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

Financial Statements

December 31, 2010 and 2009

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT
STRENGTH IN NUMBERS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of The Children's Protective Service of the Ohio Humane Society dba FamiliesFORWARD (a not-for-profit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of The Children's Protective Service of the Ohio Humane Society dba FamiliesFORWARD's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Clark, Schaefer, Hackett & Co.

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June 22, 2011

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The Children's Protective Service of the Ohio Humane Society
dba FamiliesFORWARD
Statements of Financial Position
December 31, 2010 and 2009

		2010	2009
Assets:			
Cash	$	173,659	307,033
Contributions receivable - United Way		557,750	575,000
Accounts receivable		75,956	86,793
Investments		2,002,478	1,880,573
Equipment, net		4,265	5,875
Other		1,023	1,023
Interest in perpetual trust		168,843	158,192
	$	2,983,974	3,014,489
Liabilities:			
Accounts payable	$	16,157	25,947
Accrued expenses		50,378	64,119
Deferred compensation		22,289	31,558
		88,824	121,624
Net assets:			
Unrestricted		2,168,557	2,159,673
Temporarily restricted		557,750	575,000
Permanently restricted		168,843	158,192
		2,895,150	2,892,865
	$	2,983,974	3,014,489

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, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions receivable - United Way	$ 4,200	557,750	-	561,950
Contributions and grants	123,231	-	-	123,231
Program service fees	551,915	-	-	551,915
Investment income	82,781	-	-	82,781
Realized/unrealized gain on investments	141,124	-	-	141,124
Change in value of perpetual trust	-	-	10,651	10,651
Satisfaction of restrictions	575,000	(575,000)	-	-
Total public support and revenue	1,478,251	(17,250)	10,651	1,471,652
Expenses:				
Family services	1,247,119	-	-	1,247,119
Management and general	198,795	-	-	198,795
Fundraising	23,453	-	-	23,453
Total expenses	1,469,367	-	-	1,469,367
Change in net assets	8,884	(17,250)	10,651	2,285
Net assets at beginning of year	2,159,673	575,000	158,192	2,892,865
Net assets at end of year	$ 2,168,557	557,750	168,843	2,895,150

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, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions receivable - United Way	$ 7,552	575,000	-	582,552
Contributions and grants	163,963	-	-	163,963
Program service fees	526,365	-	-	526,365
Investment income	76,788	-	-	76,788
Realized/unrealized gain on investments	247,175	-	-	247,175
Change in value of perpetual trust	-	-	18,549	18,549
Satisfaction of restrictions	580,540	(580,540)	-	-
Total public support and revenue	1,602,383	(5,540)	18,549	1,615,392
Expenses:				
Family services	1,165,604	-	-	1,165,604
Management and general	136,432	-	-	136,432
Fundraising	26,341	-	-	26,341
Total expenses	1,328,377	-	-	1,328,377
Change in net assets	274,006	(5,540)	18,549	287,015
Net assets at beginning of year	1,885,667	580,540	139,643	2,605,850
Net assets at end of year	$ 2,159,673	575,000	158,192	2,892,865

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, 2010

	Family Services	Management and General	Fundraising	Total Expenses
Salaries	$ 791,005	87,588	18,610	897,203
Employee benefits	113,920	12,615	2,680	129,215
Payroll taxes	66,711	7,387	1,570	75,668
Total salaries and related expenses	971,636	107,590	22,860	1,102,086
Professional fees	103,895	71,874	-	175,769
Travel	1,493	-	-	1,493
Occupancy	26,868	2,985	-	29,853
Telephone	10,277	1,142	-	11,419
Supplies	88,429	10,062	-	98,491
Insurance	10,166	1,130	-	11,296
Postage	3,598	400	-	3,998
Family assistance	994	-	-	994
Equipment maintenance and rental	14,516	1,613	-	16,129
Staff education	5,442	1,414	-	6,856
Art concerts and performances	3,180	-	-	3,180
Marketing	2,073	296	593	2,962
Due and subscriptions	1,116	124	-	1,240
Miscellaneous	1,991	-	-	1,991
	1,245,674	198,630	23,453	1,467,757
Depreciation	1,445	165	-	1,610
Total expenses	$ 1,247,119	198,795	23,453	1,469,367

