The Children's Protective Service of the Ohio Humane Society

dba FamiliesFORWARD

Financial Statements

December 31, 2017 and 2016

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

TABLE OF CONTENTS

One East Fourth Street, Suite 1200, Cincinnati, Ohio 45202
P. 513.241.3111 | F. 513.241.1212 | cshco.com

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, 2017 and 2016, 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, 2017 and 2016, 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
August 3, 2018

The Children's Protective Service of the Ohio Humane Society
dba FamiliesFORWARD
Statements of Financial Position
December 31, 2017 and 2016

		2017	2016
Assets:			
Cash	$	7,365	40,584
Contributions receivable - United Way		428,000	506,150
Accounts receivable		84,375	58,327
Grants receivable		-	75,000
Investments		1,687,623	1,724,065
Equipment, net		481	1,764
Other		1,023	1,023
Interest in perpetual trust		182,474	172,213
	$	2,391,341	2,579,126
Liabilities:			
Accounts payable	$	31,808	26,848
Accrued expenses		76,245	50,332
		108,053	77,180
Net assets:			
Unrestricted		1,672,814	1,748,583
Temporarily restricted		428,000	581,150
Permanently restricted		182,474	172,213
		2,283,288	2,501,946
	$	2,391,341	2,579,126

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions - United Way	$ 6,578	428,000	-	434,578
Contributions and grants	154,731	-	-	154,731
Program service fees	509,785	-	-	509,785
Investment income	35,979	-	-	35,979
Realized and unrealized gain on investments	205,579	-	-	205,579
Change in value of perpetual trust	-	-	10,261	10,261
Satisfaction of restrictions	581,150	(581,150)	-	-
Total public support and revenue	1,493,802	(153,150)	10,261	1,350,913
Expenses:				
Family services	1,281,921	-	-	1,281,921
Management and general	258,803	-	-	258,803
Fundraising	28,847	-	-	28,847
Total expenses	1,569,571	-	-	1,569,571
Change in net assets	(75,769)	(153,150)	10,261	(218,658)
Net assets at beginning of year	1,748,583	581,150	172,213	2,501,946
Net assets at end of year	$ 1,672,814	428,000	182,474	2,283,288

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Contributions - 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	580,000	(580,000)	-	-
Total public support and revenue	1,501,924	(48,850)	2,757	1,455,831
Expenses:				
Family services	1,293,671	-	-	1,293,671
Management and general	256,176	-	-	256,176
Fundraising	27,803	-	-	27,803
Total expenses	1,577,650	-	-	1,577,650
Change in net assets	(75,726)	(48,850)	2,757	(121,819)
Net assets at beginning of year	1,824,309	630,000	169,456	2,623,765
Net assets at end of year	$ 1,748,583	581,150	172,213	2,501,946

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, 2017

	Family Services	Management and General	Fundraising	Total Expenses
Salaries	$ 791,075	113,452	24,039	928,566
Employee benefits	91,327	13,098	2,776	107,201
Payroll taxes	54,944	7,880	1,669	64,493
Total salaries and related expenses	937,346	134,430	28,484	1,100,260
Professional fees	126,228	98,230	-	224,458
Travel	3,862	-	-	3,862
Occupancy	36,050	4,005	-	40,055
Telephone	13,644	1,516	-	15,160
Supplies	102,082	13,248	-	115,330
Insurance	10,641	1,182	-	11,823
Postage	2,098	233	-	2,331
Family assistance	2,832	-	-	2,832
Equipment maintenance and rental	19,607	2,178	-	21,785
Staff education	4,258	3,310	-	7,568
Art concerts and performances	2,190	-	-	2,190
Marketing	1,271	182	363	1,816
Miscellaneous	18,657	161	-	18,818
	1,280,766	258,675	28,847	1,568,288
Depreciation	1,155	128	-	1,283
Total expenses	$ 1,281,921	258,803	28,847	1,569,571

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

	Family Services	Management and General	Fundraising	Total Expenses
Salaries	$ 744,833	108,044	22,889	875,766
Employee benefits	76,337	11,073	2,346	89,756
Payroll taxes	60,849	8,827	1,870	71,546
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	9,660	178	-	9,838
	1,292,516	256,048	27,803	1,576,367
Depreciation	1,155	128	-	1,283
Total expenses	$ 1,293,671	256,176	27,803	1,577,650

