

# **Cincinnati Youth Collaborative**

Financial Statements

And Additional Financial Information

Years Ended June 30, 2014 and 2013

With Independent Auditors' Report

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Cincinnati Youth Collaborative:

We have audited the accompanying financial statements of Cincinnati Youth Collaborative (a not-for-profit Ohio corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cincinnati Youth Collaborative as of June 30, 2014 and 2013, 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.

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**Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2014 on our consideration of Cincinnati Youth Collaborative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cincinnati Youth Collaborative's internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
September 11, 2014

Cincinnati Youth Collaborative  
 Statements of Financial Position  
 June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets:		
Cash and cash equivalents	\$ 561,585	130,311
Investments	1,551,641	1,322,076
Receivables:		
Contributions	83,547	120,456
Grants	203,217	282,058
United Way	41,879	41,498
Other	2,500	68,854
Prepaid expenses	46,482	42,732
Contributed rent receivable	<u>127,208</u>	<u>254,139</u>
 Total assets	 <u><u>2,618,059</u></u>	 <u><u>2,262,124</u></u>
 Liabilities and net assets:		
Liabilities:		
Accounts payable	17,297	28,286
Accrued expenses	53,394	77,378
Deferred revenue	<u>10,011</u>	<u>7,417</u>
 Total liabilities	 <u><u>80,702</u></u>	 <u><u>113,081</u></u>
 Net assets:		
Unrestricted	2,032,300	1,650,671
Temporarily restricted	<u>505,057</u>	<u>498,372</u>
 Total net assets	 <u><u>2,537,357</u></u>	 <u><u>2,149,043</u></u>
 Total liabilities and net assets	 \$ <u><u>2,618,059</u></u>	 <u><u>2,262,124</u></u>

See accompanying notes to the financial statements.

Cincinnati Youth Collaborative  
Statement of Activities  
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Contributions:			
Corporations	\$ 39,413	7,299	46,712
Foundations	438,625	5,250	443,875
Individuals	132,398	237,572	369,970
Other organizations	125,501	31,023	156,524
Contributed rent	569	-	569
Grants	1,393,613	-	1,393,613
Fee for service	216,520	-	216,520
United Way	56,657	41,879	98,536
Investment income	38,060	-	38,060
Unrealized/realized gain on investments	175,065	-	175,065
Special event revenue, net of direct expenses of \$43,648	112,030	-	112,030
Miscellaneous income	8,859	-	8,859
Net assets released from restrictions:			
Satisfaction of restrictions	<u>316,338</u>	<u>(316,338)</u>	<u>-</u>
Total revenues and support	<u>3,053,648</u>	<u>6,685</u>	<u>3,060,333</u>
Expenses:			
Program expenses:			
Educational Talent Search	340,996	-	340,996
Mentoring/Tutoring	154,166	-	154,166
Project Reach	65,412	-	65,412
Artlinks	111,389	-	111,389
CAT Science Kits	27,821	-	27,821
Gear-Up	212,367	-	212,367
In School	1,027,079	-	1,027,079
Saturday Hoops	<u>12,733</u>	<u>-</u>	<u>12,733</u>
Total program expenses	1,951,963	-	1,951,963
Management and general	414,499	-	414,499
Fundraising	<u>305,557</u>	<u>-</u>	<u>305,557</u>
Total expenses	<u>2,672,019</u>	<u>-</u>	<u>2,672,019</u>
Change in net assets	381,629	6,685	388,314
Net assets at beginning of period	<u>1,650,671</u>	<u>498,372</u>	<u>2,149,043</u>
Net assets at end of period	\$ <u>2,032,300</u>	<u>505,057</u>	<u>2,537,357</u>

See accompanying notes to the financial statements.

