



*Creating brighter tomorrows by
strengthening children and families today.*

Financial Statements

BAUER FAMILY RESOURCES, INC.

DECEMBER 31, 2021 AND 2020

BAUER FAMILY RESOURCES, INC.

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INDEPENDENT AUDITOR'S REPORT

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

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, 2021 and 2020, 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 referred to above present fairly, in all material respects, the financial position of Bauer Family Resources, Inc. as of December 31, 2021 and 2020, 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 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.

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.

INDEPENDENT AUDITOR'S REPORT--CONTINUED

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 that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material resulting in 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 (CFR) 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 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 August 23, 2022, 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

August 23, 2022
Lafayette, Indiana

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF FINANCIAL POSITION

As of December 31,

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents, Including Interest Bearing Accounts of \$14,903 and \$38,279 in 2021 and 2020, Respectively	\$ 229,424	\$ 357,957
Unconditional Promises to Give-- United Way Funding for Next Fiscal Year	363,000	363,000
Grants Receivable, Less Allowance for Doubtful Accounts of \$-0- in both 2021 and 2020	705,881	556,062
Program Receivables, Less Allowance for Doubtful Accounts of \$3,676 and \$3,696 in 2021 and 2020, Respectively	194,853	168,627
Prepaid Expenses	64,519	78,698
Investments--With Donor Restrictions	667,588	551,214
TOTAL CURRENT ASSETS	2,225,265	2,075,558
PROPERTY, PLANT AND EQUIPMENT		
Building and Leasehold Improvements	3,943,240	3,851,980
Land Improvements	233,752	233,752
Construction in Progress	51,542	48,446
Equipment, Furniture and Fixtures	398,376	388,993
Vehicles	33,560	33,560
	4,660,470	4,556,731
Accumulated Depreciation	(2,904,344)	(2,783,613)
	1,756,126	1,773,118
Land	178,170	178,170
	1,934,296	1,951,288
OTHER ASSETS		
Investments--With Donor Restrictions	113,106	113,106
	\$ 4,272,667	\$ 4,139,952

See Notes to Financial Statements.

	<u>2021</u>	<u>2020</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank Overdraft	\$ -	\$ 11,776
Current Maturities of Long-Term Debt	15,375	14,577
Line of Credit	317,615	164,651
Accounts Payable	230,656	360,001
Refundable Advance	-	10
Accrued Expenses--		
Interest	1,215	714
Salaries, Vacation and Payroll Taxes	<u>129,730</u>	<u>174,057</u>
TOTAL CURRENT LIABILITIES	694,591	725,786
LONG-TERM DEBT, Less Current Maturities	<u>194,132</u>	<u>209,871</u>
TOTAL LIABILITIES	888,723	935,657
NET ASSETS		
Without Donor Restrictions	2,089,664	1,875,656
With Donor Restrictions	<u>1,294,280</u>	<u>1,328,639</u>
	<u>3,383,944</u>	<u>3,204,295</u>
	<u>\$ 4,272,667</u>	<u>\$ 4,139,952</u>

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF ACTIVITIES
For Years Ended December 31,

	2021		2020	
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS WITH DONOR RESTRICTIONS
SUPPORT AND REVENUE				
Public Support				
United Way Grants and Allocations	\$ 363,000	\$ -	\$ 363,000	\$ -
Contributions of Cash and Other	178,703	69,607	109,096	22,727
Financial Assets	541,703	69,607	472,096	22,727
Program Services				
Grants	6,132,060	-	5,713,632	5,713,632
Contributions of Nonfinancial Assets	635,426	-	571,747	571,747
Program Fees	533,970	-	706,508	706,508
Miscellaneous	14,753	14,753	12,909	12,909
Other Income	7,316,209	7,316,209	7,004,796	7,004,796
Realized Gain on Investments	75,698	-	8,880	8,880
Investment and Interest Income	21,308	121	21,187	19,126
	97,006	121	96,885	28,006
NET ASSETS RELEASED FROM RESTRICTIONS	-	609,411	(609,411)	519,310
TOTAL SUPPORT AND REVENUE	7,954,918	7,995,348	(40,430)	7,613,609
EXPENSES				
Program Services	7,730,358	7,730,358	7,234,077	7,234,077
Management and General	17,030	17,030	166,796	166,796
Fundraising	23,952	23,952	11,726	11,726
TOTAL EXPENSES	7,771,340	7,771,340	7,412,599	7,412,599
INCREASE (DECREASE) IN NET ASSETS BEFORE UNREALIZED GAIN AND (LOSS) ON DISPOSAL	183,578	224,008	(40,430)	134,234
(LOSS) ON DISPOSAL OF ASSETS	(10,000)	(10,000)	-	(70,486)
UNREALIZED GAIN ON INVESTMENTS	6,071	-	6,071	34,691
INCREASE (DECREASE) IN NET ASSETS	179,649	214,008	(34,359)	63,748
NET ASSETS--Beginning of Year	3,204,295	1,875,656	1,328,639	1,811,908
NET ASSETS--End of Year	\$ 3,383,944	\$ 2,089,664	\$ 1,294,280	\$ 1,875,656
			\$ 3,204,295	\$ 1,328,639

