

# **Achievement Centers for Children**

**Financial Statements  
June 30, 2012 and 2011**

## Independent Auditor's Report

To the Board of Directors of  
Achievement Centers for Children

We have audited the accompanying statements of financial position of Achievement Centers for Children (the "Organization") (a nonprofit corporation) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Achievement Centers for Children as of June 30, 2012 and 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2012, on our consideration of Achievement Centers for Children'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* and should be considered in assessing the results of our audit.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
September 12, 2012

# Achievement Centers for Children

## Statements of Financial Position

**June 30, 2012 and 2011**

	<u>Assets</u>	
	2012	2011
Current assets:		
Cash and cash equivalents	\$ 725,301	\$ 660,803
Investments	8,646,562	9,216,224
Unconditional promises to give, net	870,371	796,807
Accounts and grants receivable, net	1,368,001	1,193,168
Prepaid expenses and other assets	<u>45,235</u>	<u>52,971</u>
Total current assets	11,655,470	11,919,973
Long-term assets:		
Property and equipment, net	9,264,713	9,560,805
Unconditional promises to give, net	36,805	57,554
Deposits	1,880	1,880
Investments – restricted	<u>585,000</u>	<u>585,000</u>
Total long-term assets	<u>9,888,398</u>	<u>10,205,239</u>
	\$ <u>21,543,868</u>	\$ <u>22,125,212</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Current portion of long-term debt	\$ 14,580	\$ 12,150
Accounts payable – trade	150,147	165,271
Accrued payroll and related expenses	399,316	377,442
Deferred revenue	1,017,019	775,177
Other accrued expenses	<u>43,665</u>	<u>29,298</u>
Total current liabilities	1,624,727	1,359,338
Long-term debt, net of current portion	<u>138,653</u>	<u>155,733</u>
Total liabilities	1,763,380	1,515,071
Net assets:		
Unrestricted	18,276,721	19,175,722
Temporarily restricted	918,767	849,419
Permanently restricted – F.J. O’Neill Endowment Fund	<u>585,000</u>	<u>585,000</u>
Total net assets	<u>19,780,488</u>	<u>20,610,141</u>
	\$ <u>21,543,868</u>	\$ <u>22,125,212</u>

The accompanying notes are an integral part of these financial statements

# Achievement Centers for Children

## Statement of Activities

**For the year ended June 30, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating public support and revenues:				
Public support:				
Donations (includes \$448,792 of in-kind)	\$ 983,133	\$ 161,125	\$ -	\$ 1,144,258
United Way of Greater Cleveland – allocation	-	446,082	-	446,082
Donations – foundations & trusts	261,953	15,500	-	277,453
Grants – government	<u>390,402</u>	<u>-</u>	<u>-</u>	<u>390,402</u>
Total public support	1,635,488	622,707	-	2,258,195
Revenues:				
Fees for services	5,060,478	-	-	5,060,478
Special events (includes \$105,397 of in-kind)	797,724	-	-	797,724
Less: direct benefit to donors costs	(104,674)	-	-	(104,674)
Other	62,839	-	-	62,839
Investment return designated for operations	<u>199,124</u>	<u>-</u>	<u>-</u>	<u>199,124</u>
Total revenues	6,015,491	-	-	6,015,491
Net assets released from restrictions	<u>760,071</u>	<u>(760,071)</u>	<u>-</u>	<u>-</u>
Total operating public support and revenues	8,411,050	(137,364)	-	8,273,686
Operating expenses:				
Program services:				
Social services to families and individuals	2,208,215	-	-	2,208,215
Child development	1,318,845	-	-	1,318,845
General rehabilitation	1,547,646	-	-	1,547,646
Transportation	31,066	-	-	31,066
Residential camping	1,720,483	-	-	1,720,483
Autism consulting	<u>462,209</u>	<u>-</u>	<u>-</u>	<u>462,209</u>
Total program services	7,288,464	-	-	7,288,464
Supporting services:				
Management and general	969,512	-	-	969,512
Fundraising	<u>525,701</u>	<u>-</u>	<u>-</u>	<u>525,701</u>
Total supporting services	1,495,213	-	-	1,495,213
Total operating expenses	<u>8,783,677</u>	<u>-</u>	<u>-</u>	<u>8,783,677</u>
Change in net assets from operations	(372,627)	(137,364)	-	(509,991)
Non-operating changes:				
Capital and general endowment campaign contributions	43,288	206,712	-	250,000
Interest and dividends	200,304	-	-	200,304
Realized and unrealized loss on investments, net	(570,842)	-	-	(570,842)
Investment return designated for operations	<u>(199,124)</u>	<u>-</u>	<u>-</u>	<u>(199,124)</u>
Total non-operating changes	<u>(526,374)</u>	<u>206,712</u>	<u>-</u>	<u>(319,662)</u>
Change in net assets – total	(899,001)	69,348	-	(829,653)
Net assets – beginning	<u>19,175,722</u>	<u>849,419</u>	<u>585,000</u>	<u>20,610,141</u>
Net assets – ending	<u>\$ 18,276,721</u>	<u>\$ 918,767</u>	<u>\$ 585,000</u>	<u>\$ 19,780,488</u>