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, 2009

	Family Services	Management and General	Fundraising	Total Expenses
Salaries	$ 701,075	76,350	20,888	798,313
Employee benefits	103,919	11,318	3,096	118,333
Payroll taxes	59,740	6,506	1,780	68,026
Total salaries and related expenses	864,734	94,174	25,764	984,672
Professional fees	129,083	25,697	-	154,780
Travel	1,123	40	-	1,163
Occupancy	27,437	3,048	-	30,485
Telephone	9,426	1,047	-	10,473
Supplies	70,607	7,651	-	78,258
Insurance	10,192	1,132	-	11,324
Postage	2,367	263	-	2,630
Family assistance	2,588	-	-	2,588
Equipment maintenance and rental	16,624	1,847	-	18,471
Staff education	6,273	-	-	6,273
Art concerts and performances	10,111	-	-	10,111
Marketing	2,020	288	577	2,885
Due and subscriptions	1,524	169	-	1,693
Miscellaneous	9,632	869	-	10,501
	1,163,741	136,225	26,341	1,326,307
Depreciation	1,863	207	-	2,070
Total expenses	$ 1,165,604	136,432	26,341	1,328,377

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, 2010 and 2009

		2010	2009
Cash flows from operating activities:			
Change in net assets	$	2,285	287,015
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:			
Depreciation		1,610	2,070
Net unrealized and realized gain on investments		(141,124)	(247,175)
Change in value of perpetual trust		(10,651)	(18,549)
Effect of change in operating assets and liabilities:			
Contributions receivable - United Way		17,250	5,540
Accounts receivable		10,837	4,686
Accounts payable		(9,790)	2,286
Accrued expenses		(13,741)	37,522
Deferred compensation		(9,269)	(8,041)
Net cash provided (used) by operating activities		(152,593)	65,354
Cash flows from investing activities:			
Purchase of equipment		-	(1,130)
Proceeds from sale of investments		102,000	157,000
Purchase of investments		(82,781)	(177,693)
Net cash provided (used) by investing activities		19,219	(21,823)
Change in cash		(133,374)	43,531
Cash - beginning of year		307,033	263,502
Cash - end of year	$	173,659	307,033

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 in 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 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.

Accounting for uncertainty in income taxes
The Agency adopted the provisions *Accounting for Uncertainty in Income Taxes* on January 1, 2009. Those provisions clarify the accounting and recognition for income tax positions taken or expected to be taken in the Agency's income tax returns. The Agency's income tax filings are subject to audit by various taxing authorities. The Agency's open audit periods are 2007–2009. The Agency's policy with regard to interest and penalty is to recognize interest through interest expense and penalties through other expense. In evaluating the Agency's tax provisions and tax exempt status, interpretations and tax planning strategies are considered. The Agency believes their estimates are appropriate based on current facts and circumstances.

Accounts receivable
The Agency carries its receivables at cost 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 22, 2011, the date on which the financial statements were available to be issued.

Reclassifications
Certain items have been reclassified from 2009 to conform to current year presentation.

2. CONTRIBUTION RECEIVABLE – UNITED WAY:

The Agency has recorded a contribution receivable from United Way at December 31, 2010 and 2009 representing the funds that will be received during the subsequent year.

3. INVESTMENTS:

All investments are held in mutual funds. As of December 31, 2010 and 2009 the fair values of the investments were $2,002,478 and $1,880,573, respectively.

4. EQUIPMENT:

Equipment is summarized as follows at December 31:

	2010	2009
Furniture and fixtures	$ 20,340	20,340
Less accumulated depreciation	16,075	14,465
	$ 4,265	5,875

5. 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, 2010 and 2009 was $168,843 and $158,192, respectively.

6. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of contributions receivable from United Way of $557,750 and $575,000 at December 31, 2010 and 2009, respectively. Net assets released from restriction during 2010 and 2009 were $575,000 and $580,540, respectively.

7. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of an interest in a perpetual trust of $168,843 and $158,192 as of December 31, 2010 and 2009, respectively.

8. RETIREMENT AND COMPENSATION PLANS:

Pension plan

The Agency has a defined contribution plan in which an eligible employee may immediately participate upon hire. The plan requires the Agency to contribute 4% of the employee's eligible compensation for the plan year. Employer contributions of up to an additional 4% of eligible employees' compensation are also permitted, at the discretion of the Agency's board of trustees. The Agency contributed 6% and 8% of employees' compensation during 2010 and 2009, respectively.

Under this plan, pension benefits included in the statement of functional expenses for 2010 and 2009 were $31,884 and $33,988, respectively.

Deferred compensation plan

The Agency had a nonqualified deferred compensation plan covering the former president of the Agency. Under the plan, the former president could elect annually to defer compensation under prescribed limits. In addition to the deferred salary, the Agency accrued expense equal to 6% of the annual deferral plus an imputed return on the accumulated balance of the annual deferrals. The return was based on a hypothetical portfolio of mutual funds selected by the president at the beginning of each year.

The plan is unfunded and benefits are being paid out over 60 months beginning January 1, 2008. Amounts to be paid under this plan were $22,289 and $31,558, respectively, as of December 31, 2010 and 2009.

9. LEASE COMMITMENT:

The Agency leases office facilities primarily from the United Way under an operating lease that expires in December 2011. Total rent expense, including other facility expense for 2010 and 2009 was $29,853 and $30,485, respectively.

In addition, the Agency leases office equipment under an operating lease through May 2013. Total office equipment expense for 2010 and 2009 was $3,912 and $4,724, respectively. Future minimum lease expense for the office facility and equipment is:

2011	$ 33,564
2012	3,912
2013	1,304
	$ 38,780

10. CONCENTRATION OF RISK:

Approximately 77% and 66% of the Agency's unrestricted and temporarily restricted support and program revenue for the years ending December 31, 2010 and 2009, respectively, came from contributions and program support from three organizations. The Agency is economically dependent on support from these organizations.

11. 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 real investment returns to the Agency. The endowment is currently only a board-designated endowment.

The Agency has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Agency 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 Agency in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the Agency and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Agency; and the investment policies of the Agency.

The board designated endowment has a balance of $2,002,478 and $1,880,573 at December 31, 2010 and 2009, respectively.

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

	2010 Unrestricted	2009 Unrestricted
Endowment net assets at beginning of year	$ 1,880,573	1,612,705
Interest and dividend income	82,781	76,788
Realized and unrealized gain on investments	141,124	247,175
Contributions	-	22,405
Appropriated for expenditures	(102,000)	(78,500)
Endowment net assets at end of year	$ 2,002,478	1,880,573

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 Agency must 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.

12. 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. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Agency has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

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.

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, 2010 and 2009.

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Level 1	Level 2	Level 3
December 31, 2010				
Investments – mutual funds:				
Large blend	$ 561,279	561,279	-	-
Large value	446,451	446,451	-	-
Short-term bond fund	33,923	33,923	-	-
Intermediate-term bond fund	489,829	489,829	-	-
Long-term bond fund	470,996	470,996	-	-
Interest in perpetual trust	168,843	-	-	168,843
December 31, 2009				
Investments	$ 1,880,573	1,800,573	-	-
Interest in perpetual trust	158,192	-	-	158,192

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

	2010	2009
Balance at beginning of year	$ 158,192	139,643
Change in value of perpetual trust	10,651	18,549
Balance at end of year	$ 168,843	158,192