

Cincinnati Youth Collaborative

Financial Statements

And Additional Financial Information

Years Ended June 30, 2018 and 2017

With Independent Auditors' Report



CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Cincinnati Youth Collaborative:

Report on the Financial Statements

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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Other Information*

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 Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, 2018 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 the effectiveness of Cincinnati Youth Collaborative's 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, 2018

Cincinnati Youth Collaborative
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets:		
Cash and cash equivalents	\$ 134,337	160,205
Investments	3,022,340	2,704,573
Receivables:		
Contributions	339,791	493,109
Grants	250,757	276,399
United Way	37,000	38,313
Prepaid expenses	49,850	60,909
Property and equipment, net	-	230
Contributed rent receivable	127,500	126,826
Total assets	\$ 3,961,575	3,860,564
Liabilities and net assets:		
Liabilities:		
Accounts payable	\$ 79,857	28,724
Accrued expenses	61,799	69,663
Deferred revenue	55,995	69,206
Total liabilities	197,651	167,593
Net assets:		
Unrestricted	2,965,586	2,893,144
Temporarily restricted	798,338	799,827
Total net assets	3,763,924	3,692,971
Total liabilities and net assets	\$ 3,961,575	3,860,564

See accompanying notes to the financial statements.

Cincinnati Youth Collaborative
Statement of Activities
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Contributions:			
Corporations	\$ 43,019	-	43,019
Foundations	713,967	109,962	823,929
Individuals	120,511	87,907	208,418
Other organizations	154,795	61,485	216,280
Contributed rent	674	127,500	128,174
Grants	1,237,111	-	1,237,111
Fee for service	445,967	-	445,967
United Way	37,000	37,000	74,000
Investment income	102,377	-	102,377
Unrealized/realized gain on investments	82,091	-	82,091
Special event revenue, net of direct expenses of \$79,911	169,847	-	169,847
Miscellaneous income	14,502	-	14,502
Net assets released from restrictions:			
Satisfaction of restrictions	425,343	(425,343)	-
Total revenues and support	<u>3,547,204</u>	<u>(1,489)</u>	<u>3,545,715</u>
Expenses:			
Program expenses:			
Educational Talent Search	439,405	-	439,405
Mentoring/Tutoring	550,187	-	550,187
College Access	148,177	-	148,177
Artlinks	134,869	-	134,869
Gear-Up	204,448	-	204,448
Jobs for Cincinnati Graduates	917,381	-	917,381
Saturday Hoops	33,412	-	33,412
Youth Activities	84,201	-	84,201
Total program expenses	2,512,080	-	2,512,080
Management and general	506,638	-	506,638
Fundraising	456,044	-	456,044
Total expenses	<u>3,474,762</u>	<u>-</u>	<u>3,474,762</u>
Change in net assets	72,442	(1,489)	70,953
Net assets at beginning of period	<u>2,893,144</u>	<u>799,827</u>	<u>3,692,971</u>
Net assets at end of period	\$ <u><u>2,965,586</u></u>	<u><u>798,338</u></u>	<u><u>3,763,924</u></u>

See accompanying notes to the financial statements.

Cincinnati Youth Collaborative
Statement of Activities
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and support:			
Contributions:			
Corporations	\$ 21,552	-	21,552
Foundations	330,981	40,000	370,981
Individuals	144,406	39,195	183,601
Other organizations	189,658	64,764	254,422
Contributed rent	1,911	-	1,911
Grants	1,400,611	-	1,400,611
Fee for service	392,656	-	392,656
United Way	41,316	38,313	79,629
Investment income	65,312	-	65,312
Unrealized/realized gain on investments	192,956	-	192,956
Special event revenue, net of direct expenses of \$83,972	164,211	-	164,211
Miscellaneous income	39,898	-	39,898
Net assets released from restrictions:			
Satisfaction of restrictions	523,432	(523,432)	-
Total revenues and support	<u>3,508,900</u>	<u>(341,160)</u>	<u>3,167,740</u>
Expenses:			
Program expenses:			
Educational Talent Search	494,987	-	494,987
Mentoring/Tutoring	442,872	-	442,872
College Access	143,353	-	143,353
Artlinks	111,605	-	111,605
Gear-Up	244,990	-	244,990
Jobs for Cincinnati Graduates	877,341	-	877,341
Saturday Hoops	49,819	-	49,819
Youth Activities	45,379	-	45,379
Total program expenses	2,410,346	-	2,410,346
Management and general	457,508	-	457,508
Fundraising	419,151	-	419,151
Total expenses	<u>3,287,005</u>	<u>-</u>	<u>3,287,005</u>
Change in net assets	221,895	(341,160)	(119,265)
Net assets at beginning of period	<u>2,671,249</u>	<u>1,140,987</u>	<u>3,812,236</u>
Net assets at end of period	\$ <u>2,893,144</u>	<u>799,827</u>	<u>3,692,971</u>

See accompanying notes to the financial statements.

