Cincinnati Works, Inc.

Financial Statements

December 31,2020 and 2019

With Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

TABLE OF CONTENTS

CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

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

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cincinnati Works, Inc.

Report on the financial statements
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, 2020 and 2019 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.

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 Cincinnati Works, Inc. as of December 31, 2020 and 2019, 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
March 8, 2021

Cincinnati Works, Inc.
Statements of Financial Position
December 31, 2020 and 2019

		2020	2019
Assets:			
Cash and cash equivalents	$	1,467,454	1,282,543
Investments		1,051,488	929,466
Accounts receivable		186,832	29,781
Contributions receivable, net		1,231,624	1,535,640
Prepaid expenses and other assets		32,387	46,489
Furniture and equipment, net		270,923	265,360
Total assets	$	4,240,708	4,089,279
Liabilities and net assets			
Liabilities:			
Accounts payable	$	23,083	23,558
Accrued expenses		63,708	25,718
Total liabilities		86,791	49,276
Net assets:			
Without donor restrictions		2,136,287	1,824,807
With donor restrictions		2,017,630	2,215,196
Total net assets		4,153,917	4,040,003
Total liabilities and net assets	$	4,240,708	4,089,279

See accompanying notes to the financial statements.

	2020	2019
Changes in net assets without donor restrictions		
Revenues, gains and other support:		
Contributions and grants	$ 849,709	909,616
Investment return, net	128,884	181,236
Contributed goods and services	107,516	107,114
Employer fees	473,678	242,615
Other income	665,175	157,398
Acquisition of Beacon of Hope	-	103,787
Net assets released from restrictions	2,294,908	2,547,238
Total revenues and other support	4,519,870	4,249,004
Expenses:		
Workforce development	2,053,589	2,139,481
Workforce connection	716,805	603,692
Transportation	176,851	138,269
The Network	16,844	207,913
Total program services	2,964,089	3,089,355
Management and general	870,685	645,999
Fundraising	373,616	394,125
Total support services	1,244,301	1,040,124
Total expenses	4,208,390	4,129,479
Change in net assets without donor restrictions	311,480	119,525
Changes in net assets with donor restrictions		
Revenues and other support:		
Contributions and grants - The Network	-	30,000
Other contributions and grants	2,097,342	2,309,866
Net assets released from restrictions	(2,294,908)	(2,547,238)
Change in net assets with donor restrictions	(197,566)	(207,372)
Change in net assets	113,914	(87,847)
Net assets, beginning of year	4,040,003	4,127,850
Net assets, end of year	$ 4,153,917	4,040,003

See accompanying notes to the financial statements.

Cincinnati Works, Inc.
Statement of Functional Expenses
Year Ended December 31, 2020

	Program							
	Workforce Development	Workforce Connection	Transportation	The Network	Total	Management and General	Fundraising	Total Expenses
Salaries, wages and benefits	$ 1,714,683	622,141	127,162	15,328	2,479,314	597,736	252,562	3,329,612
Occupancy and utilities	139,532	41,806	8,862	785	190,985	115,567	20,967	327,519
Equipment and supplies	41,112	13,272	28	199	54,611	11,483	5,570	71,664
Professional services	65,697	13,872	-	267	79,836	104,920	48,932	233,688
Direct job seeker and advancement	73,300	136	300	-	73,736	-	-	73,736
Marketing	6,807	5,509	-	-	12,316	21	42,578	54,915
Other	12,458	20,069	40,499	265	73,291	40,958	3,007	117,256
	$ 2,053,589	716,805	176,851	16,844	2,964,089	870,685	373,616	4,208,390

See accompanying notes to the financial statements.

Cincinnati Works, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	Program							
	Workforce Development	Workforce Connection	Transportation	The Network	Total	Management and General	Fundraising	Total Expenses
Salaries, wages and benefits	$ 1,780,240	529,108	109,532	175,381	2,594,261	466,441	236,805	3,297,507
Occupancy and utilities	137,009	25,965	-	12,429	175,403	97,545	18,064	291,012
Equipment and supplies	29,032	9,214	1,295	2,601	42,142	7,639	6,370	56,151
Professional services	43,039	10,167	10,728	8,988	72,922	49,114	75,303	197,339
Direct job seeker and advancement	114,228	1,212	8,526	-	123,966	-	-	123,966
Marketing	11,849	9,203	-	1,079	22,131	2,235	50,390	74,756
Other	24,084	18,823	8,188	7,435	58,530	23,025	7,193	88,748
	$ 2,139,481	603,692	138,269	207,913	3,089,355	645,999	394,125	4,129,479

See accompanying notes to the financial statements.

