

PROKIDS
ANNUAL REPORT
DECEMBER 31, 2017

PROKIDS

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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, 2017, and 2016, 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, 2017, and 2016, 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 16, 2018

PROKIDS

STATEMENTS OF FINANCIAL POSITION

At December 31,

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and Cash Equivalents	\$ 246,035	\$ 357,149
Accounts Receivable	1,910	1,684
Unconditional Promises to Give	1,150,552	1,245,039
Prepaid Expenses	11,608	7,114
Deposit - Rent	1,283	1,283
- Other	<u>580</u>	<u>320</u>
Total Current Assets	1,411,968	1,612,589
Investments	5,024,514	2,732,567
Property and Equipment At Cost (Net of accumulated depreciation of \$113,559, and \$106,824)	12,756	17,871
Other Assets		
Beneficial Interest in Greater Cincinnati Foundation	<u>11,476</u>	<u>11,483</u>
TOTAL ASSETS	<u>6,460,714</u>	<u>4,374,510</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable and Accrued Expenses	28,205	39,629
Deferred Revenue	1,000	0
Vacation Accrual	<u>123,531</u>	<u>92,151</u>
Total Current Liabilities	<u>152,736</u>	<u>131,780</u>
Net Assets		
Unrestricted	4,365,350	2,589,862
Temporarily Restricted	1,150,552	1,245,039
Permanently Restricted	<u>792,076</u>	<u>407,829</u>
Total Net Assets	<u>6,307,978</u>	<u>4,242,730</u>
TOTAL LIABILITIES AND NET ASSETS	<u>6,460,714</u>	<u>4,374,510</u>

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

PROKIDS

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2017
(With Comparative Totals as of December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
REVENUES, GAINS AND OTHER SUPPORT					
Contributions, Grants and Fundraising	\$2,091,663	\$ 9,683	\$ 310,100	\$2,411,446	\$1,568,064
Donated Services	810,138	-	-	810,138	631,469
Government Grants	285,930	-	-	285,930	125,010
United Way & Community Chest	-	101,000	-	101,000	100,375
Net Unrealized and Realized Gain					
(Loss) on Long Term Investments	393,959	-	59,069	453,028	144,781
Interest & Dividends	99,081	-	17,300	116,381	68,320
Run for Kids,					
Net of Expenses Totaling \$15,724	19,538	-	-	19,538	16,281
Friends of Children Society,					
Net of Expenses Totaling \$22,193	142,893	668,782	-	811,675	822,670
Net Assets Released from Restrictions:					
Satisfaction of Purpose and Time Restrictions	<u>876,166</u>	<u>(873,952)</u>	<u>(2,214)</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>4,719,368</u>	<u>(94,487)</u>	<u>384,255</u>	<u>5,009,136</u>	<u>3,476,970</u>
EXPENSES					
Program Services					
Victims of Crime Act (VOCA)	231,799	-	-	231,799	110,406
Operating	<u>2,208,349</u>	<u>-</u>	<u>-</u>	<u>2,208,349</u>	<u>1,889,726</u>
Total Program Services	<u>2,440,148</u>	<u>-</u>	<u>-</u>	<u>2,440,148</u>	<u>2,000,132</u>
Support Services					
Management & General	188,000	-	-	188,000	169,617
Fund Raising	<u>315,732</u>	<u>-</u>	<u>-</u>	<u>315,732</u>	<u>298,638</u>
Total Support Services	<u>503,732</u>	<u>-</u>	<u>-</u>	<u>503,732</u>	<u>468,255</u>
Total Expenses	2,943,880	-	-	2,943,880	2,468,387
Unrealized (Loss) in Beneficial Interest in Greater Cincinnati Foundation	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>(8)</u>	<u>(187)</u>
Change in Net Assets	1,775,488	(94,487)	384,247	2,065,248	1,008,396
NET ASSETS – Beginning of Year	<u>2,589,862</u>	<u>1,245,039</u>	<u>407,829</u>	<u>4,242,730</u>	<u>3,234,334</u>
NET ASSETS – End of Year	<u>4,365,350</u>	<u>1,150,552</u>	<u>792,076</u>	<u>6,307,978</u>	<u>4,242,730</u>

