

**The Children's Protective Service of the Ohio
Humane Society
dba FamiliesFORWARD**

Financial Statements

December 31, 2014 and 2013

(with Independent Auditors' Report)

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees

The Children's Protective Service of the Ohio Humane Society dba FamiliesFORWARD:

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Protective Service of the Ohio Humane Society dba FamiliesFORWARD (a not-for-profit organization) which comprise the statements of financial position as of December 31, 2014 and 2013, 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.

Auditors' 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Protective Service of the Ohio Humane Society dba FamiliesFORWARD as of December 31, 2014 and 2013, and the results of its 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.

Clark Schaefer Hackett

Cincinnati, Ohio
June 18, 2015

The Children's Protective Service of the Ohio Humane Society
 dba FamiliesFORWARD
 Statements of Financial Position
 December 31, 2014 and 2013

	2014	2013
Assets:		
Cash	\$ 53,774	63,356
Contributions receivable - United Way	530,000	537,314
Accounts receivable	84,278	61,154
Grants receivable	50,000	-
Investments	2,007,170	1,993,675
Equipment, net	4,331	5,727
Other	1,023	1,023
Interest in perpetual trust	181,771	170,836
	\$ 2,912,347	2,833,085
Liabilities:		
Accounts payable	\$ 15,839	14,843
Accrued expenses	70,789	74,459
	86,628	89,302
Net assets:		
Unrestricted	2,063,948	2,010,425
Temporarily restricted	580,000	562,522
Permanently restricted	181,771	170,836
	2,825,719	2,743,783
	\$ 2,912,347	2,833,085

See accompanying notes to the financial statements.

The Children's Protective Service of the Ohio Humane Society
dba FamiliesFORWARD
Statement of Activities
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Contributions receivable - United Way	\$ -	530,000	-	530,000
Contributions and grants	196,713	50,000	-	246,713
Program service fees	627,730	-	-	627,730
Investment income	91,563	-	-	91,563
Realized and unrealized gain on investments	133,410	-	-	133,410
Change in value of perpetual trust	-	-	10,935	10,935
Miscellaneous income	4,065	-	-	4,065
Satisfaction of restrictions	<u>562,522</u>	<u>(562,522)</u>	<u>-</u>	<u>-</u>
 Total public support and revenue	 <u>1,616,003</u>	 <u>17,478</u>	 <u>10,935</u>	 <u>1,644,416</u>
Expenses:				
Family services	1,289,274	-	-	1,289,274
Management and general	247,265	-	-	247,265
Fundraising	<u>25,941</u>	<u>-</u>	<u>-</u>	<u>25,941</u>
 Total expenses	 <u>1,562,480</u>	 <u>-</u>	 <u>-</u>	 <u>1,562,480</u>
 Change in net assets	 53,523	 17,478	 10,935	 81,936
 Net assets at beginning of year	 <u>2,010,425</u>	 <u>562,522</u>	 <u>170,836</u>	 <u>2,743,783</u>
 Net assets at end of year	 \$ <u>2,063,948</u>	 <u>580,000</u>	 <u>181,771</u>	 <u>2,825,719</u>

See accompanying notes to the financial statements.

The Children's Protective Service of the Ohio Humane Society
 dba FamiliesFORWARD
 Statement of Activities
 Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Contributions receivable - United Way	\$ -	537,314	-	537,314
Contributions and grants	210,282	25,208	-	235,490
Program service fees	575,566	-	-	575,566
Investment income	83,255	-	-	83,255
Realized and unrealized gain on investments	144,704	-	-	144,704
Change in value of perpetual trust	-	-	14,605	14,605
Micellaneous income	11,287	-	-	11,287
Satisfaction of restrictions	<u>530,000</u>	<u>(530,000)</u>	<u>-</u>	<u>-</u>
 Total public support and revenue	 <u>1,555,094</u>	 <u>32,522</u>	 <u>14,605</u>	 <u>1,602,221</u>
Expenses:				
Family services	1,372,390	-	-	1,372,390
Management and general	242,766	-	-	242,766
Fundraising	<u>23,895</u>	<u>-</u>	<u>-</u>	<u>23,895</u>
 Total expenses	 <u>1,639,051</u>	 <u>-</u>	 <u>-</u>	 <u>1,639,051</u>
 Change in net assets	 (83,957)	 32,522	 14,605	 (36,830)
 Net assets at beginning of year	 <u>2,094,382</u>	 <u>530,000</u>	 <u>156,231</u>	 <u>2,780,613</u>
 Net assets at end of year	 \$ <u>2,010,425</u>	 <u>562,522</u>	 <u>170,836</u>	 <u>2,743,783</u>

See accompanying notes to the financial statements.

