# Achievement Centers for Children

**Financial Statements**
**June 30, 2014 and 2013**

Ciuni &
Panichi
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# Independent Auditor's Report

To the Board of Directors of
Achievement Centers for Children

## Report on the Financial Statements

We have audited the accompanying financial statements of Achievement Centers for Children (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

To the Board of Directors of
Achievement Centers for Children

**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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2014, 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* in considering Achievement Centers for Children's internal control over financial reporting and compliance.

Ciuni + Panichi, Inc.

Cleveland, Ohio
September 18, 2014

# Achievement Centers for Children

## Statements of Financial Position

## June 30, 2014 and 2013

Assets

| | 2014 | 2013 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 506,512 | $ 671,575 |
| Investments | 11,975,196 | 9,632,177 |
| Promises to give, net | 391,507 | 695,372 |
| Accounts and grants receivable, net | 1,106,530 | 835,734 |
| Prepaid expenses and other assets | 60,901 | 64,232 |
| Total current assets | 14,040,646 | 11,899,090 |
| Long-term assets: | | |
| Property and equipment, net | 9,013,710 | 9,123,616 |
| Deposits | 1,880 | 1,880 |
| Investments – restricted | 585,000 | 585,000 |
| Total long-term assets | 9,600,590 | 9,710,496 |
| | $ 23,641,236 | $ 21,609,586 |

Liabilities and Net Assets

| | 2014 | 2013 |
|---|---|---|
| Current liabilities: | | |
| Current portion of long-term debt | $ 14,580 | $ 14,580 |
| Accounts payable – trade | 428,884 | 158,345 |
| Accrued payroll and related expenses | 416,284 | 431,120 |
| Deferred revenue | 565,517 | 489,191 |
| Other accrued expenses | 27,873 | 8,575 |
| Total current liabilities | 1,453,138 | 1,101,811 |
| Long-term debt, net of current portion | 104,453 | 121,533 |
| Total liabilities | 1,557,591 | 1,223,344 |
| Net assets: | | |
| Unrestricted | 21,143,695 | 19,018,304 |
| Temporarily restricted | 354,950 | 782,938 |
| Permanently restricted – F.J. O'Neill Endowment Fund | 585,000 | 585,000 |
| Total net assets | 22,083,645 | 20,386,242 |
| | $ 23,641,236 | $ 21,609,586 |

The accompanying notes are an integral part of these financial statements

# Achievement Centers for Children

## Statement of Activities

## For the year ended June 30, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Operating public support and revenues: | | | | |
| Public support: | | | | |
| Donations (includes $475,298 of in-kind) | $ 2,026,350 | $ 121,551 | $ - | $ 2,147,901 |
| United Way of Greater Cleveland – allocation | - | 167,378 | - | 167,378 |
| Donations – foundations & trusts | 401,570 | 25,000 | - | 426,570 |
| Grants – government | 472,995 | - | - | 472,995 |
| Total public support | 2,900,915 | 313,929 | - | 3,214,844 |
| Revenues: | | | | |
| Fees for services | 4,775,342 | - | - | 4,775,342 |
| Special events (includes $125,036 of in-kind) | 951,623 | - | - | 951,623 |
| Less: direct benefit to donor costs | (138,464) | - | - | (138,464) |
| Insurance proceeds (see Note 4) | 150,000 | - | - | 150,000 |
| Other | 106,859 | - | - | 106,859 |
| Investment return designated for operations | 712,533 | - | - | 712,533 |
| Total revenues | 6,557,893 | - | - | 6,557,893 |
| Net assets released from restrictions | 709,257 | (709,257) | - | - |
| Total operating public support and revenues | 10,168,065 | (395,328) | - | 9,772,737 |
| Operating expenses: | | | | |
| Program services: | | | | |
| Social services to families and individuals | 1,565,528 | - | - | 1,565,528 |
| Child development | 1,614,561 | - | - | 1,614,561 |
| General rehabilitation | 1,785,693 | - | - | 1,785,693 |
| Transportation | 19,535 | - | - | 19,535 |
| Recreation | 2,177,384 | - | - | 2,177,384 |
| Autism consulting | 344,430 | - | - | 344,430 |
| Total program services | 7,507,131 | - | - | 7,507,131 |
| Supporting services: | | | | |
| Management and general | 1,087,770 | - | - | 1,087,770 |
| Fundraising | 603,164 | - | - | 603,164 |
| Total supporting services | 1,690,934 | - | - | 1,690,934 |
| Total operating expenses | 9,198,065 | - | - | 9,198,065 |
| Change in net assets from operations | 970,000 | (395,328) | - | 574,672 |
| Non-operating changes: | | | | |
| Contributions for long-term purposes (includes $40,016 of in-kind) | 40,016 | - | - | 40,016 |
| Interest and dividends | 258,023 | - | - | 258,023 |
| Realized and unrealized gain on investments, net | 1,537,225 | - | - | 1,537,225 |
| Investment return designated for operations | (712,533) | - | - | (712,533) |
| Net assets released from restrictions | 32,660 | (32,660) | - | - |
| Total non-operating changes | 1,155,391 | (32,660) | - | 1,122,731 |
| Change in net assets – total | 2,125,391 | (427,988) | - | 1,697,403 |
| Net assets – beginning | 19,018,304 | 782,938 | 585,000 | 20,386,242 |
| Net assets – ending | $ 21,143,695 | $ 354,950 | $ 585,000 | $ 22,083,645 |