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

PROKIDS

STATEMENTS OF CASH FLOWS

For the Years Ended December 31,

	<u>2017</u>	<u>2016</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,065,248	\$1,008,396
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	6,735	17,339
Unrealized Loss on Beneficial Interest in GCF	8	187
Net Realized & Unrealized (Gain) on Investments	(453,028)	(144,781)
Decrease in Unconditional Promises to Give	94,487	11,757
(Increase) in Prepaid Expenses	(4,494)	(1,608)
(Increase) in Accounts Receivable	(226)	(1,169)
(Increase) in Deposits	(260)	0
(Decrease) Increase in Accounts Payable and Accrued Expenses	(11,424)	3,611
Increase in Deferred Revenue	1,000	0
Increase in Vacation Accrual	<u>31,380</u>	<u>16,758</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,729,426</u>	<u>910,490</u>
CASH FLOW FROM INVESTING ACTIVITIES		
(Increase) of Investment Costs	(1,838,920)	(713,534)
Purchase of Property and Equipment	<u>(1,620)</u>	<u>(19,040)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(1,840,540)</u>	<u>(732,574)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(111,114)	177,916
BEGINNING CASH AND CASH EQUIVALENTS	<u>357,149</u>	<u>179,233</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>246,035</u></u>	<u><u>357,149</u></u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
IN-KIND CONTRIBUTIONS:		
Stock	<u>208,921</u>	<u>78,348</u>
TOTAL NON-CASH INVESTING AND FINANCING ACTIVITIES	<u><u>208,921</u></u>	<u><u>78,348</u></u>

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

PROKIDS

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2017

(With Summarized Financial Information for the Year Ended December 31, 2016)

	<u>PROGRAM SERVICES</u>			<u>SUPPORT SERVICES</u>			<u>2017</u>	<u>2016</u>
	<u>VOCA</u>	<u>OPERATING</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUND RAISING</u>	<u>TOTAL SUPPORT SERVICES</u>		
Bank Fees	\$ -	\$ 13,408	\$ 13,408	\$ -	\$ -	\$ -	\$ 13,408	\$ 10,387
Client Needs	-	11,442	11,442	-	-	-	11,442	7,864
Computer Consulting	-	-	-	1,505	-	1,505	1,505	3,155
Contract Services	-	4,065	4,065	-	-	-	4,065	-
Depreciation	-	4,877	4,877	685	1,173	1,858	6,735	17,339
Donated Services	-	803,138	803,138	7,000	-	7,000	810,138	631,469
Dues, Subscriptions and Fees	-	8,309	8,309	-	-	-	8,309	4,316
Employee Expense	-	981	981	-	-	-	981	1,385
Fund Raising Expenses	-	-	-	-	5,119	5,119	5,119	5,758
Insurance – General	-	4,509	4,509	633	1,084	1,717	6,226	6,571
Insurance – Health	16,349	97,424	113,773	13,676	23,421	37,097	150,870	135,066
Marketing	-	4,553	4,553	-	7,075	7,075	11,628	12,064
Miscellaneous	-	1,829	1,829	426	1,042	1,468	3,297	8,040
Outside Payroll Services	-	2,386	2,386	335	573	908	3,294	3,202
Payroll Taxes	12,623	75,218	87,841	10,559	18,083	28,642	116,483	106,109
PKYP Expense	-	4,378	4,378	-	-	-	4,378	4,716
Postage	-	4,668	4,668	-	-	-	4,668	2,821
Printing and Publication	-	5,884	5,884	-	10,740	10,740	16,624	14,030
Professional Services	-	20,446	20,446	8,700	-	8,700	29,146	19,452
Rent	11,124	11,547	22,671	3,181	5,448	8,629	31,300	30,900
Repairs and Maintenance	-	13,049	13,049	1,832	3,137	4,969	18,018	19,042
Salaries	162,374	970,954	1,133,328	136,303	233,418	369,721	1,503,049	1,306,525
Security	-	263	263	37	63	100	363	4,608
Staff Education Expense	-	10,026	10,026	-	-	-	10,026	9,360
Staff Mileage and Travel	1,438	32,444	33,882	-	-	-	33,882	23,674
Supplies	-	7,211	7,211	-	-	-	7,211	7,407
Technology	-	24,472	24,472	-	-	-	24,472	2,143
Telephone	6,259	4,342	10,601	1,488	2,548	4,036	14,637	12,655
Utilities	-	7,203	7,203	1,011	1,731	2,742	9,945	9,395
Virtual Academy	-	2,613	2,613	-	-	-	2,613	900
Volunteer Expenses	20,880	52,228	73,108	-	-	-	73,108	42,999
Workers' Compensation	752	4,482	5,234	629	1,077	1,706	6,940	5,035
TOTAL	231,799	2,208,349	2,440,148	188,000	315,732	503,732	2,943,880	2,468,387

