

Financial Statements and Report of Independent
Certified Public Accountants

Cincinnati Works, Inc.

December 31, 2012 and 2011

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Report of Independent Certified Public Accountants

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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, 2012 and 2011, 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, 2012 and 2011, and the results of its operations 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
March 5, 2013

CINCINNATI WORKS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

ASSETS	2012	2011
Assets:		
Cash and cash equivalents	\$ 198,522	\$ 405,073
Investments	1,557,928	1,350,615
Prepaid expenses and other assets	40,932	21,839
Contributions receivable, net	969,598	1,186,052
Furniture and equipment, net	40,870	36,180
Restricted cash and cash equivalents	264,052	367,309
Restricted investments	36,985	33,095
	<u>3,108,887</u>	<u>3,400,163</u>
Total assets	<u>\$ 3,108,887</u>	<u>\$ 3,400,163</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 11,439	\$ 7,915
Accrued expenses	71,162	69,656
Total liabilities	<u>82,601</u>	<u>77,571</u>
Net Assets:		
Unrestricted	1,867,569	1,808,352
Temporarily restricted	1,129,342	1,484,865
Permanently restricted	29,375	29,375
Total net assets	<u>3,026,286</u>	<u>3,322,592</u>
Total liabilities and net assets	<u>\$ 3,108,887</u>	<u>\$ 3,400,163</u>

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2012 and 2011

CHANGES IN UNRESTRICTED NET ASSETS	2012	2011
Revenues, gains and other support:		
Contributions and grants	\$ 613,406	\$ 583,351
Investment return	126,647	(7,603)
Contributed goods and services	98,452	118,801
Other income	61,701	44,525
Net assets released from restrictions	<u>1,011,838</u>	<u>1,018,877</u>
Total revenues and other support	<u>1,912,044</u>	<u>1,757,951</u>
Expenses:		
Job readiness program	718,513	692,453
Advancement program	157,792	174,337
Capacity building	58,616	110,132
Next Step	82,373	90,222
Phoenix	203,687	103,526
City Link	<u>51,679</u>	<u>-</u>
Total program services	1,272,660	1,170,670
Management and general	289,535	128,482
Fundraising	202,958	204,290
Nonrecurring costs	<u>87,674</u>	<u>23,000</u>
Total support services	580,167	355,772
Total expenses	<u>1,852,827</u>	<u>1,526,442</u>
Change in unrestricted net assets	<u>59,217</u>	<u>231,509</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Revenues and other support:		
Contributions and grants	656,315	508,764
Net assets released from restrictions	<u>(1,011,838)</u>	<u>(1,018,877)</u>
Change in temporarily restricted net assets	<u>(355,523)</u>	<u>(510,113)</u>
Change in net assets	(296,306)	(278,604)
Net assets, beginning of year	<u>3,322,592</u>	<u>3,601,196</u>
Net assets, end of year	<u>\$ 3,026,286</u>	<u>\$ 3,322,592</u>

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the years ended December 31, 2012 and 2011

2012

	Job Readiness	Advancement	Capacity Building	Next Step	Phoenix	City Link	Management and General	Fundraising	Nonrecurring Costs	Total
Salaries, wages and benefits	\$ 535,986	\$ 113,919	\$ 55,479	\$ 61,077	\$ 150,781	\$ 38,821	\$ 224,106	\$ 125,758	\$ 22,350	\$ 1,328,277
Occupancy and utilities	60,402	12,858	-	7,053	17,425	-	24,611	13,163	-	135,512
Equipment and supplies	19,768	4,203	-	2,291	5,656	3,081	8,128	4,388	-	47,515
Professional services	67,128	19,402	2,895	7,970	19,634	9,073	27,810	29,589	65,324	248,825
Direct job seeker and advancement expenses	12,148	2,570	242	1,376	3,490	704	4,880	2,667	-	28,077
Marketing	-	-	-	-	-	-	-	27,393	-	27,393
Other	23,081	4,840	-	2,606	6,701	-	-	-	-	37,228
Total expenses	\$ 718,513	\$ 157,792	\$ 58,616	\$ 82,373	\$ 203,687	\$ 51,679	\$ 289,535	\$ 202,958	\$ 87,674	\$ 1,852,827

