

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

Financial Statements

December 31, 2016 and 2015

(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, 2016 and 2015, 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.

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, 2016 and 2015, 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 30, 2017

The Children's Protective Service of the Ohio Humane Society
 dba FamiliesFORWARD
 Statements of Financial Position
 December 31, 2016 and 2015

	2016	2015
Assets:		
Cash	\$ 40,584	30,168
Contributions receivable - United Way	506,150	530,000
Accounts receivable	58,327	65,275
Grants receivable	75,000	100,000
Investments	1,724,065	1,807,345
Equipment, net	1,764	3,047
Other	1,023	1,023
Interest in perpetual trust	172,213	169,456
	\$ <u>2,579,126</u>	<u>2,706,314</u>
Liabilities:		
Accounts payable	\$ 26,848	35,641
Accrued expenses	50,332	46,908
	77,180	82,549
Net assets:		
Unrestricted	1,748,583	1,824,309
Temporarily restricted	581,150	630,000
Permanently restricted	172,213	169,456
	2,501,946	2,623,765
	\$ <u>2,579,126</u>	<u>2,706,314</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Contributions receivable - United Way	\$ 11,489	506,150	-	517,639
Contributions and grants	171,613	25,000	-	196,613
Program service fees	595,102	-	-	595,102
Investment income	38,991	-	-	38,991
Realized and unrealized gain on investments	104,729	-	-	104,729
Change in value of perpetual trust	-	-	2,757	2,757
Satisfaction of restrictions	<u>580,000</u>	<u>(580,000)</u>	<u>-</u>	<u>-</u>
 Total public support and revenue	 <u>1,501,924</u>	 <u>(48,850)</u>	 <u>2,757</u>	 <u>1,455,831</u>
Expenses:				
Family services	1,293,671	-	-	1,293,671
Management and general	256,176	-	-	256,176
Fundraising	<u>27,803</u>	<u>-</u>	<u>-</u>	<u>27,803</u>
 Total expenses	 <u>1,577,650</u>	 <u>-</u>	 <u>-</u>	 <u>1,577,650</u>
 Change in net assets	 (75,726)	 (48,850)	 2,757	 (121,819)
 Net assets at beginning of year	 <u>1,824,309</u>	 <u>630,000</u>	 <u>169,456</u>	 <u>2,623,765</u>
 Net assets at end of year	 \$ <u>1,748,583</u>	 <u>581,150</u>	 <u>172,213</u>	 <u>2,501,946</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Contributions receivable - United Way	\$ 4,516	530,000	-	534,516
Contributions and grants	67,535	100,000	-	167,535
Program service fees	633,646	-	-	633,646
Investment income	50,616	-	-	50,616
Realized and unrealized loss on investments	(46,441)	-	-	(46,441)
Change in value of perpetual trust	-	-	(12,315)	(12,315)
Satisfaction of restrictions	<u>580,000</u>	<u>(580,000)</u>	<u>-</u>	<u>-</u>
 Total public support and revenue	 <u>1,289,872</u>	 <u>50,000</u>	 <u>(12,315)</u>	 <u>1,327,557</u>
Expenses:				
Family services	1,254,757	-	-	1,254,757
Management and general	247,264	-	-	247,264
Fundraising	<u>27,490</u>	<u>-</u>	<u>-</u>	<u>27,490</u>
 Total expenses	 <u>1,529,511</u>	 <u>-</u>	 <u>-</u>	 <u>1,529,511</u>
 Change in net assets	 (239,639)	 50,000	 (12,315)	 (201,954)
 Net assets at beginning of year	 <u>2,063,948</u>	 <u>580,000</u>	 <u>181,771</u>	 <u>2,825,719</u>
 Net assets at end of year	 \$ <u>1,824,309</u>	 <u>630,000</u>	 <u>169,456</u>	 <u>2,623,765</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, 2016

	<u>Family Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 744,833	108,044	22,889	875,766
Employee benefits	76,337	11,073	2,346	89,756
Payroll taxes	<u>60,849</u>	<u>8,827</u>	<u>1,870</u>	<u>71,546</u>
Total salaries and related expenses	882,019	127,944	27,105	1,037,068
Professional fees	142,486	96,996	-	239,482
Travel	4,506	-	-	4,506
Occupancy	36,464	4,051	-	40,515
Telephone	14,121	1,569	-	15,690
Supplies	141,391	17,153	-	158,544
Insurance	10,425	1,158	-	11,583
Postage	3,445	383	-	3,828
Family assistance	5,517	-	-	5,517
Equipment maintenance and rental	24,071	2,674	-	26,745
Staff education	13,847	3,593	-	17,440
Art concerts and performances	2,122	-	-	2,122
Marketing	2,442	349	698	3,489
Miscellaneous	<u>9,660</u>	<u>178</u>	<u>-</u>	<u>9,838</u>
	1,292,516	256,048	27,803	1,576,367
Depreciation	<u>1,155</u>	<u>128</u>	<u>-</u>	<u>1,283</u>
Total expenses	\$ <u>1,293,671</u>	<u>256,176</u>	<u>27,803</u>	<u>1,577,650</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, 2015