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, 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 \$6,735, and \$17,339, for fiscal years 2017, and 2016, 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.

PROKIDS

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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 2017. 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, 2017, ProKids had revenue totaling \$101,000.

Note 3 - Leases

ProKids leases office space from the Mayerson Foundation at 2605 Burnet Avenue, Cincinnati, Ohio. The third amendment to lease extends the lease to October 31, 2020. The minimum rental under this lease is as follows:

2018	\$ 33,300
2019	33,300
2020	27,750

Note 4 - Property and Equipment

Property and Equipment consists of the following:

	<u>2017</u>	<u>2016</u>
Software	\$ 12,345	\$ 12,345
Furniture	26,609	26,609
Equipment	<u>87,361</u>	<u>85,741</u>
TOTAL COSTS	126,315	124,695
Less: Accumulated Depreciation	<u>113,559</u>	<u>106,824</u>
NET FIXED ASSETS	<u><u>12,756</u></u>	<u><u>17,871</u></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 2017 and 2016.

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, 2017 are as follows:

	<u>Program</u>	<u>Support</u>
Parking	\$ 15,840	\$ -
Custodial Services	4,361	-
Tote Bags	1,875	-
Advertising	71,188	-
Printing	975	-
Volunteer Services	698,244	-
Website Design and Hosting	2,430	-
Video Production and Design	6,325	-
Catering	1,400	-
Furniture	500	-
Accounting Services	-	7,000
TOTAL	<u>803,138</u>	<u>7,000</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 and other direct service hours of 29,929 were provided in 2017. The estimated value of volunteer time is \$23.33 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

The cost and fair value of the Organization’s investments are summarized as follows:

	COST	FAIR VALUE	UNREALIZED GAIN (LOSS)
Money Market	\$ 41,174	\$ 41,174	\$ 0
Exchange Traded Funds	1,772,837	1,996,571	223,734
Mutual Funds	2,740,913	2,941,775	200,862
Equity Securities	34,046	44,994	10,948
TOTALS	<u>4,588,970</u>	<u>5,024,514</u>	<u>435,544</u>

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 9 – Prepaid Expenses

As of December 31, prepaid expenses were composed of:

	<u>2017</u>	<u>2016</u>
General Insurance	\$ 516	\$ 554
Service Contracts	5,948	1,396
State Unemployment	3,572	3,150
Rent	<u>1,572</u>	<u>2,014</u>
TOTAL	<u><u>11,608</u></u>	<u><u>7,114</u></u>

Note 10 – Promises to Give

Unconditional Promises to Give consist of the following:

	<u>2017</u>	<u>2016</u>
Friends of Children Society	\$ 1,049,552	\$ 1,144,764
United Way	<u>101,000</u>	<u>100,275</u>
TOTAL	<u><u>1,150,552</u></u>	<u><u>1,245,039</u></u>

Amounts Due in:

Less Than one Year	137,397	289,344
One to Five Years	897,169	891,386
More than Five Years	<u>115,986</u>	<u>64,309</u>
TOTAL	<u><u>1,150,552</u></u>	<u><u>1,245,039</u></u>

The present value of cash flows from recorded Friends of Children Society is discounted for 89.14% expected collectability and using a 2.80% rate of interest. Without discounting, the stated value of recorded Promises to Give is \$1,434,923, and \$1,405,940 for fiscal years 2017, and 2016, 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 16, 2018, 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.