The accompanying notes are an integral part of these financial statements

# Achievement Centers for Children

## Statement of Activities

**For the year ended June 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating public support and revenues:				
Public support:				
Donations (includes \$405,631 of in-kind)	\$ 1,019,526	\$ 128,792	\$ -	\$ 1,148,318
United Way of Greater Cleveland – allocation	-	463,612	-	463,612
Donations – foundations & trusts	354,450	149,735	-	504,185
Grants – government	<u>384,170</u>	<u>-</u>	<u>-</u>	<u>384,170</u>
Total public support	1,758,146	742,139	-	2,500,285
Revenues:				
Fees for services	4,828,658	-	-	4,828,658
Special events (includes \$101,352 of in-kind)	730,358	-	-	730,358
Less: direct benefit to donors costs	(70,063)	-	-	(70,063)
Other	33,776	-	-	33,776
Investment return designated for operations	<u>209,524</u>	<u>-</u>	<u>-</u>	<u>209,524</u>
Total revenues	5,732,253	-	-	5,732,253
Net assets released from restrictions	<u>635,229</u>	<u>(635,229)</u>	<u>-</u>	<u>-</u>
Total operating public support and revenues	8,125,628	106,910	-	8,232,538
Operating expenses:				
Program services:				
Social services to families and individuals	1,939,089	-	-	1,939,089
Child development	1,435,942	-	-	1,435,942
General rehabilitation	1,406,564	-	-	1,406,564
Transportation	29,129	-	-	29,129
Residential camping	1,698,724	-	-	1,698,724
Autism consulting	<u>471,917</u>	<u>-</u>	<u>-</u>	<u>471,917</u>
Total program services	6,981,365	-	-	6,981,365
Supporting services:				
Management and general	911,919	-	-	911,919
Fundraising	<u>497,770</u>	<u>-</u>	<u>-</u>	<u>497,770</u>
Total supporting services	1,409,689	-	-	1,409,689
Total operating expenses	<u>8,391,054</u>	<u>-</u>	<u>-</u>	<u>8,391,054</u>
Change in net assets from operations	(265,426)	106,910	-	(158,516)
Non-operating changes:				
Capital and general endowment campaign contributions	(4,823)	-	-	(4,823)
Interest and dividends	204,458	-	-	204,458
Realized and unrealized gain on investments, net	1,585,336	-	-	1,585,336
Investment return designated for operations	<u>(209,524)</u>	<u>-</u>	<u>-</u>	<u>(209,524)</u>
Total non-operating changes	1,575,447	-	-	1,575,447
Change in net assets – total	1,310,021	106,910	-	1,416,931
Net assets – beginning	<u>17,865,701</u>	<u>742,509</u>	<u>585,000</u>	<u>19,193,210</u>
Net assets – ending	<u>\$ 19,175,722</u>	<u>\$ 849,419</u>	<u>\$ 585,000</u>	<u>\$ 20,610,141</u>

The accompanying notes are an integral part of these financial statements

# Achievement Centers for Children

## Statement of Functional Expenses

For the year ended June 30, 2012

	Program Services						Supporting Services			2012 Total Expenses	
	Social Services to Families and Individuals	Child Development	General Rehabilitation	Transportation	Residential Camping	Autism Consulting	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and wages	\$ 1,281,093	\$ 643,110	\$ 895,792	\$ 10,733	\$ 753,125	\$ 320,949	\$ 3,904,802	\$ 640,421	\$ 277,521	\$ 917,942	\$ 4,822,744
Employee taxes and benefits	<u>391,131</u>	<u>181,689</u>	<u>206,442</u>	<u>2,666</u>	<u>158,563</u>	<u>76,985</u>	<u>1,017,476</u>	<u>168,242</u>	<u>72,759</u>	<u>241,001</u>	<u>1,258,477</u>
Total personnel costs	1,672,224	824,799	1,102,234	13,399	911,688	397,934	4,922,278	808,663	350,280	1,158,943	6,081,221
Professional fees and contracts (includes \$28,600 of in-kind)	95,551	137,785	82,776	1,505	91,535	2,711	411,863	41,138	15,786	56,924	468,787
Bad debt expense	-	-	-	-	5,049	-	5,049	-	-	-	5,049
Supplies (includes \$143,395 of in-kind)	46,633	39,800	23,485	683	141,687	9,770	262,058	14,401	108,270	122,671	384,729
Telephone	12,085	4,365	3,874	648	20,402	4,828	46,202	3,519	702	4,221	50,423
Postage and shipping	6,230	2,986	2,938	107	6,713	851	19,825	2,856	4,773	7,629	27,454
Occupancy (includes \$369,864 of in-kind)	130,723	206,961	233,759	-	282,860	5,011	859,314	23,566	8,296	31,862	891,176
Rental and maintenance of equipment	80	5,175	3,834	1	3,436	1,041	13,567	37	7,686	7,723	21,290
Printing and publications	18,447	7,489	8,751	291	13,613	2,291	50,882	7,791	12,381	20,172	71,054
Local transportation	77,379	21,467	7,944	12,100	45,520	5,965	170,375	1,900	379	2,279	172,654
Continuing education	8,397	8,169	5,969	55	12,136	5,068	39,794	1,008	201	1,209	41,003
Advertising	8,084	4,374	9,429	120	9,932	2,527	34,466	3,114	4,796	7,910	42,376
Workshops	-	-	-	-	-	3,179	3,179	-	-	-	3,179
Interest	-	-	-	-	2,800	-	2,800	-	-	-	2,800
Insurance	6,910	2,924	3,270	-	10,181	935	24,220	3,182	634	3,816	28,036
Miscellaneous	<u>4,855</u>	<u>1,510</u>	<u>2,298</u>	<u>83</u>	<u>2,636</u>	<u>657</u>	<u>12,039</u>	<u>2,804</u>	<u>446</u>	<u>3,250</u>	<u>15,289</u>
Total before depreciation	2,087,598	1,267,804	1,490,561	28,992	1,560,188	442,768	6,877,911	913,979	514,630	1,428,609	8,306,520
Depreciation	<u>120,617</u>	<u>51,041</u>	<u>57,085</u>	<u>2,074</u>	<u>160,295</u>	<u>19,441</u>	<u>410,553</u>	<u>55,533</u>	<u>11,071</u>	<u>66,604</u>	<u>477,157</u>
Total expenses	\$ <u>2,208,215</u>	\$ <u>1,318,845</u>	\$ <u>1,547,646</u>	\$ <u>31,066</u>	\$ <u>1,720,483</u>	\$ <u>462,209</u>	\$ <u>7,288,464</u>	\$ <u>969,512</u>	\$ <u>525,701</u>	\$ <u>1,495,213</u>	\$ <u>8,783,677</u>

