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

Financial Statements

December 31, 2018 and 2017

(with Independent Auditors' Report)

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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CLARK SCHAEFER HACKETT
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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, 2018 and 2017, 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, 2018 and 2017, 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
July 12, 2019

The Children's Protective Service of the Ohio Humane Society
dba FamiliesFORWARD
Statements of Financial Position
December 31, 2018 and 2017

		2018	2017
Assets:			
Cash	$	34,953	7,365
Contributions receivable - United Way		342,400	428,000
Accounts receivable		36,442	84,375
Investments		1,374,682	1,687,623
Furniture and fixtures, net		-	481
Other		1,023	1,023
Interest in perpetual trust		182,867	182,474
	$	1,972,367	2,391,341
Liabilities:			
Accounts payable	$	6,476	31,808
Accrued expenses		63,399	76,245
		69,875	108,053
Net assets:			
Without donor restrictions		1,377,225	1,672,814
With donor restrictions		525,267	610,474
		1,902,492	2,283,288
	$	1,972,367	2,391,341

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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions - United Way	$ 2,000	342,400	344,400
Contributions and grants	208,025	-	208,025
Program service fees	544,384	-	544,384
Net investment return	(30,941)	-	(30,941)
Change in value of perpetual trust	-	393	393
Satisfaction of restrictions	428,000	(428,000)	-
Total public support and revenue	1,151,468	(85,207)	1,066,261
Expenses:			
Family services	1,157,453	-	1,157,453
Management and general	260,324	-	260,324
Fundraising	29,280	-	29,280
Total expenses	1,447,057	-	1,447,057
Change in net assets	(295,589)	(85,207)	(380,796)
Net assets at beginning of year	1,672,814	610,474	2,283,288
Net assets at end of year	$ 1,377,225	525,267	1,902,492

See accompanying notes to the financial statements.

Statement of Activities
Year Ended December 31, 2017

		Without Donor Restrictions	With Donor Restrictions	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
Net investment return		241,558	-	241,558
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	(142,889)	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)	(142,889)	(218,658)
Net assets at beginning of year		1,748,583	753,363	2,501,946
Net assets at end of year	$	1,672,814	610,474	2,283,288

See accompanying notes to the financial statements.

Statement of Functional Expenses
Year Ended December 31, 2018

	Family Services	Management and General	Fundraising	Total Expenses
Salaries	$ 715,138	112,913	23,900	851,951
Employee benefits	93,859	14,819	3,137	111,815
Payroll taxes	52,336	8,263	1,750	62,349
Total salaries and related expenses	861,333	135,995	28,787	1,026,115
Professional fees	112,768	91,247	-	204,015
Travel	4,265	-	-	4,265
Occupancy	35,519	3,946	-	39,465
Telephone	13,557	1,506	-	15,063
Supplies	78,381	19,370	-	97,751
Insurance	9,576	1,064	-	10,640
Postage	1,783	198	-	1,981
Family assistance	3,861	-	-	3,861
Equipment maintenance and rental	31,877	3,542	-	35,419
Staff education	1,731	3,161	-	4,892
Art concerts and performances	643	-	-	643
Marketing	1,726	247	493	2,466
	1,157,020	260,276	29,280	1,446,576
Depreciation	433	48	-	481
Total expenses	$ 1,157,453	260,324	29,280	1,447,057

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
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (380,796)	(218,658)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	481	1,283
Net unrealized (gain) loss on investments	64,699	(205,579)
Change in value of perpetual trust	(393)	(10,261)
Effect of change in operating assets and liabilities:		
Contributions receivable - United Way	85,600	78,150
Accounts receivable	47,933	(26,048)
Grants receivable	-	75,000
Accounts payable	(25,332)	4,960
Accrued expenses	(12,846)	25,913
Net cash used by operating activities:	(220,654)	(275,240)
Cash flows from investing activities:		
Proceeds from sale of investments	357,000	525,021
Purchase of investments	(108,758)	(283,000)
Net cash provided by investing activities	248,242	242,021
Change in cash	27,588	(33,219)
Cash - beginning of year	7,365	40,584
Cash - end of year	$ 34,953	7,365

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.

Adoption of new accounting standard
During 2018, the Agency adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about investment return and functional expenses, including allocation methodologies. The Agency has implemented this guidance and applied retrospectively to all periods presented.

Financial statement presentation
The Agency reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions which have no donor-imposed restrictions; and net assets with donor restrictions which have donor-imposed restrictions that will likely expire in the future or to be maintained perpetually.

