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

Financial Statements

December 31, 2011 and 2010

(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, 2011 and 2010, 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, 2011 and 2010, 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.

Cincinnati, Ohio
June 25, 2012

The Children's Protective Service of the Ohio Humane Society
dba FamiliesFORWARD
Statements of Financial Position
December 31, 2011 and 2010

		2011	2010
Assets:			
Cash	$	82,308	173,659
Contributions receivable - United Way		557,750	557,750
Accounts receivable		60,914	75,956
Investments		1,970,088	2,002,478
Equipment, net		8,107	4,265
Other		1,023	1,023
Interest in perpetual trust		156,337	168,843
	$	2,836,527	2,983,974
Liabilities:			
Accounts payable	$	11,530	16,157
Accrued expenses		55,228	50,378
Deferred compensation		11,745	22,289
		78,503	88,824
Net assets:			
Unrestricted		2,043,937	2,168,557
Temporarily restricted		557,750	557,750
Permanently restricted		156,337	168,843
		2,758,024	2,895,150
	$	2,836,527	2,983,974

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, 2011

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:					
Contributions receivable - United Way	$	345	557,750	-	558,095
Contributions and grants		133,818	-	-	133,818
Program service fees		506,129	-	-	506,129
Investment income		86,571	-	-	86,571
Realized and unrealized gain on investments		64,039	-	-	64,039
Change in value of perpetual trust		-	-	(12,506)	(12,506)
Satisfaction of restrictions		557,750	(557,750)	-	-
Total public support and revenue		1,348,652	-	(12,506)	1,336,146
Expenses:					
Family services		1,235,108	-	-	1,235,108
Management and general		214,258	-	-	214,258
Fundraising		23,906	-	-	23,906
Total expenses		1,473,272	-	-	1,473,272
Change in net assets		(124,620)	-	(12,506)	(137,126)
Net assets at beginning of year		2,168,557	557,750	168,843	2,895,150
Net assets at end of year	$	2,043,937	557,750	156,337	2,758,024

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 amd 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 Functional Expenses
Year Ended December 31, 2011

	Family Services	Management and General	Fundraising	Total Expenses
Salaries	$ 772,656	89,580	19,002	881,238
Employee benefits	102,807	11,919	2,529	117,255
Payroll taxes	66,594	7,721	1,638	75,953
Total salaries and related expenses	942,057	109,220	23,169	1,074,446
Professional fees	113,673	77,962	-	191,635
Travel	1,878	15	-	1,893
Occupancy	26,934	2,993	-	29,927
Telephone	9,760	1,084	-	10,844
Supplies	73,661	16,893	-	90,554
Insurance	10,432	1,159	-	11,591
Postage	2,335	259	-	2,594
Family assistance	3,413	-	-	3,413
Equipment maintenance and rental	18,508	2,056	-	20,564
Staff education	4,466	1,848	-	6,314
Art concerts and performances	4,570	-	-	4,570
Marketing	2,581	369	737	3,687
Dues and subscriptions	1,332	148	-	1,480
Miscellaneous	17,237	-	-	17,237
	1,232,837	214,006	23,906	1,470,749
Depreciation	2,271	252	-	2,523
Total expenses	$ 1,235,108	214,258	23,906	1,473,272

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
Statements of Cash Flows
Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ (137,126)	2,285
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	2,523	1,610
Net unrealized and realized gain on investments	(64,039)	(141,124)
Change in value of perpetual trust	12,506	(10,651)
Effect of change in operating assets and liabilities:		
Contributions receivable - United Way	-	17,250
Accounts receivable	15,042	10,837
Accounts payable	(4,627)	(9,790)
Accrued expenses	4,850	(13,741)
Deferred compensation	(10,544)	(9,269)
Net cash used by operating activities	(181,415)	(152,593)
Cash flows from investing activities:		
Purchase of equipment	(6,365)	-
Proceeds from sale of investments	183,000	102,000
Purchase of investments	(86,571)	(82,781)
Net cash provided by investing activities	90,064	19,219
Change in cash	(91,351)	(133,374)
Cash - beginning of year	173,659	307,033
Cash - end of year	$ 82,308	173,659

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.

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.

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 25, 2012, 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, 2011 and 2010 representing the funds that will be received during the subsequent year.

3. EQUIPMENT:

Equipment is summarized as follows at December 31:

	2011	2010
Furniture and fixtures	$ 26,705	20,340
Less accumulated depreciation	18,598	16,075
	$ 8,107	4,265

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, 2011 and 2010 was $156,337 and $168,843, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of contributions receivable from United Way of $557,750 at December 31, 2011 and 2010. Net assets released from restriction during 2011 and 2010 were $557,750 and $575,000, respectively.

6. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of an interest in a perpetual trust of $156,337 and $168,843, respectively, as of December 31, 2011 and 2010.

7. 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% of employees' compensation during 2011 and 2010.

Under this plan, pension benefits included in the statement of functional expenses for 2011 and 2010 were $29,945 and $31,884, 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 $11,745 and $22,289, respectively, as of December 31, 2011 and 2010.

8. LEASE COMMITMENT:

The Agency leases office facilities primarily from the United Way under an operating lease that expires in December 2012. Total rent expense, including other facility expense for 2011 and 2010 was $29,927 and $29,853, respectively.

In addition, the Agency leases office equipment under an operating lease through May 2013. Office equipment expense for 2011 and 2010 was $3,912 in each year. Future minimum lease expense for the office facility and equipment is:

2012	$ 37,555
2013	1,304
	$ 38,859

9. CONCENTRATION OF RISK:

Approximately 79% and 77% of the Agency's unrestricted and temporarily restricted support and program revenue for the years ending December 31, 2011 and 2010, respectively, 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 $1,970,088 and $2,002,478 at December 31, 2011 and 2010, respectively.

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

	2011 Unrestricted	2010 Unrestricted
Endowment net assets at beginning of year	$ 2,002,478	1,880,573
Interest and dividend income	86,571	82,781
Realized and unrealized gain on investments	64,039	141,124
Appropriated for expenditures	(183,000)	(102,000)
Endowment net assets at end of year	$ 1,970,088	2,002,478

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. 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, 2011 and 2010.

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Level 1	Level 2	Level 3
December 31, 2011				
Investments – mutual funds:				
Large blend	$ 610,964	610,964	-	-
Large value	281,188	281,188	-	-
Short-term bond fund	14,566	14,566	-	-
Intermediate-term bond fund	517,917	517,917	-	-
Long-term bond fund	545,453	545,453	-	-
Interest in perpetual trust	156,337	-	-	156,337

	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

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

	2011	2010
Balance at beginning of year	$ 168,843	158,192
Change in value of perpetual trust	(12,506)	10,651
Balance at end of year	$ 156,337	168,843