-0970

Audit period: December 31, 2022

The findings from the December 31, 2022 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

2022-001: PREPARATION OF FINANCIAL STATEMENTS

Recommendation: The Organization should follow established controls to ensure proper recording of net assets as well as recognition of investment income and lease expense in accordance with accounting principles generally accepted in the United States of America (GAAP).

Corrective Actions: Administration agrees that the agency should follow established controls to ensure proper recording of net assets, as well as recognition of investment income and lease expense in accordance with U.S. GAAP. Because of the full turnover of our accounting team following the conclusion of 2022, including all accountants and the Chief Financial Officer prior to the audit starting, we hired an outsourced accounting and business consulting firm to assist us in the transition. Our new Chief Financial Officer continues to work with leadership and the consulting firm to transition into this new role. We believe we have all procedures and policies in place to continue a successful transition.

All Corrective Actions have already been implemented and will continue to be monitored. If the U.S. Department of Health and Human Resources has questions regarding this plan, please call Tristen Comegys, CEO at (765) 742-4848.

Sincerely yours,

Chief Executive Officer