Bauer
Family Resources

Creating brighter tomorrows by strengthening children and families today.

Financial Statements

BAUER FAMILY RESOURCES, INC.

DECEMBER 31, 2013 AND 2012

BAUER FAMILY RESOURCES, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bauer Family Resources, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT--CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bauer Family Resources, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2014, on our consideration of the Organization'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Huth Thompson LLP

September 11, 2014
Lafayette, Indiana

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF FINANCIAL POSITION
As of December 31,

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents, Including Interest Bearing Accounts of $42,192 and $35,384 in 2013 and 2012, Respectively	$ 151,887	$ 117,932
Accounts Receivable	-	260
Unconditional Promises to Give-- United Way Funding for Next Fiscal Year	356,615	339,633
Grants Receivable, Less Allowance for Doubtful Accounts of $-0- in both 2013 and 2012	113,929	325,633
Program Receivables, Less Allowance for Doubtful Accounts of $3,787 and $202,834 in 2013 and 2012, Respectively	368,165	292,265
Prepaid Expenses	11,731	54,880
Investments--Temporarily Restricted	226,764	178,958
TOTAL CURRENT ASSETS	1,229,091	1,309,561
PROPERTY, PLANT AND EQUIPMENT		
Building and Leasehold Improvements	3,160,769	3,148,957
Land Improvements	233,752	233,752
Equipment, Furniture and Fixtures	344,824	369,325
Vehicles	412,224	412,224
	4,151,569	4,164,258
Accumulated Depreciation	(2,155,095)	(2,050,208)
	1,996,474	2,114,050
Land	174,469	174,469
	2,170,943	2,288,519
OTHER ASSETS		
Investments--Permanently Restricted	113,106	113,106
	$ 3,513,140	$ 3,711,186

See Notes to Financial Statements.

	2013	2012
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	$ 29,904	$ 345,290
Line of Credit	79,341	164,802
Accounts Payable	81,499	177,096
Refundable Advance	33,641	19,824
Accrued Expenses--		
Interest	705	329
Salaries, Vacation and Payroll Taxes	247,780	244,938
TOTAL CURRENT LIABILITIES	472,870	952,279
LONG-TERM DEBT, Less Current Maturities	298,461	9,723
TOTAL LIABILITIES	771,331	962,002
NET ASSETS		
Unrestricted, Undesignated	1,949,388	2,036,992
Temporarily Restricted	679,315	599,086
Permanently Restricted	113,106	113,106
	2,741,809	2,749,184
	$ 3,513,140	$ 3,711,186

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF ACTIVITIES
For Years Ended December 31,

	2013				2012			
	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED
SUPPORT AND REVENUE								
Public Support								
United Way Grants and Allocations	$ 359,296	$ 2,681	$ 356,615	$ -	$ 340,041	$ -	$ 340,041	$ -
Contributions	138,243	69,410	68,833	-	142,191	6,373	135,818	-
	497,539	72,091	425,448	-	482,232	6,373	475,859	-
Program Services								
Grants	3,480,022	3,480,022	-	-	3,433,613	3,433,613	-	-
In-Kind Contributions	830,456	830,456	-	-	644,891	644,891	-	-
Program Fees	2,055,022	2,055,022	-	-	1,835,004	1,835,004	-	-
Miscellaneous	187	187	-	-	1,830	1,830	-	-
	6,365,687	6,365,687	-	-	5,915,338	5,915,338	-	-
Other Income								
Investment and Interest Income	13,289	1,379	11,910	-	23,751	497	23,254	-
Rent	12,010	12,010	-	-	-	-	-	-
	25,299	13,389	11,910	-	23,751	497	23,254	-
NET ASSETS RELEASED FROM RESTRICTIONS	-	404,935	(404,935)	-	-	518,693	(518,693)	-
TOTAL SUPPORT AND REVENUE	6,888,525	6,856,102	32,423	-	6,421,321	6,440,901	(19,580)	-
EXPENSES								
Program Services	6,887,011	6,887,011	-	-	6,714,363	6,714,363	-	-
Management and General	50,018	50,018	-	-	66,752	66,752	-	-
Fundraising	19	19	-	-	629	629	-	-
TOTAL EXPENSES	6,937,048	6,937,048	-	-	6,781,744	6,781,744	-	-
INCREASE (DECREASE) IN NET ASSETS BEFORE UNREALIZED GAIN (LOSS) ON INVESTMENTS AND GAIN (LOSS) ON DISPOSAL OF ASSETS	(48,523)	(80,946)	32,423	-	(360,423)	(340,843)	(19,580)	-
GAIN (LOSS) ON DISPOSAL OF ASSETS	(6,658)	(6,658)	-	-	13,279	13,279	-	-
UNREALIZED GAIN ON INVESTMENTS	47,806	-	47,806	-	5,956	-	5,956	-
INCREASE (DECREASE) IN NET ASSETS	(7,375)	(87,604)	80,229	-	(341,188)	(327,564)	(13,624)	-
NET ASSETS--Beginning of Year	2,749,184	2,036,992	599,086	113,106	3,090,372	2,364,556	612,710	113,106
NET ASSETS--End of Year	$ 2,741,809	$ 1,949,388	$ 679,315	$ 113,106	$ 2,749,184	$ 2,036,992	$ 599,086	$ 113,106

