

Achievement Centers for Children

**Financial Statements
June 30, 2016 and 2015**

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, 2016 and 2015, 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 the Organization as of June 30, 2016 and 2015, 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 13, 2016, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

Ciuni + Panichi, Inc.

Cleveland, Ohio
September 13, 2016

Achievement Centers for Children

Statements of Financial Position

June 30, 2016 and 2015

	<u>Assets</u>	
	<u>2016</u>	<u>2015</u>
Current assets:		
Cash and cash equivalents	\$ 335,474	\$ 463,854
Investments	10,929,732	11,509,936
Promises to give, net	659,517	884,799
Accounts and grants receivable, net	991,817	1,279,755
Prepaid expenses and other assets	<u>90,142</u>	<u>61,660</u>
Total current assets	13,006,682	14,200,004
Long-term assets:		
Promises to give, net	-	69,010
Property and equipment, net	8,982,584	9,316,745
Deposits	880	1,880
Investments – restricted	<u>585,000</u>	<u>585,000</u>
Total long-term assets	<u>9,568,464</u>	<u>9,972,635</u>
	\$ <u>22,575,146</u>	\$ <u>24,172,639</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Current portion of long-term debt	\$ 2,373	\$ 14,580
Accounts payable – trade	121,002	157,376
Accrued payroll and related expenses	281,550	446,016
Deferred revenue	405,221	510,656
Other accrued expenses	<u>11,040</u>	<u>29,215</u>
Total current liabilities	821,186	1,157,843
Long-term debt, net of current portion	<u>82,500</u>	<u>87,373</u>
Total liabilities	903,686	1,245,216
Net assets:		
Unrestricted:		
Undesignated	671,167	958,128
Net investment in property and equipment	8,897,711	9,214,792
Board-designated endowment	<u>10,942,009</u>	<u>11,509,936</u>
Total unrestricted	20,510,887	21,682,856
Temporarily restricted	575,573	659,567
Permanently restricted – F.J. O’Neill Endowment Fund	<u>585,000</u>	<u>585,000</u>
Total net assets	<u>21,671,460</u>	<u>22,927,423</u>
	\$ <u>22,575,146</u>	\$ <u>24,172,639</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating public support and revenues:				
Public support:				
Donations (includes \$492,719 of in-kind)	\$ 1,084,420	\$ 143,592	\$ -	\$ 1,228,012
Special events (includes \$79,805 of in-kind)	759,184	-	-	759,184
Less: direct benefit to donor costs	(130,447)	-	-	(130,447)
United Way of Greater Cleveland – allocation	-	306,202	-	306,202
Donations – foundations & trusts	293,405	37,000	-	330,405
Grants – government	<u>369,584</u>	<u>7,760</u>	-	<u>377,344</u>
Total public support	2,376,146	494,554	-	2,870,700
Revenues:				
Fees for services	5,593,634	-	-	5,593,634
Insurance proceeds (see Note 4)	126,759	-	-	126,759
Other	70,154	-	-	70,154
Investment return designated for operations	<u>496,994</u>	<u>-</u>	<u>-</u>	<u>496,994</u>
Total revenues	6,287,541	-	-	6,287,541
Net assets released from restrictions	<u>578,548</u>	<u>(578,548)</u>	<u>-</u>	<u>-</u>
Total operating public support and revenues	9,242,235	(83,994)	-	9,158,241
Operating expenses:				
Program services:				
Social services to families and individuals	1,965,540	-	-	1,965,540
Child development	1,531,065	-	-	1,531,065
General rehabilitation	1,959,513	-	-	1,959,513
Transportation	19,475	-	-	19,475
Recreation	2,395,139	-	-	2,395,139
Autism consulting	<u>124,793</u>	<u>-</u>	<u>-</u>	<u>124,793</u>
Total program services	7,995,525	-	-	7,995,525
Supporting services:				
Management and general	1,146,132	-	-	1,146,132
Fundraising	<u>582,443</u>	<u>-</u>	<u>-</u>	<u>582,443</u>