The accompanying notes are an integral part of these financial statements

# Achievement Centers for Children

## Statement of Activities

## For the year ended June 30, 2013

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Operating public support and revenues: | | | | |
| Public support: | | | | |
| Donations (includes $404,664 of in-kind) | $ 847,983 | $ 150,802 | $ - | $ 998,785 |
| United Way of Greater Cleveland – allocation | - | 446,082 | - | 446,082 |
| Donations – foundations & trusts | 298,836 | 25,177 | - | 324,013 |
| Grants – government | 409,537 | 56,505 | - | 466,042 |
| Total public support | 1,556,356 | 678,566 | - | 2,234,922 |
| Revenues: | | | | |
| Fees for services | 5,120,683 | - | - | 5,120,683 |
| Special events (includes $147,119 of in-kind) | 892,096 | - | - | 892,096 |
| Less: direct benefit to donor costs | (102,623) | - | - | (102,623) |
| Other | 46,609 | - | - | 46,609 |
| Investment return designated for operations | 232,650 | - | - | 232,650 |
| Total revenues | 6,189,415 | - | - | 6,189,415 |
| Net assets released from restrictions | 650,717 | (650,717) | - | - |
| Total operating public support and revenues | 8,396,488 | 27,849 | - | 8,424,337 |
| Operating expenses: | | | | |
| Program services: | | | | |
| Social services to families and individuals | 2,082,245 | - | - | 2,082,245 |
| Child development | 1,440,726 | - | - | 1,440,726 |
| General rehabilitation | 1,519,136 | - | - | 1,519,136 |
| Transportation | 24,536 | - | - | 24,536 |
| Recreation | 1,746,141 | - | - | 1,746,141 |
| Autism consulting | 464,522 | - | - | 464,522 |
| Total program services | 7,277,306 | - | - | 7,277,306 |
| Supporting services: | | | | |
| Management and general | 986,209 | - | - | 986,209 |
| Fundraising | 574,714 | - | - | 574,714 |
| Total supporting services | 1,560,923 | - | - | 1,560,923 |
| Total operating expenses | 8,838,229 | - | - | 8,838,229 |
| Change in net assets from operations | (441,741) | 27,849 | - | (413,892) |
| Non-operating changes: | | | | |
| Contributions for long-term purposes (includes $37,225 of in-kind) | 87,225 | - | - | 87,225 |
| Interest and dividends | 244,028 | - | - | 244,028 |
| Realized and unrealized gain on investments, net | 916,793 | - | - | 916,793 |
| Investment return designated for operations | (232,650) | - | - | (232,650) |
| Gain on sale of property and equipment, net | 4,250 | - | - | 4,250 |
| Net assets released from restrictions | 163,678 | (163,678) | - | - |
| Total non-operating changes | 1,183,324 | (163,678) | - | 1,019,646 |
| Change in net assets – total | 741,583 | (135,829) | - | 605,754 |
| Net assets – beginning | 18,276,721 | 918,767 | 585,000 | 19,780,488 |
| Net assets – ending | $ 19,018,304 | $ 782,938 | $ 585,000 | $ 20,386,242 |