See Notes to Financial Statements.

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For Years Ended December 31,

	TOTAL		PROGRAM SERVICES		MANAGEMENT AND GENERAL		FUNDRAISING	
	2013	2012	2013	2012	2013	2012	2013	2012
Salaries	$ 3,652,651	$ 3,668,343	$ 3,385,194	$ 3,374,535	$ 267,457	$ 293,629	$ -	$ 179
Payroll Taxes	253,302	259,073	234,104	237,655	19,198	21,405	-	13
Employee Benefits	310,239	311,779	289,595	279,817	20,644	31,961	-	1
Worker's Compensation and Unemployment	128,112	108,020	123,460	103,652	4,652	4,366	-	2
Minor Equipment	17,081	28,796	17,081	27,984	-	812	-	-
Repair and Maintenance	78,084	89,246	73,529	81,764	4,555	7,482	-	-
Rental and Lease Expense	684,589	584,798	697,329	563,118	(12,740)	21,680	-	-
Contractual Services	94,347	206,796	80,150	154,885	14,197	51,911	-	-
Special Direct Assistance	135,071	72,450	135,071	72,450	-	-	-	-
Materials and Supplies	641,733	522,503	627,477	491,570	14,256	30,933	-	-
Recruitment and Retention	19,214	31,739	14,015	17,851	5,199	13,888	-	-
Advertising	1,347	695	1,287	-	60	695	-	-
Duplication	24,504	26,808	21,112	20,952	3,392	5,624	-	232
Telephone	92,386	84,976	76,731	68,298	15,650	16,602	5	76
Postage	4,118	6,596	1,522	4,353	2,596	2,243	-	-
Occupancy	71,645	67,758	60,961	60,840	10,684	6,918	-	-
Training and Transportation	291,237	233,351	283,910	218,955	7,327	14,330	-	66
Dues and Subscriptions	16,687	10,298	12,716	7,320	3,971	2,978	-	-
Insurance	50,959	44,730	48,858	42,979	2,101	1,751	-	-
Professional Fees	68,012	47,015	22,393	21,773	45,619	25,242	-	-
Interest Expense	12,598	15,770	874	15,770	11,724	-	-	-
Bad Debts	78,589	161,557	78,589	161,557	-	-	-	-
Depreciation	175,230	175,122	126,775	130,154	48,455	44,968	-	-
Fundraising--Youth	-	4,812	-	4,812	-	-	-	-
Miscellaneous	35,313	18,713	31,270	14,996	4,029	3,657	14	60
Allocated Program, Facility and Technology	-	-	443,008	536,323	(443,008)	(536,323)	-	-
	$ 6,937,048	$ 6,781,744	$ 6,887,011	$ 6,714,363	$ 50,018	$ 66,752	$ 19	$ 629

See Notes to Financial Statements.

BAUER FAMILY RESOURCES, INC.