Total supporting services	<u>1,728,575</u>	<u>-</u>	<u>-</u>	<u>1,728,575</u>
Total operating expenses	<u>9,724,100</u>	<u>-</u>	<u>-</u>	<u>9,724,100</u>
Change in net assets from operations	(481,865)	(83,994)	-	(565,859)
Non-operating changes:				
Contributions for long-term				
Purposes (includes \$18,500 of in-kind)	90,100	-	-	90,100
Interest and dividends	249,845	-	-	249,845
Realized and unrealized loss				
on investments, net	(476,012)	-	-	(476,012)
Investment management fees	(57,043)	-	-	(57,043)
Investment return designated for operations	(496,994)	-	-	(496,994)
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating changes	<u>(690,104)</u>	<u>-</u>	<u>-</u>	<u>(690,104)</u>
Change in net assets – total	(1,171,969)	(83,994)	-	(1,255,963)
Net assets – beginning	<u>21,682,856</u>	<u>659,567</u>	<u>585,000</u>	<u>22,927,423</u>
Net assets – ending	<u>\$ 20,510,887</u>	<u>\$ 575,573</u>	<u>\$ 585,000</u>	<u>\$ 21,671,460</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, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating public support and revenues:				
Public support:				
Donations (includes \$654,773 of in-kind)	\$ 1,323,611	\$ 151,400	\$ -	\$ 1,475,011
Special events (includes \$99,869 of in-kind)	855,352	-	-	855,352
Less: direct benefit to donor costs	(123,884)	-	-	(123,884)
United Way of Greater Cleveland – allocation	194,000	328,030	-	522,030
Donations – foundations & trusts	343,521	175,000	-	518,521
Grants – government	<u>429,037</u>	<u>-</u>	<u>-</u>	<u>429,037</u>
Total public support	3,021,637	654,430	-	3,676,067
Revenues:				
Fees for services	5,481,960	-	-	5,481,960
Insurance proceeds (see Note 4)	73,726	-	-	73,726
Other	106,770	-	-	106,770
Investment return designated for operations	<u>643,941</u>	<u>-</u>	<u>-</u>	<u>643,941</u>
Total revenues	6,306,397	-	-	6,306,397
Net assets released from restrictions	<u>331,988</u>	<u>(331,988)</u>	<u>-</u>	<u>-</u>
Total operating public support and revenues	9,660,022	322,442	-	9,982,464
Operating expenses:				
Program services:				
Social services to families and individuals	1,771,954	-	-	1,771,954
Child development	1,517,706	-	-	1,517,706
General rehabilitation	1,828,138	-	-	1,828,138
Transportation	20,665	-	-	20,665
Recreation	2,304,971	-	-	2,304,971
Autism consulting	<u>172,813</u>	<u>-</u>	<u>-</u>	<u>172,813</u>
Total program services	7,616,247	-	-	7,616,247
Supporting services:				
Management and general	1,070,865	-	-	1,070,865
Fundraising	<u>565,081</u>	<u>-</u>	<u>-</u>	<u>565,081</u>
Total supporting services	<u>1,635,946</u>	<u>-</u>	<u>-</u>	<u>1,635,946</u>
Total operating expenses	<u>9,252,193</u>	<u>-</u>	<u>-</u>	<u>9,252,193</u>
Change in net assets from operations	407,829	322,442	-	730,271
Non-operating changes:				
Contributions for long-term purposes (includes \$154,081 of in-kind)	578,767	-	-	578,767
Interest and dividends	389,964	-	-	389,964
Realized and unrealized loss on investments, net	(152,599)	-	-	(152,599)
Investment management fees	(58,684)	-	-	(58,684)
Investment return designated for operations	(643,941)	-	-	(643,941)
Net assets released from restrictions	<u>17,825</u>	<u>(17,825)</u>	<u>-</u>	<u>-</u>
Total non-operating changes	<u>131,332</u>	<u>(17,825)</u>	<u>-</u>	<u>113,507</u>
Change in net assets – total	539,161	304,617	-	843,778
Net assets – beginning	<u>21,143,695</u>	<u>354,950</u>	<u>585,000</u>	<u>22,083,645</u>
Net assets – ending	<u>\$ 21,682,856</u>	<u>\$ 659,567</u>	<u>\$ 585,000</u>	<u>\$ 22,927,423</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, 2016

