

PROKIDS
ANNUAL REPORT
DECEMBER 31, 2012

PROKIDS

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SOPER, SOPER & WEINEL LLP

CERTIFIED PUBLIC ACCOUNTANTS

35 EAST SEVENTH STREET, SUITE 505

CINCINNATI, OHIO 45202

Tel. (513) 241-5417

Fax (513) 241-6183

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
ProKids

We have audited the accompanying financial statements of ProKids (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ProKids as of December 31, 2012 and 2011, 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.



Cincinnati, Ohio
March 11, 2013

PROKIDS

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and Cash Equivalents	\$ 811,905	\$ 722,814
Accounts Receivable	0	19,463
Unconditional Promises to Give	927,460	700,005
Prepaid Expenses	7,216	4,699
Deposit - Rent	1,283	1,283
- Bureau of Workers' Compensation	1,000	1,000
- Other	320	320
Total Current Assets	<u>1,749,184</u>	<u>1,449,584</u>
Investments	441,212	391,929
Property and Equipment At Cost (Net of accumulated depreciation of \$51,211 and \$45,454)	14,019	12,988
Beneficial Interest in Greater Cincinnati Foundation	<u>11,816</u>	<u>11,696</u>
TOTAL ASSETS	<u>2,216,231</u>	<u>1,866,197</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Accrued Expenses	10,435	18,969
Vacation Accrual	<u>58,205</u>	<u>53,188</u>
Total Current Liabilities	<u>68,640</u>	<u>72,157</u>
Net Assets		
Unrestricted	1,208,314	1,082,339
Temporarily Restricted	927,461	700,005
Permanently Restricted	<u>11,816</u>	<u>11,696</u>
Total Net Assets	<u>2,147,591</u>	<u>1,794,040</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,216,231</u>	<u>1,866,197</u>

The accompanying notes are an integral part of these financial statements.

PROKIDS

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2012
(With Comparative Totals as of December 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
REVENUES, GAINS AND OTHER SUPPORT					
Contributions, Grants and Fundraising	\$ 657,424	\$ 7,131	\$ -	\$ 664,555	\$ 469,117
Donated Services	532,233	-	-	532,233	425,175
Sponsorship	35,000	-	-	35,000	30,000
Government Grants	75,587	-	-	75,587	79,362
United Way & Community Chest	-	105,000	-	105,000	103,400
Net Unrealized and Realized (Loss) Gain on Long Term Investments	33,648	-	-	33,648	(7,744)
Interest & Dividends	14,619	-	-	14,619	13,629
Run for Kids, Net of Expenses Totaling \$5,056	21,745	-	-	21,745	16,811
Auction	0	-	-	0	150
Friends of Children Society, Net of Expenses Totaling \$16,203	419,503	229,155	-	648,658	383,262
Other	22,290	-	-	22,290	10,085
Net Assets Released from Restrictions: Satisfaction of Purpose and Time Restrictions	<u>113,830</u>	<u>(113,830)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>1,925,879</u>	<u>227,456</u>	<u>-</u>	<u>2,153,335</u>	<u>1,523,247</u>
EXPENSES					
Program Services					
Fostering Futures	-	-	-	-	31,502
Victims of Crime Act (VOCA)	76,392	-	-	76,392	84,540
Operating	<u>1,311,499</u>	<u>-</u>	<u>-</u>	<u>1,311,499</u>	<u>1,036,460</u>
Total Program Services	<u>1,387,891</u>	<u>-</u>	<u>-</u>	<u>1,387,891</u>	<u>1,152,502</u>
Support Services					
Management & General	144,438	-	-	144,438	114,843
Fund Raising	<u>267,575</u>	<u>-</u>	<u>-</u>	<u>267,575</u>	<u>242,080</u>
Total Support Services	<u>412,013</u>	<u>-</u>	<u>-</u>	<u>412,013</u>	<u>356,923</u>
Total Expenses	1,799,904	-	-	1,799,904	1,509,425
Unrealized Gain (Loss) in Beneficial Interest in Greater Cincinnati Foundation	<u>-</u>	<u>-</u>	<u>120</u>	<u>120</u>	<u>(129)</u>
Change in Net Assets	125,975	227,456	120	353,551	13,693
NET ASSETS – Beginning of Year	<u>1,082,339</u>	<u>700,005</u>	<u>11,696</u>	<u>1,794,040</u>	<u>1,780,347</u>
NET ASSETS – End of Year	<u>1,208,314</u>	<u>927,461</u>	<u>11,816</u>	<u>2,147,591</u>	<u>1,794,040</u>

The accompanying notes are an integral part of these financial statements.