The accompanying notes are an integral part of these financial statements

# Achievement Centers for Children

## Statement of Functional Expenses

For the year ended June 30, 2011

	Program Services						Supporting Services			2011 Total Expenses	
	Social Services to Families and Individuals	Child Development	General Rehabilitation	Transportation	Residential Camping	Autism Consulting	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and wages	\$ 1,126,191	\$ 720,730	\$ 859,326	\$ 11,698	\$ 763,673	\$ 314,761	\$ 3,796,379	\$ 587,615	\$ 254,634	\$ 842,249	\$ 4,638,628
Employee taxes and benefits	<u>337,478</u>	<u>187,124</u>	<u>189,424</u>	<u>2,244</u>	<u>158,574</u>	<u>73,510</u>	<u>948,354</u>	<u>158,728</u>	<u>68,676</u>	<u>227,404</u>	<u>1,175,758</u>
Total personnel costs	1,463,669	907,854	1,048,750	13,942	922,247	388,271	4,744,733	746,343	323,310	1,069,653	5,814,386
Professional fees and contracts	89,418	121,924	32,165	1,481	73,658	18,935	337,581	45,020	15,861	60,881	398,462
Bad debt expense	-	-	-	-	2,741	-	2,741	-	-	-	2,741
Supplies (includes \$112,972 of in-kind)	33,682	40,270	14,185	477	119,620	7,116	215,350	12,133	107,038	119,171	334,521
Telephone	13,266	8,794	3,429	697	22,625	5,874	54,685	4,975	931	5,906	60,591
Postage and shipping	5,685	4,633	2,106	96	7,160	955	20,635	3,108	3,121	6,229	26,864
Occupancy (includes \$369,864 of in-kind)	130,975	213,518	234,653	-	283,266	5,521	867,933	25,327	9,134	34,461	902,394
Rental and maintenance of equipment	421	10,209	4,473	1	7,983	894	23,981	25	7,223	7,248	31,229
Printing and publications	16,293	12,028	6,201	256	16,584	2,917	54,279	8,257	12,431	20,688	74,967
Local transportation	63,563	19,776	6,388	10,170	36,689	7,049	143,635	2,809	526	3,335	146,970
Continuing education	7,375	8,520	8,344	77	9,221	6,172	39,709	1,567	293	1,860	41,569
Advertising	6,507	5,237	5,780	99	18,858	2,772	39,253	3,187	4,774	7,961	47,214
Workshops	-	64	-	-	-	3,548	3,612	-	-	-	3,612
Interest	-	-	-	-	2,633	-	2,633	-	-	-	2,633
Insurance	5,951	4,568	2,205	101	9,498	999	23,322	3,254	609	3,863	27,185
Miscellaneous	<u>1,301</u>	<u>1,030</u>	<u>473</u>	<u>22</u>	<u>602</u>	<u>214</u>	<u>3,642</u>	<u>696</u>	<u>2,183</u>	<u>2,879</u>	<u>6,521</u>
Total before depreciation	1,838,106	1,358,425	1,369,152	27,419	1,533,385	451,237	6,577,724	856,701	487,434	1,344,135	7,921,859
Depreciation	<u>100,983</u>	<u>77,517</u>	<u>37,412</u>	<u>1,710</u>	<u>165,339</u>	<u>20,680</u>	<u>403,641</u>	<u>55,218</u>	<u>10,336</u>	<u>65,554</u>	<u>469,195</u>
Total expenses	\$ <u>1,939,089</u>	\$ <u>1,435,942</u>	\$ <u>1,406,564</u>	\$ <u>29,129</u>	\$ <u>1,698,724</u>	\$ <u>471,917</u>	\$ <u>6,981,365</u>	\$ <u>911,919</u>	\$ <u>497,770</u>	\$ <u>1,409,689</u>	\$ <u>8,391,054</u>

