

# **Cincinnati Youth Collaborative**

Financial Statements  
And Additional Financial Information  
Year Ended June 30, 2013  
With Independent Auditors' Report

**TABLE OF CONTENTS**

Independent Auditors' Report ..... 1-2

Financial Statements:

    Statement of Financial Position ..... 3

    Statement of Activities ..... 4

    Statement of Cash Flows..... 5

    Statement of Functional Expenses ..... 6

Notes to the Financial Statements ..... 7-14

Additional Financial Information:

    Schedule of Expenditures of Federal Awards ..... 15

Supplemental Reports:

    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* ..... 16-17

    Independent Auditors' Report on Compliance for Each  
    Major Federal Program and Report on Internal Control Over  
    Compliance Required by OMB Circular A-133..... 18-19

    Schedule of Findings and Questioned Costs ..... 20

## **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 statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 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 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, 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.

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

**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 10, 2013 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 10, 2013

Cincinnati Youth Collaborative  
Statement of Financial Position  
June 30, 2013

|                                  |                            |
|----------------------------------|----------------------------|
| Assets:                          |                            |
| Cash and cash equivalents        | \$ 130,311                 |
| Investments                      | 1,322,076                  |
| Receivables:                     |                            |
| Contributions                    | 120,456                    |
| Grants                           | 282,058                    |
| United Way                       | 41,498                     |
| Other                            | 68,854                     |
| Prepaid expenses                 | 42,732                     |
| Contributed rent receivable      | <u>254,139</u>             |
| Total assets                     | <u><u>2,262,124</u></u>    |
| Liabilities and net assets:      |                            |
| Liabilities:                     |                            |
| Accounts payable                 | 28,286                     |
| Accrued expenses                 | 77,378                     |
| Deferred revenue                 | <u>7,417</u>               |
| Total liabilities                | <u>113,081</u>             |
| Net assets:                      |                            |
| Unrestricted                     | 1,650,671                  |
| Temporarily restricted           | <u>498,372</u>             |
| Total net assets                 | <u>2,149,043</u>           |
| Total liabilities and net assets | \$ <u><u>2,262,124</u></u> |

See accompanying notes to the financial statements.

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

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>     |
|--|---------------------|-----------------------------------|------------------|
| Revenues and support:                                      |                     |                                   |                  |
| Contributions:   |                     |                                   |                  |
| Corporations   | \$ 104,140          | 10,000                            | 114,140          |
| Organizations  | 124,797             | 191,395                           | 316,192          |
| Individuals  | 131,332             | 49,700                            | 181,032          |
| Contributed rent   | -                   | 380,795                           | 380,795          |
| In-kind goods and services                                 | 18,246              | -                                 | 18,246           |
| Grants   | 1,646,913           | 100,192                           | 1,747,105        |
| United Way   | 19,456              | 83,000                            | 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>544,939</u>      | <u>(544,939)</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)         |
| Net assets at beginning of period (Note 12):               |                     |                                   |                  |
| Cincinnati Youth Collaborative                             | 1,263,403           | 228,229                           | 1,491,632        |
| Jobs for Cincinnati Graduates                              | <u>670,509</u>      | <u>-</u>                          | <u>670,509</u>   |
| 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  
Statement of Cash Flows  
Year Ended June 30, 2013

|   |                   |
|---|-------------------|
| Cash flows from operating activities:   |                   |
| Change in net assets  | \$ (13,098)       |
| Adjustments to reconcile change in net assets to net cash used by operating activities: |                   |
| Depreciation  | 1,005             |
| Loss on disposal of equipment   | 7,447             |
| Realized and unrealized gain on investments   | (106,787)         |
| Effect of change in operating assets and liabilities:                                   |                   |
| Receivables   | (32,839)          |
| Prepaid expenses  | (9,131)           |
| Contributed rent receivable   | (254,139)         |
| Accounts payable  | (26,299)          |
| Accrued expenses  | 38,091            |
| Deferred revenue  | <u>(20,369)</u>   |
| Net cash used in operating activities   | <u>(416,119)</u>  |
| Cash flows used in investing activities:  |                   |
| Net purchases of investments  | <u>(26,732)</u>   |
| Decrease in cash and cash equivalents   | (442,851)         |
| Cash and cash equivalents - beginning of year   | <u>573,162</u>    |
| Cash and cash equivalents - end of year   | \$ <u>130,311</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         |
|                                   | Search            | Tutoring       |                |                |                |                |                  |               | Services         |                |                |                  |
| 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                     | 3,210             | 1,528          | 2,992          | 19,567         | 11,000         | -              | 11,548           | 273           | 50,118           | 25,400         | 6,822          | 82,340           |
| 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, 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, 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 lives of the property and equipment. The estimated useful lives used in computing depreciation are 5 – 7 years. Depreciation expense was \$1,005 for the year ended June 30, 2013. As of June 30, 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 received with a restriction are recorded as temporarily restricted at the time of receipt.