2011

	Job Readiness	Advancement	Capacity Building	Next Step	Phoenix	City Link	Management and General	Fundraising	Nonrecurring Costs	Total
Salaries, wages and benefits	\$ 533,676	\$ 102,852	\$ 80,561	\$ 72,060	\$ 83,883	\$ -	\$ 105,326	\$ 148,314	\$ 23,000	\$ 1,149,672
Occupancy and utilities	68,433	12,986	4,611	8,712	9,677	-	12,362	11,276	-	128,057
Equipment and supplies	14,139	2,564	1,263	2,099	2,504	-	2,260	2,243	-	27,072
Professional services	44,118	47,368	21,932	4,926	5,526	-	6,620	6,116	-	136,606
Direct job seeker and advancement expenses	21,699	6,534	493	1,101	453	-	-	-	-	30,280
Marketing	-	-	-	-	-	-	-	34,580	-	34,580
Other	10,388	2,033	1,272	1,324	1,483	-	1,914	1,761	-	20,175
Total expenses	\$ 692,453	\$ 174,337	\$ 110,132	\$ 90,222	\$ 103,526	\$ -	\$ 128,482	\$ 204,290	\$ 23,000	\$ 1,526,442

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (296,306)	\$ (278,604)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	14,936	6,721
Donated equipment	(1,187)	(21,569)
Net realized and unrealized (gain) loss on investments	(89,412)	50,298
Donated investments	(26,386)	(26,414)
Changes in assets and liabilities:		
Contributions receivable	216,454	585,869
Prepaid expenses and other assets	(19,093)	3,512
Accounts payable	3,524	7,915
Accrued expenses	1,506	(7,094)
	<u>1,506</u>	<u>(7,094)</u>
Net cash (used in) provided by operating activities	<u>(195,964)</u>	<u>320,634</u>
 Cash flows from investing activities:		
Purchases of furniture and equipment	(18,439)	(21,332)
Purchases of investments	(571,879)	(642,006)
Sales and maturities of investments	476,968	519,499
Purchases of restricted investments	(494)	(423)
	<u>(494)</u>	<u>(423)</u>
Net cash used in investing activities	<u>(113,844)</u>	<u>(144,262)</u>
Net (decrease) increase in cash and cash equivalents	(309,808)	176,372
Cash and cash equivalents at beginning of year	<u>772,382</u>	<u>596,010</u>
Cash and cash equivalents at end of year	<u>\$ 462,574</u>	<u>\$ 772,382</u>

The accompanying notes are an integral part of these statements.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

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 initiative designed to reach more people living in poverty in the Greater Cincinnati Region. 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 in need of help transitioning to a stable future as young adults. Cincinnati Works, Inc. provides workforce development services to City Link, which is a non-profit that offers the poor/working poor a path to self-sufficiency through a program of bundled services.

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.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2012 and 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Basis of Presentation (continued)

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

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 2012 and 2011, but have not been recorded, because they do not meet these requirements. In 2012 and 2011, donated goods and services benefited the Job Readiness program by \$54,053 and \$81,262, the Advancement program by \$4,504 and \$9,000, the Next Step program by \$9,009 and \$0, the Phoenix program by \$22,522 and \$0, and General and Administrative by \$7,177 and \$8,544, respectively. Donated equipment of \$1,187 and \$21,569 was capitalized in 2012 and 2011, 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, 2012 and 2011, cash equivalents, including restricted cash equivalents, consisted of money market funds, which generally invest in highly liquid commercial paper. At December 31, 2012, 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 \$404,433 at December 31, 2012.

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 \$16,227 and \$12,928 and equipment of \$46,300 and \$29,973 were recorded as assets at December 31, 2012 and 2011, respectively. Accumulated depreciation totaled \$21,657 and \$6,721 at December 31, 2012 and 2011, respectively. Depreciation expense was \$14,936 and \$6,721 for 2012 and 2011, respectively.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2012 and 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Investment return for 2012 and 2011 included interest and dividend income of \$37,235 and \$42,695, respectively, and net realized and unrealized gains (losses) of \$89,412 and (\$50,298), respectively.

Unrestricted investments are summarized as follows at year end:

	2012		2011
Certificates of deposit	\$ 251,741	\$	200,217
Asset-backed securities	15,222		18,774
U.S. government and agency obligations	127,429		178,329
Corporate bonds	257,210		257,667
Mutual funds	767,568		597,028
International bonds	53,218		-
Exchange-traded funds	85,540		98,600
	<u>\$ 1,557,928</u>	\$	<u>1,350,615</u>

Restricted investments amounting to \$36,985 and \$33,095 at December 31, 2012 and 2011, 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 other not-for-profit organizations for employment assistance services provided by Cincinnati Works employees.

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 2012 or 2011.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2012 and 2011

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. In 2012, these include costs for leadership training and consulting for workshop redesign. In 2011, these include costs for personnel reorganization.

9. Reclassification

Certain amounts in the 2011 financial statements have been reclassified to conform with the 2012 presentation.