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	
	2021	2020		2021	2020		2021	2020		2021	2020
Salaries	\$ 4,001,614	\$ 3,767,410	\$	\$ 3,425,637	\$ 3,218,961	\$	\$ 566,579	\$ 546,602	\$	\$ 9,398	\$ 1,847
Payroll Taxes	227,262	225,483		184,146	188,140		42,408	37,202		708	141
Employee Benefits	412,967	499,067		368,910	453,540		43,497	45,519		560	8
Worker's Compensation and Unemployment	76,444	69,887		74,940	67,648		1,479	2,232		25	7
Minor Equipment	73,290	18,958		69,855	17,713		3,435	1,245		-	-
Repair and Maintenance	202,264	132,346		195,108	127,699		7,156	4,647		-	-
Rental and Lease Expense	548,935	562,863		548,896	533,718		39	29,084		-	61
Contractual Services	497,506	493,738		445,069	422,739		52,437	70,999		-	-
Special Direct Assistance	144,385	122,014		144,385	122,014		-	-		-	-
Materials and Supplies	676,209	678,989		661,866	665,766		6,918	6,106		7,425	7,117
Recruitment and Retention	69,438	59,679		60,197	34,376		8,591	25,303		650	-
Advertising	23,369	1,384		22,817	1,384		54	-		498	-
Duplication	47,705	48,229		37,482	41,551		10,012	6,611		211	67
Telephone	106,601	90,506		97,163	82,587		9,377	7,907		61	12
Postage	2,300	3,023		66	317		2,234	2,706		-	-
Occupancy	86,400	82,332		82,932	77,917		3,451	4,408		17	7
Training and Transportation	191,654	173,417		183,040	164,228		8,614	9,189		-	-
Dues and Subscriptions	57,271	47,213		49,952	38,458		5,560	6,800		1,759	1,955
Insurance	73,648	70,626		69,262	66,356		4,381	4,212		5	58
Professional Fees	102,514	103,040		23,612	22,666		78,902	80,374		-	-
Interest Expense	17,935	20,577		17,935	20,577		-	-		-	-
Bad Debts	5,000	-		5,000	-		-	-		-	-
Depreciation	120,731	132,033		103,720	112,298		17,011	19,735		-	-
Miscellaneous	5,898	9,785		5,589	9,773		38	-		271	12
Allocated Program, Facility and Technology	-	-		852,779	743,651		(855,143)	(744,085)		2,364	434
	\$ 7,771,340	\$ 7,412,599	\$	\$ 7,730,358	\$ 7,234,077	\$	\$ 17,030	\$ 166,796	\$	\$ 23,952	\$ 11,726

See Notes to Financial Statements.

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF CASH FLOWS
For Years Ended December 31,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 179,649	\$ 165,215
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) by Operating Activities--		
Depreciation	120,731	132,033
Loss on Disposal of Assets	10,000	70,486
Realized and Unrealized (Gain) on Investments	(81,769)	(43,571)
(Increase) Decrease in Current Assets--		
Unconditional Promise to Give--		
United Way Funding for Next Fiscal Year	-	12,000
Grants Receivable	(149,819)	(201,859)
Program Receivable	(26,226)	(12,429)
Prepaid Expenses	14,179	(10,024)
Increase (Decrease) in Current Liabilities--		
Bank Overdraft	(11,776)	10,981
Accounts Payable	(129,345)	175,966
Refundable Advance	(10)	(3,744)
Accrued Expenses	(43,826)	65,317
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(118,212)	360,371
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant and Equipment	(113,739)	(206,866)
Proceeds from the Sale of Property, Plant and Equipment	-	9,195
Proceeds from the Sale of Investments	504,780	146,981
Purchases of Investments	(539,385)	(170,996)
NET CASH (USED) BY INVESTING ACTIVITIES	(148,344)	(221,686)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Borrowings (Payments) on Line of Credit	152,964	(80,894)
Borrowings of Long-Term Debt	-	900,000
Payments on Long-Term Debt	(14,941)	(922,991)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	138,023	(103,885)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(128,533)	34,800
CASH AND CASH EQUIVALENTS--Beginning of Year	357,957	323,157
CASH AND CASH EQUIVALENTS--End of Year	\$ 229,424	\$ 357,957
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year For--		
Interest	\$ 17,434	\$ 20,551