The accompanying notes are an integral part of these financial statements

# Achievement Centers for Children

## Statements of Cash Flows

For the years ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ (829,653)	\$ 1,416,931
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	477,157	469,195
Realized and unrealized loss (gain) on investments	570,842	(1,585,336)
Provision for uncollectible unconditional promises to give and accounts and grants receivable	(8,028)	8,382
Amortization of pledge discounts	1,157	(1,681)
Contributions restricted for long-term purposes	(250,000)	4,823
In-kind gift of property and equipment	(12,330)	(24,147)
Forgiveness of debt	(2,500)	(2,500)
Changes in operating assets and liabilities:		
Promises to give	69,963	(89,117)
Accounts receivable	(165,740)	(132,485)
Prepaid expenses and other assets	7,736	(12,796)
Accounts payable	(15,124)	31,267
Accrued expenses	36,241	52,138
Deferred revenue	<u>241,842</u>	<u>40,139</u>
Net cash provided by operating activities	121,563	174,813
Cash flows from investing activities:		
Purchase of investments	(6,115,068)	(1,154,699)
Proceeds from sale of investments	6,113,888	1,170,494
Purchase of property and equipment	<u>(168,735)</u>	<u>(141,266)</u>
Net cash used in investing activities	(169,915)	(125,471)
Cash flows from financing activities:		
Collection of contributions restricted for long-term purposes	125,000	-
Principal payments on long-term debt	<u>(12,150)</u>	<u>(12,919)</u>
Net cash provided by (used in) financing activities	<u>112,850</u>	<u>(12,919)</u>
Net increase in cash and cash equivalents	64,498	36,423
Cash and cash equivalents, beginning of year	<u>660,803</u>	<u>624,380</u>
Cash and cash equivalents, end of year	\$ <u>725,301</u>	\$ <u>660,803</u>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$ 2,800	\$ 2,633

The accompanying notes are an integral part of these financial statements



# Achievement Centers For Children

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 1: Summary of Significant Accounting Policies

#### Organization and Operations

Achievement Centers for Children (the “Organization”) is a not-for-profit corporation that was founded in 1940 to address the needs of children and young adults with disabilities in the Northeast Ohio area. The Organization operates two ambulatory health care facilities and a residential camping facility.

The largest sources of funding for the Organization are service fees and voluntary contributions from individuals and foundations. The other funding sources are the earnings from the Organization’s endowment fund, United Way of Greater Cleveland allocations, and government grants.

#### Basis of Presentation

The Organization follows authoritative guidance issued by the Financial Accounting Standards Board (“FASB”) which established the FASB Accounting Standards Codification (“ASC”) as the single source of authoritative accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets* – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. If donor imposed restrictions are met in the same year as they are imposed, the net assets are reported as unrestricted.

*Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained by the Organization in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Non-operating activities reflect transactions of a long-term investment or capital nature. These include contributions to be invested by the Organization to generate a return that will support future operations, contributions to be used for facilities and equipment, and investment earnings (including interest and dividends, and realized and unrealized investment gains or losses).

# Achievement Centers For Children

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 1: Summary of Significant Accounting Policies (continued)

#### Functional Allocation of Expenses

The costs of providing various programs and related supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated to the appropriate programs and supporting services.

#### 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.

#### Cash Equivalents

The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents, excluding those held in brokerage accounts intended for long-term investment.

#### Accounts Receivable and Credit Policies

Accounts receivable primarily represent fees for services due under normal trade terms requiring payment in 30 days (self-pay customers) or in accordance with contract agreements with a variety of third-party payers.

Accounts receivable are stated at the amount billed to the customer. Self-pay customers with account balances greater than 60 days old are considered delinquent.

Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified or delinquent, are applied to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all customers' accounts receivable balances, and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At June 30, 2012 and 2011, accounts and grants receivable are presented net of management's estimated allowance for doubtful accounts of \$4,364 and \$13,457, respectively.

# Achievement Centers For Children

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 1: Summary of Significant Accounting Policies (continued)

#### Contributions and Related Receivables

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions are recognized.

Unconditional promises to give are recognized as revenues in the period the promises are made. The unconditional promises are stated at their fair market value. Promises that are to be received over a period of years are discounted to their fair value assuming their respective payment terms and an appropriate discount rate as of the date the promise is received. The discount is amortized into contribution revenue over the term of the respective promise agreement.

Conditional promises to give are recognized when the conditions upon which they depend are substantially met.

The Organization uses the allowance method to record estimated uncollectible promises to give. The allowance is based upon prior years' experience and management's analysis of specific promises made.

#### In-Kind Contributions

In-kind contributions are reflected as revenues at their estimated fair value at the date of donation. The Organization reports gifts of rent, equipment, professional services, materials, and other non-monetary contributions as unrestricted revenue and expense in the accompanying statements of activities unless accompanied by explicit donor-imposed restrictions; in which case, the contributions would be recorded as either temporarily or permanently restricted revenues in accordance with the donor restrictions.

#### Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the accompanying statements of financial position. Interest and dividend income, and realized and unrealized gains and losses are included in the change in unrestricted net assets in the accompanying statements of activities, unless donor-imposed restrictions over specific investment earnings exist, in which case, the investment earnings are classified as either changes in temporarily or permanently restricted net assets in accordance with such donor-imposed restrictions. Temporarily restricted investment income is reported as unrestricted if such restrictions are met in the same fiscal year as the investment income is generated.

Included in professional fees and contracts in the accompanying statements of functional expenses for the years ended June 30, 2012 and 2011 are investment management fees of \$47,524 and \$47,612, respectively.

# Achievement Centers For Children

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 1: Summary of Significant Accounting Policies (continued)

#### Property and Equipment

The Organization capitalizes purchases and donations of property and equipment exceeding \$500. Purchased buildings and equipment are carried at cost and are depreciated on the straight-line basis over the estimated lives of the respective assets ranging from 3 to 40 years. Camp leasehold improvements are amortized over the estimated lives of the improvements. Maintenance and repairs are charged to expense. Renewals and betterments are capitalized. When properties are sold or otherwise disposed of, the cost and accumulated depreciation thereon are removed from the accounts, and the gain or loss on the disposition is reflected in the statement of activities in the period of disposition.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

#### Income Tax Status

The Organization is tax-exempt, under Section 501(c)(3) of the Internal Revenue Code of 1986. No provision for federal income taxes has been reported in its financial statements.

Income taxes are accounted for under the provisions of the "Income Taxes" topic of the FASB ASC. Uncertain income tax positions are evaluated at least annually by management. The Organization classifies interest and penalties related to income tax matters as income tax expense in the accompanying financial statements. As of June 30, 2012 and 2011, the Organization has identified no uncertain income tax positions and has incurred no amounts for income tax penalties and interest for the years then ended.

The Organization files its Federal Form 990 in the U.S. federal jurisdiction and a state registration at the office of the state's attorney general for the state of Ohio. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2009.

#### Advertising

The Organization expenses advertising costs as they are incurred.

# Achievement Centers For Children

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 1: Summary of Significant Accounting Policies (continued)

#### Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and temporary investments, investment securities, and unconditional promises to give.

The Organization has significant investments in equity and debt securities and is, therefore, subject to concentrations of credit risk. Investments are managed by investment advisors who are supervised by the Board of Directors. Though the market value of investments is subject to fluctuations on a year to year basis, the Board of Directors believe that the investment policy is prudent for the long-term welfare of the Organization.

Credit risk with respect to unconditional promises to give is limited due to the number and credit worthiness of the foundations, corporations, and individuals who comprise the contributor base.

#### Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. The most significant reclassification relates to investment return designated for operations during the year ended June 30, 2011. The amount as previously reported was \$72,131, and as currently reported is \$209,524. It was determined that although only \$72,131 had actually been utilized in operations during fiscal 2011, the entire amount of interest and dividend income had been transferred into the operating account and was available for operating purposes as of June 30, 2011. This reclassification did not have an effect on the total change in net assets for the year ended June 30, 2011.

#### Deferred Revenue

The Organization's deferred revenues consist of amounts billed or collected for program services (primarily camp fees) and special events that will be performed/held in a subsequent fiscal year.

#### Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 12, 2012, the date the financial statements were available to be issued.

# Achievement Centers For Children

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 2: Unconditional Promises to Give

Unconditional promises to give due more than one year from the date of the promise are recorded at their fair value using estimated future cash flows, discounted at appropriate rates considering factors such as credit and market risks. The rate currently used is 4.25%. Amortization of the discount is credited to contribution revenue.

Pledges receivable consisted of the following as of June 30:

	<u>2012</u>	<u>2011</u>
Payable within one year	\$ 894,514	\$ 819,477
Payable in one to five years	<u>40,000</u>	<u>60,000</u>
Total pledges receivable	934,514	879,477
Less: discounts to net present value	(4,826)	(3,669)
Less: allowance for doubtful accounts	<u>(22,512)</u>	<u>(21,447)</u>
Unconditional promises to give, net	\$ <u>907,176</u>	\$ <u>854,361</u>

The allowance for doubtful accounts represents 12.75% of the United Way of Greater Cleveland's total gross donor-designated pledges at June 30, 2012 and 2011.

The Organization's Board of Directors attained "100% giving" during each of the years ended June 30, 2012 and 2011 through direct contributions from the Board members and/or the entities with which the members are affiliated. At June 30, 2012 and 2011, unconditional promises to give from related parties were \$126,600 and \$42,230, respectively. Contribution revenue from related parties for the years ended June 30, 2012 and 2011 was \$652,868 and \$427,643, respectively.

### Note 3: Conditional Promise to Give

As of June 30, 2012, the Organization had received a conditional promise to give of \$50,000 related to a challenge grant from a foundation for the purpose of replacing Multi-Function School Activity Buses. This challenge grant has a period of two years, and calls for a \$1 to \$1 match in \$25,000 increments over that time period. Upon reaching that increment, the challenge is considered to have been met and the Organization will receive the match. The condition for year one of this grant was met prior to June 30, 2012, and therefore, \$25,000 was recognized as temporarily restricted income for the purpose of purchasing a bus and is included in unconditional promises to give in the accompanying statement of financial position. The remaining \$25,000 will not be recognized until the conditions upon which the promise depends have been substantially met.

