

Cincinnati Works, Inc.

Financial Statements

December 31, 2024 and 2023

With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Cincinnati Works, Inc.

Opinion

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, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cincinnati Works, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cincinnati Works, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cincinnati Works, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cincinnati Works, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
September 9, 2025

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 programs as follows:

Workforce development program is designed to help those in poverty earn and retain quality employment while building a strong financial foundation. The Program is built on the understanding that a job is just the beginning, and our Members' challenges do not end when the first paycheck arrives. The model is centered around personalized career and financial coaching, as well as job readiness, placement, retention, and advancement programs – not simply job placement. All of the programs are available to their Members for free for life.

Workforce connection service overview is composed of two services: workforce coaching and hiring partnerships. They both include some level of fee-for-service arrangement that focuses on value and helps support the operating costs of the program. All services are provided free of charge to all essential workers and the Organization clients.

- Workforce coaching is the flagship service of the social enterprise. It brings the core competencies of the Organization – individualized professional skills coaching, financial coaching, and barrier removal supports – directly to the workplace. A dedicated coach of the Organization is embedded at the employer's place of business so that the people who need these supports can access them right away and finally move the needle toward greater personal stability and advancement.
- Hiring partnerships build on the Organization long-time competency of preparing people for long-term success at work and matching them with supportive employers. The updated model creates deeper employer relationships with a dedicated employer account lead and more defined services that better meet the needs of the employer and ultimately achieve greater success for our clients.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Basis of presentation (continued):

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.

Revenue recognition

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. An allowance is established for expected credit losses on contributions based on historical experience, current economic conditions, and reasonable and supportable forecasts. Management evaluates the creditworthiness of donors alongside these factors to estimate potential uncollectible amounts. No allowance was deemed necessary in 2024 or 2023.

The Organization records contributed social worker and information technology services. Contributed services are recognized at the estimated fair value based upon rates provided by the donor or similar services and are only recorded if they create or enhance non-financial assets or require specialized services. For the years ended December 31, 2024 and 2023, contributed services did not have donor-imposed restrictions.

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 are considered to be earned over a period of time and are billed in installments as work is completed. Contracts typically have short durations less than one year. The Organization's accounts receivable at January 1, 2023 was \$651,284.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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 insured 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 \$403,000 and \$646,000 on December 31, 2024 and 2023, respectively.

Accounts receivable

Accounts receivable are stated at the original invoiced amount less the allowance for credit losses. On a periodic basis, the Organization evaluates its receivables and establishes an allowance for expected credit losses on accounts receivable based on historical experience, past write-offs, current economic conditions, and reasonable and supportable forecasts. Management believes the allowance for credit losses is not material as of December 31, 2024 and 2023.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Functional allocation of expenses (continued):

At the beginning of 2024, Management shifted to a decentralized budget which allowed each department to develop and be accountable to its own budget. The shift in the functional expense programs and allocations is directly reflective of moving from consolidated budgeting to centralized budgeting. The increase in management and general expenses was the result of the change; however, we are expecting this increase to be temporary.

Concentration of credit risk

Concentrations within revenue and contributions receivable exist when an individual donor equals or exceeds 10% of total contribution revenue and contributions receivable. During 2024, one donor accounted for 41% of total contribution revenue and two donors accounted for 70% of total contributions receivable. During 2023, three donors accounted for 47% of total contribution revenue and two donors accounted for 49% of total contributions receivable.

During 2024, one balance accounted for 48% of the total accounts 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 considered events through September 9, 2025, 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:

	<u>2024</u>	<u>2023</u>
Due within one year	\$ 1,112,198	1,284,277
Due in one to five years	<u>250,000</u>	<u>339,667</u>
	1,362,198	1,623,944
Less unamortized discount at 3.91% and 4.23%, respectively.	<u>10,238</u>	<u>13,660</u>
	\$ <u><u>1,351,960</u></u>	<u><u>1,610,284</u></u>

4. FURNITURE AND EQUIPMENT:

Furniture and equipment consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Furniture	\$ 160,777	160,777
Software	168,383	168,383
Equipment	<u>115,888</u>	<u>113,621</u>
	445,048	442,781
Less accumulated depreciation	<u>392,021</u>	<u>340,142</u>
	<u>\$ 53,027</u>	<u>102,639</u>

5. NET ASSETS WITH DONOR RESTRICTIONS:

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

	<u>2024</u>	<u>2023</u>
Subject to the passage of time	\$ 211,500	354,333
Subject to expenditures for specific purposes:		
Workforce Development	1,024,371	1,081,916
Workforce Connection	175,625	150,625
Other	<u>524,949</u>	<u>624,286</u>
	1,936,445	2,211,160
Investment held in perpetuity	<u>1,035,466</u>	<u>1,035,466</u>
Total net assets with donor restrictions	<u>\$ 2,971,911</u>	<u>3,246,626</u>

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:

	<u>2024</u>	<u>2023</u>
Time restriction expired	\$ -	351,167
Satisfaction of purpose restrictions:		
Workforce Development	584,889	1,248,201
Workforce Connection	20,000	150,000
Other	<u>786,778</u>	<u>72,356</u>
	<u>1,391,667</u>	<u>1,470,557</u>
Total net assets released from donor restrictions	<u>\$ 1,391,667</u>	<u>1,821,724</u>

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, money markets and mutual funds 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.