Cincinnati Youth Collaborative
 Statements of Cash Flows
 Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 70,953	(119,265)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	230	460
Realized and unrealized gain on investments	(82,091)	(192,956)
Donated stock	(2,498)	(7,435)
Effect of change in operating assets and liabilities:		
Receivables	180,273	221,923
Prepaid expenses	11,059	32,160
Contributed rent receivable	(674)	125,589
Accounts payable	51,133	(11,640)
Accrued expenses	(7,864)	4,658
Deferred revenue	(13,211)	34,711
Net cash provided by operating activities	207,310	88,205
Cash flows used in investing activities:		
Proceeds from sales of investments	4,975	171,265
Purchases of investments	(238,153)	(387,490)
Net cash used by investing activities	(233,178)	(216,225)
Decrease in cash and cash equivalents	(25,868)	(128,020)
Cash and cash equivalents - beginning of year	160,205	288,225
Cash and cash equivalents - end of year	\$ 134,337	160,205

See accompanying notes to the financial statements.

Cincinnati Youth Collaborative
Statement of Functional Expenses
Year Ended June 30, 2018

Program Services

	Educational Talent Search	Mentoring/ Tutoring	College Access	Artlinks	Gear-Up	Jobs for Cincinnati Graduates	Saturday Hoops	Youth Activities	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 314,653	319,295	77,888	17,784	113,986	571,954	-	64,333	1,479,893	145,184	318,315	1,943,392
Payroll taxes and fringe benefits	76,744	82,607	18,293	1,801	22,099	134,931	-	11,159	347,634	37,733	69,576	454,943
Total personnel costs	<u>391,397</u>	<u>401,902</u>	<u>96,181</u>	<u>19,585</u>	<u>136,085</u>	<u>706,885</u>	<u>-</u>	<u>75,492</u>	<u>1,827,527</u>	<u>182,917</u>	<u>387,891</u>	<u>2,398,335</u>
Consulting services	83	6,069	-	-	18,975	3,299	4,721	83	33,230	-	31,642	64,872
Professional services	11,401	11,331	47	-	143	41,609	1,000	12	65,543	91,623	-	157,166
Office supplies	1,055	804	225	-	725	887	-	239	3,935	4,434	714	9,083
Occupancy	570	-	-	-	-	1,440	-	-	2,010	131,409	-	133,419
Equipment lease and maintenance	1,756	1,858	487	-	290	1,819	-	-	6,210	1,892	2,012	10,114
Printing and publications	479	3,154	28	-	68	595	-	413	4,737	106	6,673	11,516
Postage and delivery	120	150	100	-	35	170	-	-	575	1,184	1,420	3,179
Advertising and promotion	-	6,000	-	-	-	-	-	-	6,000	-	8,064	14,064
Travel	13,034	15,706	1,202	101,891	10,596	14,581	-	622	157,632	772	654	159,058
Program expenses	1,420	36,786	1,723	13,393	18,504	8,642	20,497	5,186	106,151	-	110	106,261
Student work experience	-	-	-	-	-	69,598	-	-	69,598	-	-	69,598
Incentives and promotions	791	2,447	-	-	-	22,963	439	35	26,675	-	-	26,675
Supportive services	4,863	11,770	43,563	-	910	8,312	-	50	69,468	4,611	4,488	78,567
Conferences and workshops	12,088	49,138	4,592	-	18,117	35,934	850	733	121,452	3,680	1,256	126,388
Temporary personnel	-	-	-	-	-	-	5,211	-	5,211	-	1,140	6,351
Bank service charges	-	3	-	-	-	-	194	-	197	16,737	990	17,924
Depreciation	-	-	-	-	-	-	-	-	-	230	-	230
Technology	-	647	-	-	-	237	-	1,000	1,884	1,168	5,363	8,415
Miscellaneous	348	2,422	29	-	-	410	500	336	4,045	65,875	3,627	73,547
Total expenses	\$ <u>439,405</u>	<u>550,187</u>	<u>148,177</u>	<u>134,869</u>	<u>204,448</u>	<u>917,381</u>	<u>33,412</u>	<u>84,201</u>	<u>2,512,080</u>	<u>506,638</u>	<u>456,044</u>	<u>3,474,762</u>

See accompanying notes to the financial statements.