Cincinnati Youth Collaborative  
Statement of Activities  
Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Contributions:			
Corporations	\$ 104,140	10,000	114,140
Foundations	194,297	121,895	316,192
Individuals	181,032	-	181,032
Other organizations	41,548	8,152	49,700
Contributed rent	126,656	254,139	380,795
In-kind goods and services	18,246	-	18,246
Grants	1,378,548	7,862	1,386,410
Fee for service	310,995	-	310,995
United Way	60,958	41,498	102,456
Investment income	33,774	-	33,774
Unrealized/realized gain on investments	106,787	-	106,787
Loss on disposal of equipment	(7,447)	-	(7,447)
Special event revenue, net of direct expenses of \$107,896	132,826	-	132,826
Miscellaneous income	4,028	-	4,028
Net assets released from restrictions:			
Satisfaction of restrictions	<u>173,403</u>	<u>(173,403)</u>	<u>-</u>
Total revenues and support	<u>2,859,791</u>	<u>270,143</u>	<u>3,129,934</u>
Expenses:			
Program expenses:			
Educational Talent Search	371,785	-	371,785
Mentoring/Tutoring	233,295	-	233,295
Project Reach	169,362	-	169,362
Artlinks	127,213	-	127,213
CAT Science Kits	129,001	-	129,001
Gear-Up	252,154	-	252,154
In School	1,068,239	-	1,068,239
Mentoring OJJDP	<u>59,971</u>	<u>-</u>	<u>59,971</u>
Total program expenses	2,411,020	-	2,411,020
Management and general	472,290	-	472,290
Fundraising	<u>259,722</u>	<u>-</u>	<u>259,722</u>
Total expenses	<u>3,143,032</u>	<u>-</u>	<u>3,143,032</u>
Change in net assets	(283,241)	270,143	(13,098)
Total net assets at beginning of period	<u>1,933,912</u>	<u>228,229</u>	<u>2,162,141</u>
Net assets at end of period	\$ <u>1,650,671</u>	<u>498,372</u>	<u>2,149,043</u>

See accompanying notes to the financial statements.

Cincinnati Youth Collaborative  
 Statements of Cash Flows  
 Years Ended June 30, 2014 and 2013

	2014	2014
Cash flows from operating activities:		
Change in net assets	\$ 388,314	(13,098)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	-	1,005
Loss on disposal of equipment	-	7,447
Realized and unrealized gain on investments	(175,065)	(106,787)
Effect of change in operating assets and liabilities:		
Receivables	181,723	(32,839)
Prepaid expenses	(3,750)	(9,131)
Contributed rent receivable	126,931	(254,139)
Accounts payable	(10,989)	(26,299)
Accrued expenses	(23,984)	38,091
Deferred revenue	<u>2,594</u>	<u>(20,369)</u>
Net cash provided (used) in operating activities	<u>485,774</u>	<u>(416,119)</u>
Cash flows used in investing activities:		
Net purchases of investments	<u>(54,500)</u>	<u>(26,732)</u>
Increase (decrease) in cash and cash equivalents	431,274	(442,851)
Cash and cash equivalents - beginning of year	<u>130,311</u>	<u>573,162</u>
Cash and cash equivalents - end of year	\$ <u>561,585</u>	<u>130,311</u>

See accompanying notes to the financial statements.

Cincinnati Youth Collaborative  
Statement of Functional Expenses  
Year Ended June 30, 2014