Cincinnati Works, Inc.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Change in net assets	$	113,914	(87,847)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Discount on contributions receivable		8,014	6,123
Depreciation		78,168	62,953
Net realized and unrealized gain on investments		(103,639)	(146,168)
Acquisition of Beacon of Hope		-	(103,787)
Changes in assets and liabilities:			
Accounts receivable		(157,051)	16,982
Contributions receivable		296,002	365,077
Prepaid expenses and other assets		14,102	(9,916)
Accounts payable		(475)	(13,318)
Accrued expenses		37,990	(29,526)
Net cash provided by operating activities		287,025	60,573
Cash flows from investing activities:			
Purchases of furniture and equipment		(83,731)	(121,771)
Cash from acquisition		-	65,534
Purchases of investments		(167,485)	(1,230,553)
Sales and maturities of investments		149,102	1,404,322
Net cash provided (used) by investing activities		(102,114)	117,532
Net change in cash and cash equivalents		184,911	178,105
Cash and cash equivalents at beginning of year		1,282,543	1,104,438
Cash and cash equivalents at end of year	$	1,467,454	1,282,543
Supplemental disclosures:			
Acquisition of Beacon of Hope non-cash assets and liabilities:			
Accounts receivable	$	-	8,500
Accounts payable		-	(20,161)
Furniture and equipment		-	49,914
	$	-	38,253

See accompanying notes to the financial statements.

1. 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 its Workforce Development programs that provide job seekers with soft skills, access to employers, and lifetime coaching to be successful, promotable employees.

Workforce Connection is a fee-based service that assists local employers and their employees to improve employee retention through the use of on-site employment coaches that facilitate job retention services, work supports, education and training.

The Organization provides fee-based transportation services to assist its members to reach employer partner locations that lie beyond traditional bus lines.

The Network provides consulting, training, and a forum for other communities working on eliminating poverty throughout the United States.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization, or the passage of time. Certain net assets are subject to donor-imposed stipulations that must be maintained in perpetuity 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts and investment income with donor- imposed restrictions for which the restriction is met in the same period are recorded as with donor restriction 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. Allowance is made for uncollectible contributions based upon management's judgment and the creditworthiness of the donor. No allowance was deemed necessary in 2020 or 2019.

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's revenue from contracts with customers are included in employer fees on the statements of activities and consists of revenue earned for ongoing services provided to other organizations related to coaching and mentoring. Contracts typically have short durations and are considered to be earned over a period of time. Revenue is earned and billed when the performance obligation of the contract is completed.

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.

Cash and cash equivalents
The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. The Organization maintains cash in deposit accounts, which, at times, may exceed federally ensured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. Cash in excess of federally insured limits is approximately $887,000 and $742,000 on December 31, 2020 and 2019, respectively.

Accounts receivable
Accounts receivable are stated at the original invoiced amount less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. The Organization believes all receivables are fully collectible at December 31, 2020 and 2019.

Investments
Investments in marketable and debt securities with readily determinable fair values are reported at their fair values in the statements of financial position. Dividends, interest income, realized gains and losses on security transactions, unrealized holding gains or losses on investments and investment expenses are included as investment return on the statements of activities.

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.

Income taxes
The Organization is exempt from federal income tax under Internal Revenue Code (the "Code') section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

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. The following functional expense categories are allocated based on monthly time studies: salaries, wages and benefits, occupancy and utilities, equipment and supplies, marketing, and other expenses.

Concentration of credit risk
Concentrations within revenue and receivables exist when an individual donor equals or exceeds 10% of total revenue and receivables, respectively. During 2020, two donors accounted for 36% of total contribution revenue and two donors accounted for 50% of total contributions receivable. During 2019, two donors accounted for 37% of total contribution revenue and three donors accounted for 50% of total contributions receivable.

Subsequent events
The Organization 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 March 8, 2021, the date on which the financial statements were available to be issued.

3. CONTRIBUTIONS RECEIVABLE, NET:

Contributions receivable at December 31 consisted of the following:

	2020	2019
Due within one year	$ 1,045,415	1,138,280
Due in one to five years	186,750	405,915
	1,232,165	1,544,195
Less unamortized discount at 0.17% and 1.62%	541	8,555
	$ 1,231,624	1,535,640

4. FURNITURE AND EQUIPMENT:

Furniture and equipment consist of the following at December 31:

	2020	2019
Furniture	$ 128,990	86,398
Software	190,339	190,339
Equipment	133,989	148,834
	453,318	425,571
Less accumulated depreciation	182,395	160,211
Furniture and equipment, net	$ 270,923	265,360

5. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions exist for the following purposes as of December 31:

	2020	2019
Subject to the passage of time	$ 786,500	949,000
Subject to expenditures for specific purpose:		
Workforce Development	819,210	932,366
Workforce Connection	249,915	204,455
Transportation	40,000	-
The Network	83,396	100,000
Other	9,234	-
	1,988,255	2,185,821
Investment held in perpetuity	29,375	29,375
Total net assets with donor restrictions	$ 2,017,630	2,215,196

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 for the years ending December 31:

	2020	2019
Time restriction expired	$ 779,000	602,719
Satisfaction of purpose restrictions:		
Workforce Development	1,100,696	1,308,985
Workforce Connection	295,136	337,118
Transportation	-	50,000
The Network	16,604	196,786
Other	103,472	51,630
	1,515,908	1,944,519
Total net assets released from donor restrictions	$ 2,294,908	2,547,238

6. FAIR VALUE MEASUREMENTS:

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs for the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Fair value methods and assumptions on investments consisting of cash and cash equivalents, fixed income, equities and real assets are valued on Level 1 inputs.