	Program Services						Supporting Services				Total Expenses
	Social Services to Families and Individuals	Child Development	General Rehabilitation	Transportation	Recreation	Autism Consulting	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 1,163,221	\$ 825,869	\$ 1,213,181	\$ 8,106	\$ 1,048,924	\$ 76,980	\$ 4,336,281	\$ 760,289	\$ 329,492	\$ 1,089,781	\$ 5,426,062
Employee taxes and benefits	<u>367,115</u>	<u>266,748</u>	<u>317,110</u>	<u>1,313</u>	<u>247,758</u>	<u>23,131</u>	<u>1,223,175</u>	<u>220,029</u>	<u>95,313</u>	<u>315,342</u>	<u>1,538,517</u>
Total personnel costs	1,530,336	1,092,617	1,530,291	9,419	1,296,682	100,111	5,559,456	980,318	424,805	1,405,123	6,964,579
Professional fees and contracts (includes \$7,716 of in-kind)	66,226	81,160	58,472	804	182,403	3,155	392,220	38,667	19,897	58,564	450,784
Occupancy (includes \$369,864 of in-kind) (see Note 6)	128,380	207,414	229,868	-	329,782	5,267	900,711	24,330	8,716	33,046	933,757
Supplies (includes \$194,944 of in-kind)	41,545	43,870	28,398	449	267,313	2,095	383,670	19,280	84,141	103,421	487,091
Local transportation	59,771	13,505	6,050	6,901	31,642	1,081	118,950	2,305	551	2,856	121,806
Advertising	6,634	5,203	3,966	61	17,122	280	33,266	3,073	3,246	6,319	39,585
Printing and publications	12,601	9,435	9,974	160	15,754	1,331	49,255	8,024	12,776	20,800	70,055
Postage and shipping	2,897	1,905	2,282	38	6,960	148	14,230	1,800	2,397	4,197	18,427
Telephone	8,626	4,506	3,494	322	13,639	1,118	31,705	2,338	664	3,002	34,707
Rental and maintenance of equipment	-	516	1,947	-	1,319	-	3,782	-	9,462	9,462	13,244
Insurance	7,706	5,067	6,061	101	13,509	394	32,838	5,049	1,208	6,257	39,095
Continuing education	10,237	6,309	7,464	36	13,489	527	38,062	1,609	385	1,994	40,056
Workshops	-	-	-	-	-	138	138	-	-	-	138
Interest	-	-	-	-	417	-	417	-	-	-	417
Bad debt expense	-	-	-	-	6,106	4,000	10,106	-	-	-	10,106
Miscellaneous	<u>5,154</u>	<u>3,389</u>	<u>4,054</u>	<u>67</u>	<u>5,884</u>	<u>264</u>	<u>18,812</u>	<u>3,377</u>	<u>808</u>	<u>4,185</u>	<u>22,997</u>
Total before depreciation	1,880,113	1,474,896	1,892,321	18,358	2,202,021	119,909	7,587,618	1,090,170	569,056	1,659,226	9,246,844
Depreciation	<u>85,427</u>	<u>56,169</u>	<u>67,192</u>	<u>1,117</u>	<u>193,118</u>	<u>4,884</u>	<u>407,907</u>	<u>55,962</u>	<u>13,387</u>	<u>69,349</u>	<u>477,256</u>
Total expenses	\$ <u>1,965,540</u>	\$ <u>1,531,065</u>	\$ <u>1,959,513</u>	\$ <u>19,475</u>	\$ <u>2,395,139</u>	\$ <u>124,793</u>	\$ <u>7,995,525</u>	\$ <u>1,146,132</u>	\$ <u>582,443</u>	\$ <u>1,728,575</u>	\$ <u>9,724,100</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, 2015