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, 2014

| | Program Services | | | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Social Services to Families and Individuals | Child Development | General Rehabilitation | Transportation | Recreation | Autism Consulting | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total Expenses |
| Salaries and wages | $ 906,586 | $ 893,919 | $ 1,107,805 | $ 7,983 | $ 857,796 | $ 229,429 | $ 4,003,518 | $ 743,220 | $ 322,274 | $ 1,065,494 | $ 5,069,012 |
| Employee taxes and benefits | 264,791 | 242,155 | 253,028 | 1,104 | 185,683 | 65,185 | 1,011,946 | 175,586 | 75,876 | 251,462 | 1,263,408 |
| Total personnel costs | 1,171,377 | 1,136,074 | 1,360,833 | 9,087 | 1,043,479 | 294,614 | 5,015,464 | 918,806 | 398,150 | 1,316,956 | 6,332,420 |
| Professional fees and contracts | 50,797 | 84,793 | 46,947 | 704 | 119,338 | 8,802 | 311,381 | 36,039 | 18,391 | 54,430 | 365,811 |
| Occupancy (includes $369,864 of in-kind) (see Note 4) | 131,095 | 212,534 | 234,782 | - | 499,045 | 5,439 | 1,082,895 | 25,232 | 9,000 | 34,232 | 1,117,127 |
| Supplies (includes $230,470 of in-kind) | 29,962 | 46,716 | 28,855 | 410 | 244,356 | 5,036 | 355,335 | 17,675 | 133,056 | 150,731 | 506,066 |
| Local transportation | 43,630 | 17,973 | 8,310 | 7,104 | 28,384 | 5,703 | 111,104 | 2,892 | 642 | 3,534 | 114,638 |
| Advertising | 28,164 | 6,527 | 5,490 | 68 | 12,694 | 1,527 | 54,470 | 3,448 | 3,046 | 6,494 | 60,964 |
| Printing and publications | 9,235 | 9,039 | 8,375 | 139 | 11,097 | 2,819 | 40,704 | 7,309 | 11,913 | 19,222 | 59,926 |
| Postage and shipping | 3,253 | 3,118 | 2,915 | 50 | 7,077 | 541 | 16,954 | 2,628 | 2,490 | 5,118 | 22,072 |
| Telephone | 8,369 | 6,570 | 5,193 | 660 | 17,164 | 4,198 | 42,154 | 4,188 | 970 | 5,158 | 47,312 |
| Rental and maintenance of equipment | - | 2,290 | 3,567 | - | 1,926 | - | 7,783 | 603 | 10,092 | 10,695 | 18,478 |
| Insurance | 5,010 | 4,829 | 4,588 | 80 | 11,335 | 793 | 26,635 | 4,210 | 935 | 5,145 | 31,780 |
| Continuing education | 9,430 | 11,228 | 6,528 | 45 | 12,526 | 815 | 40,572 | 2,077 | 461 | 2,538 | 43,110 |
| Workshops | - | - | - | - | - | 1,282 | 1,282 | - | - | - | 1,282 |
| Interest | - | - | - | - | 1,599 | - | 1,599 | - | - | - | 1,599 |
| Bad debt expense | 522 | 842 | 929 | - | 5,432 | 23 | 7,748 | 99 | 36 | 135 | 7,883 |
| Miscellaneous | 722 | 740 | 652 | 12 | - | 812 | 2,938 | 390 | 173 | 563 | 3,501 |
| Total before depreciation | 1,491,566 | 1,543,273 | 1,717,964 | 18,359 | 2,015,452 | 332,404 | 7,119,018 | 1,025,596 | 589,355 | 1,614,951 | 8,733,969 |
| Depreciation | 73,962 | 71,288 | 67,729 | 1,176 | 161,932 | 12,026 | 388,113 | 62,174 | 13,809 | 75,983 | 464,096 |
| Total expenses | $ 1,565,528 | $ 1,614,561 | $ 1,785,693 | $ 19,535 | $ 2,177,384 | $ 344,430 | $ 7,507,131 | $ 1,087,770 | $ 603,164 | $ 1,690,934 | $ 9,198,065 |