See Notes to Financial Statements.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 2021 and 2020, advertising costs totaled \$23,369 and \$1,384, 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 \$120,731 and \$132,033 for the years ended December 31, 2021 and 2020, 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.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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:

	2021	2020
Salaries and Fringe Benefits	\$ 42,916	\$ 65,436
Travel	1,827	5,950
Rent/Occupancy	475,804	451,914
Material and Supplies	95,733	32,215
Services	19,146	16,232
	<u>\$ 635,426</u>	<u>\$ 571,747</u>

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.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 2018 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.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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**--In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which provides guidance on the recognition, measurement, presentation, and disclosure of leases. This new accounting standard requires that an entity recognizes the right to use the leased assets and a liability for the corresponding lease obligation on its balance sheet for leases in excess of one year that were previously classified as operating leases under U.S. GAAP. The standard also requires entities to disclose information about the amount, timing, and uncertainty for the payments made for the lease agreements in the footnotes to the financial statements. This guidance will be effective for the Organization's reporting period beginning January 1, 2022.

NOTE 2: CASH AND CASH EQUIVALENTS

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

	<u>2021</u>	<u>2020</u>
Checking	\$ 214,421	\$ 319,578
Petty Cash	100	100
Cash Equivalents	<u>14,903</u>	<u>38,279</u>
	<u>\$ 229,424</u>	<u>\$ 357,957</u>

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 3: LIQUIDITY AND AVAILABILITY

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.

	<u>2021</u>	<u>2020</u>
Financial assets at year end--		
Cash and Cash Equivalents	\$ 229,424	\$ 357,957
Unconditional Promise to Give	363,000	363,000
Grants Receivable	705,881	556,062
Program Receivable	194,853	168,627
Investments	<u>780,694</u>	<u>664,320</u>
	2,273,852	2,109,966
Less amounts not available to be used within one year--	<u>795,597</u>	<u>702,599</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,478,255</u>	<u>\$ 1,407,367</u>

Bauer Family Resources has a policy to structure its financial 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. The line of credit had a maturity date of December 20, 2021. The Organization has a new line of credit that expires in February 2025.

NOTE 4: INVESTMENTS

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

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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:

	2021		
	Fair Value	Cost	Unrealized Gain
Equities	\$ 424,863	\$ 323,475	\$ 101,388
Fixed Income Securities	355,831	344,324	11,507
	<u>\$ 780,694</u>	<u>\$ 667,799</u>	<u>\$ 112,895</u>
	2020		
	Fair Value	Cost	Unrealized Gain
Equities	\$ 203,290	\$ 149,931	\$ 53,359
Fixed Income Securities	461,030	407,565	53,465
	<u>\$ 664,320</u>	<u>\$ 557,496</u>	<u>\$ 106,824</u>

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 4: INVESTMENTS (Continued)

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

	<u>2021</u>	<u>2020</u>
Interest and Dividends	\$ 21,367	\$ 18,946
Investment Fees	(6,984)	(6,047)
Realized Gain on Investments	75,698	8,880
Unrealized Gain on Investments	<u>6,071</u>	<u>34,691</u>
	<u>\$ 96,152</u>	<u>\$ 56,470</u>

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, 2021 and 2020. 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 matured in December 2021. Interest is due monthly at a variable rate of 0.10% above prime rate, which was 3.35% for both years ended December 31, 2021 and 2020. Borrowings on this line of credit are collateralized by real estate. At December 31, 2021 and 2020 the balance on the line of credit was \$317,615 and \$164,651, respectively.

The line of credit was renewed in February 2022 and has a maturity date of February 2025. The new interest rate is 0.40% above the prime rate.

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 \$20,318 and \$35,801 as of December 31, 2021 and 2020, 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 2021 and 2020 was \$25,440 and \$9,586, respectively.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 8: LONG-TERM DEBT

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

	2021	2020
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.	\$ 140,325	\$ 153,099
Mortgage--		
Secured by real estate, regular monthly payments of \$537 including interest at 6.00%. Due February 2029.	<u>69,182</u>	<u>71,349</u>
	<u>209,507</u>	<u>224,448</u>
Less Current Maturities	<u>15,375</u>	<u>14,577</u>
	<u><u>\$ 194,132</u></u>	<u><u>\$ 209,871</u></u>

Aggregate maturities of long-term debt for the years following December 31, 2021 are as follows:

2022	\$ 15,375
2023	129,700
2024	2,589
2025	2,762
2026	2,935
Thereafter	<u>56,146</u>
	<u><u>\$ 209,507</u></u>

NOTE 9: LEASES

The Organization leases land, office, and program space. Lease agreements expire through 2026 and call for monthly variable payments ranging from \$475 to \$2,019 during the lease periods.

