

**Financial Statements and Report of Independent  
Certified Public Accountants**

**Cincinnati Works, Inc.**

**December 31, 2017 and 2016**

# Contents

	<b>Page</b>
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6
Statements of Functional Expenses	7
Statements of Cash Flows	8
Notes to Financial Statements	9



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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, 2017 and 2016, 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, 2017 and 2016, 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  
May 7, 2018

**CINCINNATI WORKS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2017 and 2016

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,150,079	\$ 1,114,292
Investments	762,058	902,330
Prepaid expenses and other assets	52,561	74,261
Contributions receivable, net	2,355,880	1,430,252
Furniture and equipment, net	43,157	51,537
Restricted investments	<u>57,376</u>	<u>49,239</u>
Total assets	<u><u>\$ 4,421,111</u></u>	<u><u>\$ 3,621,911</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 11,311	\$ 38,642
Accrued expenses	<u>55,357</u>	<u>59,303</u>
Total liabilities	<u><u>66,668</u></u>	<u><u>97,945</u></u>
 <b>Net Assets:</b>		
Unrestricted	1,704,813	1,663,030
Temporarily restricted	2,620,255	1,831,561
Permanently restricted	<u>29,375</u>	<u>29,375</u>
Total net assets	<u><u>4,354,443</u></u>	<u><u>3,523,966</u></u>
Total liabilities and net assets	<u><u>\$ 4,421,111</u></u>	<u><u>\$ 3,621,911</u></u>

The accompanying notes are an integral part of these statements.

**CINCINNATI WORKS, INC.**

**STATEMENTS OF ACTIVITIES**

For the years ended December 31, 2017 and 2016

<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	<b>2017</b>	<b>2016</b>
Revenues, gains and other support:		
Contributions and grants	\$ 1,144,633	\$ 456,314
Investment return	117,984	49,082
Contributed goods and services	111,757	98,736
Special event revenue, net	-	269,705
Other income	94,307	67,809
Reclassification of contributions pursuant to donor stipulations		
Net assets released from restrictions	<u>1,907,538</u>	<u>1,876,984</u>
Total revenues and other support	<u>3,376,219</u>	<u>2,818,630</u>
Expenses:		
Job Readiness program	1,241,304	1,280,157
Advancement program	447,372	375,438
Next Step	69,072	65,356
Phoenix	282,202	284,147
Navigator	45,040	54,337
Workforce Connection	206,196	-
National Replication	<u>166,484</u>	<u>4,169</u>
Total program services	<u>2,457,670</u>	<u>2,063,604</u>
Management and general	526,652	484,745
Fundraising	<u>350,114</u>	<u>360,351</u>
Total support services	<u>876,766</u>	<u>845,096</u>
Total expenses	<u>3,334,436</u>	<u>2,908,700</u>
Change in unrestricted net assets	<u>41,783</u>	<u>(90,070)</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Revenues and other support:		
Contributions and grants-National Replication	350,000	246,853
Other contributions and grants	2,346,232	1,141,281
Net assets released from restrictions	<u>(1,907,538)</u>	<u>(1,876,984)</u>
Change in temporarily restricted net assets	<u>788,694</u>	<u>(488,850)</u>
Change in net assets	830,477	(578,920)
Net assets, beginning of year	<u>3,523,966</u>	<u>4,102,886</u>
Net assets, end of year	<u>\$ 4,354,443</u>	<u>\$ 3,523,966</u>

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2017 and 2016

	<u>Job Readiness</u>	<u>Advancement</u>	<u>Next Step</u>	<u>Phoenix</u>	<u>Navigator</u>	<u>Workforce Connection</u>	<u>National Replication</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>2017</b>										
Salaries, wages and benefits	\$ 1,073,053	\$ 385,084	\$ 44,740	\$ 242,581	\$ 41,210	\$ 178,680	\$ 131,020	\$ 381,289	\$ 243,698	\$ 2,721,355
Occupancy and utilities	86,428	30,805	3,608	19,088	596	11,611	12,098	65,554	20,277	250,065
Equipment and supplies	22,535	8,181	921	5,310	905	3,978	3,621	7,821	5,805	59,077
Professional services	20,964	7,768	3,997	4,735	825	3,561	17,891	40,454	44,162	144,357
Direct job seeker and advancement expenses	27,199	10,577	15,033	6,860	1,128	5,913	-	-	428	67,138
Marketing	1,391	666	59	1,374	53	253	-	493	27,770	32,059
Other	9,734	4,291	714	2,254	323	2,200	1,854	31,041	7,974	60,385
Total expenses	<u>\$ 1,241,304</u>	<u>\$ 447,372</u>	<u>\$ 69,072</u>	<u>\$ 282,202</u>	<u>\$ 45,040</u>	<u>\$ 206,196</u>	<u>\$ 166,484</u>	<u>\$ 526,652</u>	<u>\$ 350,114</u>	<u>\$ 3,334,436</u>
	<u>Job Readiness</u>	<u>Advancement</u>	<u>Next Step</u>	<u>Phoenix</u>	<u>Navigator</u>	<u>Workforce Connection</u>	<u>National Replication</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>2016</b>										
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	<u>\$ 1,280,157</u>	<u>\$ 375,438</u>	<u>\$ 65,356</u>	<u>\$ 284,147</u>	<u>\$ 54,337</u>	<u>\$ -</u>	<u>\$ 4,169</u>	<u>\$ 484,745</u>	<u>\$ 360,351</u>	<u>\$ 2,908,700</u>

The accompanying notes are an integral part of these statements.