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 2010, 2011, and 2012. 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. The Collaborative received volunteer services which are not recorded as public support on the statement of activities. The Collaborative received \$18,246 in in-kind contributions during the year ended June 30, 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 10, 2013, 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 of \$149,310 outstanding at June 30, 2013 are due within one year. In addition, United Way made allocations to the Collaborative of which \$41,498 are receivable at June 30, 2013 and are due within one year.

**3. GRANTS RECEIVABLE:**

The following is a summary of grants receivable at June 30, 2013:

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

**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, 2013:

|   |                   |
|---|-------------------|
| Gross fair market value of contributed rent | \$ 255,000        |
| Less: interest portion                      | <u>861</u>        |
| Net present value of contributed rent       | \$ <u>254,139</u> |

**5. PROPERTY AND EQUIPMENT:**

Property and equipment consists of the following at June 30:

|                               | <u>2013</u>           | <u>2012</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>1,007,044</u>   |
|                               | \$ <u>          -</u> | <u>      1,005</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:

|      |                 |
|------|-----------------|
| 2014 | \$ 4,260        |
| 2015 | 4,260           |
| 2016 | 4,260           |
| 2017 | <u>3,195</u>    |
|      | <u>\$15,975</u> |

Rent and lease expense for the year ended June 30, 2013 was approximately \$141,000.

**7. TEMPORARILY RESTRICTED NET ASSETS:**

The temporarily restricted net assets are available for the following purposes at June 30, 2013:

|                                     |                   |
|-------------------------------------|-------------------|
| Emergency College                   | \$ 54,826         |
| Art Links                           | 8,152             |
| Science Kits                        | 7,862             |
| Mentorring                          | 11,439            |
| Contributions due in future periods | 161,954           |
| Contributed rent                    | <u>254,139</u>    |
|                                     | \$ <u>498,372</u> |

Temporarily restricted net assets released from restriction during the year ended June 30, 2013 were:

|                                     |                   |
|-------------------------------------|-------------------|
| Emergency College                   | \$ 2,148          |
| Art Links                           | 128,057           |
| Science Kits                        | 129,001           |
| Golden Galaxy                       | 5,448             |
| NCAN                                | 1,025             |
| Project Reach                       | 25,000            |
| Contributions due in future periods | 67,000            |
| United Way                          | 60,604            |
| Contributed rent                    | <u>126,656</u>    |
|                                     | <u>\$ 544,939</u> |

**8. FUNDRAISING:**

The Collaborative recognized revenue of approximately \$1,353,000 for the year ended June 30, 2013, respectively, from its fundraising activities and incurred related expenses of approximately \$368,000 for the year ended June 30, 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, 2013 is \$1,024,417.

**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 \$43,000 during the year ended June 30, 2013.

**11. ENDOWMENT FUNDS:**

Generally accepted accounting principles require that the net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Collaborative’s endowment, which is board-designated, consists of a fund established to provide investment returns to the Collaborative.

The board-designated endowment has a balance of \$1,322,076 at June 30, 2013. Changes in endowment net assets are as follows for the year ended June 30, 2013:

|   | <u>Unrestricted</u> |
|---|---------------------|
| Endowment net assets at beginning of year   | \$ 1,188,557        |
| Interest and dividend income                | 33,774              |
| Realized and unrealized gain on investments | 106,787             |
| Investment fees                             | <u>(7,042)</u>      |
| Endowment net assets at end of year         | <u>\$ 1,322,076</u> |

**Return objectives and risk parameters**

The Collaborative has adopted investment and spending policies for endowment assets that emphasize long-term appreciation of the assets without undue exposure to risk over a 5-year moving period. The return objectives shall be accomplished using: income requirements, liquidity, preservation of capital, and preservation of purchasing power. The performance objectives will be measured against indexes such as the Standard and Poor’s 500 and the Russell 1000.

**Strategies employed for achieving objectives**

To satisfy its long-term rate-of-return objectives, the Collaborative relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Collaborative targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending policy and how the investment objectives relate to spending policy**

The Collaborative has a policy of appropriating for distribution each year four to six percent of its previous twelve quarter moving average endowment fund balance. In establishing this policy, the Collaborative considered the long-term expected return on its endowment. Accordingly, this spending policy should, over time, protect the inflation-adjusted value of the endowment and, consequently, allow inflation-adjusted spending to occur into the distant future. This is consistent with the Collaborative’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. No distribution was made by the endowment during the year ended June 30, 2013.