Lease payments (other than in-kind) for the years ended December 31, 2021 and 2020 totaled \$57,931 and \$107,188, respectively.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 9: LEASES (Continued)

The minimum lease payments under these operating leases for the years following December 31, 2021 are as follows:

2022	\$ 26,851
2023	24,000
2024	<u>24,000</u>
	<u>\$ 74,851</u>

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:

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	<u>492,958</u>	<u>213,135</u>	<u>279,823</u>
		<u>\$ 5,524,358</u>	<u>\$ 4,528,160</u>	<u>\$ 650,653</u>
2020				
Grant	Grant Year	Total Grant Award	Grant Funds Expended	Unexpended Grant Funds
Head Start	1/1/20-12/31/20	\$ 2,290,210	\$ 2,045,472	\$ 244,738
Head Start COVID	1/1/20-12/31/20	252,218	162,182	90,036
Head Start - WCC	1/1/20-12/31/20	1,317,730	1,132,430	185,300
Head Start - WCC COVID	1/1/20-12/31/20	109,851	59,340	50,511
Early Head Start	1/1/20-12/31/20	<u>1,143,016</u>	<u>1,051,587</u>	<u>91,429</u>
		<u>\$ 5,113,025</u>	<u>\$ 4,451,011</u>	<u>\$ 662,014</u>

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 11: 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:

	<u>2021</u>	<u>2020</u>
Youth Development	\$ 338,264	\$ 237,628
Homebuilders	51,636	222,245
Head Start	2,218,326	2,390,858
Head Start Covid	-	86,038
Early Head Start	1,183,502	1,135,201
Head Start - WCC	1,526,639	1,435,034
Head Start - WCC Covid	-	32,063
ECE - Covid	60,445	-
Family Centered Services	426,646	426,204
Family Preservation	145,976	25,850
Community Partners	985,518	894,507
Community Partners - ARF	118,445	-
We Bloom	16,484	8,419
21st Century	332,673	183,709
American Rescue Plan	227,542	-
Safe Sleep	-	11,552
Other Program Expenses	<u>98,262</u>	<u>144,769</u>
	<u>\$ 7,730,358</u>	<u>\$ 7,234,077</u>

NOTE 12: 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- and \$77,735 in the years ending December 31, 2021 and 2020, respectively.

NOTE 13: ECONOMIC DEPENDENCY AND MAJOR SOURCES OF REVENUE AND SUPPORT

During 2021 and 2020, the Organization received 57% and 58%, respectively, of its total revenue from the Head Start/Early Head Start programs. During 2021 and 2020, the Organization received 20% and 21%, respectively, of its total revenue from contracts with a state agency.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 14: RESTRICTED NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Purpose Restrictions--		
Family Center Services	\$ 3,094	\$ 608
Head Start/Early Head Start	41,500	87,001
McCaw Endowments	682,491	589,493
Youth Programs	25,415	80,723
After School Literacy	19,776	19,776
Book Fund	7,716	8,294
Mural	-	5,000
Rec Room Renovation	-	241
Fundraising	3,780	37,850
NCHS	22,902	22,902
Community Partners	10,856	-
Safe Sleep	569	569
Other Miscellaneous Items	75	76
Time Restriction--		
United Way Funding for Next Fiscal Year	<u>363,000</u>	<u>363,000</u>
	1,181,174	1,215,533
Net Assets Held in Perpetuity--		
Not Subject to Appropriation or Expenditure	<u>113,106</u>	<u>113,106</u>
	<u>\$ 1,294,280</u>	<u>\$ 1,328,639</u>

Included in cash and cash equivalents, unconditional promises to give, and investments are restricted net assets of \$1,294,280 and \$1,328,639 as of December 31, 2021 and 2020, 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.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 15: GRANTS BY FUNDING STREAM

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

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
		<u>\$ 6,132,060</u>
2020		
Funding	Funding Source	Total
Youth Service Bureau	Indiana Youth Services Association	\$ 29,996
Community Partners	IFSSA	899,301
CACFP/SFSPC	Dept. of Agriculture	160,250
Safe Sleep	Indiana Department of Health	12,102
Head Start	Dept. of Health & Human Services	2,045,472
Head Start Covid	Dept. of Health & Human Services	162,182
Head Start - WCC	Dept. of Health & Human Services	1,132,430
Head Start - WCC Covid	Dept. of Health & Human Services	59,340
Early Head Start	Dept. of Health & Human Services	1,051,587
21st Century	Indiana Department of Education	160,972
		<u>\$ 5,713,632</u>