**CINCINNATI WORKS, INC.**

**STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2017 and 2016

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 830,477	\$ (578,920)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	35,743	26,270
Net realized and unrealized gain on investments	(87,028)	(18,525)
Changes in assets and liabilities:		
Contributions receivable	(925,628)	829,214
Prepaid expenses and other assets	21,700	(34,625)
Accounts payable	(27,331)	(983)
Accrued expenses	(3,946)	(11,087)
	(156,013)	211,344
 <b>Cash flows from investing activities:</b>		
Purchases of furniture and equipment	(27,363)	(34,041)
Purchases of investments	(1,025,030)	(449,702)
Sales and maturities of investments	1,243,427	333,767
Sales and maturities of restricted investments	33,368	34,094
Purchases of restricted investments	(32,602)	(35,771)
	191,800	(151,653)
Net cash provided by (used in) investing activities	191,800	(151,653)
Net increase in cash and cash equivalents	35,787	59,691
Cash and cash equivalents at beginning of year	1,114,292	1,054,601
Cash and cash equivalents at end of year	\$ 1,150,079	\$ 1,114,292

The accompanying notes are an integral part of these statements.



## CINCINNATI WORKS, INC.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

#### 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, the Workforce Connection 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 Workforce Connection program is designed to improve employee retention through the use of on-site employment coaches that facilitate job retention services, work supports, education and training. 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, 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.

## CINCINNATI WORKS, INC.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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

##### 1. Basis of Presentation (continued)

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.

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 2017 or 2016.

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. During the year ended December 31, 2016, the Organization may have received contributions of public service announcements. No amounts have been recorded for public service announcements for 2016 as the fair value of the benefit received cannot be reasonably estimated. The Organization did not receive any such contributions during the year ended December 31, 2017. In 2017 and 2016, donated goods and services benefited the Job Readiness program by \$54,001 and \$59,198, the Advancement program by \$21,185 and \$18,104, the Next Step program by \$2,452 and \$2,862, the Phoenix program by \$12,944 and \$13,090, the Navigator program by \$2,277 and \$2,785, the Workforce Connection program by \$9,704 and \$0, General and Administrative by \$7,800 and \$1,529 and Fundraising by \$1,394 and \$1,168, respectively.

##### 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, 2017 and 2016, cash equivalents consisted of money market funds, which generally invest in highly liquid commercial paper. At December 31, 2017 and 2016, the Organization had \$514,576 and \$477,855, 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 \$39,289 and \$35,105 at December 31, 2017 and 2016, respectively.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$27,771 and \$27,502 and equipment of \$122,901 and \$111,244 were recorded as assets at December 31, 2017 and 2016, respectively.

Accumulated depreciation totaled \$107,515 and \$87,209 at December 31, 2017 and 2016, respectively. Depreciation expense was \$35,743 and \$26,270 for 2017 and 2016, respectively.

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 2017 and 2016 included interest and dividend income of \$33,852 and \$30,557, respectively, and net realized and unrealized gains of \$84,132 and \$18,525, respectively.

Unrestricted investments are summarized as follows at year end:

	2017		2016
Asset-backed securities	\$ -	\$	8,514
Common stock	-		3,005
Mutual funds	595,821		761,043
Exchange-traded funds	166,237		129,768
	<u>\$ 762,058</u>	\$	<u>902,330</u>

Restricted investments amounting to \$57,376 and \$49,239 at December 31, 2017 and 2016, 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

For the year ended December 31, 2016, 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 2017.

7. Other Income

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

## CINCINNATI WORKS, INC.

### NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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

##### 8. Income Taxes

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. On December 22, 2017, the United States enacted tax reform legislation, commonly referred to as the Tax Cuts and Jobs Act (the “Act”), resulting in significant modifications to existing law. The Organization has determined that the adoption of the Act has no material impact to the 2017 financial statements.

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 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

##### 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. Accounting Standards Issued But Not Yet Implemented

In June 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. This amended guidance supersedes and replaces all existing U.S. GAAP revenue recognition guidance. The guidance establishes a new revenue recognition model, changes the basis for deciding when revenue is recognized, provides new and more detailed guidance on specific revenue topics, and expands and improves disclosures about revenue. In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing*. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers: Narrow Scope Improvements and Practical Expedients*. Both of these standards clarify or improve guidance from ASU 2014-09. These standards are effective for fiscal years beginning after December 15, 2018.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Accounting Standards Issued But Not Yet Implemented (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. The amended guidance requires an entity to recognize assets and liabilities that arise from leases. The amended guidance is effective for financial statements issued for fiscal years beginning after December 15, 2019, with early adoption permitted.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update changes current GAAP to improve the usefulness of information provided to donors, grantors, creditors, and other users of not-for-profit financial statements, and reduces the complexity and costs for preparers or users of the financial statements. It eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of the financial statements, and requires enhanced disclosures in the notes to financial statements to provide useful information about the nature, amounts, and effects of the various types of donor-imposed restrictions, which often include limits on the purposes for which the resources can be used as well as the time frame for their use. It also requires disclosure of how the not-for-profit entity plans to meet short-term needs for cash, and how resources will be allocated to carry out the not-for-profit organization's activities. The amendments in this update are effective for fiscal years beginning after December 15, 2017.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, which eliminates diversity in practice on how restricted cash is presented and classified on the statement of cash flows. The amendments in this update are effective for fiscal years beginning after December 15, 2018. Early adoption is permitted.