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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ (218,658)	(121,819)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,283	1,283
Net unrealized and realized gain on investments	(205,579)	(104,729)
Change in value of perpetual trust	(10,261)	(2,757)
Effect of change in operating assets and liabilities:		
Contributions receivable - United Way	78,150	23,850
Accounts receivable	(26,048)	6,948
Grants receivable	75,000	25,000
Accounts payable	4,960	(8,793)
Accrued expenses	25,913	3,424
Net cash used by operating activities:	(275,240)	(177,593)
Cash flows from investing activities:		
Proceeds from sale of investments	525,021	400,009
Purchase of investments	(283,000)	(212,000)
Net cash provided by investing activities	242,021	188,009
Change in cash	(33,219)	10,416
Cash - beginning of year	40,584	30,168
Cash - end of year	$ 7,365	40,584

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 (the "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.

Cash and cash equivalents
The Agency considers bank deposits and all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

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 August 3, 2018, the date on which the financial statements were available to be issued.

2. CONTRIBUTIONS RECEIVABLE:

The Agency has recorded contributions receivable from United Way at December 31, 2017 and 2016 representing the funds that will be received during the subsequent year.

3. EQUIPMENT:

Equipment is summarized as follows at December 31:

	2017	2016
Furniture and fixtures	$ 28,576	28,576
Less accumulated depreciation	28,095	26,812
	$ 481	1,764

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, 2017 and 2016 was $182,474 and $172,213, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of timing restrictions of $428,000 and $581,150, as of December 31, 2017 and 2016, respectively.

6. PERMANENTLY RESTRICTED NET ASSETS:

Permanently restricted net assets consist of an interest in a perpetual trust of $182,474 and $172,213, respectively, as of December 31, 2017 and 2016.

7. RETIREMENT AND COMPENSATION PLANS:

The Agency has a defined contribution plan in which eligible employees 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 2017 and 2016 were $12,137 and $5,942, respectively. There was a profit sharing contribution of $21,979 and $27,700 during 2017 and 2016, respectively.

8. LEASE COMMITMENT:

The Agency leases office facilities primarily from the United Way under an operating lease that expires in December 2018. Minimum future lease payments for 2018 are approximately $39,000. Total rent expense, including other facility expense for 2017 and 2016 was $40,055 and $40,515, respectively.

9. CONCENTRATION OF RISK:

Approximately 53% and 58%, respectively, of the Agency's revenue for the years ending December 31, 2017 and 2016 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 $1,687,623 and $1,724,065 at December 31, 2017 and 2016, respectively.

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

	2017 Unrestricted	2016 Unrestricted
Endowment net assets at beginning of year	$ 1,724,065	1,807,345
Interest and dividend income	35,979	38,991
Realized and unrealized gain on investments	205,579	104,729
Appropriated for expenditures	(278,000)	(227,000)
Endowment net assets at end of year	$ 1,687,623	1,724,065

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.

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, 2017 and 2016:

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
December 31, 2017				
Investments – mutual funds:				
Large blend	$ 1,686,960	1,686,960	-	-
Short term bond fund	663	663	-	-
	$ 1,687,623	1,687,623	-	-
Interest in perpetual trust	$ 182,474	-	-	182,474

		Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
December 31, 2016				
Investments – mutual funds:				
Large blend	$ 1,715,708	1,715,708	-	-
Short term bond fund	8,357	8,357	-	-
	$ 1,724,065	1,724,065	-	-
Interest in perpetual trust	$ 172,213	-	-	172,213

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

	2017	2016
Balance at beginning of year	$ 172,213	169,456
Change in value of perpetual trust – held at year end	10,261	2,757
Balance at end of year	$ 182,474	172,213

12. NEW ACCOUNTING PRONOUNCEMENTS:

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. The standard aims to improve not-for-profit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications will be reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements will be presented regarding risk exposure and availability of cash for short term use. Expenses will be reported by both their natural and functional classification to aid in the usefulness of financial statements. This standard will be effective for the Agency's year ending December 31, 2018.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This standard will be effective for the Agency's year ending December 31, 2019.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The standard will assist entities in determining whether transactions should be recorded as a contribution (nonreciprocal transaction) or as an exchange (reciprocal transaction). The standard also provides expanded guidance on determining whether or not a contribution is conditional. This standard will be effective for the Agency's year ending December 31, 2019.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Agency's year ending December 31, 2020.

The Agency is currently in the process of evaluating the impact of adoption of these ASU's on the financial statements.