Program Services												
	Educational Talent Search	Mentoring/ Tutoring	Project Reach	Artlinks	CAT Science Kits	Gear-Up	In School	Saturday Hoops	Total Program Services	Management & General	Fundraising	Total Expenses
Salaries	\$ 213,878	103,861	20,898	21,600	-	175,267	642,346	-	1,177,850	148,572	196,460	1,522,882
Payroll taxes and fringe benefits	62,783	21,217	4,932	11,021	-	29,205	163,272	-	292,430	33,504	47,264	373,198
Total personnel costs	<u>276,661</u>	<u>125,078</u>	<u>25,830</u>	<u>32,621</u>	<u>-</u>	<u>204,472</u>	<u>805,618</u>	<u>-</u>	<u>1,470,280</u>	<u>182,076</u>	<u>243,724</u>	<u>1,896,080</u>
Consulting services	-	-	-	-	-	-	47,546	-	47,546	7,500	29,145	84,191
Professional services	1,270	11,345	66	19	13,624	7,049	52,142	-	85,515	54,904	269	140,688
Office supplies	1,138	254	219	-	-	62	529	-	2,202	2,557	287	5,046
Occupancy	5,477	-	-	305	-	-	3,434	-	9,216	130,740	-	139,956
Equipment lease and maintenance	1,210	1,125	1,092	-	-	630	1,182	-	5,239	1,301	1,182	7,722
Printing and publications	1,467	197	138	-	-	20	1,142	-	2,964	449	2,771	6,184
Postage and delivery	1,883	377	573	-	-	134	423	-	3,390	716	1,109	5,215
Advertising and promotion	-	-	-	-	-	-	-	-	-	100	471	571
Travel	14,885	936	985	74,180	27	-	14,352	504	105,869	1,590	1,450	108,909
Program expenses	15,891	10,708	1,674	1,773	60	-	6,461	-	36,567	-	-	36,567
Incentives and promotions	1,245	1,547	1,237	-	-	-	16,772	-	20,801	-	-	20,801
Supportive services	6,068	2,143	31,800	-	9,722	-	32,710	8,229	90,672	-	-	90,672
Conferences and workshops	4,201	-	500	-	-	-	29,609	-	34,310	-	-	34,310
Temporary personnel	-	-	-	-	4,388	-	-	4,000	8,388	-	-	8,388
Bank service charges	127	-	-	-	-	-	-	-	127	8,672	2,116	10,915
Technology	4,946	-	-	-	-	-	3,326	-	8,272	279	12,453	21,004
Campaign expenses	-	-	-	-	-	-	-	-	-	-	5,015	5,015
Miscellaneous	4,527	456	1,298	2,491	-	-	11,833	-	20,605	23,615	5,565	49,785
Total expenses	\$ <u>340,996</u>	<u>154,166</u>	<u>65,412</u>	<u>111,389</u>	<u>27,821</u>	<u>212,367</u>	<u>1,027,079</u>	<u>12,733</u>	<u>1,951,963</u>	<u>414,499</u>	<u>305,557</u>	<u>2,672,019</u>

See accompanying notes to the financial statements.

Cincinnati Youth Collaborative  
Statement of Functional Expenses  
Year Ended June 30, 2013

