Financial Statements and Report of Independent Certified Public Accountants

Cincinnati Works, Inc.

December 31, 2016 and 2015

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Cincinnati Works, Inc.

We have audited the accompanying financial statements of Cincinnati Works, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Cincinnati Works, Inc. as of December 31, 2016 and 2015, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Cincinnati, Ohio
April 24, 2017

CINCINNATI WORKS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

ASSETS		**2016**		**2015**
Assets:				
Cash and cash equivalents	$	1,114,292	$	1,054,601
Investments		902,330		770,097
Prepaid expenses and other assets		74,261		39,636
Contributions receivable, net		1,430,252		2,259,466
Furniture and equipment, net		51,537		43,766
Restricted investments		49,239		45,335
Total assets	**$**	**3,621,911**	**$**	**4,212,901**

LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable	$	38,642	$	39,625
Accrued expenses		59,303		70,390
Total liabilities		97,945		110,015
Net Assets:				
Unrestricted		1,663,030		1,753,100
Temporarily restricted		1,831,561		2,320,411
Permanently restricted		29,375		29,375
Total net assets		3,523,966		4,102,886
Total liabilities and net assets	**$**	**3,621,911**	**$**	**4,212,901**

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2016 and 2015

CHANGES IN UNRESTRICTED NET ASSETS	**2016**	**2015**
Revenues, gains and other support:		
Contributions and grants	$ 456,314	$ 598,765
Investment return	49,082	(4,241)
Contributed goods and services	98,736	101,770
Special event revenue, net	269,705	-
Other income	67,809	57,048
Net assets released from restrictions	1,876,984	1,605,890
Total revenues and other support	2,818,630	2,359,232
Expenses:		
Job Readiness program	1,280,157	983,712
Advancement program	375,438	336,581
Next Step	65,356	74,398
Phoenix	284,147	285,011
Navigator	54,337	-
National Replication	4,169	-
Total program services	2,063,604	1,679,702
Management and general	484,745	287,567
Fundraising	360,351	428,877
Total support services	845,096	716,444
Total expenses	2,908,700	2,396,146
Change in unrestricted net assets	(90,070)	(36,914)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Revenues and other support:		
Contributions and grants-National Replication	246,853	-
Other contributions and grants	1,141,281	2,084,854
Net assets released from restrictions	(1,876,984)	(1,605,890)
Change in temporarily restricted net assets	(488,850)	478,964
Change in net assets	(578,920)	442,050
Net assets, beginning of year	4,102,886	3,660,836
Net assets, end of year	**$ 3,523,966**	**$ 4,102,886**

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2016 and 2015

2016	Job Readiness	Advancement	Next Step	Phoenix	Navigator	National Replication	Management and General	Fundraising	Total
Salaries, wages and benefits	$ 1,083,717	$ 313,525	$ 52,148	$ 241,464	$ 48,813	$ -	$ 337,102	$ 259,221	$ 2,335,990
Occupancy and utilities	85,783	28,719	4,558	20,492	405	-	55,224	22,161	217,342
Equipment and supplies	25,399	7,119	1,216	5,465	1,239	1,457	7,159	6,048	55,102
Professional services	32,034	9,603	1,577	6,914	1,463	2,712	66,097	44,600	165,000
Direct job seeker and advancement expenses	39,292	11,938	5,157	6,828	1,819	-	(6,538)	2,510	61,006
Marketing	2,991	819	135	716	108	-	5,489	19,633	29,891
Other	10,941	3,715	565	2,268	490	-	20,212	6,178	44,369
Total expenses	$ **1,280,157**	$ **375,438**	$ **65,356**	$ **284,147**	$ **54,337**	**$ 4,169**	$ **484,745**	$ **360,351**	$ **2,908,700**

2015	Job Readiness	Advancement	Next Step	Phoenix	Navigator	National Replication	Management and General	Fundraising	Total
Salaries, wages and benefits	$ 804,707	$ 277,826	$ 54,205	$ 237,177	$ -	$ -	$ 186,457	$ 323,191	$ 1,883,563
Occupancy and utilities	70,321	28,390	7,551	22,050	-	-	38,794	21,288	188,394
Equipment and supplies	23,272	7,473	1,850	6,402	-	-	4,308	6,782	50,087
Professional services	25,086	6,759	1,896	6,924	-	-	40,558	47,167	128,390
Direct job seeker and advancement expenses	40,722	9,971	7,683	7,771	-	-	-	-	66,147
Marketing	6,676	2,192	377	1,502	-	-	1,591	23,752	36,090
Other	12,928	3,970	836	3,185	-	-	15,859	6,697	43,475
Total expenses	$ **983,712**	$ **336,581**	$ **74,398**	$ **285,011**	$ **-**	**$ -**	$ **287,567**	$ **428,877**	$ **2,396,146**