The Children's Protective Service of the Ohio Humane Society
 dba FamiliesFORWARD
 Statement of Functional Expenses
 Year Ended December 31, 2014

	<u>Family Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 797,134	101,663	21,569	920,366
Employee benefits	94,360	12,034	2,554	108,948
Payroll taxes	<u>55,333</u>	<u>7,057</u>	<u>1,497</u>	<u>63,887</u>
Total salaries and related expenses	946,827	120,754	25,620	1,093,201
Professional fees	157,111	105,112	-	262,223
Travel	2,477	75	-	2,552
Occupancy	33,284	3,698	-	36,982
Telephone	12,581	1,398	-	13,979
Supplies	83,403	9,694	-	93,097
Insurance	11,141	1,238	-	12,379
Postage	2,137	237	-	2,374
Family assistance	2,250	-	-	2,250
Equipment maintenance and rental	25,119	2,791	-	27,910
Staff education	2,759	1,821	-	4,580
Art concerts and performances	1,762	-	-	1,762
Marketing	1,124	161	321	1,606
Dues and subscriptions	1,319	146	-	1,465
Miscellaneous	<u>4,724</u>	<u>-</u>	<u>-</u>	<u>4,724</u>
	1,288,018	247,125	25,941	1,561,084
Depreciation	<u>1,256</u>	<u>140</u>	<u>-</u>	<u>1,396</u>
Total expenses	\$ <u><u>1,289,274</u></u>	<u><u>247,265</u></u>	<u><u>25,941</u></u>	<u><u>1,562,480</u></u>

See accompanying notes to the financial statements.

The Children's Protective Service of the Ohio Humane Society
 dba FamiliesFORWARD
 Statement of Functional Expenses
 Year Ended December 31, 2013

	<u>Family Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 884,058	92,906	19,827	996,791
Employee benefits	91,765	9,644	2,058	103,467
Payroll taxes	<u>69,625</u>	<u>7,317</u>	<u>1,561</u>	<u>78,503</u>
Total salaries and related expenses	1,045,448	109,867	23,446	1,178,761
Professional fees	151,951	102,076	-	254,027
Travel	3,371	415	-	3,786
Occupancy	31,489	3,499	-	34,988
Telephone	12,830	1,426	-	14,256
Supplies	59,505	18,541	-	78,046
Insurance	10,823	1,202	-	12,025
Postage	3,173	353	-	3,526
Family assistance	3,852	-	-	3,852
Equipment maintenance and rental	24,322	2,702	-	27,024
Staff education	6,914	1,946	-	8,860
Art concerts and performances	5,350	-	-	5,350
Marketing	1,573	225	449	2,247
Due and subscriptions	2,683	298	-	2,981
Miscellaneous	<u>7,160</u>	<u>-</u>	<u>-</u>	<u>7,160</u>
	1,370,444	242,550	23,895	1,636,889
Depreciation	<u>1,946</u>	<u>216</u>	<u>-</u>	<u>2,162</u>
Total expenses	\$ <u>1,372,390</u>	<u>242,766</u>	<u>23,895</u>	<u>1,639,051</u>

See accompanying notes to the financial statements.

The Children's Protective Service of the Ohio Humane Society
 dba FamiliesFORWARD
 Statements of Cash Flows
 Years Ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 81,936	(36,830)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,396	2,162
Net unrealized and realized gain on investments	(133,410)	(144,704)
Change in value of perpetual trust	(10,935)	(14,605)
Effect of change in operating assets and liabilities:		
Contributions receivable - United Way	7,314	(7,314)
Accounts receivable	(23,124)	3,374
Grants receivable	(50,000)	-
Accounts payable	996	(5,476)
Accrued expenses	<u>(3,670)</u>	<u>8,048</u>
Net cash used by operating activities	<u>(129,497)</u>	<u>(195,345)</u>
Cash flows from investing activities:		
Purchase of equipment	-	(1,871)
Proceeds from sale of investments	211,478	255,000
Purchase of investments	<u>(91,563)</u>	<u>(83,255)</u>
Net cash provided by investing activities	<u>119,915</u>	<u>169,874</u>
Change in cash	(9,582)	(25,471)
Cash - beginning of year	<u>63,356</u>	<u>88,827</u>
Cash - end of year	\$ <u><u>53,774</u></u>	<u><u>63,356</u></u>

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting principles and practices of The Children's Protective Service of the Ohio Humane Society dba FamiliesFORWARD ("Agency") are set forth to facilitate the understanding of data presented in the financial statements.