In both years 2021 and 2020, approximately 63% of the total revenue was received directly from federal agencies. For the years 2021 and 2020, respectively, approximately 14% and 12% of total revenue was received directly from state agencies.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 16: 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

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 16: ENDOWMENT (Continued)

For the years ended December 31, 2021 and 2020, the Organization had the following endowment related activities:

December 31, 2021	<u>Endowment Funds</u> With Donor Restrictions
Endowment Net Assets, Beginning of Year	\$ 702,599
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	(6,983)
Total Release of Restriction	(9,958)
Endowment Net Assets, End of Year	\$ 795,597
December 31, 2020	<u>Endowment Funds</u> With Donor Restrictions
Endowment Net Assets, Beginning of Year	\$ 645,949
Investment Return--	
Investment Income	19,126
Realized and Unrealized Gain	43,571
Total Investment Return	62,697
Release of Restriction --	
Investment Fees	(6,047)
Total Release of Restriction	(6,047)
Endowment Net Assets, End of Year	\$ 702,599

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 16: ENDOWMENT (Continued)

There were no funds with deficiencies as of December 31, 2021 and 2020.

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.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 17: 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, 2021 and 2020, 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, 2021 and 2020.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 17: 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
<u>December 31, 2021--</u>		
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
<u>December 31, 2020--</u>		
Financial Assets--		
Recurring--		
Investments--Equities		
Corporate Stock	\$ 203,290	\$ 203,290
Investments--Fixed Income Securities		
Mutual Funds	461,030	461,030
Total Financial Assets	\$ 664,320	\$ 664,320

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

NOTE 18: COVID-19

The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings of many Organizations in 2020. While disruptions appear to be temporary, there is considerable uncertainty around the duration of the disruption. Therefore, this matter may negatively impact operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 19: SUBSEQUENT EVENTS

Subsequent to year end, the Organization expanded their service area to include Hendricks, Morgan, and Owen counties. An additional Head Start grant was awarded in the amount of \$1,637,965 for these new counties. These services begin October 1, 2022.

The Organization has evaluated subsequent events through August 23, 2022, 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, 2021**

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	05CH010775-03	\$ 1,899,890
Early Head Start	93.600	05CH010775-03	1,057,651
Head Start - WCC	93.600	05CH011904-03	1,249,207
Head Start - WCC Extension	93.600	05CH10051-06	50,000
Head Start American Rescue Plan	93.600	05CH10051-06	213,135
Head Start COVID	93.600	05HE000406-01-00	<u>58,277</u>
Total U.S. Department of Health & Human Services/Total Head Start			4,528,160
U.S. Department of Education			
Passed Through the Indiana Department of Education--			
21st Century Community Learning Centers	84.287	N/A	261,173
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	191,303
Summer Food Service Program for Children	10.559	179-0154	<u>6,069</u>
Total U.S. Department of Agriculture			<u>197,372</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>4,986,705</u>

CFDA: Catalog of Federal Domestic Assistance

BAUER FAMILY RESOURCES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Year Ended December 31, 2021

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, 2021. 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 23.5% indirect cost rate for 2021.
- 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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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, 2021, 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 August 23, 2022.

Report on Internal Control Over Financial Reporting

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that 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

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*.

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

August 23, 2022
Lafayette, Indiana



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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 described 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, 2021. 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, 2021.

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 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 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 sch 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 in internal control over compliance. 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

August 23, 2022
Lafayette, Indiana

BAUER FAMILY RESOURCES, INC.

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

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 No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial
statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes 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 No

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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? Yes No

BAUER FAMILY RESOURCES, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For Year Ended December 31, 2021**

II. FINDINGS – FINANCIAL STATEMENT AUDIT

None reported.

**III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

Department of Health & Human Services--CFDA No. 93.600; Grant No. 05CH011904-03, Grant Period 1/1/21-12/31/21; Grant No. 05CH010775-03, Grant Period 1/1/21-12-31/21; Grant No. 05CH10051-06, Grant Period 1/1/20-5/30/21; Grant No. 05CH10051-06, Grant Period 4/1/21-3/31/23; Grant No. 05HE000406-01-00, Grant Period 4/1/21-3/31/23

None reported.

BAUER FAMILY RESOURCES, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For Year Ended December 31, 2021**

No findings reported for the year ended December 31, 2020.