Cincinnati Youth Collaborative
Statement of Functional Expenses
Year Ended June 30, 2017

	<u>Program Services</u>											
	Educational					Jobs for			Total			Total
	<u>Talent</u>	<u>Mentoring/</u>	<u>College</u>			<u>Cincinnati</u>	<u>Saturday</u>	<u>Youth</u>	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Expenses</u>
	<u>Search</u>	<u>Tutoring</u>	<u>Access</u>	<u>Artlinks</u>	<u>Gear-Up</u>	<u>Graduates</u>	<u>Hoops</u>	<u>Activities</u>	<u>Services</u>	<u>and General</u>	<u>Fundraising</u>	<u>Expenses</u>
Salaries	\$ 330,138	265,866	69,006	16,848	135,945	557,333	-	-	1,375,136	145,754	309,130	1,830,020
Payroll taxes and fringe benefits	<u>80,598</u>	<u>63,087</u>	<u>17,241</u>	<u>2,034</u>	<u>30,383</u>	<u>126,850</u>	<u>-</u>	<u>-</u>	<u>320,193</u>	<u>37,006</u>	<u>67,507</u>	<u>424,706</u>
Total personnel costs	<u>410,736</u>	<u>328,953</u>	<u>86,247</u>	<u>18,882</u>	<u>166,328</u>	<u>684,183</u>	<u>-</u>	<u>-</u>	<u>1,695,329</u>	<u>182,760</u>	<u>376,637</u>	<u>2,254,726</u>
Consulting services	65	6,317	-	-	11,206	4,540	-	-	22,128	2,141	3,611	27,880
Professional services	12,962	12,951	48	-	297	44,464	1,000	-	71,722	86,316	-	158,038
Office supplies	1,536	885	522	-	633	1,150	-	-	4,726	2,268	1,294	8,288
Occupancy	722	-	-	462	-	1,454	-	-	2,638	131,152	-	133,790
Equipment lease and maintenance	2,164	2,945	929	-	409	2,495	-	-	8,942	2,740	3,613	15,295
Printing and publications	604	140	262	648	53	322	210	-	2,239	343	7,828	10,410
Postage and delivery	285	301	251	-	64	301	-	-	1,202	620	2,238	4,060
Advertising and promotion	150	2,983	-	-	-	145	-	-	3,278	-	3,053	6,331
Travel	22,684	13,402	1,278	73,970	14,195	9,476	-	-	135,005	683	1,197	136,885
Program expenses	9,400	20,173	1,457	17,643	17,127	4,677	12,224	45,379	128,080	-	-	128,080
Student work experience	-	-	-	-	-	70,705	-	-	70,705	-	-	70,705
Incentives and promotions	1,762	6,122	1,024	-	5,934	14,239	-	-	29,081	-	-	29,081
Supportive services	926	21,214	44,020	-	7,225	7,805	4,005	-	85,195	-	-	85,195
Conferences and workshops	19,245	24,048	6,077	-	20,766	24,606	21,250	-	115,992	297	2,073	118,362
Temporary personnel	-	-	-	-	115	-	9,585	-	9,700	-	2,799	12,499
Bank service charges	-	-	-	-	-	-	100	-	100	12,598	458	13,156
Depreciation	-	-	-	-	-	-	-	-	-	460	-	460
Technology	7,137	-	1,030	-	425	1,194	1,445	-	11,231	1,009	8,378	20,618
Campaign expenses	-	-	-	-	-	-	-	-	-	-	198	198
Miscellaneous	<u>4,609</u>	<u>2,438</u>	<u>208</u>	<u>-</u>	<u>213</u>	<u>5,585</u>	<u>-</u>	<u>-</u>	<u>13,053</u>	<u>34,121</u>	<u>5,774</u>	<u>52,948</u>
Total expenses	<u>\$ 494,987</u>	<u>442,872</u>	<u>143,353</u>	<u>111,605</u>	<u>244,990</u>	<u>877,341</u>	<u>49,819</u>	<u>45,379</u>	<u>2,410,346</u>	<u>457,508</u>	<u>419,151</u>	<u>3,287,005</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 likely 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, 2018 and 2017.

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 are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements 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. Management believes all receivables will be collected and, therefore, no allowance was deemed necessary at June 30, 2018 and 2017.

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. Property and equipment over \$1,000 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 \$230 and \$460, for the years ended June 30, 2018 and 2017, respectively.