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (578,920)	$ 442,050
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	26,270	15,841
Donated equipment	-	(3,203)
Net realized and unrealized (gain) loss on investments	(18,525)	38,379
Changes in assets and liabilities:		
Contributions receivable	829,214	(435,209)
Prepaid expenses and other assets	(34,625)	36,229
Accounts payable	(983)	12,600
Accrued expenses	(11,087)	(2,877)
Net cash provided by operating activities	211,344	103,810
Cash flows from investing activities:		
Purchases of furniture and equipment	(34,041)	(36,837)
Purchases of investments	(449,702)	(2,276)
Sales and maturities of investments	333,767	361,626
Sales and maturities of restricted investments	34,094	-
Purchases of restricted investments	(35,771)	-
Net cash (used in) provided by investing activities	(151,653)	322,513
Net increase in cash and cash equivalents	59,691	426,323
Cash and cash equivalents at beginning of year	1,054,601	628,278
Cash and cash equivalents at end of year	**$ 1,114,292**	**$ 1,054,601**

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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, the Advancement Program, the Phoenix Program, the Next Step Program, the Navigator Program and the National Replication 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. The Phoenix Program is designed to reach individuals most at risk of becoming victims or offenders of gun violence primarily as a result of gang interaction. The goal is to rescue young people from the streets, allowing them to become contributing citizens. The Next Step Program focuses on foster youth who find they are "aging out" of the foster care system, and are in need of help transitioning to a stable future as young adults. The Navigator Program is designed to prepare at-risk, low income 16-18 year olds to reach their goals of becoming successful, educated, working adults and navigate them to a bright future. The National Replication program provides consulting, training, and a forum for other communities working on eliminating poverty.

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, 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, including certain grants from foundations, corporations, and government agencies, are recorded in the appropriate net asset class when the promise to give is received. For grants where the receipt of payment is conditional, revenue is recognized as contractual services are performed and the eligible expenses are incurred. 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 and investment income with donor-imposed restrictions for which the restriction is met in the same period are recorded as temporarily restricted and then released from restriction.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Basis of Presentation (continued)

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. Allowance is made for uncollectible contributions based upon management's judgment and the creditworthiness of the donor. No allowance was recorded in 2016 or 2015.

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. The Organization may receive contributions of public service announcements. No amounts have been recorded for public service announcements for 2016 or 2015 as the fair value of the benefit received cannot be reasonably estimated. In 2016 and 2015, donated goods and services benefited the Job Readiness program by $59,198 and $52,821, the Advancement program by $18,104 and $20,707, the Next Step program by $2,862 and $4,699, the Phoenix program by $13,090 and $17,207, the Navigator program by $2,785 and $0, General and Administrative by $1,529 and $3,956 and Fundraising by $1,168 and $2,382, respectively. Donated equipment of $3,203 was capitalized in 2015. No equipment donations were received during 2016.

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, 2016 and 2015, cash equivalents consisted of money market funds, which generally invest in highly liquid commercial paper. At December 31, 2016 and 2015, the Organization had $477,855 and $427,789, respectively, held in excess of federally insured limits. Money market funds included in cash and cash equivalents on the accompanying statement of financial position are not insured or guaranteed by the U.S. government and totaled $35,105 and $135,389 at December 31, 2016 and 2015, respectively.

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 of $27,502 and $26,322 and equipment of $111,244 and $81,641 were recorded as assets at December 31, 2016 and 2015, respectively. Accumulated depreciation totaled $87,209 and $64,197 at December 31, 2016 and 2015, respectively. Depreciation expense was $26,270 and $15,841 for 2016 and 2015, respectively.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Investments and Investment Return

Investments are reported at fair value. 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.

Investment return for 2016 and 2015 included interest and dividend income of $30,557 and $34,138, respectively, and net realized and unrealized gains (losses) of $18,525 and $(38,379), respectively.

Unrestricted investments are summarized as follows at year end:

	2016	2015
Certificates of deposit	$ -	$ 250,267
Asset-backed securities	8,514	12,090
Common stock	3,005	2,624
Mutual funds	761,043	391,721
Exchange-traded funds	129,768	113,395
	$ 902,330	**$ 770,097**

Restricted investments amounting to $49,239 and $45,335 at December 31, 2016 and 2015, respectively, consist primarily of mutual funds. These investments are restricted as they represent permanently restricted contributions and accumulated investment earnings, which are recorded as unrestricted net assets or temporarily restricted net assets according to donor stipulations.

6. Special Event Revenue

Special event revenue, net, represents sponsorships and ticket sales, net of $64,384 in costs of direct donor benefit, for a 2016 special event. No special events were held in 2015.

7. Other Income

Other income consists of reimbursements by other not-for-profit organizations for employment assistance services provided by the Organization's employees.

8. 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.

The Organization evaluates its uncertain tax positions as to whether it is more likely than not a tax position could be sustained in the event of an audit by the applicable taxing authority. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements, and the amount can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The Organization did not recognize any liabilities for unrecognized tax benefits in 2016 or 2015. Open tax years include 2015, 2014 and 2013.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. 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.

10. Risks and Uncertainties

The Organization holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk and uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value may occur in the near term and such changes could materially affect the financial statements.

11. Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

NOTE C – CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at December 31, consisted of the following:

	2016	**2015**
Due within one year	$ 1,040,718	$ 1,283,670
Due in one to five years	396,275	1,000,975
	1,436,993	2,284,645
Less unamortized discount	(6,741)	(25,179)
	$ 1,430,252	**$ 2,259,466**

For payments that extend beyond one year, these pledges receivable have been discounted using rates ranging from 1.47% to 1.75%.

At December 31, 2016 and 2015, approximately 80% and 65%, respectively, of total contributions receivable are due from seven and six contributors, respectively. During 2016 and 2015, approximately 46% and 61%, respectively, of the Organization’s total contributions and grants were provided by three and seven contributors, respectively.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE D – NET ASSETS

1. Permanently Restricted Net Assets

Permanently restricted net assets are restricted for investment in perpetuity. The investment 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:

	2016	2015
Use in future years	$ 680,975	$ 1,031,925
Job Readiness program	411,279	558,555
Phoenix program	133,332	230,997
Advancement program	42,300	145,000
Next Step program	233,471	268,445
City Link location	51,700	55,000
National Replication	240,555	-
Other	37,949	30,489
	$ 1,831,561	**$ 2,320,411**

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:

	2016	2015
Time restriction expired	$ 356,450	$ 326,350
Satisfaction of purpose restrictions:		
Technology	-	11,946
Job Readiness program	986,522	748,695
Advancement program	176,500	157,378
Next Step program	36,124	74,168
Phoenix program	175,707	232,003
City Link location	55,000	55,000
National Replication	6,300	-
Other	84,381	350
	$ 1,876,984	**$ 1,605,890**

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 exchange-traded funds, and mutual funds. Financial instruments measured at fair value using inputs based on quoted market prices for similar instruments in active markets (or level 2 inputs) include certificates of deposit and asset-backed securities.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE E – FAIR VALUE MEASUREMENTS (continued)

The following tables summarize financial instruments measured at fair value on a recurring basis in the statement of financial position at December 31, 2016 and 2015.

Investments and restricted investments:	Balances at December 31, 2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Asset-backed securities	$ 8,514	$ -	$ 8,514	$ -
Mutual funds:				
Large cap global and domestic	163,988	163,988	-	-
Small and mid-cap domestic	47,573	47,573	-	-
Developing international	79,590	79,590	-	-
Emerging markets	40,450	40,450	-	-
Alternative strategies	53,876	53,876	-	-
Fixed income	420,211	420,211	-	-
Common stock	3,005	3,005	-	-
Exchange-traded funds:				
Real estate	61,898	61,898	-	-
Large cap domestic	71,997	71,997	-	-
	$ 951,102	**$ 942,588**	**$ 8,514**	**$ -**

Investments and restricted investments:	Balances at December 31, 2015	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Certificates of deposit	$ 250,267	$ -	$ 250,267	-
Asset-backed securities	12,090	-	12,090	-
Mutual funds:				
Large cap global and domestic	155,973	155,973	-	-
Small and mid-cap domestic	42,821	42,821	-	-
Developing international	91,840	91,840	-	-
Emerging markets	39,926	39,926	-	-
Alternative strategies	51,187	51,187	-	-
Fixed income	48,297	48,297	-	-
Common stock	2,624	2,624	-	-
Exchange-traded funds:				
Real estate	51,812	51,812	-	-
Large cap domestic	65,558	65,558	-	-
	$ 812,395	**$ 550,038**	**$ 262,357**	**$ -**

NOTE E – FAIR VALUE MEASUREMENTS (continued)

Restricted investments include cash equivalents carried at amortized cost of $467 and $3,037 at December 31, 2016 and 2015, respectively. These investments do not qualify as securities, thus the fair value disclosures required by Accounting Standards Codification 820, *Fair Value Measurements,* are not provided.

NOTE F – OFFICE LEASE

The Organization leases office space under various noncancelable operating leases which are subject to terms of renewal and escalation clauses. Rent expense for 2016 and 2015 amounted to $137,490 and $124,979, respectively, and is included in occupancy and utilities expense on the accompanying statements of functional expenses. Future minimum lease payments are as follows:

Year ending December 31,

2017	$ 146,660
2018	139,150
2019	110,688

During 2016 and 2015, a board member subleased certain office space and reimbursed the Organization for this and certain other office expenses totaling approximately $9,569 and $4,000, 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. Through December 31, 2015, participants vest in employer contributions at a rate of 20% each year and are fully vested after five years. Effective January 1, 2016, participants vest in employer contributions at a rate of 33.3% each year and are fully vested after three years. Employer contributions amounted to $161,562 and $87,524 for 2016 and 2015, respectively, and are included in salaries, wages and benefits expense on the accompanying statements of functional expenses.

NOTE H – RELATED PARTY TRANSACTIONS

Members of the Organization's Board of Trustees and senior management may, from time to time, be associated, either directly or through interlocking board memberships, with entities doing business with the Organization, or may make contributions to the Organization. The Organization employs a conflict of interest policy that requires any such associations to be disclosed in writing. When such associations exist, measures are taken to mitigate any actual or perceived conflict, including recusal of the board member from any decisions involving the entity doing business with the Organization.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

NOTE I – SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2016 financial statements for subsequent events through April 24, 2017, 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.