STATEMENTS OF CASH FLOWS
For Years Ended December 31,

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) in Net Assets	$ (7,375)	$ (341,188)
Adjustments to Reconcile (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities--		
Depreciation	175,230	175,122
(Gain) Loss on Disposal of Assets	6,658	(13,279)
Realized and Unrealized (Gain) on Investments	(47,806)	(19,609)
(Increase) Decrease in Current Assets--		
Accounts Receivable	260	(260)
Unconditional Promise to Give--		
United Way Funding for Next Fiscal Year	(16,982)	(16,169)
Grants Receivable	211,704	(67,137)
Program Receivable	(75,900)	(26,356)
Prepaid Expenses	43,149	(28,951)
Increase (Decrease) in Current Liabilities--		
Accounts Payable	(95,597)	(26,649)
Refundable Advance	13,817	(23,389)
Accrued Expenses	3,218	26,738
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	210,376	(361,127)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property, Plant and Equipment	(64,312)	-
Proceeds from the Sale of Investments	-	107,972
Purchases of Investments	-	(100,887)
Proceeds from the Sale of Property, Plant and Equipment	-	14,500
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(64,312)	21,585
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Borrowings (Payments) on Line of Credit	(85,461)	164,802
Payments on Long-Term Debt	(26,648)	(38,752)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(112,109)	126,050
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,955	(213,492)
CASH AND CASH EQUIVALENTS--Beginning of Year	117,932	331,424
CASH AND CASH EQUIVALENTS--End of Year	$ 151,887	$ 117,932
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year For--		
Interest	$ 12,222	$ 15,864

See Notes to Financial Statements.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

B) Use of Estimates--The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

H) Advertising--Advertising costs are expensed as incurred. During 2013 and 2012, advertising costs totaled $1,347 and $695, respectively.

I) Property, Plant and Equipment--Property, plant and equipment are recorded at cost. If donated, the cost is the fair market value at the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line method. Maintenance, repairs, and minor renewals are charged to operations as incurred. Improvements and major renewals are capitalized. Upon the sale or disposition of properties, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale. Any resultant gain or loss is credited or charged to operations. The Organization's policy is to capitalize property, plant and equipment with a value of $2,500 or greater and a useful life greater than one year. Depreciation expense was $175,230 and $175,122 for the years ended December 31, 2013 and 2012, respectively.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

	2013	2012
Salaries and Fringe Benefits	$ 195,462	$ 109,744
Travel	15,060	4,821
Rent/Occupancy	558,685	427,831
Material and Supplies	59,824	63,380
Services	1,425	39,115
	$ 830,456	$ 644,891

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K) Net Assets (Continued)--

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

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

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

Accounting standards require entities to disclose in their financial statements the nature of any uncertainties in their tax position. Tax years including 2010 and later are subject to examination by tax authorities. Areas that IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax exempt status and the existence and amount of unrelated business income. The Organization does not believe that it has any uncertain tax positions with respect to these or other matters, and therefore has not recorded any unrecognized tax benefits or liabilities. The Organization is not aware of any circumstances or events that make it reasonably possible that tax benefits or liabilities may increase or decrease within 12 months of the date of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

	2013	2012
Checking	$ 109,445	$ 82,118
Petty Cash	250	430
Cash Equivalents	42,192	35,384
	$ 151,887	$ 117,932

NOTE 3: CAPE PROGRAM

The total funding for the CAPE program was received and recorded in 2005 as temporarily restricted revenue. Historically, all CAPE expenses incurred since inception released this restriction. In 2013 and 2012, expenses of $-0- and $81,413, respectively, were incurred as net asset releases with the CAPE Program.

The CAPE program was discontinued effective June 2012. At that time remaining funds totaling $1,739 were returned to The Greater Lafayette Community Foundation.

NOTE 4: INVESTMENTS

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

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

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

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

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

	2013		
	Fair Value	Cost	Unrealized Gain
Equities	$ 242,355	$ 50,863	$ 191,492
Fixed Income Securities	97,515	91,483	6,032
	$ 339,870	$ 142,346	$ 197,524

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

NOTE 4: INVESTMENTS (Continued)

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

	2013	2012
Interest and Dividends	$ 11,910	$ 23,254
Investment Fees	(2,365)	(4,293)
Unrealized Gain on Investments	47,806	5,956
	$ 57,351	$ 24,917

NOTE 5: LINE OF CREDIT

The Organization has a line of credit with maximum borrowings available of $400,000 as of December 31, 2013 and 2012. The line of credit functions as a sweep account in conjunction with the general fund. Interest is due monthly at the variable prime rate of 4.75% for both years ending December 31, 2013 and 2012. The line of credit was renewed during August 2011 and matures August 2014. However, the lender may call the line of credit on demand. Borrowings on this line of credit are collateralized by real estate. At December 31, 2013 and 2012, the balance on the line of credit was $79,341 and $164,802, 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 $88,116 and $66,013 as of December 31, 2013 and 2012, 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 2013 and 2012 was $8,554 and $10,653, respectively.