PROKIDS

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 353,551	\$ 13,693
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	5,756	5,539
Unrealized (Gain) Loss on Beneficial Interest in GCF	(120)	128
Net Realized & Unrealized (Gain) Loss on Investments	(33,648)	7,744
(Increase) Decrease in Unconditional Promises to Give	(227,455)	9,669
(Increase) Decrease in Prepaid Expenses	(2,517)	442
Decrease (Increase) in Accounts Receivable	19,463	(19,463)
Decrease in Deposits	0	1,800
(Decrease) Increase in Accounts Payable and Accrued Expenses	(8,534)	1,326
Increase in Vacation Accrual	<u>5,017</u>	<u>2,307</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>111,513</u>	<u>23,185</u>
 CASH FLOW FROM INVESTING ACTIVITIES		
(Increase) of Investment Cost	(15,634)	(13,987)
Purchase of Property and Equipment	<u>(6,788)</u>	<u>(2,275)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(22,422)</u>	<u>(16,262)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	89,091	6,923
 BEGINNING CASH AND CASH EQUIVALENTS	<u>722,814</u>	<u>715,891</u>
 ENDING CASH AND CASH EQUIVALENTS	<u>811,905</u>	<u>722,814</u>
 NONCASH INVESTING AND FINANCING ACTIVITIES		
 IN-KIND CONTRIBUTIONS:		
Stock	<u>15,871</u>	<u>21,113</u>
 TOTAL NON-CASH INVESTING AND FINANCING ACTIVITIES	<u>15,871</u>	<u>21,113</u>

The accompanying notes are an integral part of these financial statements.

PROKIDS

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2012
 (With Summarized Financial Information for the Year Ended December 31, 2011)

	PROGRAM SERVICES			SUPPORT SERVICES			2011 TOTAL
	VOCA	OPERATING	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	SUPPORT SERVICES	
Salaries	\$ 60,373	\$ 539,748	\$ 600,121	\$ 97,864	\$ 162,254	\$ 260,118	\$ 744,137
Payroll Taxes	4,961	43,702	48,663	7,924	13,137	21,061	59,627
Workers' Compensation	988	8,708	9,696	1,579	2,618	4,197	12,006
Insurance - Health	7,117	62,692	69,809	11,367	18,845	30,212	69,062
Outside Payroll Services	-	1,663	1,663	301	500	801	2,386
Employee Expense	-	531	531	-	-	-	531
Client Needs	-	8,559	8,559	-	-	-	8,559
Professional Services	-	-	-	6,850	-	6,850	6,850
Supplies	-	7,232	7,232	-	-	-	7,232
Telephone	-	5,959	5,959	1,080	1,791	2,871	8,830
Web Hosting	-	720	720	-	-	-	720
Postage	-	703	703	-	-	-	703
Rent	-	18,782	18,782	3,405	5,646	9,051	27,833
Utilities	-	6,175	6,175	1,120	1,856	2,976	9,151
Repair and Maintenance	-	10,198	10,198	1,850	3,065	4,915	15,113
Staff Mileage and Travel	2,953	18,509	21,462	-	3,290	3,290	24,752
Staff Education and Expense	-	4,351	4,351	-	21,000	21,000	25,351
Dues, Subscription and Fees	-	3,356	3,356	-	605	605	3,961
Depreciation	-	3,884	3,884	704	1,168	1,872	5,756
Insurance - General	-	3,081	3,081	559	926	1,485	4,751
Donated Services	-	517,443	517,443	5,000	9,790	14,790	532,233
Fund Raising Expenses	-	-	-	-	6,587	6,587	6,587
Art Works	-	12,315	12,315	-	-	-	12,315
Miscellaneous	-	75	75	-	-	-	75
PKYP Expense	-	6,725	6,725	-	-	-	6,725
Printing and Publications	-	5,964	5,964	-	10,470	10,470	16,434
Volunteer Expenses	-	16,735	16,735	-	-	-	16,735
Marketing	-	1,884	1,884	-	3,963	3,963	5,847
Security	-	212	212	38	64	102	314
Bank Fees	-	-	-	4,797	-	4,797	4,797
Technology	-	1,593	1,593	-	-	-	1,593
TOTAL	76,392	1,311,499	1,387,891	144,438	267,575	412,013	1,799,904
							<u>1,509,425</u>