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, 2013

| | Program Services | | | | | | | Supporting Services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Total Expenses |
| Salaries and wages | $ 1,213,987 | $ 766,368 | $ 906,669 | $ 10,603 | $ 764,390 | $ 319,050 | $ 3,981,067 | $ 665,301 | $ 288,643 | $ 953,944 | $ 4,935,011 |
| Employee taxes and benefits | 373,058 | 203,494 | 207,857 | 2,202 | 155,659 | 79,893 | 1,022,163 | 157,433 | 67,876 | 225,309 | 1,247,472 |
| Total personnel costs | 1,587,045 | 969,862 | 1,114,526 | 12,805 | 920,049 | 398,943 | 5,003,230 | 822,734 | 356,519 | 1,179,253 | 6,182,483 |
| Professional fees and contracts (includes $12,573 of in-kind) | 86,729 | 100,806 | 53,575 | 1,133 | 111,057 | 13,758 | 367,058 | 42,250 | 18,321 | 60,571 | 427,629 |
| Occupancy (includes $369,864 of in-kind) | 131,032 | 213,459 | 234,744 | - | 286,713 | 5,522 | 871,470 | 25,331 | 9,135 | 34,466 | 905,936 |
| Supplies (includes $169,346 of in-kind) | 45,498 | 38,814 | 21,651 | 579 | 163,441 | 8,106 | 278,089 | 13,207 | 150,987 | 164,194 | 442,283 |
| Local transportation | 64,253 | 18,695 | 6,262 | 7,094 | 35,290 | 4,523 | 136,117 | 2,337 | 435 | 2,772 | 138,889 |
| Advertising | 5,824 | 6,463 | 6,642 | 83 | 11,966 | 2,362 | 33,340 | 2,676 | 2,241 | 4,917 | 38,257 |
| Printing and publications | 17,891 | 10,071 | 9,186 | 254 | 18,764 | 2,481 | 58,647 | 8,893 | 10,354 | 19,247 | 77,894 |
| Postage and shipping | 6,588 | 3,725 | 3,308 | 98 | 7,401 | 1,019 | 22,139 | 3,449 | 5,259 | 8,708 | 30,847 |
| Telephone | 12,493 | 6,245 | 4,257 | 709 | 17,719 | 4,928 | 46,351 | 4,216 | 784 | 5,000 | 51,351 |
| Rental and maintenance of equipment | - | 1,631 | 2,056 | - | 1,023 | 668 | 5,378 | - | 9,330 | 9,330 | 14,708 |
| Insurance | 6,542 | 3,598 | 3,300 | 98 | 6,256 | 960 | 20,754 | 3,442 | 639 | 4,081 | 24,835 |
| Continuing education | 10,372 | 7,875 | 5,187 | 64 | 7,938 | 1,865 | 33,301 | 1,068 | 189 | 1,257 | 34,558 |
| Workshops | - | - | - | - | - | 2,289 | 2,289 | - | - | - | 2,289 |
| Interest | - | - | - | - | 2,151 | - | 2,151 | - | - | - | 2,151 |
| Bad debt expense | - | - | - | - | 10,481 | - | 10,481 | - | - | - | 10,481 |
| Miscellaneous | 821 | 556 | 384 | 11 | 913 | 162 | 2,847 | 252 | 47 | 299 | 3,146 |
| Total before depreciation | 1,975,088 | 1,381,800 | 1,465,078 | 22,928 | 1,601,162 | 447,586 | 6,893,642 | 929,855 | 564,240 | 1,494,095 | 8,387,737 |
| Depreciation | 107,157 | 58,926 | 54,058 | 1,608 | 144,979 | 16,936 | 383,664 | 56,354 | 10,474 | 66,828 | 450,492 |
| Total expenses | $ 2,082,245 | $ 1,440,726 | $ 1,519,136 | $ 24,536 | $ 1,746,141 | $ 464,522 | $ 7,277,306 | $ 986,209 | $ 574,714 | $ 1,560,923 | $ 8,838,229 |