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 8: LONG-TERM DEBT

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

	2013	2012
Mortgage--		
Secured by real estate, original monthly payments of $4,890 including original interest at 7.25%. Subsequent refinances effecting the years ended December 31, 2013 and 2012 are as follows: Effective September 2012, the loan was refinanced with monthly payments of $3,129 including interest at 2.84%. Effective August 2013, the loan was refinanced with monthly payments of $3,507, including interest at 5.40% through September 2018.	$ 318,642	$ 340,972
Land Contract Payable--		
Secured by land. Semi-annual installments of $2,679 including interest at 8.00% beginning March 2006 through September 2015.	9,723	14,041
	328,365	355,013
Less Current Maturities	29,904	345,290
	$ 298,461	$ 9,723

Aggregate maturities of long-term debt for the years following December 31, 2013 are as follows:

2014	$ 29,904
2015	31,705
2016	28,112
2017	29,735
2018	208,909
Thereafter	-
	$ 328,365

NOTE 9: LEASES

The Organization leases land, office and program space. Lease agreements expire from May 2013 through July 2018 and call for monthly variable payments ranging from $1,188 to $5,670 during the lease periods.

NOTE 9: LEASES (Continued)

Lease payments (other than in-kind) for the years ended December 31, 2013 and 2012 totaled $125,904 and $158,350, respectively.

The minimum lease payments under these operating leases for the years following December 31, 2013 are as follows:

2014	$ 118,578
2015	69,271
2016	24,001
2017	24,001
2018	14,001
Thereafter	-
	$ 249,852

NOTE 10: CONCENTRATION OF CREDIT RISK

At certain times during the year, the Organization maintained cash deposits with its bank which exceeded the limit insured by the Federal Deposit Insurance Corporation (FDIC). The amount of cash over the FDIC limit at year-end was $-0- in both years ending December 31, 2013 and 2012.

NOTE 11: ECONOMIC DEPENDENCY AND MAJOR SOURCES OF REVENUE AND SUPPORT

During 2013 and 2012, the Organization received 41% and 43%, respectively, of its total revenue from the Head Start/Early Head Start programs. During 2013 and 2012, the Organization received 20% and 24% respectively, of its total revenue from contracts with a local agency.

NOTE 12: 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:

2013

Grant	Grant Year	Total Grant Award	Grant Funds Expended	Unexpended Grant Funds
Head Start	1/1/12-6/30/13	$ 2,759,308	$ 1,087,663	$ 9,810
Early Head Start	1/1/12-6/30/13	1,590,587	502,082	-
Head Start	7/1/13-12/31/13	740,681	740,681	-
Early Head Start	7/1/13-12/31/13	524,778	524,778	-
		$ 5,615,354	$ 2,855,204	$ 9,810

2012

Grant	Grant Year	Total Grant Award	Grant Funds Expended	Unexpended Grant Funds
Head Start	1/1/12-6/30/13	$ 2,759,308	$ 1,661,835	$ 1,097,473
Early Head Start	1/1/12-6/30/13	1,590,587	1,088,505	502,082
		$ 4,349,895	$ 2,750,340	$ 1,599,555

NOTE 13: 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:

	2013	2012
Emergency Services	$ -	$ 623
VOCA	37,971	48,884
Youth Development	302,579	364,639
Counseling Center	528,778	968,395
Food Program	213,281	216,354
Head Start	2,650,540	2,391,142
Early Head Start	1,351,087	1,348,080
Family Centered Services	1,160,371	965,310
Community Partners	501,541	350,381
Book Cycle	4,888	-
Teen Court	36,289	-
Celebrate Youth	15,174	-
Family Stability	20,790	-
SAFTIP	63,722	-
Early Care & Transaction	-	60,494
Events	-	61
	$ 6,887,011	$ 6,714,363

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 14: TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
Purpose Restrictions--		
Book Cycle	$ 8,524	$ 6,267
Head Start/Early Head Start	15,469	15,469
McCaw Endowments	268,955	214,342
Youth Programs	4,430	3,191
Book Fund	6,571	4,810
Kidnect	15,000	15,000
Rec Room Renovation	3,377	-
Other Miscellaneous Items	374	374
Time Restriction--		
United Way Funding for Next Fiscal Year	356,615	339,633
	$ 679,315	$ 599,086

Restricted net assets included in cash and cash equivalents, and investments are temporary restrictions of $322,700 and $259,453 as of December 31, 2013 and 2012, respectively.