The preceding methods described may provide a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the Organization's assets at December 31, 2020 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Cash and cash equivalents	$ 35,181	35,181	-	-
Fixed income funds	324,696	324,696	-	-
Equity funds:				
Large cap global and domestic	385,238	385,238	-	-
Small and mid-cap domestic	45,408	45,408	-	-
Developing international	153,025	153,025	-	-
Emerging markets	67,099	67,099	-	-
Real estate funds	40,841	40,841	-	-
	$ 1,051,488	1,051,488	-	-

The following table presents the Organization's assets at December 31, 2019 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Cash and cash equivalents	$ 43,361	43,361	-	-
Fixed income funds	289,621	289,621	-	-
Equity funds:				
Large cap global and domestic	336,910	336,910	-	-
Small and mid-cap domestic	36,646	36,646	-	-
Developing international	129,919	129,919	-	-
Emerging markets	56,563	56,563	-	-
Real estate funds	36,446	36,446	-	-
	$ 929,466	929,466	-	-

7. OFFICE LEASE:

The Organization leases office space under a noncancelable operating lease which is subject to terms of renewal and escalation clauses. Rent expense for 2020 and 2019 totaled $186,156 and $166,960, respectively. On August 30, 2019, the Organization extended the office space operating lease from January 2020 through 2026.

Future minimum lease payments as of December 31, 2020 are as follows:

2021	$ 205,240
2022	211,260
2023	217,280
2024	223,720
2025	230,160
Thereafter	236,880
	$ 1,324,540

The Organization has the option to terminate the lease after five years. If exercised, the Organization will be subject to termination fee of $45,000.

During 2020 and 2019, a former board member subleased certain office space and reimbursed the Organization for this and certain other office expenses totaling $8,367 and $8,139, respectively.

8. 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 at a rate of 33.3% each year and are fully vested after three years. During 2020 and 2019, employer contributions totaled $230,448 and 219,815, respectively.

9. LIQUIDITY:

The goal of the Organization is generally to maintain financial assets to meet at least 90 days of operating expenses. The Organization is substantially supported by contributions and grants and invests excess cash in short-term investment accounts to earn interest.

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

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 1,467,454	1,282,543
Investments	1,051,488	929,466
Accounts receivable	186,832	29,781
Contributions receivable, current	1,045,415	1,138,280
Financial assets available at year-end	3,751,189	3,380,070
Less those unavailable for general expenditures within one year due to:		
Contributions receivable with purpose restrictions	159,915	323,540
Restricted investments unavailable for operations	29,375	29,375
Cash with donor restrictions	583,654	243,346
	772,944	596,261
Financial assets available to meet cash needs for general expenditures within one year	$ 2,978,245	2,783,809

10. BEACON OF HOPE BUSINESS ALLIANCE INC. ACQUISITION:

Effective August 1, 2019, Cincinnati Works, Inc. acquired Beacon of Hope Business Alliance Inc. ("Beacon of Hope") to improve its member experience. As a result, Beacon of Hope's assets, liabilities and net assets have been added to the Organization's statement of financial position. Below is a listing of assets and liabilities of Beacon of Hope that were received as part of the acquisition as of August 1, 2019, with no consideration paid and recorded at estimated fair value:

Cash	$ 65,534
Accounts receivable	8,500
Furniture and equipment, net	49,914
Accounts payable	(20,161)
Net assets without donor restrictions	$ 103,787

11. RISKS AND UNCERTAINTIES:

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus (COVID-19) as a global pandemic. The COVID-19 pandemic has caused business disruption through closings of offices and significant fluctuations in stock market indices. The extent of the impact of the COVID-19 pandemic on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the pandemic.

12. PAYCHECK PROTECTION PROGRAM:

On May 6, 2020 in response to the outbreak of COVID-19, the Organization entered into a loan of $565,300 under the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The loan bears interest at 1% and is due on May 6, 2022. The PPP program allows for a portion of the loan (up to the full amount) to be forgiven based on qualifying expenses. The loan is considered a conditional contribution in accordance with Accounting Standards Update (ASU) ASU 2018-08, which also encompasses cancellation of liabilities. During 2020, the Organization incurred qualifying expenses of $565,300 and recognized the full amount in other income on the statement of activities.

On February 8, 2021, the Organization entered into a second loan totaling $565,300 under the SBA PPP. The loan bears interest at 1% and matures in February 2026.

13. CONDITIONAL CONTRIBUTIONS:

As of December 31, 2020, the Organization has an outstanding balance of approximately $232,000 related to cost reimbursement grants with contract terms spanning multiple fiscal years. No amounts have been recognized during 2020 as the conditions have not been satisfied.

14. UPCOMING 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 Organization's year ending December 31, 2022.

Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements, which is expected to have a significant impact on the financial statements and disclosures.