Nature of operations

The Agency is a not-for-profit corporation organized to help children develop into responsible, self-sufficient, and productive citizens in Cincinnati, Ohio. The Agency provides family centered and community based programs that promote education, social development, and safety.

Financial statement presentation

The Agency reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restrictions; temporarily restricted net assets which have donor-imposed restrictions that will likely expire in the future; and permanently restricted net assets which have donor-imposed restrictions which do not expire.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income taxes

For Federal tax purposes, the Agency is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. It has been determined that the Agency is not a private foundation.

Accounting for uncertainty in income taxes

The Agency has adopted the provisions of FASB ASC 740-10-25, which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include any uncertain tax positions.

The Agency's income tax filings are subject to audit by various taxing authorities. The years of filings open to these authorities and available for audit are 2011, 2012 and 2013. The Agency's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense.

Accounts receivable

The Agency carries its receivables at contracted amounts less an allowance for doubtful accounts. On a periodic basis, the Agency evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. All receivables are considered fully collectible by management. Therefore, no allowance for doubtful accounts has been provided in the financial statements.

Investments

The Agency reports investments at fair value in the statements of financial position. Donated investments are recorded at their fair value at the time of donation. Unrealized and realized gains and losses are included in the statements of activities.

Equipment and depreciation

The Agency follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Equipment is stated at cost except for contributed items, which are recorded at the fair value on the date of the gift. Depreciation is provided on the straight-line method over the estimated useful lives (5-10 years) of the assets.

Contributions

Contributions without donor stipulations concerning the use of such assets are reported as revenues of the unrestricted net asset class. Contributions to be used in accordance with donor stipulations are reported as revenues of the temporarily or permanently restricted net asset classes. Temporarily restricted contributions whose restrictions are met in the same period as the contribution are reported as unrestricted support.

Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

Subsequent events

The Agency evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through June 18, 2015, the date on which the financial statements were available to be issued.

2. CONTRIBUTION RECEIVABLE – UNITED WAY:

The Agency has recorded a contribution receivable from United Way at December 31, 2014 and 2013 representing the funds that will be received during the subsequent year.

3. EQUIPMENT:

Equipment is summarized as follows at December 31:

	<u>2014</u>	<u>2013</u>
Furniture and fixtures	\$ 28,576	28,576
Less accumulated depreciation	<u>24,245</u>	<u>22,849</u>
	\$ <u>4,331</u>	<u>5,727</u>

4. INTEREST IN PERPETUAL TRUST:

The Agency has an interest in a perpetual trust held by others. The Agency has legally enforceable rights or claims to such assets, including the right to trust income. Contributions from the trust have been recorded at their net present value and are reported as unrestricted income based on the provisions of the trust documents. The change in fair value of the trust assets is reported on the statement of activities as permanently restricted. The fair value of the interest in perpetual trust at December 31, 2014 and 2013 was \$181,771 and \$170,836, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following at:

	<u>2014</u>	<u>2013</u>
Time restrictions	\$ 580,000	537,314
Program restrictions	<u> -</u>	<u>25,208</u>
	<u>\$ 580,000</u>	<u>562,522</u>

6. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of an interest in a perpetual trust of \$181,771 and \$170,836, respectively, as of December 31, 2014 and 2013.

7. RETIREMENT AND COMPENSATION PLANS:

The Agency has a defined contribution plan in which an eligible employee may immediately participate upon hire. The Agency contributes 4% of the employee's eligible compensation for the plan year. Under this plan, retirement benefits included in the statements of functional expenses for 2014 and 2013 were \$10,051 and \$14,013, respectively. There was a profit sharing contribution of approximately \$17,000 during 2014.

