

Financial Statements and Report of Independent  
Certified Public Accountants

**Cincinnati Works, Inc.**

December 31, 2011 and 2010

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## Report of Independent Certified Public Accountants

Board of Trustees  
Cincinnati Works, Inc.

We have audited the accompanying statements of financial position of Cincinnati Works, Inc. (a not-for-profit organization) (the "Organization") as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cincinnati Works, Inc. as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Grant Thornton LLP".

Cincinnati, Ohio  
March 22, 2012

CINCINNATI WORKS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

ASSETS	2011	2010
<b>Assets:</b>		
Cash and cash equivalents	\$ 405,073	\$ 343,178
Investments	1,350,615	1,251,015
Prepaid expenses and other assets	21,839	25,351
Contributions receivable, net	1,186,052	1,771,921
Furniture and equipment, net	36,180	-
Restricted cash and cash equivalents	367,309	252,832
Restricted investments	33,095	33,649
Total assets	\$ 3,400,163	\$ 3,677,946
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 7,915	\$ -
Accrued expenses	69,656	76,750
Total liabilities	77,571	76,750
<b>Net Assets:</b>		
Unrestricted	1,808,352	1,576,843
Temporarily restricted	1,484,865	1,994,978
Permanently restricted	29,375	29,375
Total net assets	3,322,592	3,601,196
Total liabilities and net assets	\$ 3,400,163	\$ 3,677,946

The accompanying notes are an integral part of these statements.

**CINCINNATI WORKS, INC.**  
**STATEMENTS OF ACTIVITIES**

For the years ended December 31, 2011 and 2010

<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	<b>2011</b>	<b>2010</b>
Revenues, gains and other support:		
Contributions and grants	\$ 583,351	\$ 518,302
Investment return	(7,603)	109,336
Contributed goods and services	118,801	91,798
Other income	44,525	-
Reclassification of contributions pursuant to donor stipulations	-	6,000
Net assets released from restrictions	<u>1,018,877</u>	<u>771,516</u>
Total revenues and other support	<u>1,757,951</u>	<u>1,496,952</u>
Expenses:		
Job readiness program	692,453	604,991
Advancement program	174,337	196,357
Capacity building	<u>303,880</u>	<u>222,545</u>
Total program services	1,170,670	1,023,893
Management and general	128,482	122,358
Fundraising	204,290	189,822
Nonrecurring costs	<u>23,000</u>	<u>-</u>
Total support services	355,772	312,180
Total expenses	<u>1,526,442</u>	<u>1,336,073</u>
Change in unrestricted net assets	<u>231,509</u>	<u>160,879</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Revenues and other support:		
Contributions and grants	508,764	829,555
Reclassification of contributions pursuant to donor stipulations	-	(6,000)
Net assets released from restrictions	<u>(1,018,877)</u>	<u>(771,516)</u>
Change in temporarily restricted net assets	<u>(510,113)</u>	<u>52,039</u>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>		
Revenues and other support:		
Contributions	<u>-</u>	<u>1,000</u>
Change in permanently restricted net assets	<u>-</u>	<u>1,000</u>
Change in net assets	(278,604)	213,918
Net assets, beginning of year	<u>3,601,196</u>	<u>3,387,278</u>
Net assets, end of year	<u>\$ 3,322,592</u>	<u>\$ 3,601,196</u>

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2011 and 2010

2011

	Job Readiness	Advancement	Capacity Building	Management and General	Fundraising	Nonrecurring Costs	Total
Salaries, wages and benefits	\$ 533,676	\$ 102,852	\$ 236,504	\$ 105,326	\$ 148,314	\$ 23,000	\$ 1,149,672
Occupancy and utilities	68,433	12,986	23,000	12,362	11,276	-	128,057
Equipment and supplies	14,139	2,564	5,866	2,260	2,243	-	27,072
Professional services	44,118	47,368	32,384	6,620	6,116	-	136,606
Direct job seeker and advancement expenses	21,699	6,534	2,047	-	-	-	30,280
Marketing	-	-	-	-	34,580	-	34,580
Other	10,388	2,033	4,079	1,914	1,761	-	20,175
Total expenses	\$ 692,453	\$ 174,337	\$ 303,880	\$ 128,482	\$ 204,290	\$ 23,000	\$ 1,526,442