Program Services

	Educational		Project	CAT				Mentoring	Total	Management		Total
	Talent	Mentoring/	Reach	Artlinks	Science Kits	Gear-Up	In School	OJJDP	Program	& General	Fundraising	Expenses
	<u>Search</u>	<u>Tutoring</u>	<u>Reach</u>	<u>Artlinks</u>	<u>Science Kits</u>	<u>Gear-Up</u>	<u>In School</u>	<u>OJJDP</u>	<u>Services</u>	<u>&amp; General</u>	<u>Fundraising</u>	<u>Expenses</u>
Salaries	\$ 245,292	155,066	80,836	22,032	11,824	202,305	642,127	30,501	1,389,983	165,047	179,567	1,734,597
Payroll taxes and fringe benefits	55,172	32,353	16,485	10,300	8,243	38,194	156,213	6,908	323,868	37,873	34,409	396,150
Total personnel costs	<u>300,464</u>	<u>187,419</u>	<u>97,321</u>	<u>32,332</u>	<u>20,067</u>	<u>240,499</u>	<u>798,340</u>	<u>37,409</u>	<u>1,713,851</u>	<u>202,920</u>	<u>213,976</u>	<u>2,130,747</u>
Consulting services	-	500	-	-	-	-	83,283	-	83,783	4,950	15,780	104,513
Professional services	8,503	8,699	4,003	-	26	9,037	47,596	5,293	83,157	63,832	23	147,012
Office supplies	865	394	209	-	-	95	1,336	-	2,899	1,546	201	4,646
Occupancy	12,162	8,500	8,500	113	-	-	22,311	-	51,586	97,121	11,390	160,097
Equipment lease and maintenance	1,101	990	1,081	-	-	745	6,310	123	10,350	10,399	1,081	21,830
Printing and publications	1,389	750	209	-	-	-	113	500	2,961	751	4,365	8,077
Postage and delivery	2,340	732	337	-	-	205	156	-	3,770	425	2,643	6,838
Advertising and promotion	-	-	-	-	-	-	100	-	100	-	805	905
Travel	9,549	4,671	2,433	73,665	176	-	12,334	398	103,226	1,291	64	104,581
Program expenses	298	7,392	12,345	1,013	344	500	8,928	151	30,971	-	-	30,971
Incentives and promotions	1,359	6,700	5,103	-	-	-	13,898	-	27,060	-	-	27,060
Supportive services	683	2,911	30,801	523	1,471	-	21,193	-	57,582	-	-	57,582
Conferences and workshops	3,810	119	3,992	-	-	-	40,307	-	48,228	-	-	48,228
Temporary personnel	25,802	1,917	-	-	95,917	902	480	15,824	140,842	-	-	140,842
Bank service charges	69	-	-	-	-	-	6	-	75	8,760	2,522	11,357
Depreciation	181	73	36	-	-	171	-	-	461	494	50	1,005
Merger related expenses	-	-	-	-	-	-	-	-	-	54,401	-	54,401
Miscellaneous	<u>3,210</u>	<u>1,528</u>	<u>2,992</u>	<u>19,567</u>	<u>11,000</u>	<u>-</u>	<u>11,548</u>	<u>273</u>	<u>50,118</u>	<u>25,400</u>	<u>6,822</u>	<u>82,340</u>
Total expenses	\$ <u>371,785</u>	<u>233,295</u>	<u>169,362</u>	<u>127,213</u>	<u>129,001</u>	<u>252,154</u>	<u>1,068,239</u>	<u>59,971</u>	<u>2,411,020</u>	<u>472,290</u>	<u>259,722</u>	<u>3,143,032</u>

See accompanying notes to the financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The following accounting principles and practices of the Cincinnati Youth Collaborative are set forth to facilitate the understanding of data presented in the financial statements.

**Nature of operations**

The Cincinnati Youth Collaborative (“the Collaborative”) is an Ohio not-for-profit organization, organized with the goal to ensure all Cincinnati youth will graduate from high school with the knowledge, skills, desire and opportunity to realize their full potential – whether that be to assume a productive and satisfying job or go on to higher education.

The Collaborative is supported by contributions from corporations, foundations, organizations, and individuals and grants from federal, state, and local governments and agencies.

**Financial statement presentation**

The Collaborative reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets which have no donor-imposed restrictions; temporarily restricted net assets which have donor-imposed restrictions that will expire in the future; and permanently restricted net assets which have donor-imposed restrictions which do not expire. The Collaborative has no permanently restricted net assets at June 30, 2014 and 2013.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash in bank deposit accounts. The cash in bank deposit accounts may at times exceed federally insured limits. The Collaborative has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash.

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

**Allowance for doubtful accounts**

On a periodic basis, the Collaborative will evaluate its receivables and determine the establishment of an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. The Collaborative charges the allowance when receivables are deemed to be uncollectible, and payments subsequently received on such receivables restore the allowance for doubtful accounts. Grants receivable are recorded net of any allowance for doubtful accounts. No allowance was deemed necessary at June 30, 2014 and 2013.

**Property and equipment**

Property and equipment are recorded at cost. Costs of maintenance and repairs are charged to expense as incurred. Major improvements and renewals, in general, are capitalized. Depreciation is calculated on a straight-line basis over the estimated useful life of the property and equipment. The estimated useful lives used in computing depreciation are 5 – 7 years. Depreciation expense was \$-0- and \$1,005 for the years ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, all property and equipment was fully depreciated.