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 10).

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.

Revenue recognition

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

Allocation of functional expenses

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

Concentrations

At June 30, 2018 and 2017, a donor and a grantor collectively represented approximately 53% and 55%, respectively, of total receivables. During the years ended June 30, 2018 and 2017, a grantor represented approximately 12% and 15% of total revenues, respectively.

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, 2018, 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 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>2018</u>	<u>2017</u>
Due in less than one year	\$ 207,407	242,295
Due in one to five years	136,104	255,554
Less discount at 1.0% - 2.81% for present value of pledges due beyond one year	<u>(3,720)</u>	<u>(4,740)</u>
	<u>\$ 339,791</u>	<u>493,109</u>

In addition, United Way made allocations to the Collaborative of which \$37,000 and \$38,313 are receivable at June 30, 2018 and 2017, respectively. These amounts are classified as temporarily restricted and are due within one year.

3. GRANTS RECEIVABLE:

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

	<u>2018</u>	<u>2017</u>
Hamilton County Department of Jobs and Family Services – WIOA Youth Activities In-School	\$ 130,576	147,605
Chancellor of the Ohio Board of Regents – Gaining Early Awareness and Readiness for Undergraduate Programs (Gear Up!) Grant	33,241	42,567
U.S. Department of Education – Educational TRIO_Talent Search Grant	44,088	44,041
Community Connectors	31,429	20,851
Other	<u>11,423</u>	<u>21,335</u>
	<u>\$ 250,757</u>	<u>276,399</u>

4. CONTRIBUTED RENT RECEIVABLE:

In June 2018, the Collaborative renewed a sublease agreement for operating space from the Mayerson Academy. Under this agreement, the annual lease payment is \$1 and expires in June 2019. The Collaborative recorded a receivable for the estimated market value of the contributed rent determined at the date of renewal. At June 30, 2018, the annual fair value of the contributed rent has been estimated at \$127,500. Annually, the Collaborative records rent expense for the estimated gross fair value of the contributed rent.

Under the previous sublease agreement, the annual lease payment was \$1 and expired in June 2018. The Collaborative recorded a receivable at the net present value for the estimated market value of the contributed rent determined at the date of origination. At June 30, 2017, the annual fair value of the contributed rent had been estimated at \$127,500. The net present value of the receivable, calculated

utilizing the three-year Treasury rate at origination (0.98% at July 1, 2015), has been recorded in the statements of financial position. The receivable was 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 statements of activities.

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

	<u>2018</u>	<u>2017</u>
Gross fair market value of contributed rent receivable	\$ 127,500	127,500
Less: interest portion	<u> -</u>	<u> 674</u>
Net present value of contributed rent receivable	\$ <u>127,500</u>	<u>126,826</u>

5. PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 673,939	673,939
Furniture and fixtures	<u>335,490</u>	<u>335,490</u>
	1,009,429	1,009,429
Less accumulated depreciation	<u>1,009,429</u>	<u>1,009,199</u>
	\$ <u> -</u>	<u> 230</u>

6. OBLIGATIONS UNDER OPERATING LEASES:

The Collaborative leases office space and equipment pursuant to various operating lease agreements. Future minimum lease payments are as follows at June 30:

2019	\$ 4,813
2020	4,813
2021	4,813
2022	<u>2,406</u>
	\$ <u>16,845</u>

Rent and lease expense for the years ended June 30, 2018 and 2017 was approximately \$138,000 and \$143,000, respectively.

7. LINE OF CREDIT

In August 2017, the Collaborative entered into a line of credit agreement with CBank that allows borrowings up to \$250,000. Interest is payable at prime rate and expires in November 2019. The line of credit is secured by certain investments of the Collaborative. Prior to this agreement, the Collaborative had a similar agreement for borrowing with a different financial institution. No draws were outstanding at June 30, 2018 and 2017.

8. TEMPORARILY RESTRICTED NET ASSETS:

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

	<u>2018</u>	<u>2017</u>
Art Links	\$ 4,911	8,098
Emergency College	50,816	50,816
Jobs for Cincinnati Graduates	109,962	-
Saturday Hoops	83,358	56,665
Scholarships	20,000	-
Other programs	25,000	26,000
Contributions due in future periods	376,791	531,422
Contributed rent	<u>127,500</u>	<u>126,826</u>
	\$ <u>798,338</u>	<u>799,827</u>

9. FUNDRAISING:

The Collaborative recognized revenue of approximately \$1,615,000 and \$1,158,000 for the years ended June 30, 2018 and 2017, respectively, from its fundraising activities and incurred related expenses of approximately \$536,000 and \$503,000 for the years ended June 30, 2018 and 2017, respectively.