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. The Agency had no unrelated business income during the years ended December 31, 2018 and 2017.

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. Interest and dividends received net of investment expenses, and realized and unrealized gains and losses, are reported in the statements of activities as net investment return.

Furniture and fixtures and depreciation
The Agency follows the practice of capitalizing all expenditures for furniture and fixtures in excess of $1,000. Furniture and fixtures are 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 net asset without restrictions class. Contributions to be used in accordance with donor stipulations are reported as revenues of the net asset with restrictions classes. Restricted contributions whose restrictions are met in the same period as the contribution are reported as support without donor restrictions.

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. Specific identification is used for direct costs when known. All other costs including professional fees, occupancy, telephone, supplies, insurance, postage, equipment maintenance and rental, staff education, miscellaneous and depreciation expenses are allocated among family services, management and general and fundraising categories based on estimated time and effort spent by the Agency’s personnel. There were no joint costs in 2018 and 2017.

Advertising expenses
Advertising costs are expensed as incurred.

Reclassifications
Certain items from 2017 have been reclassified to conform to the current year presentation.

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 July 12, 2019, 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, 2018 and 2017 representing the funds that will be received during the subsequent year.

3. FURNITURE AND FIXTURES:

Furniture and fixtures are summarized as follows at December 31:

	2018	2017
Furniture and fixtures	$ 28,576	28,576
Less accumulated depreciation	28,576	28,095
	$ -	481

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 without donor restricted 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 a change in net assets with donor restrictions. The fair value of the interest in perpetual trust at December 31, 2018 and 2017 was $182,867 and $182,474, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions that are subject to passage of time consist of $342,400 and $428,000, as of December 31, 2018 and 2017, respectively.

Net assets with donor restrictions that are subject to spending policy and appropriation consist of $182,867 and $182,474, as of December 31, 2018 and 2017, respectively, related to interest in perpetual trust.

6. 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 2018 and 2017 were $12,917 and $12,137, respectively. There was a profit-sharing contribution of $21,930 and $21,979 during 2018 and 2017, respectively.

7. LEASE COMMITMENT:

The Agency leases office facilities primarily from the United Way under an operating lease that expires in December 2019. Minimum future lease payments for 2019 total $39,465. Total rent expense, including other facility expense for 2018 and 2017 was $39,465 and $40,055, respectively.

8. CONCENTRATION OF RISK:

Approximately 54% and 53%, respectively, of the Agency's revenue for the years ending December 31, 2018 and 2017 came from contributions and program support from two organizations. The Agency is economically dependent on support from these organizations.

9. 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.

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

	2018 Without Donor Restrictions	2017 Without Donor Restrictions
Endowment net assets at beginning of year	$ 1,687,623	1,724,065
Interest and dividend income, net of fees	33,758	35,979
Realized and unrealized gain (loss) on investments	(64,699)	205,579
Appropriated for expenditures	(282,000)	(278,000)
Endowment net assets at end of year	$ 1,374,682	1,687,623

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.

10. 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, 2018 and 2017:

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
December 31, 2018				
Investments – mutual funds:				
Large blend	$ 1,374,055	1,374,055	-	-
Short term bond fund	627	627	-	-
	$ 1,374,682	1,374,682	-	-
Interest in perpetual trust	$ 182,867	-	-	182,867

		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

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

	2018	2017
Balance at beginning of year	$ 182,474	172,213
Change in value of perpetual trust – held at year end	393	10,261
Balance at end of year	$ 182,867	182,474

11. LIQUIDITY DISCLOSURES:

The Agency is substantially supported by earned revenue and contributions from donors. As part of the Agency's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table presents the financial assets available to meet cash needs for general expenditures within one year at December 31:

	2018	2017
Financial assets:		
Cash	$ 34,953	7,365
Contribution receivable – United Way	342,400	428,000
Accounts receivable	36,442	84,375
Investments	1,374,682	1,687,623
Interest in perpetual trust	182,867	182,474
Financial assets available at year-end	1,971,344	2,389,837
Less those unavailable for general expenditures within one year due to:		
Investments held in quasi endowment	1,374,682	1,687,623
Investments held in perpetual trust	182,867	182,474
Total limitations on available resources	1,557,549	1,870,097
Financial assets available to meet cash needs for general expenditures within one year	$ 413,795	519,740

12. NEW ACCOUNTING PRONOUNCEMENTS:

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.