### **Contributions**

Contributions of cash and other assets without donor stipulations concerning the use of such assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used in accordance with donor stipulations are reported as revenues of the temporarily or permanently restricted net asset classes. The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Contributions whose restrictions are met in the same period as received are reported as unrestricted support.

Funds held by the Greater Cincinnati Foundation are not recorded on the Collaborative's financial statements in accordance with generally accepted accounting principles. Income is recorded as received (Note 9).

### **Use of estimates**

The preparation of financial statements 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 and expenditures during the reporting period. Actual results could differ from those estimates.

### **Income taxes**

For Federal tax purposes, the Collaborative is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Collaborative does not have net income from activities subject to the unrelated business net income tax.

### **Accounting for uncertainty in income taxes**

The Financial Accounting Standards Board ("FASB") has issued guidance which clarifies generally accepted accounting principles for recognition, measurement, presentation and disclosure relating to uncertain tax positions. This guidance clarifies the accounting and recognition for income tax positions taken or expected to be taken in the Collaborative's income tax returns. The Collaborative's income tax filings are subject to audit by various taxing authorities. The years of filings open to these authorities and available for audit are those with fiscal years ended in 2011, 2012, and 2013. The Collaborative's policy with regards to interest and penalties is to recognize interest through interest expense and penalties through other expense. In evaluating the Collaborative's tax provision and tax exempt status, interpretations and tax planning strategies were considered. The Collaborative believes their estimates are appropriate based on the current facts and circumstances.

### **Contributions in-kind**

Donated services are recorded as public support only if they create or enhance nonfinancial assets or require specialized services. Cincinnati Public Schools employed individuals who provided volunteer services to the Collaborative. Although no amounts have been reflected as support in the statement of activities for these services, management estimates the fair value of those services to be approximately \$155,000 for the years ended June 30, 2014 and 2013.

**Revenue recognition**

Revenue for services is recognized as services are performed. Contributions are recorded upon pledge or time of grant. Revenue received for future services not yet delivered is reflected as deferred revenue until provided.

**Allocation of functional expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities, accordingly, certain costs have been allocated among benefited programs and supporting services. There are no joint costs for fundraising activities.

**Subsequent events**

The Collaborative evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through September 11, 2014, the date on which the financial statements were available to be issued.

**2. CONTRIBUTIONS RECEIVABLE:**

The Collaborative has received unconditional promises to give cash from several unrelated donors that have been included in the financial statements as temporarily restricted net assets at their net present value. Contributions receivable consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Due in less than one year	\$ 32,505	120,456
Due in one to five years	51,900	-
Less discount at 1.7% for present value of pledges due beyond on year	<u>(858)</u>	<u>-</u>
	<u>\$ 83,547</u>	<u>120,456</u>

In addition, United Way made allocations to the Collaborative of which \$41,879 and \$41,498 are receivable at June 30, 2014 and 2013, respectively, and are due within one year.

**3. GRANTS RECEIVABLE:**

The following is a summary of grants receivable at June 30:

	<u>2014</u>	<u>2013</u>
Hamilton County Department of Jobs and Family Services – WIA In-School and Foster Program	\$ 150,779	200,123
University of Cincinnati - Gear Up! Grant	21,070	40,885
U.S. Department of Education – Educational Talent Search Grant	31,368	28,686
Office of Juvenile Justice and Delinquency Prevention – Mentoring Grant	-	1,340
Woodward Trust	-	<u>11,024</u>
	<u>\$ 203,217</u>	<u>282,058</u>

**4. CONTRIBUTED RENT RECEIVABLE:**

In July 2012, the Collaborative renewed a sublease agreement to lease operating space from the Mayerson Academy. Under this agreement, the annual lease payment is \$1 and will expire in June 2015. The Collaborative recorded a receivable at the net present value for the estimated market value of the contributed rent determined at the inception of the lease. The annual fair value of the contributed rent has been estimated at \$127,500. The net present value of the receivable, calculated utilizing the two year Treasury rate (0.29% at July 1, 2012), has been recorded in the statement of financial position.