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, 2014 and 2013

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Change in net assets | $ | 1,697,403 | $ | 605,754 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | | | |
| Depreciation | | 464,096 | | 450,492 |
| Realized and unrealized gain on investments | | (1,537,225) | | (916,793) |
| Provision for uncollectible promises to give and accounts and grants receivable | | (10,523) | | (3,182) |
| Amortization of pledge discounts | | - | | (4,826) |
| Contributions restricted for long-term purposes | | - | | (50,000) |
| In-kind donations of property and equipment | | (40,016) | | (37,225) |
| Forgiveness of debt | | (2,500) | | (2,500) |
| Gain on sale of property and equipment | | - | | (4,250) |
| Changes in operating assets and liabilities: | | | | |
| Promises to give | | 314,388 | | 95,081 |
| Accounts receivable | | (270,796) | | 74,836 |
| Prepaid expenses and other assets | | 3,331 | | (18,997) |
| Accounts payable | | 183,414 | | 8,198 |
| Accrued expenses | | 4,462 | | (3,286) |
| Deferred revenue | | 76,326 | | (70,666) |
| Net cash provided by operating activities | | 882,360 | | 122,636 |
| Cash flows from investing activities: | | | | |
| Purchases of investments | | (5,043,638) | | (2,139,264) |
| Proceeds from sales of investments | | 4,237,844 | | 2,070,442 |
| Proceeds from sale of property and equipment | | - | | 4,750 |
| Purchases of property and equipment | | (227,049) | | (272,670) |
| Net cash used in investing activities | | (1,032,843) | | (336,742) |
| Cash flows from financing activities: | | | | |
| Collection of contributions restricted for long-term purposes | | - | | 175,000 |
| Principal payments on long-term debt | | (14,580) | | (14,620) |
| Net cash (used) provided by financing activities | | (14,580) | | 160,380 |
| Net decrease in cash and cash equivalents | | (165,063) | | (53,726) |
| Cash and cash equivalents, beginning of year | | 671,575 | | 725,301 |
| Cash and cash equivalents, end of year | $ | 506,512 | $ | 671,575 |
| **Non-cash investing and finance activity:** | | | | |
| Increase in accounts payable related to the acquisition of property and equipment | $ | 87,125 | $ | - |
| **Supplemental disclosures of cash flow information:** | | | | |
| Interest paid | $ | 1,599 | $ | 2,151 |

The accompanying notes are an integral part of these financial statements

# Achievement Centers For Children

## Notes to Financial Statements

## June 30, 2014 and 2013

**Note 1: Summary of Significant Accounting Policies**

<u>Organization and Operations</u>

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.

<u>Basis of Presentation</u>

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).

### 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 both June 30, 2014 and 2013, accounts and grants receivable are presented net of management’s estimated allowance for doubtful accounts of $4,633.

**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 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. During 2014, the Organization received a conditional promise to give in the amount of $100,000 to be used for the construction and operation of the new multi-purpose building at Camp Cheerful. The commitment to the Organization is contingent upon 2:1 matching requirements, with $50,000 awarded for each of the two successive grant years ending May 2015 and May 2016 respectively. As of June 30, 2014, no costs have been applied to this conditional promise or recognized as revenue.

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.

The Organization recognizes contributions of services received when those services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donation.

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

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, 2014 and 2013 are investment management fees of $54,534 and $50,098, respectively.

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, 2014 and 2013, 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.

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

### Income Tax Status (continued)

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 2011.

### Advertising

The Organization expenses advertising costs as they are incurred.

### 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 follow an investment policy statement as approved 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 promises to give is limited due to the number and credit worthiness of the foundations, corporations, and individuals who comprise the contributor base.

### 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 18, 2014, the date the financial statements were available to be issued.

## Note 2: Promises to Give

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. There were no promises to give due in more than one year at June 30, 2014 and 2013.

**Note 2: Promises to Give (continued)**

Pledges receivable consisted of the following as of June 30:

| | 2014 | 2013 |
|---|---|---|
| Payable within one year | $ 400,045 | $ 714,433 |
| Less: allowance for doubtful accounts | (8,538) | (19,061) |
| Promises to give, net | $ 391,507 | $ 695,372 |

The Organization's Board of Directors attained "100% giving" during each of the years ended June 30, 2014 and 2013 through direct contributions from the Board members and/or the entities with which the members are affiliated. At June 30, 2014 and 2013, promises to give from related parties were $50,625 and $57,400, respectively. Contribution revenue from related parties for the years ended June 30, 2014 and 2013 was $407,735 and $298,673, respectively.