The accompanying notes are an integral part of these financial statements.

PROKIDS

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary Of Significant Accounting Policies

A) Nature of Activities

ProKids recruits, trains and supervises volunteers, CASAs-Court Appointed Special Advocates, who advocate on behalf of children who have been abused and neglected in Hamilton County, Ohio.

B) Basis of Presentation

The Organization 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.

C) Basis of Accounting

The Financial statements of ProKids have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

D) Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments to be cash equivalents and all certificates of deposit to be cash equivalents. At various times during the year, the Organization's cash deposits exceeded the federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

E) Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Statement of Financial Accounting Standards No. 116 requires that contributed revenue be measured at fair value.

F) Property and Equipment

Property and equipment is stated at cost, or, if donated, at fair value when received. The Organization capitalizes property and equipment valued in excess of \$1500. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Software	3 years
Equipment and Computers	5 years
Furniture and Fixtures	7 years

Total depreciation expense was \$5,756 and \$5,539 for fiscal years 2012 and 2011, respectively.

G) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

H) Donated Services

In-kind contributions of services used in the Organization's programs are recorded as income and expense at the estimated fair value of those items. Donated services are not recorded if no objective basis is available to measure the value received by the Organization.

Note 1 - Summary Of Significant Accounting Policies - Continued**H) Donated Services - continued**

A substantial number of volunteers have contributed significant amounts of their time to the Organization's programs and management. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

I) Investments

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 Organization 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.

All investments held by the Organization are level 1 inputs.

J) Use of Estimates

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

K) - Income Taxes

ProKids is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, ProKids has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2012. The Organization's federal exempt organization tax returns are subject to examination by the Internal Revenue Service generally for three years after they are filed.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

L) Contributions

Contributions are recorded when received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Temporarily restricted contributions whose restrictions are not in the same period as the contribution are reported as unrestricted support.

M) Advertising

The organization expenses advertising as incurred.

Note 2 - United Way

Effective January 1, 1987, ProKids became an agency of *United Way*. For the calendar year ended December 31, 2012, ProKids had revenue totaling \$105,000.

Note 3 - Leases

ProKids leases office space and equipment under non-cancelable operating leases expiring in various years through 2015. The minimum rental under all leases having an initial or remaining term in excess of one year from December 31, 2012 is approximated as follows:

Year Ending December 31, 2013	\$ 28,266
2014	7,100
2015	<u>2,064</u>
	<u>37,430</u>

Note 4 - Property And Equipment

Property and Equipment consists of the following:

	<u>2012</u>	<u>2011</u>
Software	\$ 8,656	\$ 4,056
Furniture	11,513	11,513
Equipment	<u>45,061</u>	<u>42,873</u>
TOTAL COSTS	65,230	58,442
Less: Accumulated Depreciation	<u>51,211</u>	<u>45,454</u>
NET FIXED ASSETS	<u>14,019</u>	<u>12,988</u>

Note 5 – Beneficial Interest In Perpetual Trust – Greater Cincinnati Foundation

The Organization is the beneficiary of the ProKids Tuition Fund of the Greater Cincinnati Foundation. Application of SFAS No. 136, Transfers of Assets to a Not-For-Profit Organization of Charitable Trust That Raises or Holds Contributions for Others, requires that the trust assets, which are not in the possession of the Organization be recorded in the statements of financial position as a permanently restricted net asset and as an interest in the Greater Cincinnati Foundation based on the fair market value of the trust. Net realized and unrealized gains (losses)

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 5 – Beneficial Interest In Perpetual Trust – Greater Cincinnati Foundation - continued

related to the Organization’s beneficial interest are reported as changes in permanently restricted net assets. Distributions from the Fund are to be used for the granting of partial or full scholarships to persons in need of financial help to begin or continue their education at the high school level. No distributions were made in 2012 and 2011.