Annually, the Collaborative records rent expense for the estimated gross fair value of the contributed rent. The receivable is reduced by the annual net present value. The difference between the gross fair value and the net present value is reflected as a contribution in the statement of activities.

The following is a summary of these amounts at June 30:

	<u>2014</u>	<u>2013</u>
Gross fair market value of contributed rent	\$ 127,500	255,000
Less: interest portion	<u>292</u>	<u>861</u>
Net present value of contributed rent	<u>\$ 127,208</u>	<u>254,139</u>

**5. PROPERTY AND EQUIPMENT:**

Property and equipment consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 673,939	673,939
Furniture and fixtures	<u>334,110</u>	<u>334,110</u>
	1,008,049	1,008,049
Less accumulated depreciation	<u>1,008,049</u>	<u>1,008,049</u>
	<u>\$ -</u>	<u>-</u>

**6. OBLIGATIONS UNDER OPERATING LEASES:**

The Collaborative leases office space and equipment pursuant to various operating lease agreements. Future minimum lease payments for the organization are as follows:

2015	\$ 4,260
2016	4,260
2017	<u>3,195</u>
	<u>\$ 11,715</u>

Rent and lease expense for the years ended June 30, 2014 and 2013 was approximately \$135,000 and \$141,000, respectively.

**7. TEMPORARILY RESTRICTED NET ASSETS:**

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2014</u>	<u>2013</u>
Art Links	\$ 10,770	8,152
Emergency College	54,826	54,826
First Degree	5,036	-
Mentoring	-	11,439
Operating expenses 2015	150,000	-
Saturday Hoops	31,791	-
Science Kits	-	7,862
Contributions due in future periods	125,426	161,954
Contributed rent	<u>127,208</u>	<u>254,139</u>
	<u>\$ 505,057</u>	<u>498,372</u>

**8. FUNDRAISING:**

The Collaborative recognized revenue of approximately \$1,157,000 and \$1,353,000 for the years ended June 30, 2014 and 2013, respectively, from its fundraising activities and incurred related expenses of approximately \$356,000 and \$368,000 for the years ended June 30, 2014 and 2013.

**9. COMMUNITY FOUNDATION FUNDS:**

The Collaborative is the beneficial recipient of funds held at the Greater Cincinnati Foundation ("GCF"). GCF has variance power over these funds by agreement with the donor to accept the Resolution and Declaration of Trust of the GCF as a part of the gift instrument. The GCF then distributes an amount annually to the beneficiary from the endowment. In accordance with generally accepted accounting principles, the Collaborative is prohibited from recording their beneficial interest in these funds because the funds are held by the GCF and subject to the variance powers embedded in their Resolution and Declaration of Trust.

The balance of the John and Francie Pepper Education Fund at June 30, 2014 and 2013 is \$1,138,876 and \$1,024,417, respectively

**10. RETIREMENT PLAN:**

The Collaborative has a 401(k) plan covering substantially all employees who meet certain eligibility requirements. Employees may elect to defer a portion of their salary not to exceed federal limitations. The Organization will match 100% of the first 3% of employee deferrals and 50% for the next 2% of employee deferrals. The employee will be automatically 100% vested in the Collaborative's match. Matching contributions to the plan were approximately \$44,000 and \$43,000 during the years ended June 30, 2014 and 2013.

**11. FAIR VALUE MEASUREMENTS:**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Collaborative has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Fair value methods and assumptions on investments in equity mutual funds, bond mutual funds and money market funds are based on the Level 1 market approach.

The following table presents the Collaborative's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2014.