# Achievement Centers For Children

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 4: Pension Plan

All employees 18 years of age and older with two consecutive years of at least 1,000 hours of service in each year are covered by a defined contribution pension plan. Employer contributions to the plan are equal to 6% of the employee's salary for the third and fourth years of service, 7% for the fifth through ninth years of service, and 8% of the employee's salary thereafter. For the years ended June 30, 2012 and 2011, the amount of pension expense was \$196,064 and \$186,803, respectively.

### Note 5: Property and Equipment

The following is a summary of property and equipment at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 2,194,701	\$ 2,194,701
Building and improvements	7,157,576	7,157,576
Furniture and equipment	1,787,258	1,672,695
Vehicles	110,757	119,632
Leasehold improvements	<u>4,192,715</u>	<u>4,160,374</u>
	15,443,007	15,304,978
Less: accumulated depreciation	<u>(6,178,294)</u>	<u>(5,744,173)</u>
Property and equipment, net	\$ <u>9,264,713</u>	\$ <u>9,560,805</u>

The Organization has operated camp facilities on property owned by the Cleveland Metropolitan Parks District (the "Parks District"). The agreement with the Parks District is renewable each year. The Organization is required to pay for liability insurance. There are no required lease payments. At the end of the lease, all camp leasehold improvements revert to the lessor.

### Note 6: Fair Value Measurements

In accordance with the "Fair Value Measurements" topic of the FASB ASC, the Organization uses a three-level fair value hierarchy that categorizes assets and liabilities measured at fair value based on the observability of the inputs utilized in the valuation. This hierarchy prioritizes the inputs into three broad levels as follows: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own valuation assumptions. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the asset and are based on the best available information, which has been internally developed.

# Achievement Centers For Children

## Notes to Financial Statements

**June 30, 2012 and 2011**

**Note 6: Fair Value Measurements (continued)**

Financial assets consisted of the following at June 30, 2012 and 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total at June 30, 2012</u>
Cash equivalents	\$ 415,863	\$ -	\$ -	\$ 415,863
Mutual funds:				
Equity	3,400,399	-	-	3,400,399
Fixed-income	1,053,887	-	-	1,053,887
Common/collective funds:				
Equity	-	1,992,207	-	1,992,207
Fixed-income	-	1,534,705	-	1,534,705
Alternative investment	<u>-</u>	<u>-</u>	<u>834,501</u>	<u>834,501</u>
Totals	<u>\$ 4,870,149</u>	<u>\$ 3,526,912</u>	<u>\$ 834,501</u>	<u>\$ 9,231,562</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total at June 30, 2011</u>
Cash equivalents	\$ 245,875	\$ -	\$ -	\$ 245,875
Common stock	1,559	-	-	1,559
Mutual funds:				
Equity	873,818	-	-	873,818
Fixed-income	649,888	-	-	649,888
Common/collective funds:				
Equity	-	5,784,021	-	5,784,021
Fixed-income	-	1,412,313	-	1,412,313
Alternative investment	<u>-</u>	<u>-</u>	<u>833,750</u>	<u>833,750</u>
Totals	<u>\$ 1,771,140</u>	<u>\$ 7,196,334</u>	<u>\$ 833,750</u>	<u>\$ 9,801,224</u>

The following is a description of the valuation methodologies used for Level 2 assets measured at fair value. There have been no changes in the methodologies used at June 30, 2012 and 2011.

*Common/collective funds:* Valued based upon the net asset value (“NAV”) of the underlying assets held within the common collective trust or other collective investment fund based on information obtained from the investment management company.



# Achievement Centers For Children

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 6: Fair Value Measurements (continued)

The Organization's Level 3 investment is a multi-strategy, offshore hedge fund of funds that employs a variety of low volatility, absolute return oriented strategies. The investment is valued at net asset value based upon the estimated net asset values of the underlying investments and upon information obtained from the investment company that manages the investment. Redemptions from the alternative investment are permitted on a semiannual basis, after an initial one year lockup, on June 30 or December 31, with written notice no later than 95 days before the date of the requested redemption. Redemptions are processed at the investment's net asset value on the date of requested redemption.

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2012:

	<u>Alternative Investment</u>
Balance, June 30, 2011	\$ 833,750
Unrealized gain	<u>751</u>
Balance, June 30, 2012	\$ <u>834,501</u>

### Note 7: Donated Materials and Services

All significant donated materials and services are recorded by the Organization at their market value at the date of donation. The Organization records the value of the material received or the services rendered as revenue. The value of any donated materials and services whose benefit will last more than one period is capitalized and amortized over its useful life. Donated materials and services were \$554,189 and \$506,983 for the years ended June 30, 2012 and 2011, respectively, of which \$369,864 represents donated rent in relation to the Organization's facility located in Westlake, Ohio (see Note 9).

### Note 8: Long-Term Debt

The Organization has obtained a mortgage loan with a financial institution payable in monthly principal payments of \$1,215 per month plus accrued and unpaid interest, with interest at the prime rate (subject to floor rate of no lower than 4.0%). The loan matures in August 2016. The mortgage is secured by properties located at 14739 Cheerful Lane, Strongsville, Ohio and 19695 Royalton Road, Strongsville, Ohio. The outstanding principal balance at June 30, 2012 and 2011 was \$60,733 and \$72,883, respectively. The net book value of these properties included in the statements of financial position at June 30, 2012 and 2011 was \$93,920 and \$99,774, respectively.