Note 6 - Donated Services

The value of donated services included as contributions in the financial statements and the corresponding expenses for the year ended December 31, 2012 are as follows:

	<u>Program</u>	<u>Support</u>	<u>Fundraising</u>
Parking	\$ 10,020	\$ -	\$ -
Custodial Services	3,145	-	-
Tote Bags	2,183	-	-
Advertising	65,520	-	-
Equipment Maintenance	2,500	-	-
Storage Unit	1,534	-	-
Fundraising Assistance	-	-	3,335
Printing	825	-	-
Web Page and Service	60,998	-	6,455
CASA Services	359,775	-	-
Accounting Services	-	5,000	-
Snapshot Walls	<u>10,943</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>517,443</u></u>	<u><u>5,000</u></u>	<u><u>9,790</u></u>

Program volunteer hours have been recorded in the financial statements as it has been determined that the FASB Criteria for financial forms has been met. CASA volunteer hours of 16,250 were provided in 2012. The estimated value of volunteer time is \$22.14 per hour (per www.independentsector.org).

Note 7 - Retirement Plan

The Organization maintains a 403(b) Plan for the benefit of eligible employees. Participants may contribute a portion of their compensation, up to 15%, to the plan. Contributions are made by the Organization at the discretion of management. No discretionary contributions were made by the Organization during the year.

Note 8 - Investments

Investments as of December 31, 2012 are summarized as follows:

	COST	FAIR VALUE	CARRYING VALUE
Unrestricted:			
American Capital Income Builder Inc. CI A	\$ 94,089	\$ 99,981	\$ 99,981
American Europacific Growth Fund CI A	30,152	31,533	31,533
American Income Fund of America Inc. CI A	133,669	133,012	133,012
Victory Established Value Class R	88,443	87,734	87,734
Vanguard Star Portfolio	51,260	65,827	65,827
340.630 Shares Procter & Gamble Co.	<u>19,318</u>	<u>23,125</u>	<u>23,125</u>
TOTALS	<u><u>416,931</u></u>	<u><u>441,212</u></u>	<u><u>441,212</u></u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9 – Prepaid Expenses

As of December 31, prepaid expenses were composed of:

	<u>2012</u>	<u>2011</u>
General Insurance	\$ 376	\$ 344
Service Contracts	150	150
Maintenance	2,910	628
State Unemployment	<u>3,780</u>	<u>3,577</u>
TOTAL	<u><u>7,216</u></u>	<u><u>4,699</u></u>

Note 10 – Promises To Give

Unconditional Promises to Give consist of the following:

	<u>2012</u>	<u>2011</u>
Friends of Children Society	\$ 822,460	\$ 593,305
United Way	<u>105,000</u>	<u>106,700</u>
TOTAL	<u><u>927,460</u></u>	<u><u>700,005</u></u>
Amounts Due in:		
Less Than one Year	234,469	242,812
One to Five Years	636,625	398,294
More than Five Years	<u>56,366</u>	<u>58,899</u>
TOTAL	<u><u>927,460</u></u>	<u><u>700,005</u></u>

The present value of cash flows from recorded Friends of Children Society is discounted for 91% expected collectability and using a 1.90% rate of interest. Without discounting, the stated value of recorded Promises to Give is \$930,414 and \$777,890 for fiscal years 2012 and 2011, respectively.

Although donor designations to the United Way may vary, differences between the amounts allocated and collected from United Way have historically been insignificant. Accordingly, no provision is made for uncollectible amounts.

Note 11 - Subsequent Events

ProKids evaluated subsequent events through March 11, 2013, the date the financial statements were available to be issued, and noted no material subsequent events had occurred through this date warranting revision to or additional disclosure in the financial statements.