8. LEASE COMMITMENT:

The Agency leases office facilities primarily from the United Way under an operating lease that expires in December 2015. Minimum future lease payments for 2015 are approximately \$38,000. Total rent expense, including other facility expense for 2014 and 2013 was \$36,982 and \$34,988, respectively.

9. CONCENTRATION OF RISK:

Approximately 51% of the Agency's revenue for the year ending December 31, 2014 came from contributions and program support from two organizations and approximately 70% for the year ending December 31, 2013 came from contributions and program support from three organizations. The Agency is economically dependent on support from these organizations.

10. ENDOWMENT FUNDS:

Generally accepted accounting principles ("GAAP") require that the net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Agency's endowment consists of a fund established to provide investment returns to the Agency. The endowment is a board-designated endowment.

The board designated endowment has a balance of \$2,007,170 and \$1,993,675 at December 31, 2014 and 2013, respectively.

Changes in endowment net assets are as follows for the years ended December 31:

	2014	2013
	<u>Unrestricted</u>	<u>Unrestricted</u>
Endowment net assets at beginning of year	\$ 1,993,675	2,020,716
Interest and dividend income	91,563	83,255
Realized and unrealized gain on investments	133,410	144,704
Appropriated for expenditures	<u>(211,478)</u>	<u>(255,000)</u>
Endowment net assets at end of year	\$ <u>2,007,170</u>	<u>1,993,675</u>

Return objectives and risk parameters

The Agency has adopted investment and spending policies for its board designated endowment fund to help ensure the long term financial viability of the Agency and its ability to achieve its mission and to deliver its programs into the future. The endowment should provide modest growth of capital and provide income with undue exposure to risk. The performance objectives will be measured against appropriate industry benchmarks such as the S&P 500 Index.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy

The Agency has a policy of appropriating for distribution each year four percent of the average market value over the last three years. In establishing this policy, the Agency considered the long-term expected return on its endowment. Accordingly, this spending policy should, over time, protect the inflation-adjusted value of the endowment and, consequently, allow inflation-adjusted spending to occur into the distant future. This is consistent with the Agency's objective to maintain the purchasing power of the assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

11. FAIR VALUE MEASURES:

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

Fair value methods and assumptions on investments in mutual funds are based on the Level 1 market approach. The interest in perpetual trust is valued on Level 3 inputs based on the underlying investments in the trust, as provided by the trust's custodians, without adjustment by management.

The following tables present the Agency's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and 2013.

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Total</u>	<u>Quoted Prices</u> in Active Markets for Identical Assets <u>Level 1</u>	<u>Significant</u> Other Observable Inputs <u>Level 2</u>	<u>Significant</u> Unobservable Inputs <u>Level 3</u>
<u>December 31, 2014</u>				
Investments – mutual funds:				
Large blend	\$ 1,171,130	1,171,130	-	-
Short-term bond fund	26,041	26,041	-	-
Intermediate-term bond fund	496,854	496,854	-	-
Long-term bond fund	<u>313,145</u>	<u>313,145</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,007,170</u>	<u>2,007,170</u>	<u>-</u>	<u>-</u>
Interest in perpetual trust	<u>\$ 181,771</u>	<u>-</u>	<u>-</u>	<u>181,771</u>

The Children's Protective Service of the Ohio Humane Society
 dba FamiliesFORWARD
 Notes to the Financial Statements
 December 31, 2014 and 2013

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Quoted Prices</u>			
	<u>Total</u>	<u>in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
<u>December 31, 2013</u>				
Investments – mutual funds:				
Large blend	\$ 683,197	683,197	-	-
Large value	357,868	357,868	-	-
Short-term bond fund	5,936	5,936	-	-
Intermediate-term bond fund	515,694	515,694	-	-
Long-term bond fund	<u>430,980</u>	<u>430,980</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,993,675</u>	<u>1,993,675</u>	<u>-</u>	<u>-</u>
Interest in perpetual trust	<u>\$ 170,836</u>	<u>-</u>	<u>-</u>	<u>170,836</u>

The following is a reconciliation for the Agency's assets valued at Level 3 inputs for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 170,836	156,231
Change in value of perpetual trust – held at year end	<u>10,935</u>	<u>14,605</u>
Balance at end of year	<u>\$ 181,771</u>	<u>170,836</u>



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