The Children's Protective Service of the Ohio Humane Society

dba FamiliesFORWARD

Financial Statements

December 31, 2019 and 2018

(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, 2019 and 2018, 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, 2019 and 2018, 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 29, 2020

The Children's Protective Service of the Ohio Humane Society
dba FamiliesFORWARD
Statements of Financial Position
December 31, 2019 and 2018

		2019	2018
Assets:			
Cash	$	42,992	34,953
Contributions receivable - United Way		342,400	342,400
Grants receivable		68,526	36,442
Investments		1,419,386	1,374,682
Furniture and fixtures, net		6,302	-
Other		1,023	1,023
Interest in perpetual trust		200,964	182,867
	$	2,081,593	1,972,367
Liabilities:			
Accounts payable	$	13,177	6,476
Accrued expenses		68,118	63,399
		81,295	69,875
Net assets:			
Without donor restrictions		1,453,853	1,377,225
With donor restrictions		546,445	525,267
		2,000,298	1,902,492
	$	2,081,593	1,972,367

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, 2019

		Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:				
Contributions - United Way	$	5,506	342,400	347,906
Contributions and grants		906,256	3,081	909,337
Net investment return		293,204	-	293,204
Change in value of perpetual trust		-	18,097	18,097
Satisfaction of restrictions		342,400	(342,400)	-
Total public support and revenue		1,547,366	21,178	1,568,544
Expenses:				
Family services		1,161,442	-	1,161,442
Management and general		279,062	-	279,062
Fundraising		30,234	-	30,234
Total expenses		1,470,738	-	1,470,738
Change in net assets		76,628	21,178	97,806
Net assets at beginning of year		1,377,225	525,267	1,902,492
Net assets at end of year	$	1,453,853	546,445	2,000,298

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		752,409	-	752,409
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.

	Program	Management and General	Fundraising	Total Expenses
Salaries	$ 663,765	115,750	24,569	804,084
Employee benefits	88,380	15,412	3,271	107,063
Payroll taxes	50,403	8,789	1,866	61,058
Total salaries and related expenses	802,548	139,951	29,706	972,205
Professional fees	149,910	110,519	-	260,429
Travel	3,862	-	-	3,862
Occupancy	36,761	4,084	-	40,845
Telephone	13,578	1,509	-	15,087
Supplies	102,181	15,216	-	117,397
Insurance	10,346	1,149	-	11,495
Postage	1,718	191	-	1,909
Family assistance	7,355	-	-	7,355
Equipment maintenance and rental	17,810	1,979	-	19,789
Staff education	2,119	3,234	-	5,353
Art concerts and performances	2,710	-	-	2,710
Project costs	7,277	809	-	8,086
Marketing	1,849	264	528	2,641
	1,160,024	278,905	30,234	1,469,163
Depreciation	1,418	157	-	1,575
Total expenses	$ 1,161,442	279,062	30,234	1,470,738

See accompanying notes to the financial statements.

	Program	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
Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 97,806	(380,796)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,575	481
Net unrealized (gain) loss on investments	(260,519)	64,699
Change in value of perpetual trust	(18,097)	(393)
Effect of change in operating assets and liabilities:		
Contributions receivable - United Way	-	85,600
Grants receivable	(32,084)	47,933
Accounts payable	6,701	(25,332)
Accrued expenses	4,719	(12,846)
Net cash used by operating activities:	(199,899)	(220,654)
Cash flows from investing activities:		
Proceeds from sale of investments	258,500	357,000
Purchase of investments	(42,685)	(108,758)
Purchase of furniture and fixtures	(7,877)	-
Net cash provided by investing activities	207,938	248,242
Change in cash	8,039	27,588
Cash - beginning of year	34,953	7,365
Cash - end of year	$ 42,992	34,953

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
On January 1, 2019, the Agency adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard assists 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. The Agency applied this standard on a modified retrospective basis. The Agency has implemented this guidance and applied retrospectively to all periods presented; however, there was no impact to this implementation on prior year results.

The Agency also early adopted ASU 2018-13, *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The standard addresses the disclosures required for level 3 fair value measurements, including the valuation process, transfers, purchases and issues, and simplifies the presentation of that information. The Agency has early implemented this guidance on a modified retrospective basis to all periods presented as permitted under the ASU.

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, 2019 and 2018.

Grants receivable
The Agency recognizes conditional gifts when the conditions are met. In the case of grants which reimburse the Agency for costs incurred or services provided, the Agency carries its receivables at contracted amounts less an allowance for doubtful accounts. On a periodic basis, the Agency evaluates its grants 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 and grants are recognized as revenue in the period the unconditional promise is made. Conditional promises are recorded as revenue when the conditions are met. Contributions and grants are recognized with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. For financial reporting purposes, the Agency records net assets with donor restrictions that are met in the same period as net assets 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, and miscellaneous 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 2019 and 2018.