# Achievement Centers For Children

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 8: Long-Term Debt (continued)

During July 2009, the Organization entered into an agreement with the Ohio Department of Mental Health (ODMH) whereby the Organization received \$100,000 from ODMH to pay off all outstanding principal relating to a local community foundation loan that had financed the purchase of property at 14910 Royalton Road, Strongsville, Ohio. According to the terms of the agreement with ODMH, the outstanding balance of the encumbrance will be forgiven over forty years, one-four hundred and eightieth (1/480) per month, provided the Organization utilizes the land and facilities for mental health services, specifically, therapeutic recreational programs for children with disabilities. The debt is secured by the property. During each of the years ended June 30, 2012 and 2011, \$2,500 was forgiven and recognized as revenue on the accompanying statements of activities. At June 30, 2012 and 2011, \$92,500 and \$95,000, respectively, was included in long-term debt on the accompanying statements of financial position.

Future minimum principal payments, excluding forgivable debt, due June 30 for each of the next five years and thereafter are as follows:

2013	\$	14,580
2014		14,580
2015		14,580
2016		14,580
2017		2,413
Thereafter		<u>-</u>
	\$	<u>60,733</u>

### Note 9: Obligations under Leases

The Organization has operating leases for four copiers.

Minimum future lease payments are \$16,402 for the year ended June 30, 2013, at which point all lease agreements will have expired.

Rental expense for the years ended June 30, 2012 and 2011 was \$23,315 and \$23,705, respectively.

During 2007, the Organization entered into a lease agreement for a building, along with approximately 10 acres of property, in Westlake, Ohio, with a term of 15 years for \$1. The landlord agreed to pay the costs related to maintenance of the grounds during the term of the lease. Approximately 4,000 square feet of space is reserved for the Cuyahoga County Board of Developmental Disabilities' ("CCBDD") staff, for which the Organization is responsible for CCBDD's portion of the utilities expense. Subsequent to June 30, 2012, CCBDD is no longer utilizing this space; however, the Organization continues to be responsible for the related utilities expense.

# Achievement Centers For Children

## Notes to Financial Statements

**June 30, 2012 and 2011**

**Note 10: Restriction on Assets**

On February 5, 1993, the Organization entered into an agreement with the F.J. O'Neill Charitable Corporation from which it has received donations of \$585,000 as permanent endowment funds. The income generated from the fund may be utilized at the Organization's discretion; however, the principal of \$585,000 is permanently restricted.

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

	<u>2012</u>	<u>2011</u>
Adapted football	\$ 12,500	\$ 3,000
Camp services	6,640	6,060
Camp capital improvements	50,000	-
Early intervention services	75,000	170,000
Electronic data management system	106,712	-
Family services	8,043	14,210
General support	20,000	10,000
Mini bus	50,000	-
Therapy services	3,000	53,000
Westlake facility	745	745
United Way of Greater Cleveland allocations – time and use restricted	446,082	463,612
United Way of Greater Cleveland designations – time restricted	<u>140,045</u>	<u>128,792</u>
	<u>\$ 918,767</u>	<u>\$ 849,419</u>

Net assets released from restriction for the years ended June 30, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Adapted sports	\$ 3,000	\$ -
Autism consulting	-	877
Camp	-	4,746
Child Development Center	-	7,000
Early intervention services	95,000	30,000
Family services	6,667	6,623
General support	10,000	-
Music therapy	-	13,922
Therapy services	53,000	13,002
United Way of Greater Cleveland allocations – time and use restricted	463,612	438,365
United Way of Greater Cleveland designations – time restricted	128,792	117,947
United Way of Greater Cleveland other – use restricted	<u>-</u>	<u>2,747</u>
	<u>\$ 760,071</u>	<u>\$ 635,229</u>

# Achievement Centers For Children

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 11: Net Asset Classification of Endowment Funds

The Organization's Endowment Fund consists of collectively invested board-designated funds and donor-restricted funds established to fund Board directed needs and programs. The sole donor restricted fund, in the amount of \$585,000, is invested in various securities. As required by accounting principles generally accepted in the United States of America, 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 Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Fund Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The investment policies of the Organization.

During the year ended June 30, 2012, Achievement Centers for Children had the following endowment related activities:

	Donor-Restricted Endowment Funds	Board-Designated Endowment Funds	Total
Investment return:			
Interest and dividends	\$ 12,696	\$ 187,608	\$ 200,304
Net realized and unrealized losses	<u>(36,183)</u>	<u>(534,659)</u>	<u>(570,842)</u>
Total investment return	(23,487)	(347,051)	(370,538)
Contributions to perpetual endowment	-	-	-
Amounts appropriated for expenditure	<u>(12,696)</u>	<u>(186,428)</u>	<u>(199,124)</u>
Total change in endowment funds	\$ <u><u>(36,183)</u></u>	\$ <u><u>(533,479)</u></u>	\$ <u><u>(569,662)</u></u>

# Achievement Centers For Children

## Notes to Financial Statements

**June 30, 2012 and 2011**

**Note 11: Net Asset Classification of Endowment Funds (continued)**

During the year ended June 30, 2011, Achievement Centers for Children had the following endowment related activities:

	<u>Donor-Restricted Endowment Funds</u>	<u>Board-Designated Endowment Funds</u>	<u>Total</u>
Investment return:			
Interest and dividends	\$ 11,768	\$ 181,961	\$ 193,729
Net realized and unrealized gains	<u>96,300</u>	<u>1,489,036</u>	<u>1,585,336</u>
Total investment return	108,068	1,670,997	1,779,065
Contributions to perpetual endowment	-	-	-
Amounts appropriated for expenditure	<u>(7,407)</u>	<u>(202,117)</u>	<u>(209,524)</u>
Total change in endowment funds	\$ <u><u>100,661</u></u>	\$ <u><u>1,468,880</u></u>	\$ <u><u>1,569,541</u></u>

Endowment Net Asset Composition  
by type of Fund as of June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (36,183)	\$ -	\$ 585,000	\$ 548,817
Board-designated endowment funds	<u>8,682,745</u>	<u>-</u>	<u>-</u>	<u>8,682,745</u>
Total funds	\$ <u><u>8,646,562</u></u>	\$ <u><u>-</u></u>	\$ <u><u>585,000</u></u>	\$ <u><u>9,231,562</u></u>

Endowment Net Asset Composition  
by type of Fund as of June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 585,000	\$ 585,000
Board-designated endowment funds	<u>9,216,224</u>	<u>-</u>	<u>-</u>	<u>9,216,224</u>
Total funds	\$ <u><u>9,216,224</u></u>	\$ <u><u>-</u></u>	\$ <u><u>585,000</u></u>	\$ <u><u>9,801,224</u></u>

# Achievement Centers For Children

## Notes to Financial Statements

**June 30, 2012 and 2011**

**Note 11: Net Asset Classification of Endowment Funds (continued)**

Changes in Endowment Net Assets  
for the Fiscal Year Ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 9,216,224	\$ -	\$ 585,000	\$ 9,801,224
Investment return:				
Interest and dividends	187,608	12,696	-	200,304
Net realized and unrealized losses	<u>(570,842)</u>	<u>-</u>	<u>-</u>	<u>(570,842)</u>
Total investment return	(383,234)	12,696	-	(370,538)
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>(186,428)</u>	<u>(12,696)</u>	<u>-</u>	<u>(199,124)</u>
Endowment net assets, end of year	\$ <u>8,646,562</u>	\$ <u>-</u>	\$ <u>585,000</u>	\$ <u>9,231,562</u>

Changes in Endowment Net Assets  
for the Fiscal Year Ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 7,646,683	\$ -	\$ 585,000	\$ 8,231,683
Investment return:				
Interest and dividends	186,322	7,407	-	193,729
Net realized and unrealized gains	<u>1,585,336</u>	<u>-</u>	<u>-</u>	<u>1,585,336</u>
Total investment return	1,771,658	7,407	-	1,779,065
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	<u>(202,117)</u>	<u>(7,407)</u>	<u>-</u>	<u>(209,524)</u>
Endowment net assets, end of year	\$ <u>9,216,224</u>	\$ <u>-</u>	\$ <u>585,000</u>	\$ <u>9,801,224</u>

Permanently Restricted Net Assets:

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by SPMIFA	<u>\$ 548,817</u>	<u>\$ 585,000</u>
Total endowment funds classified as permanently restricted net assets	<u>\$ 585,000</u>	<u>\$ 585,000</u>

# Achievement Centers For Children

## Notes to Financial Statements

June 30, 2012 and 2011

### Note 11: Net Asset Classification of Endowment Funds (continued)

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in unrestricted net assets were \$36,183 and \$-0- as of June 30, 2012 and 2011, respectively. The deficiency at June 30, 2012 resulted from unfavorable market fluctuations.

#### Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for the Endowment Fund with the understanding that those assets will be prudently invested to provide a continuing source of funding for the agency and its programs. Assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the Finance Committee of the Board should direct the Fund's investment managers to achieve the maximum possible long-term total return on the Endowment Fund while maintaining prudent investment management principles and the basic tenants of preservation of capital. The Organization conducts a quarterly monitoring of the portfolio. Investment performance is measured against comparative market indices including the following: Russell Midcap Index, Russell 2000 Index, MSCI EAFE Index, Barclays Capital U.S. TIPS Index, and Barclays Capital Aggregate Index.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization 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

Recommendations for the use of Endowment Fund assets free of donor restriction shall be the responsibility of the Board of Directors. Recommendations of the Board of Directors shall be executed by the management of the Organization. The Board of Directors has indicated that use of funds will be for the operational needs of the Organization and other such purposes as the Board of Directors shall deem appropriate. Except in special circumstances and except for recommending specific uses of generally restricted donor funds, the Board of Directors shall limit recommendations in the aggregate to an amount which shall not exceed 5% of a three-year rolling fiscal year-end average balance of the Endowment Fund.

**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  
Achievement Centers for Children

We have audited the financial statements of Achievement Centers for Children (the “Organization”) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 12, 2012. 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.

Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

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 Organization’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



To the Board of Directors of  
Achievement Centers for Children

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Achievement Centers for Children's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Finance Committee, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ciuni + Panichi, Inc.*

Cleveland, Ohio  
September 12, 2012