10. 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 GCF as a part of the gift instrument. 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 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, 2018 and 2017 is \$1,081,967 and \$1,070,329, respectively.

11. RETIREMENT PLAN:

The Collaborative sponsors 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 Collaborative will match 100% of the first 3% of compensation that an employee defers and 50% for the next 2% of compensation an employee defers. Employees are 100% vested in the Collaborative’s match. Matching contributions to the plan were approximately \$60,000 and \$57,000 during the years ended June 30, 2018 and 2017, respectively.

12. 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, fixed income 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, 2018.

	<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	\$ <u>30,109</u>	<u>30,109</u>	-	-
Fixed income mutual funds:				
Intermediate-term	705,519	705,519	-	-
World	182,800	182,800	-	-
Real estate	<u>215,403</u>	<u>215,403</u>	-	-
	<u>1,103,722</u>	<u>1,103,722</u>	-	-
Equity mutual funds:				
Foreign	550,300	550,300	-	-
Large cap	866,183	866,183	-	-
Small cap	295,488	295,488	-	-
Emerging markets	<u>176,538</u>	<u>176,538</u>	-	-
	<u>1,888,509</u>	<u>1,888,509</u>	-	-
	<u>\$ 3,022,340</u>	<u>3,022,340</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, 2017.

	<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	\$ <u>13,789</u>	<u>13,789</u>	-	-
Fixed income mutual funds:			-	-
Intermediate-term	799,870	799,870	-	-
Real estate	<u>188,080</u>	<u>188,080</u>	-	-
	<u>987,950</u>	<u>987,950</u>	-	-
Equity mutual funds:				
Foreign	680,104	680,104	-	-
Large cap	<u>1,022,730</u>	<u>1,022,730</u>	-	-
	<u>1,702,834</u>	<u>1,702,834</u>	-	-
	<u>\$ 2,704,573</u>	<u>2,704,573</u>	-	-

13. RECENT ACCOUNTING PRONOUNCEMENTS:

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. The standard aims to improve not-for-profit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications will be reduced from three classes (unrestricted, temporarily restricted and permanently restricted) to two (net assets with donor restrictions and net assets without donor restrictions). Updated disclosure requirements will be presented regarding risk exposure and availability of cash for short term use. All organizations will be required to report expenses by both their natural and functional classification to aid in the usefulness of financial statements, as illustrated by the Collaborative’s statements of functional expenses. This standard will be effective for the Collaborative’s year ending June 30, 2019.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The standard’s core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. This standard will be effective for the Collaborative’s year ending June 30, 2020.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This standard will assist entities in determining whether transactions should be recorded as a contribution (nonreciprocal transaction) or as an exchange

(reciprocal transaction). The standard also provides expanded guidance on determining whether or not a contribution is conditional. This standard will be effective for the Collaborative's year ending June 30, 2020.

In February 2016, the FASB issued ASU No. 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will not apply to contributed rent transactions and will be effective for the Collaborative's year ending June 30, 2021.

The Collaborative is currently in the process of evaluating the impact of adoption of these ASU's on the financial statements.

Cincinnati Youth Collaborative
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2018

<u>Federal Grantor/Pass-Through Entity/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Education:</u>		
TRIO_Talent Search	84.044	\$ 434,366
<i>Passed through the Chancellor of the Ohio Board of Regents</i>		
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	<u>211,199</u>
Total U.S. Department of Education		<u>645,565</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	93.558	<u>131,705</u>
Total U.S. Department of Health and Human Services		<u>131,705</u>
<u>U.S. Department of Labor:</u>		
<i>Passed through the Hamilton County Department of Job and Family Services:</i>		
WIOA Youth Activities	17.259	<u>250,000</u>
Total U.S. Department of Labor		<u>250,000</u>
Total Federal Expenditures		\$ <u><u>1,027,270</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Collaborative under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Collaborative, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Collaborative.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

The Collaborative has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' 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**

The Board of Directors
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 (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2018, 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, 2018.

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 Cincinnati Youth Collaborative'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.

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, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
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 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
September 11, 2018

Section I – Summary of Auditors’ Results

Financial Statements

Type of report issued on financial statements:	unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	none
Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	none
Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors’ report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with the Uniform Guidance?	none
Identification of major programs:	
CFDA 17.259 – WIOA Youth Activities	
CFDA 93.558 – Temporary Assistance for Needy Families	
Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