Advertising expenses
Advertising costs are expensed as incurred.

Reclassifications
Certain items from 2018 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 29, 2020, 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, 2019 and 2018 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:

	2019	2018
Furniture and fixtures	$ 14,242	28,576
Less accumulated depreciation	(7,940)	(28,576)
	$ 6,302	-

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, 2019 and 2018 was $200,964 and $182,867, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions that are subject to passage of time consist of $342,400 as of December 31, 2019 and 2018.

Net assets with donor restrictions that are subject to purpose restriction consist of $3,081 as of December 31, 2019. There were no net assets with donor restrictions that were subject to purpose restriction as of December 31, 2018.

Net assets with donor restrictions that are subject to spending policy and appropriation consist of $200,964 and $182,867, as of December 31, 2019 and 2018, 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 2019 and 2018 were

$14,184 and $12,917, respectively. There was a profit-sharing contribution of $21,369 and $21,930 during 2019 and 2018, respectively.

7. LEASE COMMITMENT:

The Agency leases office facilities primarily from the United Way under an operating lease that expires in December 2020. Minimum future lease payments for 2020 total $39,365. Total rent expense, including other facility expense, for 2019 and 2018 was $40,845 and $39,465, respectively.

8. CONCENTRATION OF RISK:

Approximately 38% and 54%, respectively, of the Agency's revenue for the years ended December 31, 2019 and 2018 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:

	2019 Without Donor Restrictions	2018 Without Donor Restrictions
Endowment net assets at beginning of year	$ 1,374,682	1,687,623
Interest and dividend income, net of fees	32,685	33,758
Realized and unrealized gain (loss) on investments	260,519	(64,699)
Contributions	10,000	-
Appropriated for expenditures	(258,500)	(282,000)
Endowment net assets at end of year	$ 1,419,386	1,374,682

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 MEASUREMENTS:

GAAP defines fair value, establishes a framework for measuring fair value, and establishes 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, 2019 and 2018:

		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, 2019				
Investments – mutual funds:				
Large blend fund	$ 934,518	934,518	-	-
Intermediate core bond fund	474,092	474,092	-	-
Short term bond fund	10,776	10,776	-	-
	$ 1,419,386	1,419,386	-	-
Interest in perpetual trust	$ 200,964	-	-	200,964

		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, 2018				
Investments – mutual funds:				
Large blend fund	$ 864,702	864,702	-	-
Intermediate core bond fund	509,353	509,353	-	-
Short term bond fund	627	627	-	-
	$ 1,374,682	1,374,682	-	-
Interest in perpetual trust	$ 182,867	-	-	182,867

11. LIQUIDITY DISCLOSURES:

The Agency is substantially supported by contributions and grants 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:

	2019	2018
Financial assets:		
Cash	$ 42,992	34,953
Contribution receivable – United Way	342,400	342,400
Grants receivable	68,526	36,442
Investments	1,419,386	1,374,682
Interest in perpetual trust	200,964	182,867
Financial assets available at year-end	2,074,268	1,971,344
Less those unavailable for general expenditures within one year due to:		
Investments held in quasi endowment	1,419,386	1,374,682
Investments held in perpetual trust	200,964	182,867
Cash restricted by purpose	3,081	-
Total limitations on available resources	1,623,431	1,557,549
Financial assets available to meet cash needs for general expenditures within one year	$ 450,837	413,795

12. CONDITIONAL PROMISES TO GIVE:

During the year ended December 31, 2019, the Agency received conditional promises to give for its services at schools, of which $281,240 has not been recorded as the conditions have not been satisfied.

13. NEW ACCOUNTING PRONOUNCEMENTS:

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 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, 2022. The Agency is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

14. SUBSEQUENT EVENTS:

The effects of the pandemic resulting from the novel coronavirus, known as COVID-19, has had significant effects on all aspects of operations and the economy, including disruption of services at schools. The overall impact on the Agency's operational and financial performance will depend upon the duration and spread of the pandemic and, therefore, is uncertain at this time and cannot be reasonably estimated.

As a result of this economic uncertainty, the Agency received a loan of approximately $172,000 on May 1, 2020 under the Paycheck Protection Program (PPP) from the Small Business Administration (SBA). The loan proceeds will be used for payroll costs and other qualified expenses per the SBA rules. The loan accrues interest at a rate of 1% and maturity is in May 2022. A portion of the loan is expected to be forgiven. As of the date of these financial statements, the amount of forgiveness cannot be estimated.