**Note 3: 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. Voluntary 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, 2014 and 2013, the amount of pension expense was $219,783 and $199,292, respectively.

**Note 4: Property and Equipment**

The following is a summary of property and equipment at June 30, 2014 and 2013:

| | 2014 | 2013 |
|---|---|---|
| Land | $ 2,194,701 | $ 2,194,701 |
| Building and improvements | 7,160,110 | 7,158,310 |
| Leasehold improvements | 4,355,824 | 4,234,874 |
| Furniture and equipment | 1,687,191 | 1,802,050 |
| Vehicles | 156,479 | 155,184 |
| Construction in progress | 102,308 | 112,337 |
| | 15,656,613 | 15,657,456 |
| Less: accumulated depreciation | (6,642,903) | (6,533,840) |
| Property and equipment, net | $ 9,013,710 | $ 9,123,616 |

## Note 4: Property and Equipment (continued)

Construction in progress is comprised of the following as of June 30:

| | 2014 | 2013 |
|---|---|---|
| Electronic Management System | $ 60,700 | $ 112,337 |
| Clubhouse building- Camp Cheerful | 41,608 | - |
| Construction in progress | $ 102,308 | $ 112,337 |

The Organization will reclassify the Electronic Management System costs from construction in progress and begin to depreciate them as phases of the project are completed. The Organization will reclassify the Clubhouse building for Camp Cheerful and begin to depreciate the building once the building has been placed in service.

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.

In May, 2014, costs were incurred by the Organization as a result of significant storm/water damage at the Organization's Strongsville Camp Cheerful site. Included in the "leasehold improvements" line item in the summary of property equipment above are $178,460 in additions relating to replacement of capital items necessitated by the water damage. An additional $210,508 was expensed during the year ended June 30, 2014 relating primarily to the clean-up costs, which are included in "occupancy" on the fiscal year 2014 statement of functional expenses. The Organization filed a claim under its insurance coverage and has recognized $150,000 in insurance proceeds that have been secured subsequent to June 30, 2014. These proceeds are included in account receivable at June 30, 2014. Additionally the Organization, along with local municipalities, is pursuing further cost relief through the Federal Emergency Management Agency.

## Note 5: 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 or liability and are based on the best available information, which has been internally developed.

**Note 5: Fair Value Measurements (continued)**

Financial assets consisted of the following at June 30, 2014 and 2013:

| | Level 1 | Level 2 | Level 3 | Total at June 30, 2014 |
|---|---|---|---|---|
| Cash equivalents | $ 174,583 | $ - | $ - | $ 174,583 |
| Mutual funds: | | | | |
| Equity | 5,595,315 | - | - | 5,595,315 |
| Fixed-income | 1,189,915 | - | - | 1,189,915 |
| Common/collective funds: | | | | |
| Equity | - | 3,677,413 | - | 3,677,413 |
| Fixed-income | - | 959,300 | - | 959,300 |
| Alternative investment | - | - | 963,670 | 963,670 |
| Totals | $ 6,959,813 | $ 4,636,713 | $ 963,670 | $ 12,560,196 |

| | Level 1 | Level 2 | Level 3 | Total at June 30, 2013 |
|---|---|---|---|---|
| Cash equivalents | $ 204,843 | $ - | $ - | $ 204,843 |
| Mutual funds: | | | | |
| Equity | 3,674,344 | - | - | 3,674,344 |
| Fixed-income | 1,587,384 | - | - | 1,587,384 |
| Common/collective funds: | | | | |
| Equity | - | 2,559,623 | - | 2,559,623 |
| Fixed-income | - | 1,275,315 | - | 1,275,315 |
| Alternative investment | - | - | 915,668 | 915,668 |
| Totals | $ 5,466,571 | $ 3,834,938 | $ 915,668 | $ 10,217,177 |

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, 2014 and 2013.

*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.