	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	\$ 1,069,621	\$ 819,615	\$ 1,152,799	\$ 8,538	\$ 936,586	\$ 115,802	\$ 4,102,961	\$ 736,601	\$ 319,193	\$ 1,055,794	\$ 5,158,755
Employee taxes and benefits	296,217	240,402	252,726	1,154	192,038	26,410	1,008,947	174,189	75,481	249,670	1,258,617
Total personnel costs	1,365,838	1,060,017	1,405,525	9,692	1,128,624	142,212	5,111,908	910,790	394,674	1,305,464	6,417,372
Professional fees and contracts (includes \$23,138 of in-kind)	55,473	86,761	53,075	730	144,381	5,954	346,374	34,026	17,816	51,842	398,216
Occupancy (includes \$369,864 of in-kind) (see Note 6)	128,570	208,441	230,261	-	299,898	5,334	872,504	24,573	8,827	33,400	905,904
Supplies (includes \$361,640 of in-kind)	41,033	43,910	29,502	461	433,544	4,097	552,547	17,490	102,956	120,446	672,993
Local transportation	54,993	15,561	5,682	7,581	33,446	2,326	119,589	2,567	435	3,002	122,591
Advertising	6,820	7,021	6,380	93	23,572	1,417	45,303	4,471	1,706	6,177	51,480
Printing and publications	11,544	10,290	9,515	157	15,148	1,902	48,556	7,818	11,957	19,775	68,331
Postage and shipping	3,539	2,726	2,905	52	6,948	252	16,422	2,585	3,121	5,706	22,128
Telephone	8,524	5,416	3,919	597	13,678	1,551	33,685	2,937	498	3,435	37,120
Rental and maintenance of equipment	-	4,478	1,190	-	446	-	6,114	220	12,311	12,531	18,645
Insurance	6,287	4,843	5,162	92	11,298	448	28,130	4,600	780	5,380	33,510
Continuing education	10,590	7,576	10,372	55	9,737	1,196	39,526	2,216	375	2,591	42,117
Workshops	-	-	-	-	-	187	187	-	-	-	187
Interest	-	-	-	-	1,007	-	1,007	-	-	-	1,007
Bad debt expense	1,121	863	920	16	177	80	3,177	-	-	-	3,177
Miscellaneous	838	655	688	12	2,001	60	4,254	409	102	511	4,765
Total before depreciation	1,695,170	1,458,558	1,765,096	19,538	2,123,905	167,016	7,229,283	1,014,702	555,558	1,570,260	8,799,543
Depreciation	76,784	59,148	63,042	1,127	181,066	5,797	386,964	56,163	9,523	65,686	452,650
Total expenses	\$ <u>1,771,954</u>	\$ <u>1,517,706</u>	\$ <u>1,828,138</u>	\$ <u>20,665</u>	\$ <u>2,304,971</u>	\$ <u>172,813</u>	\$ <u>7,616,247</u>	\$ <u>1,070,865</u>	\$ <u>565,081</u>	\$ <u>1,635,946</u>	\$ <u>9,252,193</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, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (1,255,963)	\$ 843,778
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	477,256	452,650
Net realized and unrealized loss on investments	476,012	152,599
Provision for uncollectible promises to give and accounts and grants receivable	36,515	1,633
Pledge discounts to net present value	(5,990)	5,990
Contributions restricted for property and equipment	(71,600)	(424,686)
In-kind donations of property and equipment	(18,500)	(154,081)
Forgiveness of debt	(2,500)	(2,500)
Donated stock contributions	7,609	36,294
Changes in operating assets and liabilities:		
Promises to give	263,379	(567,170)
Accounts receivable	288,326	(175,980)
Prepaid expenses and other assets	(27,482)	(759)
Accounts payable	(36,374)	(271,508)
Accrued expenses	(182,641)	31,074
Deferred revenue	(105,435)	(54,861)
Net cash used by operating activities	(157,388)	(127,527)
Cash flows from investing activities:		
Purchases of investments	(3,853,938)	(1,631,639)
Proceeds from sales of investments	3,950,521	1,908,006
Purchases of property and equipment	(124,595)	(601,604)
Net cash used by investing activities	(28,012)	(325,237)
Cash flows from financing activities:		
Collection of contributions restricted for property and equipment	71,600	424,686
Principal payments on long-term debt	(14,580)	(14,580)
Net cash provided by financing activities	57,020	410,106
Net decrease in cash and cash equivalents	(128,380)	(42,658)
Cash and cash equivalents, beginning of year	463,854	506,512
Cash and cash equivalents, end of year	\$ 335,474	\$ 463,854