NOTE 15: PERMANENTLY RESTRICTED NET ASSETS

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

BAUER FAMILY RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 16: GRANTS BY FUNDING STREAM

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

2013

Funding	Funding Source	Total
Youth Service Bureau	IFSSA	$ 37,706
Community Partners	IFSSA	513,708
Head Start	Dept. of Health & Human Services	1,835,651
Early Head Start	Dept. of Health & Human Services	1,019,553
VOCA	Indiana Criminal Justice Institute	31,434
Coalition	Drug Free Coalition	4,470
Miscellaneous Grants	Various Local Organizations	37,500
		$ 3,480,022

2012

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

In 2013 and 2012, approximately 42% and 46% of the total revenue was received directly from federal agencies, respectively.

NOTE 17: FAIR VALUE MEASUREMENTS

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

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

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

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

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

Assets were measured at fair value during the years ended December 31, 2013 and 2012. The market approach was used for Level 1.

NOTE 17: FAIR VALUE MEASUREMENTS (Continued)

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

Fair values of assets measured at December 31, 2013 and 2012 are as follows:

		Fair Value Measurements at Reporting Date Using:		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
December 31, 2013--				
Financial Assets--				
Recurring--				
Investments--Equities				
Corporate Stock	$ 242,355	$ 242,355	$ -	$ -
Investments--Fixed Income Securities				
Intermediate Term Bond	13,014	13,014	-	-
Conservation Allocation	84,501	84,501	-	-
Total Investments-- Fixed Income Securities	97,515	97,515	-	-
Total Investments	339,870	339,870	-	-
Total Financial Assets	$ 339,870	$ 339,870	$ -	$ -

NOTE 17: FAIR VALUE MEASUREMENTS (Continued)

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

NOTE 18: ENDOWMENT

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

Interpretation of Relevant Law

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

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

NOTE 18: ENDOWMENT (Continued)

For the years ended December 31, 2013 and 2012, the Organization had the following endowment related activities:

	Endowment Funds	
December 31, 2013	Temporarily Restricted	Permanently Restricted
Endowment Net Assets, Beginning of Year	$ 214,342	$ 113,106
Investment Return--		
Investment Income	11,910	-
Realized and Unrealized Gain	47,806	-
Total Investment Return	59,716	-
Release of Temporary Restriction --		
Expenditures	(2,738)	-
Investment Fees	(2,365)	-
Total Release of Restriction	(5,103)	-
Endowment Net Assets, End of Year	$ 268,955	$ 113,106

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

NOTE 18: ENDOWMENT (Continued)

There were no funds with deficiencies as of December 31, 2013 and 2012.

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 19: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 11, 2014, 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, 2013

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
MAJOR PROGRAMS			
U.S. Department of Health & Human Services--			
Head Start/Early Head Start	93.600	05CH4334/44	$ 1,589,745
Head Start/Early Head Start	93.600	05CH8313/01	1,265,459
Total U.S. Department of Health & Human Services			2,855,204
U.S. Department of Justice			
Passed Through the State of Indiana			
Indiana Criminal Justice Institute			
Victims of Crime Act (VOCA)	16.575	12VA1492	22,668
Victims of Crime Act (VOCA)	16.575	13VA2413	8,766
Total U.S. Department of Justice			31,434
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,886,638

CFDA: Catalog of Federal Domestic Assistance
NA: Not Available

See Accompanying Note to Schedule of Expenditures of Federal Awards.

BAUER FAMILY RESOURCES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2013

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Bauer Family Resources, Inc. under programs of the federal government for the year ended December 31, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Bauer Family Resources, Inc. it is not intended to and does not present the financial position, changes in net assets or cash flows of Bauer Family Resource, Inc.

NOTE 2: 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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

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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, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. See finding 2013-01.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bauer Family Resources, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-02.

We noted certain matters that we reported to management of Bauer Family Resources, Inc. in a separate letter dated September 11, 2014.