NOTE C – CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable at December 31, consisted of the following:

	2012	2011
Due within one year	\$ 774,461	\$ 676,015
Due in one to five years	202,500	525,000
	<u>976,961</u>	<u>1,201,015</u>
Less unamortized discount	(7,363)	(14,963)
	<u>\$ 969,598</u>	<u>\$ 1,186,052</u>

Discount rates, which are based on 5-year U.S. Treasury rates, were approximately 0.72% and 0.83% for 2012 and 2011, respectively.

At December 31, 2012 and 2011, approximately 72% and 70%, respectively, of total contributions receivable are due from five and four contributors, respectively. During 2012 and 2011, approximately 32% and 49%, respectively, of the Organization's total contributions and grants were provided by three and five contributors, respectively.

NOTE D – NET ASSETS

1. Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity. The income on which is expendable to support any activity of the Organization if appropriated for expenditure by the Board of Trustees.

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2012 and 2011

NOTE D – NET ASSETS (continued)

2. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes:

	2012	2011
Use in future years	\$ 628,101	\$ 730,204
Facilities and equipment	7,192	18,257
Advancement program	290,723	447,263
Next Step program	70,010	119,523
Phoenix program	-	68,514
City Link program	75,000	50,000
Staff development	23,061	33,294
Other	35,255	17,810
	<u>\$ 1,129,342</u>	<u>\$ 1,484,865</u>

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:

	2012	2011
Time restriction expired	\$ 353,167	\$ 431,583
Facilities and equipment	14,365	19,562
Staff development	10,534	8,269
Technology	7,188	4,000
Job readiness program	194,829	200,000
Advancement program	201,540	135,199
Next Step program	79,513	86,577
Phoenix program	110,728	95,858
Employer development	-	13,320
City Link program	30,000	-
Other	9,974	24,509
	<u>\$ 1,011,838</u>	<u>\$ 1,018,877</u>

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 common stocks, exchange-traded funds, mutual funds, and some corporate bonds. 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, corporate bonds and U.S. government and agency obligations. The Organization does not hold any financial instruments measured at fair value on a recurring basis using significant unobservable inputs (or Level 3 inputs).

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2012 and 2011

NOTE E – FAIR VALUE MEASUREMENTS (continued)

The Organization's investments in certificates of deposit are carried at amortized cost. These investments do not qualify as securities as defined by ASC 320, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by ASC 820, *Fair Value Measurements*, are not provided.

The following tables summarize the valuation of financial instruments measured at fair value on a recurring basis in the statement of financial position at December 31, 2012 and 2011.

	Balances at December 31, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments and restricted investments:				
Corporate bonds	\$ 257,210	\$ 51,690	\$ 205,520	\$ -
U.S. government and agency obligations	127,429	-	127,429	-
Asset-backed securities	15,222	-	15,222	-
International bonds	53,218	-	53,218	-
Mutual funds:				
Large cap global and domestic	332,360	332,360	-	-
Small and mid-cap domestic	97,709	97,709	-	-
Developing International	49,696	49,696	-	-
Emerging Markets	114,547	114,547	-	-
Alternative strategies	148,763	148,763	-	-
Other	59,617	59,617	-	-
Exchange-traded funds - real estate	85,540	85,540	-	-
	\$ 1,341,311	\$ 939,922	\$ 401,389	\$ -

	Balances at December 31, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments and restricted investments:				
Corporate bonds	\$ 257,667	\$ 76,520	\$ 181,147	\$ -
U.S. government and agency obligations	178,329	-	178,329	-
Asset-backed securities	18,774	-	18,774	-
Mutual funds:				
Large cap global and domestic	305,362	305,362	-	-
Small and mid-cap domestic	67,126	67,126	-	-
Developing International	41,960	41,960	-	-
Emerging Markets	50,611	50,611	-	-
Alternative strategies	105,520	105,520	-	-
Other	57,497	57,497	-	-
Exchange-traded funds - real estate	98,600	98,600	-	-
	\$ 1,181,446	\$ 803,196	\$ 378,250	\$ -

CINCINNATI WORKS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2012 and 2011

NOTE F – OFFICE LEASE

The Organization leases its office space under a noncancelable operating lease which is subject to terms of renewal and escalation clauses. Rent expense for 2012 and 2011 amounted to \$92,813 each year. Future minimum lease payments are as follows:

Year ending December 31,	
2013	\$ 92,700
2014	95,481
2015	98,345
2016	101,295
2017	104,334

During 2012 and 2011, a board member subleased certain office space and reimbursed the Organization for this and certain other office expenses totaling approximately \$9,000 each year.

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 20% each year and are fully vested after five years. Retirement Plan expenses amounted to \$67,820 and \$57,688 for 2012 and 2011, respectively.

NOTE H – SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2012 financial statements for subsequent events through March 5, 2013, 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.