	<u>Fair Value Measurements at Reporting Date</u>			
	<u>Using</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 43,886	43,886	-	-
Fixed income mutual funds:			-	-
Intermediate-term	431,569	431,569	-	-
Real estate	<u>110,305</u>	<u>110,305</u>	<u>-</u>	<u>-</u>
	<u>541,874</u>	<u>541,874</u>	<u>-</u>	<u>-</u>
Equity mutual funds:				
Foreign large cap blend	381,513	381,513	-	-
Large cap blend	<u>584,368</u>	<u>584,368</u>	<u>-</u>	<u>-</u>
	<u>965,881</u>	<u>965,881</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,551,641</u>	<u>1,551,641</u>	<u>-</u>	<u>-</u>

The following table presents the Collaborative's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2013.

	<u>Fair Value Measurements at Reporting Date</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 56,361	56,361	-	-
Fixed income mutual funds:			-	-
High yield	48,289	48,289	-	-
Inflation-protected	16,500	16,500	-	-
Intermediate-term	190,635	190,635	-	-
International	16,684	16,684	-	-
Emerging markets	42,279	42,279	-	-
Large cap value	19,151	19,151	-	-
Large cap growth	23,826	23,826	-	-
Bank loans	<u>18,003</u>	<u>18,003</u>	-	-
	<u>375,367</u>	<u>375,367</u>	-	-
Equity mutual funds:				
Diversified emerging markets	27,312	27,312	-	-
Foreign large cap blend	181,027	181,027	-	-
Large cap blend	215,490	215,490	-	-
Large cap growth	139,430	139,430	-	-
Large cap value	72,377	72,377	-	-
Mid-cap growth	57,172	57,172	-	-
Mid-cap value	66,833	66,833	-	-
Real estate	70,475	70,475	-	-
Small cap growth	27,370	27,370	-	-
Small cap blend	13,192	13,192	-	-
Small cap value	<u>19,670</u>	<u>19,670</u>	-	-
	<u>890,348</u>	<u>890,348</u>	-	-
	<u>\$ 1,322,076</u>	<u>1,322,076</u>	-	-

**12. RECLASSIFICATIONS:**

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 financial statements presentation.

Cincinnati Youth Collaborative  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education:</u>		
TRIO - Educational Talent Search (ETS)	84.044A	\$ 348,845
<i>Passed through the University of Cincinnati:</i>		
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	84.334A	<u>216,370</u>
Total U.S. Department of Education		<u>565,215</u>
<u>U.S. Department of Health and Human Services:</u>		
<i>Passed through the Hamilton County Department of Job and Family Services:</i>		
Temporary Assistance for Needy Families - Foster Care	93.558	<u>59,989</u>
Total U.S. Department of Health and Human Services		<u>59,989</u>
<u>U.S. Department of Labor:</u>		
<i>Passed through the Ohio Department of Labor &amp; Hamilton County Department of Job and Family Services:</i>		
The Workforce Investment Act Youth Activities - In School	17.259	561,000
The Workforce Investment Act Youth Activities - Foster Care	17.259	<u>90,158</u>
Total U.S. Department of Labor		<u>651,158</u>
Total Federal Expenditures		\$ <u>1,276,362</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is a summary of the activity of the Collaborative's federal award programs. The schedule has been prepared on the accrual basis of accounting.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Cincinnati Youth Collaborative:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Cincinnati Youth Collaborative, which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cincinnati Youth Collaborative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cincinnati Youth Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cincinnati Youth Collaborative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
September 11, 2014

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of  
Cincinnati Youth Collaborative:

### **Report on Compliance for Each Major Federal Program**

We have audited Cincinnati Youth Collaborative's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cincinnati Youth Collaborative's major federal programs for the year ended June 30, 2014. Cincinnati Youth Collaborative's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Cincinnati Youth Collaborative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cincinnati Youth Collaborative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cincinnati Youth Collaborative's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Cincinnati Youth Collaborative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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## **Report on Internal Control Over Compliance**

Management of Cincinnati Youth Collaborative is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cincinnati Youth Collaborative's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cincinnati Youth Collaborative's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
September 11, 2014

**Financial Statements**

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	no
Noncompliance material to financial statements noted?	no

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	no
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no
Identification of major programs: CFDA 17.259 – Workforce Investment Act Youth Activities	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

**Section II – Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None