

Financial Statements and Report of Independent
Certified Public Accountants

Cincinnati Works, Inc.

December 31, 2011 and 2010

Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8



Audit • Tax • Advisory

Grant Thornton LLP
4000 Smith Road, Suite 500
Cincinnati, OH 45209-1967

T 513.762.5000
F 513.241.6125
www.GrantThornton.com

Report of Independent Certified Public Accountants

Board of Trustees
Cincinnati Works, Inc.

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

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

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

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

Cincinnati, Ohio
March 22, 2012

CINCINNATI WORKS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

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

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.
STATEMENTS OF ACTIVITIES

For the years ended December 31, 2011 and 2010

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

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2011 and 2010

2011

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

2010

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

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2011 and 2010

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

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE A – NATURE OF OPERATIONS

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

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

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

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

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

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

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

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

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2011 and 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Basis of Presentation (continued)

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

2. Use of Estimates

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

3. Cash and Cash Equivalents

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

4. Furniture and Equipment

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

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

5. Investments and Investment Return

Investments are reported at fair value, except for certificates of deposit, which are valued at amortized cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note E for discussion of fair value measurements.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2011 and 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Investments and Investment Return (continued)

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

Investments are summarized as follows at year end:

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

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

6. Other Income

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

7. Income Taxes

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

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

8. Functional Allocation of Expenses

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