2010

	Job Readiness	Advancement	Capacity Building	Management and General	Fundraising	Nonrecurring Costs	Total
Salaries, wages and benefits	\$ 475,260	\$ 153,398	\$ 174,152	\$ 91,850	\$ 132,624	\$ -	\$ 1,027,284
Occupancy and utilities	56,453	18,409	20,863	11,045	15,954	-	122,724
Equipment and supplies	7,330	2,390	2,709	1,434	2,072	-	15,935
Professional services	29,242	9,535	10,807	5,721	8,264	-	63,569
Direct job seeker and advancement expenses	25,616	9,009	9,915	-	-	-	44,540
Marketing	-	-	-	-	27,774	-	27,774
Other	11,090	3,616	4,099	12,308	3,134	-	34,247
Total expenses	\$ 604,991	\$ 196,357	\$ 222,545	\$ 122,358	\$ 189,822	\$ -	\$ 1,336,073

The accompanying notes are an integral part of these statements.

**CINCINNATI WORKS, INC.**

**STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2011 and 2010

	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (278,604)	\$ 213,918
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,721	-
Donated equipment	(21,569)	-
Contributions restricted for endowment	-	(1,000)
Net realized and unrealized loss (gain) on investments	50,298	(84,252)
Donated investments	(26,414)	(129,098)
Changes in assets and liabilities:		
Contributions receivable	585,869	(126,325)
Prepaid expenses and other assets	3,512	(9,302)
Accounts payable	7,915	
Accrued expenses	(7,094)	15,877
	320,634	(120,182)
Net cash provided by (used in) operating activities		
<b>Cash flows from investing activities:</b>		
Purchases of furniture and equipment	(21,332)	-
Purchases of investments	(642,006)	(920,211)
Sales and maturities of investments	519,499	1,025,349
Purchases of restricted investments	(423)	(1,422)
	(144,262)	103,716
Net cash (used in) provided by investing activities		
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for investment in endowment	-	1,000
	-	1,000
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	176,372	(15,466)
Cash and cash equivalents at beginning of year	596,010	611,476
Cash and cash equivalents at end of year	\$ 772,382	\$ 596,010

The accompanying notes are an integral part of these statements.

## CINCINNATI WORKS, INC.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

#### NOTE A – NATURE OF OPERATIONS

Cincinnati Works, Inc. (the “Organization”) is a not-for-profit corporation serving the Greater Cincinnati community, whose mission is to partner with all willing and capable people living in poverty to assist them in advancing to economic self-sufficiency through employment. The Organization’s revenue and other support are derived principally from contributions and grants.

The Organization serves the Greater Cincinnati community through the Job Readiness Program and the Advancement Program. The Job Readiness Program provides job seekers with soft skills to be successful, promotable employees. This program focuses on job acquisition and retention. The Advancement Program provides assistance to workers striving to increase wages and meet career goals. This program is targeted at workers earning below self-sufficiency wages.

Capacity building is a strategic research initiative designed to reach more people living in poverty in the Greater Cincinnati Region. The goal is to identify and outline strategies, partnerships and efforts that will expand the reach of the Organization by 40%.

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Presentation

The financial statements of the Organization are presented on the accrual basis of accounting. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.

*Permanently restricted* – Net assets subject to donor imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general purposes.

Contributions and grants are recorded in the appropriate net asset class when the promise to give is received. When a donor stipulated time or purpose restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted gifts for which the restriction is met in the same period are recorded as temporarily restricted and then released from restriction.

Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.



## CINCINNATI WORKS, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2011 and 2010

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Basis of Presentation (continued)

Contributions of services are recognized as revenue at their estimated fair value only when the services received require specialized skills possessed by the individuals providing the service and their service would typically need to be purchased if not donated. Recorded contributed services are primarily related to counseling services and are recorded in salaries and wages. Significant contributions for public service announcements were made in 2011 and 2010, but have not been recorded, because they do not meet these requirements. In 2011 and 2010, donated goods and services benefited the Job Readiness program by \$81,262 and \$74,611, the Advancement program by \$9,000 and \$4,645, the Capacity Building program by \$0 and \$9,312, General and Administrative by \$8,544 and \$2,789, and Fundraising by \$0 and \$441, respectively. Donated equipment of \$19,995 was capitalized in 2011.