### Note 5: 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 asset for the years ended June 30, 2014 and 2013:

| | Alternative Investment |
|---|---|
| Balance, June 30, 2012 | $ 834,501 |
| Unrealized gain | 81,167 |
| Balance, June 30, 2013 | $ 915,668 |
| Unrealized gain | 48,002 |
| Balance, June 30, 2014 | $ 963,670 |

### Note 6: 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 $640,350 and $589,008 for the years ended June 30, 2014 and 2013, respectively, of which $369,864 in each year represents donated rent in relation to the Organization's facility located in Westlake, Ohio (see Note 8).

### Note 7: 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, 2014 and 2013 was $31,533 and $46,113, respectively. The net book value of these properties included in the statements of financial position at June 30, 2014 and 2013 was $82,561 and $88,212, respectively.

**Note 7: 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 40 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, 2014 and 2013, $2,500 was forgiven and recognized as revenue on the accompanying statements of activities. At June 30, 2014 and 2013, $87,500 and $90,000, respectively, was included in long-term debt on the accompanying statements of financial position.

Future minimum principal payments, excluding forgivable debt, are as follows for the years ending June 30:

| | |
|---|---|
| 2015 | $ 14,580 |
| 2016 | 14,580 |
| 2017 | 2,373 |
| | $ 31,533 |

**Note 8: Obligations under Leases**

The Organization leases certain equipment for use in its operations pursuant to long-term leases and short-term agreements. Total lease and rental expenses were $20,605 and $25,731 during the years ended June 30, 2014 and 2013, respectively.

Future minimum lease payments under noncancelable leases with terms greater than one year are as follows for the years ending June 30:

| | |
|---|---|
| 2015 | $ 10,464 |
| 2016 | 10,464 |
| 2017 | 10,464 |
| 2018 | 10,464 |
| 2019 | 2,616 |
| | $ 44,472 |

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. The estimated fair market value of the lease exceeds the amount charged to the Organization by $369,864 each year. This amount is included within “donations” on the statements of activities as in-kind revenue, and within “occupancy” on the statements of functional expenses as in-kind expense.

### Note 9: 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:

| | 2014 | 2013 |
|---|---|---|
| Adapted football | $ 25,000 | $ - |
| Camp services | 6,060 | 6,060 |
| Camp capital improvements | 10,374 | 11,104 |
| CCBDD Day Array startup | - | 29,167 |
| Early intervention services | 15,000 | 45,000 |
| Electronic data management system | - | 31,930 |
| Family services | 7,858 | 12,449 |
| General support | - | 17,500 |
| Highland playground improvement | 4,451 | 4,451 |
| I Can Bike | 5,468 | 4,800 |
| Infant massage video production | - | 27,338 |
| Therapy services | 3,000 | 3,000 |
| Therapeutic riding | - | 6,277 |
| Westlake facility | 278 | 278 |
| United Way of Greater Cleveland allocations – time and use restricted | 167,378 | 446,082 |
| United Way of Greater Cleveland designations – time restricted | 110,083 | 137,502 |
| | $ 354,950 | $ 782,938 |

### Note 9: Restriction on Assets (continued)

Net assets released from restriction for the years ended June 30, 2014 and 2013 were as follows:

| | 2014 | 2013 |
|---|---|---|
| Adapted aquatics | $ - | $ 580 |
| Adapted sports | - | 12,500 |
| CCBDD Day Array start up | 29,167 | - |
| Camp capital improvements | 730 | 38,896 |
| Early intervention services | 30,000 | 30,000 |
| Electronic data management system | 31,930 | 74,782 |
| Family services | 7,591 | 8,043 |
| General support | 16,500 | 10,000 |
| I Can Bike program | 4,800 | - |
| Infant massage video production | 27,338 | - |
| Mini bus | - | 50,000 |
| Special events – A Most Excellent Race | 1,000 | - |
| Therapeutic riding | 6,277 | - |
| Therapy services | 3,000 | 3,000 |
| Westlake facility | - | 467 |
| United Way of Greater Cleveland allocations – time and use restricted | 446,082 | 446,082 |
| United Way of Greater Cleveland designations – time restricted | 137,502 | 140,045 |
| | $ 741,917 | $ 814,395 |