6. FAIR VALUE MEASUREMENTS (CONTINUED):

The following table presents the Organization's assets at December 31, 2024 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	<u>Total</u>			
Investments:				
Cash and cash equivalents	\$ 556,983	556,983	-	-
Fixed income funds	411,610	411,610	-	-
Money Markets	632,674	632,674	-	-
Equity funds:				
Large cap global and domestic	1,355,350	1,355,350	-	-
Small and mid-cap domestic	64,333	64,333	-	-
Equities	11,346	11,346	-	-
Developing international	<u>89,147</u>	<u>89,147</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,121,443</u>	<u>3,121,443</u>	<u>-</u>	<u>-</u>

The following table presents the Organization's assets at December 31, 2023 that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	<u>Total</u>			
Investments:				
Cash and cash equivalents	\$ 83,112	83,112	-	-
Fixed income funds	682,399	682,399	-	-
Equity funds:				
Large cap global and domestic	1,502,160	1,502,160	-	-
Small and mid-cap domestic	86,166	86,166	-	-
Developing international	<u>156,020</u>	<u>156,020</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,509,857</u>	<u>2,509,857</u>	<u>-</u>	<u>-</u>

7. ENDOWMENT FUNDS:

Financial Accounting Standards Board (FASB) guidance requires 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 Organization's endowment consists of funds established to provide income to support operations. Its endowment includes donor-restricted funds.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the Organization and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the Organization and the investment policies of the Organization.

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide for long-term growth of principal without undue exposure to risk. The return objective shall be accomplished using a balanced strategy of equity, fixed income securities, mutual funds and cash equivalents. The performance objectives will be measured against appropriate industry benchmarks such as the MSCI ACWI Net Index, Bloomberg Barclay's Global Aggregate Index and Bank of America 91-day Treasury Bill Index.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization 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).

Spending policy and how the investment objectives relate to spending policy

The Organization has a policy to allow management the flexibility to draw a maximum of 4.5% of its endowment funds' average fair value over the trailing 12 quarters. The formula is applied to the twelve calendar quarters ending June 30 prior to the December 31, year end in question.

7. ENDOWMENT FUNDS (CONTINUED):

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

	<u>2024</u>	<u>2023</u>
Endowment assets at beginning of year	\$ 1,067,375	935,630
Net investment return	123,908	150,659
Appropriation of endowment assets for expenditure	<u>(10,755)</u>	<u>(18,914)</u>
Endowment assets at end of year	\$ <u>1,180,528</u>	<u>1,067,375</u>

Endowment assets that are permanently restricted at December 31, 2024 and 2023 are \$1,035,466.

8. OFFICE LEASES:

The Organization leases office space under a noncancelable operating lease which is subject to terms of renewal and escalation clauses. Since the Organization's lease does not provide an implicit interest rate to determine the present value of lease payments, management uses the risk-free rate available at the lease commencement which was 1.37%. The Organization recognized an operating lease right-of-use asset and related lease liability of \$1,081,614 at January 1, 2022. The lease ends December 31, 2026 and provides the option to renew two three-year periods. Due to the changing needs of the community the Organization serves, it is unknown at this time if the renewal options will be exercised. The Organization has elected to implement the practical expedient of not separating lease components from non-lease components.

The Organization leases office equipment under a noncancelable operating lease which will terminate November 15, 2025. Based on an estimated discount rate of 1.37%, the Organization recognized an operating lease right-of-use asset and related lease liability of \$35,992 at January 1, 2022.

Rent expense for 2024 and 2023 totaled \$233,293. The Organization's weighted average remaining lease term at December 31, 2024 and 2023 is 1.98 years and 2.98 years, respectively.

The following is a schedule of future minimum lease payments for the years ended December 31:

2025	\$ 236,806
2026	<u>236,880</u>
	475,686
Present value discount	<u>(6,168)</u>
Total lease liabilities	\$ <u>469,518</u>

9. 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 2024 and 2023, employer contributions totaled \$180,293 and \$134,054, respectively.

10. 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:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash and cash equivalents	\$ 900,744	1,167,815
Investments	3,121,443	2,509,857
Accounts receivable	238,370	240,157
Contributions receivable	<u>1,351,960</u>	<u>1,610,284</u>
Financial assets available at year-end	<u>5,612,517</u>	<u>5,528,113</u>
Less those unavailable for general expenditures within one year due to:		
Contributions receivable with purpose restrictions	1,936,445	2,211,160
Donor restricted perpetual endowment	<u>1,035,466</u>	<u>1,035,466</u>
Total limitations on available resources	<u>2,971,911</u>	<u>3,246,626</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>2,640,606</u>	<u>2,281,487</u>

11. RELATED PARTY TRANSACTIONS:

One member of the Board of Trustees is an owner of a professional service firm that provided services to the Organization during 2024 and 2023. Management believes that the services provided are at arms'-length. During 2024 and 2023, the Organization paid \$30,250 and \$13,750 for these services, respectively.