	<u>Family Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 780,878	108,322	22,963	912,163
Employee benefits	75,645	10,493	2,225	88,363
Payroll taxes	<u>66,433</u>	<u>9,215</u>	<u>1,954</u>	<u>77,602</u>
Total salaries and related expenses	922,956	128,030	27,142	1,078,128
Professional fees	141,671	97,149	-	238,820
Travel	2,979	125	-	3,104
Occupancy	34,334	3,815	-	38,149
Telephone	12,048	1,339	-	13,387
Supplies	81,385	9,205	-	90,590
Insurance	10,601	1,178	-	11,779
Postage	2,027	225	-	2,252
Family assistance	4,257	-	-	4,257
Equipment maintenance and rental	25,218	2,802	-	28,020
Staff education	4,144	3,021	-	7,165
Art concerts and performances	3,237	-	-	3,237
Marketing	1,217	174	348	1,739
Miscellaneous	<u>7,527</u>	<u>73</u>	<u>-</u>	<u>7,600</u>
	1,253,601	247,136	27,490	1,528,227
Depreciation	<u>1,156</u>	<u>128</u>	<u>-</u>	<u>1,284</u>
Total expenses	\$ <u><u>1,254,757</u></u>	<u><u>247,264</u></u>	<u><u>27,490</u></u>	<u><u>1,529,511</u></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, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (121,819)	(201,954)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,283	1,284
Net unrealized and realized (gain) loss on investments	(104,729)	46,441
Change in value of perpetual trust	(2,757)	12,315
Effect of change in operating assets and liabilities:		
Contributions receivable - United Way	23,850	-
Accounts receivable	6,948	19,003
Grants receivable	25,000	(50,000)
Accounts payable	(8,793)	19,802
Accrued expenses	3,424	(23,881)
Net cash used by operating activities:	(177,593)	(176,990)
Cash flows from investing activities:		
Proceeds from sale of investments	400,009	1,705,306
Purchase of investments	(212,000)	(1,551,922)
Net cash provided by investing activities	188,009	153,384
Change in cash	10,416	(23,606)
Cash - beginning of year	30,168	53,774
Cash - end of year	\$ 40,584	30,168

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.

The Agency's income tax filings are subject to audit by various taxing authorities. 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.

Grants receivable

Grants receivable represents contributions from funders that will be received in the next fiscal year.

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 statements 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 30, 2017, the date on which the financial statements were available to be issued.

2. CONTRIBUTION RECEIVABLE:

The Agency has recorded a contribution receivable from United Way at December 31, 2016 and 2015 representing the funds that will be received during the subsequent year.

3. EQUIPMENT:

Equipment is summarized as follows at December 31:

	<u>2016</u>	<u>2015</u>
Furniture and fixtures	\$ 28,576	28,576
Less accumulated depreciation	<u>26,812</u>	<u>25,529</u>
	\$ <u>1,764</u>	<u>3,047</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 statements of activities as permanently restricted. The fair value of the interest in perpetual trust at December 31, 2016 and 2015 was \$172,213 and \$169,456, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of timing restrictions of \$581,150 and \$630,000, as of December 31, 2016 and 2015, respectively.

6. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of an interest in a perpetual trust of \$172,213 and \$169,456, respectively, as of December 31, 2016 and 2015.

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 2016 and 2015 were \$5,942 and \$10,334, respectively. There was a profit sharing contribution of \$27,700 and \$20,000 during 2016 and 2015, respectively.

8. LEASE COMMITMENT:

The Agency leases office facilities primarily from the United Way under an operating lease that expires in December 2017. Minimum future lease payments for 2017 are approximately \$39,000. Total rent expense, including other facility expense for 2016 and 2015 was \$40,515 and \$38,149, respectively.

9. CONCENTRATION OF RISK:

Approximately 58% and 64%, respectively, of the Agency's revenue for the year ending December 31, 2016 and 2015 came from contributions and program support from two 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 \$1,724,065 and \$1,807,345 at December 31, 2016 and 2015, respectively.

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

	2016 <u>Unrestricted</u>	2015 <u>Unrestricted</u>
Endowment net assets at beginning of year	\$ 1,807,345	2,007,170
Interest and dividend income	38,991	50,616
Realized and unrealized gain (loss) on investments	104,729	(46,441)
Appropriated for expenditures	<u>(227,000)</u>	<u>(204,000)</u>
Endowment net assets at end of year	\$ <u>1,724,065</u>	<u>1,807,345</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 without 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 Children's Protective Service of the Ohio Humane Society
 dba FamiliesFORWARD
 Notes to the Financial Statements
 December 31, 2016 and 2015

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 measured at fair value on a recurring basis as of December 31, 2016 and 2015:

	<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, 2016</u>				
Investments – mutual funds:				
Large blend	\$ 1,715,708	1,715,708	-	-
Short-term bond fund	<u>8,357</u>	<u>8,357</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,724,065</u>	<u>1,724,065</u>	<u>-</u>	<u>-</u>
Interest in perpetual trust	<u>\$ 172,213</u>	<u>-</u>	<u>-</u>	<u>172,213</u>

	<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, 2015</u>				
Investments – mutual funds:				
Large blend	\$ 1,784,363	1,784,363	-	-
Short-term bond fund	<u>22,982</u>	<u>22,982</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,807,345</u>	<u>1,807,345</u>	<u>-</u>	<u>-</u>
Interest in perpetual trust	<u>\$ 169,456</u>	<u>-</u>	<u>-</u>	<u>169,456</u>

The Children's Protective Service of the Ohio Humane Society
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Notes to the Financial Statements
December 31, 2016 and 2015

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

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 169,456	181,771
Change in value of perpetual trust – held at year end	<u>2,757</u>	<u>(12,315)</u>
Balance at end of year	\$ <u>172,213</u>	<u>169,456</u>