Bauer Family Resources Inc.'s Response to Findings

Bauer Family Resources Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bauer Family Resources Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing* Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Huth Thompson LLP

September 11, 2014
Lafayette, Indiana

Huth THOMPSON LLP

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

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

Report on Compliance for Each Major Federal Program

We have audited Bauer Family Resources, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on each of Bauer Family Resources, Inc.'s major federal programs for the year ended December 31, 2013. Bauer Family Resources, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Head Start/Early Head Start

As described in the accompanying schedule of findings and questioned costs, Bauer Family Resources, Inc. did not comply with requirements regarding CFDA 93.600 Head Start/Early Head Start as described in finding 2013-02 for Matching Requirement. Compliance with such requirements is necessary, in our opinion, for Bauer Family resources, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on Head Start/Early Head Start

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-02. Our opinion on each major federal program is not modified with respect to this matter.

Bauer Family Resources, Inc.'s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Bauer Family Resources, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted certain matters that we reported to management of Bauer Family Resources, Inc. in a separate letter dated September 11, 2014.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-02 to be a significant deficiency

Bauer Family Resources Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Bauer Family Resources Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

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

Huth Thompson LLP

September 11, 2014
Lafayette, Indiana

BAUER FAMILY RESOURCES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For Year Ended December 31, 2013

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	**___Yes _X_ No**
Significant deficiency(ies) identified?	**_X_Yes ___ 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?	**_X_Yes ___ None reported**

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

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

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

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

BAUER FAMILY RESOURCES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For Year Ended December 31, 2013

II. FINANCIAL STATEMENT FINDINGS

2013-01 CASH DISBURSEMENTS

Condition: **The Organization did not consistently follow adequate internal control procedures over the review and approval of cash disbursement transactions.**

Criteria: **The Organizations should retain evidence that proper review and approval of cash disbursements is taking place throughout the year.**

Cause: **Turnover in the accounting department caused inconsistent application of prescribed internal control policies over cash disbursements at certain times throughout the year.**

Effect: **We noted two control deviations. First, four out of forty-five items tested did not have properly approved purchase orders. Second, evidence of the treasurer's review of check registers could not be found for a significant portion of the year.**

Recommendation: **The Organization should follow its internal control policies regarding review and approval of cash disbursement transactions.**

Views of Responsible Officials and Planned Corrective Actions: **Bauer agrees with the auditor's recommendations. Bauer will train staff on the internal control process for disbursements and the importance of ensuring compliance with monitoring and oversight. Bauer implemented a purchase order requisition system in May 2014 that will assist in ensuring the proper approval of purchase orders. Accounting staff duties will be re-assigned to ensure another level of review prior to payment.**

Bauer will implement additional review steps in the checking signing process to ensure the review of the check register by the Treasurer.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

Department of Health & Human Services--CFDA No. 93.600; Grant No. O5CH8313/01; Grant period--7/1/13-12/31/13:

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

2013-02 MATCHING REQUIREMENT (Continued)

Condition and Criteria: **The Head Start grant requires at least 25% of the cost of the program (20% of the federal funds received) be received through cash or in-kind contributions. The Organization fell short of the total match requirement due to errors in the calculation of in-kind contributions. In addition, lack of support was evidenced during our testing. This condition also affects the internal control structure at the compliance level as it relates to controls over the matching requirement.**

Context: **Since we did not test 100% of the in-kind transactions, the total actual error is unknown, however the projected shortfall was $3,664 based on an extrapolation of the error for the grant ending June 30, 2013. This lack of internal controls is deemed a significant deficiency. The internal control process failed to identify or correct the noncompliance with matching requirements in a timely manner.**

Cause: **A lack of extensive review over the calculation of the in-kind matches led to various errors in the calculated and reported amount along with lack of supporting documentation. This caused the Organization to be unaware that the non-federal match requirement was not met.**

Effect: **Because the Organization failed to meet the required match for the program, the Organization is not in compliance for the 18 month grant period ended June 30, 2013.**

Recommendation: **We recommend the calculation and supporting documentation for in-kind be regularly reviewed extensively by the CFO or his designee to ensure accuracy and compliance with the matching requirements.**

Views of Responsible Officials and Planned Corrective Actions: **Bauer will re-assign the in-kind process ownership from operations to Accounting department to strengthen the processing and monitoring. Additionally, the Accounting staff will be trained by outside consultants on the in-kind requirements. The CFO and operational directors will train staff on the process and timelines for reporting in-kind on a monthly basis. Additionally, the CFO will meet with operational directors and the CEO to review in-kind grant on a monthly basis. Bauer will continue to research in-kind software that will aid in the processing and monitoring of in-kind.**

BAUER FAMILY RESOURCES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For Year Ended December 31, 2013

None required. No findings reported for the year ended December 31, 2012.