The Organization is evaluating the impact this guidance will have on its financial statements.

12. Reclassifications

Certain 2016 balances have been reclassified in order to conform to the 2017 presentation.

NOTE C – CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at December 31, consisted of the following:

	2017	2016
Due within one year	\$ 1,676,772	\$ 1,040,718
Due in one to five years	694,200	396,275
	<u>2,370,972</u>	<u>1,436,993</u>
Less unamortized discount	(15,092)	(6,741)
	<u>\$ 2,355,880</u>	<u>\$ 1,430,252</u>

For payments that extend beyond one year, these pledges receivable have been discounted using rates ranging from 1.20% to 1.76%.

At December 31, 2017 and 2016, approximately 69% and 80%, respectively, of total contributions receivable are due from three and seven contributors, respectively. During 2017 and 2016, approximately 53% and 46%, respectively, of the Organization's total contributions and grants were provided by three contributors.

**CINCINNATI WORKS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**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:

	<b>2017</b>	<b>2016</b>
Use in future years	\$ 1,091,074	\$ 674,234
Job Readiness program	816,680	411,279
Phoenix program	2,348	133,332
Advancement program	85,637	42,300
Next Step program	180,973	233,471
City Link location	-	51,700
Roselawn location	-	42,300
Workforce Connection	18,498	240,555
National Replication	425,045	-
Other	-	2,390
	<b>\$ 2,620,255</b>	<b>\$ 1,831,561</b>

**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:

	<b>2017</b>	<b>2016</b>
Time restriction expired	\$ 331,950	\$ 356,450
Satisfaction of purpose restrictions:		
Job Readiness program	786,852	986,522
Advancement program	56,663	176,500
Next Step program	68,999	36,124
Phoenix program	238,984	175,707
City Link location	51,700	55,000
Workforce Connection	148,102	6,300
Roselawn location	42,300	45,000
National Replication	165,508	-
Other	16,480	39,381
	<b>\$ 1,907,538</b>	<b>\$ 1,876,984</b>

**CINCINNATI WORKS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**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, common stock, 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 asset-backed securities. Asset-backed securities may not be traded on December 31; therefore, pricing for similar instruments may be used to determine fair value, or matrix pricing models may also be used.

The following tables summarize financial instruments measured at fair value on a recurring basis in the statement of financial position at December 31, 2017 and 2016.

	<u>Balances at December 31, 2017</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
<b>Investments and restricted investments:</b>				
<b>Mutual funds:</b>				
Large cap global and domestic	\$ 137,701	\$ 137,701	\$ -	\$ -
Small and mid-cap domestic	28,040	28,040	-	-
Developing international	90,574	90,574	-	-
Emerging markets	48,504	48,504	-	-
Alternative strategies	138,247	138,247	-	-
Fixed income	194,758	194,758	-	-
<b>Exchange-traded funds:</b>				
Real estate	54,476	54,476	-	-
Small and mid-cap domestic	17,843	17,843	-	-
Large cap domestic	105,928	105,928	-	-
	<u>\$ 816,071</u>	<u>\$ 816,071</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Balances at December 31, 2016</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
<b>Investments and restricted investments:</b>				
Asset-backed securities	\$ 8,514	\$ -	\$ 8,514	\$ -
<b>Mutual funds:</b>				
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	-	-
<b>Exchange-traded funds:</b>				
Real estate	61,898	61,898	-	-
Large cap domestic	71,997	71,997	-	-
	<u>\$ 951,102</u>	<u>\$ 942,588</u>	<u>\$ 8,514</u>	<u>\$ -</u>

**CINCINNATI WORKS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2017 and 2016

**NOTE E – FAIR VALUE MEASUREMENTS (continued)**

Restricted investments include cash equivalents carried at amortized cost of \$3,363 and \$467 at December 31, 2017 and 2016, 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 2017 and 2016 amounted to \$152,851 and \$137,490, 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,

2018	\$ 164,593
2019	120,873

During 2017 and 2016, a board member subleased certain office space and reimbursed the Organization for this and certain other office expenses totaling \$8,073 and \$9,569, 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 at a rate of 33.3% each year and are fully vested after three years. Employer contributions amounted to \$185,830 and \$161,562 for 2017 and 2016, 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**

December 31, 2017 and 2016

**NOTE I – SUBSEQUENT EVENTS**

The Organization evaluated its December 31, 2017 financial statements for subsequent events through May 7, 2018, 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.