**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, 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, 2013.

|                              | <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           | \$ 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>-</u>       | <u>-</u>       |
|                              | <u>375,367</u>                                   | <u>375,367</u>   | <u>-</u>       | <u>-</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>19,671</u>                                    | <u>19,671</u>    | <u>-</u>       | <u>-</u>       |
|                              | <u>890,348</u>                                   | <u>890,348</u>   | <u>-</u>       | <u>-</u>       |
|                              | <u>\$ 1,322,076</u>                              | <u>1,322,076</u> | <u>-</u>       | <u>-</u>       |

**13. BUSINESS COMBINATION:**

Effective July 1, 2012, Cincinnati Youth Collaborative merged operations with Jobs for Cincinnati Graduates, a local not-for-profit Organization that shares a similar mission with the Collaborative. Through their merger, the entities seek to further their common mission by substantially improving their youth programs in the region and their capability to assist youth in need. They also seek to achieve economies of scale and other synergies through integrating their services.

The following are the major classes of assets, liabilities and net assets, as of July 1, 2012, that combined as a result of this merger:

|                                   | <u>Cincinnati Youth<br/>Collaborative</u> | <u>Jobs for<br/>Cincinnati<br/>Graduates</u> | <u>Total</u>     |
|-----------------------------------|---|--|------------------|
| <b>Assets:</b>                    |   |  |                  |
| Cash                              | \$ 180,018                                | 393,144                                      | 573,162          |
| Accounts receivable               | 195,150                                   | 284,877                                      | 480,027          |
| Investments                       | 1,188,557                                 | -  | 1,188,557        |
| Property and equipment, net       | 1,005                                     | 7,447  | 8,452            |
| Prepaid expenses                  | <u>29,450</u>                             | <u>4,151</u>                                 | <u>33,601</u>    |
|                                   | <u>1,594,180</u>                          | <u>689,619</u>                               | <u>2,283,799</u> |
| <b>Liabilities:</b>               |   |  |                  |
| Accounts payable                  | 54,585                                    | -  | 54,585           |
| Accrued expenses                  | 21,862                                    | 17,425                                       | 39,287           |
| Deferred revenue                  | <u>26,101</u>                             | <u>1,685</u>                                 | <u>27,786</u>    |
|                                   | <u>102,548</u>                            | <u>19,110</u>                                | <u>121,658</u>   |
| <b>Net assets:</b>                |   |  |                  |
| Unrestricted net assets           | 1,263,403                                 | 670,509                                      | 1,933,912        |
| Temporarily restricted net assets | <u>228,229</u>                            | <u>-</u>                                     | <u>228,229</u>   |
|                                   | <u>1,491,632</u>                          | <u>670,509</u>                               | <u>2,162,141</u> |
|                                   | <u>\$ 1,594,180</u>                       | <u>689,619</u>                               | <u>2,283,799</u> |



Cincinnati Youth Collaborative  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2013

| <u>Federal Grantor/Program Title</u>                                       | <u>Federal<br/>CFDA<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|--|------------------------------------|---------------------------------|
| <u>U.S. Department of Education:</u>                                       |                                    |                                 |
| TRIO - Educational Talent Search (ETS)                                     | 84.044A                            | \$ 363,284                      |
| <i>Passed through the University of Cincinnati:</i>                        |                                    |                                 |
| Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) | 84.334A                            | <u>252,154</u>                  |
| Total U.S. Department of Education   |                                    | <u>615,438</u>                  |
| <u>U.S. Department of Justice:</u>   |                                    |                                 |
| Mentoring - Juvenile Mentoring Program                                     | 16.726                             | <u>59,970</u>                   |
| Total U.S. Department of Justice   |                                    | <u>59,970</u>                   |
| <u>U.S. Department of Labor:</u>   |                                    |                                 |
| <i>Passed through the Ohio Department of Labor &amp; Hamilton County</i>   |                                    |                                 |
| <i>Department of Job and Family Services:</i>                              |                                    |                                 |
| The Workforce Investment Act Youth Activities - In School                  | 17.259                             | 581,815                         |
| The Workforce Investment Act Youth Activities - Foster Care                | 17.259                             | <u>92,754</u>                   |
| Total U.S. Department of Labor   |                                    | <u>674,569</u>                  |
| Total Federal Expenditures   |                                    | \$ <u><u>1,349,977</u></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, 2013, 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 10, 2013.

**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.

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

### **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 10, 2013

## **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 the  
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 the Cincinnati Youth Collaborative's major federal programs for the year ended June 30, 2013. 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 the 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 the 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, 2013.

one east fourth street, ste. 1200  
cincinnati, oh 45202

www.cshco.com  
p. 513.241.3111  
f. 513.241.1212

## **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 10, 2013

**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 84.044A TRIO – Educational Talent Search (ETS)  
 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? no

**Section II – Financial Statement Findings**  
 None

**Section III - Federal Award Findings and Questioned Costs**  
 None