### Note 10: 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.

**Note 10: Net Asset Classification of Endowment Funds (continued)**

During the year ended June 30, 2014, the Organization had the following endowment related activities:

| | Donor-Restricted Endowment Funds | Board-Designated Endowment Funds | Total |
|---|---|---|---|
| Investment return: | | | |
| Interest and dividends | $ 13,852 | $ 244,171 | $ 258,023 |
| Net realized and unrealized gains | 82,526 | 1,454,699 | 1,537,225 |
| Total investment return | 96,378 | 1,698,870 | 1,795,248 |
| Contributions to perpetual endowment | - | 1,260,304 | 1,260,304 |
| Amounts appropriated for expenditure | (96,378) | (616,155) | (712,533) |
| Total change in endowment funds | $ - | $ 2,343,019 | $ 2,343,019 |

During the year ended June 30, 2013, the Organization had the following endowment related activities:

| | Donor-Restricted Endowment Funds | Board-Designated Endowment Funds | Total |
|---|---|---|---|
| Investment return: | | | |
| Interest and dividends | $ 15,468 | $ 228,560 | $ 244,028 |
| Net realized and unrealized gains | 58,111 | 858,682 | 916,793 |
| Total investment return | 73,579 | 1,087,242 | 1,160,821 |
| Contributions to perpetual endowment | - | 57,444 | 57,444 |
| Amounts appropriated for expenditure | (37,396) | (195,254) | (232,650) |
| Total change in endowment funds | $ 36,183 | $ 949,432 | $ 985,615 |

**Note 10: Net Asset Classification of Endowment Funds (continued)**

Endowment Net Asset Composition
by type of Fund as of June 30, 2014:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ - | $ 585,000 | $ 585,000 |
| Board-designated endowment funds | 11,975,196 | - | - | 11,975,196 |
| Total funds | $ 11,975,196 | $ - | $ 585,000 | $ 12,560,196 |

Endowment Net Asset Composition
by type of Fund as of June 30, 2013:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ - | $ 585,000 | $ 585,000 |
| Board-designated endowment funds | 9,632,177 | - | - | 9,632,177 |
| Total funds | $ 9,632,177 | $ - | $ 585,000 | $ 10,217,177 |

Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2014:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 9,632,177 | $ - | $ 585,000 | $ 10,217,177 |
| Investment return: | | | | |
| Interest and dividends | 244,171 | 13,852 | - | 258,023 |
| Net realized and unrealized gains | 1,454,699 | 82,526 | - | 1,537,225 |
| Total investment return | 1,698,870 | 96,378 | - | 1,795,248 |
| Contributions to perpetual endowment | 1,260,304 | - | - | 1,260,304 |
| Appropriation of endowment assets for expenditure | (616,155) | (96,378) | - | (712,533) |
| Endowment net assets, end of year | $ 11,975,196 | $ - | $ 585,000 | $ 12,560,196 |

**Note 10: Net Asset Classification of Endowment Funds (continued)**

Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2013:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, beginning of year | $ 8,646,562 | $ - | $ 585,000 | $ 9,231,562 |
| Investment return: | | | | |
| Interest and dividends | 228,560 | 15,468 | - | 244,028 |
| Net realized and unrealized gains | 894,865 | 21,928 | - | 916,793 |
| Total investment return | 1,123,425 | 37,396 | - | 1,160,821 |
| Contributions to perpetual endowment | 57,444 | - | - | 57,444 |
| Appropriation of endowment assets for expenditure | (195,254) | (37,396) | - | (232,650) |
| Endowment net assets, end of year | $ 9,632,177 | $ - | $ 585,000 | $ 10,217,177 |

| | 2014 | 2013 |
|---|---|---|
| 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 | $ 585,000 | $ 585,000 |
| Total endowment funds classified as permanently restricted net assets | $ 585,000 | $ 585,000 |

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 a custom benchmark consisting of results of 50% of the Russell 3000 Index, 15% MSCI All World ex-USA Index, 32% Barclays Capital Aggregate Index, and 3% 90-day Treasury Bills.

**Note 10: Net Asset Classification of Endowment Funds (continued)**

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.

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# 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Achievement Centers for Children (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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To the Board of Directors of
Achievement Centers for Children

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ciuni + Panichi, Inc.

Cleveland, Ohio
September 18, 2014