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

3. Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2011 and 2010, cash equivalents, including restricted cash equivalents, consisted of money market funds which generally invest in highly liquid commercial paper. At December 31, 2011, there was no cash held in excess of federally insured limits. Investments in money market funds are not insured or guaranteed by the U.S. government and totaled \$559,577 at December 31, 2011.

4. Furniture and Equipment

The Organization's policy is to capitalize furniture and equipment purchased or donated having a cost in excess of \$1,000. All items are recorded at cost less accumulated depreciation. Computer equipment, software and licenses are depreciated on a straight-line basis over a three-year period. Furniture is depreciated on a straight-line basis over a five-year period.

Furniture and equipment of \$12,928 and \$29,973, respectively, are recorded as assets at December 31, 2011, and accumulated depreciation totals \$6,721 at December 31, 2011. Depreciation expense was \$6,721 for 2011.

5. Investments and Investment Return

Investments are reported at fair value, except for certificates of deposit, which are valued at amortized cost. 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. See Note E for discussion of fair value measurements.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2011 and 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Investments and Investment Return (continued)

Investment return for 2011 and 2010 included interest and dividend income of \$42,695 and 25,084, respectively, and net realized and unrealized gains (losses) of (\$50,298) and \$84,252, respectively.

Investments are summarized as follows at year end:

	<b>2011</b>	<b>2010</b>
Certificates of deposit	\$ 200,217	\$ 299,922
Asset-backed securities	18,774	28,464
U.S. government and agency obligations	178,329	228,933
Corporate bonds	257,667	206,767
Mutual funds	597,028	327,991
Common stock	-	111,873
Exchange-traded funds	98,600	47,065
	<u>\$ 1,350,615</u>	<u>\$ 1,251,015</u>

Restricted investments amounting to \$33,095 and \$33,649 at December 31, 2011 and 2010, respectively, consist primarily of mutual funds. These investments are restricted as they represent permanently restricted net assets.

6. Other Income

Other income consists of reimbursements by another not-for-profit organization for employment assistance services provided by a Cincinnati Works employee.

7. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization may be subject to federal income tax on any unrelated business income.

As required by the uncertain tax position guidance in FASB Accounting Standards Codification (“ASC”) 740, *Income Taxes*, the Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Organization applied the uncertain tax position guidance in ASC 740 to all tax positions for which the statute of limitations remained open. The Organization did not recognize any liabilities for unrecognized tax benefits in 2011 or 2010.

8. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the benefited programs and supporting services based on direct identification, time studies and other methods. Nonrecurring costs are one time charges that are not anticipated to occur in the future. These include costs for personnel reorganization.

**CINCINNATI WORKS, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2011 and 2010

**NOTE C – CONTRIBUTIONS RECEIVABLE, NET**

Contributions receivable at December 31, consisted of the following:

	<b>2011</b>	<b>2010</b>
Due within one year	\$ 676,015	\$ 913,045
Due in one to five years	525,000	893,500
	1,201,015	1,806,545
Less unamortized discount	(14,963)	(34,624)
	<b>\$ 1,186,052</b>	<b>\$ 1,771,921</b>

Discount rates, which are based on 5-year U.S. Treasury rates, were approximately 0.83% and 1.90% for 2011 and 2010, respectively.

At December 31, 2011 and 2010, approximately 70% and 81%, respectively, of total contributions receivable are due from four and seven contributors, respectively. During 2011 and 2010, approximately 49% and 56%, respectively, of the Organization's total contributions and grants were provided by five and three contributors, respectively.

**NOTE D – NET ASSETS**

1. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity. The income on which is expendable to support any activity of the Organization if appropriated for expenditure by the Board of Trustees.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

	<b>2011</b>	<b>2010</b>
Use in future years	\$ 730,204	\$ 994,127
Facilities and equipment	18,257	27,818
Advancement program	447,263	542,692
Capacity building program	238,037	381,792
Staff development	33,294	36,563
Other	17,810	11,986
	<b>\$ 1,484,865</b>	<b>\$ 1,994,978</b>

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2011 and 2010

NOTE D – NET ASSETS (continued)

3. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time. A summary of restrictions satisfied is as follows:

	2011		2010
Time restriction expired	\$ 431,583	\$	403,000
Facilities and equipment	19,562		10,238
Staff development	8,269		4,914
Technology	4,000		3,500
Job readiness program	200,000		-
Capacity building program	195,755		139,041
Advancement program	135,199		138,078
Benefit of women	-		55,000
Other	24,509		17,745
	<u>\$ 1,018,877</u>	<u>\$</u>	<u>771,516</u>

NOTE E – FAIR VALUE MEASUREMENTS

Financial instruments measured at fair value on a recurring basis using quoted prices for identical instruments in an active market (or level 1 inputs) include common stocks, exchange-traded funds, mutual funds, and some corporate bonds. Financial instruments measured at fair value using inputs based on quoted market prices for similar instruments in active markets (or level 2 inputs) include asset-backed securities, corporate bonds and U.S. government and agency obligations. The Organization does not hold any financial instruments measured at fair value on a recurring basis using significant unobservable inputs (or Level 3 inputs).

The Organization's investments in certificates of deposit are carried at amortized cost. These investments do not qualify as securities as defined by ASC 320, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements*, are not provided.

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis in the statement of financial position at December 31, 2011:

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2011 and 2010

NOTE E – FAIR VALUE MEASUREMENTS (continued)

	Balance at December 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments and restricted investments:				
Corporate bonds	\$ 257,667	\$ 76,520	\$ 181,147	\$ -
U.S. government and agency obligations	178,329	-	178,329	-
Asset-backed securities	18,774	-	18,774	-
Mutual funds:				
Large cap global and domestic	305,362	305,362	-	-
Small and mid-cap domestic	67,126	67,126	-	-
Developing International	41,960	41,960	-	-
Emerging Markets	50,611	50,611	-	-
Alternative strategies	105,520	105,520	-	-
Other	57,497	57,497	-	-
Exchange-traded funds - real estate	98,600	98,600	-	-
	<b>\$ 1,181,446</b>	<b>\$ 803,196</b>	<b>\$ 378,250</b>	<b>\$ -</b>

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis in the statement of financial position at December 31, 2010:

	Balance at December 31, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments and restricted investments:				
Corporate bonds	\$ 206,767	\$ 76,140	\$ 130,627	\$ -
U.S. government and agency obligations	228,933	-	228,933	-
Asset-backed securities	28,464	-	28,464	-
Mutual funds:				
Large cap global and domestic	117,531	117,531	-	-
Small and mid-cap domestic	115,155	115,155	-	-
Emerging markets	31,884	31,884	-	-
Alternative strategies	86,647	86,647	-	-
Other	8,734	8,734	-	-
Common stocks:				
Technology	24,863	24,863	-	-
Services	12,627	12,627	-	-
Basic materials	18,757	18,757	-	-
Consumer and industrial goods	19,768	19,768	-	-
Financial	17,599	17,599	-	-
Other	18,259	18,259	-	-
Exchange-traded funds - real estate	47,065	47,065	-	-
	<b>\$ 983,053</b>	<b>\$ 595,029</b>	<b>\$ 388,024</b>	<b>\$ -</b>

**CINCINNATI WORKS, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2011 and 2010

**NOTE F – OFFICE LEASE**

The Organization leases its office space under a noncancelable operating lease which is subject to terms of renewal and escalation clauses. Rent expense for 2011 and 2010 amounted to \$92,813 each year. Future minimum lease payments are as follows:

Year ending December 31,	
2012	\$ 90,000
2013	92,700
2014	95,481
2015	98,345
2016	100,295

During 2011 and 2010, a board member subleased certain office space and reimbursed the Organization for this and certain other office expenses totaling approximately \$9,000 and \$10,500, respectively.

**NOTE G – RETIREMENT PLAN**

The Organization has a defined contribution plan (the “Plan”) covering substantially all employees. Under the terms of the Plan, the Organization has the discretion to make contributions to the Plan. In addition, employees may elect to participate in the salary deferral portion of the Plan. Participants vest in employer contributions 20% each year and are fully vested after five years. Retirement Plan expenses amounted to \$57,688 and \$51,956 for 2011 and 2010, respectively.

**NOTE H – SUBSEQUENT EVENTS**

The Organization evaluated its December 31, 2011 financial statements for subsequent events through March 22, 2012, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.