Supplemental disclosures of cash flow information:

Interest paid	\$ 417	\$ 1,007
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The accompanying notes are an integral part of these financial statements

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

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 from three sites in the Cleveland area. The Organization offers education programs including a licensed school specializing in the education of children with autism; social work services including behavioral health and early childhood mental health; therapy services including speech, physical, and occupational; and an assortment of recreation programs including residential camp, day camp, therapeutic horsemanship, adapted aquatics, and adapted sports.

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, 2016 and 2015

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.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

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, 2016 and 2015, accounts and grants receivable are presented net of management's estimated allowance for doubtful accounts of \$7,000, and \$7,388, respectively.

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

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 was contingent upon 2:1 matching requirements. During the year ended June 30, 2015, the Organization met the matching requirements and recognized revenues of \$100,000 related to this conditional promise. As of June 30, 2015, all amounts due under this promise were collected.

There were no conditional promises to give during the year ended June 30, 2016.

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.

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

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.

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, 2016 and 2015, 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.

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

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.

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 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 13, 2016, the date the financial statements were available to be issued.

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

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 (4.25% at June 30, 2015). Amortization of the discount is credited to contribution revenue.

Pledges receivable consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Payable within one year	\$ 703,836	\$ 892,215
Payable in greater than one year	<u>-</u>	<u>75,000</u>
	703,836	967,215
Less: discount to net present value	-	(5,990)
Less: allowance for doubtful accounts	<u>(44,319)</u>	<u>(7,416)</u>
Promises to give, net	\$ <u>659,517</u>	\$ <u>953,809</u>

The Organization's Board of Directors attained "100% giving" during each of the years ended June 30, 2016 and 2015 through direct contributions from the Board members and/or the entities with which the members are affiliated. At June 30, 2016 and 2015, promises to give from related parties were \$44,350 and \$28,400, respectively. Contribution revenue from related parties for the years ended June 30, 2016 and 2015 was \$619,625 and \$492,085, respectively.

Note 3: Pension Plan

All employees 18 years of age and older with two 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, 2016 and 2015, the amount of pension expense was \$359,125 and \$222,323, respectively.

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

Note 4: Property and Equipment

The following is a summary of property and equipment, net, at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 2,194,701	\$ 2,194,701
Building and improvements	7,177,309	7,166,407
Leasehold improvements	5,031,581	4,986,415
Furniture and equipment	1,948,353	1,864,945
Vehicles	<u>190,316</u>	<u>199,830</u>
	16,542,260	16,412,298
Less: accumulated depreciation	<u>(7,559,676)</u>	<u>(7,095,553)</u>
Property and equipment, net	\$ <u>8,982,584</u>	\$ <u>9,316,745</u>

The Organization operates 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. During the years ended June 30, 2016 and 2015, the Organization received and recognized \$126,759 and \$73,726, respectively, in insurance coverage for the water damage. These amounts are in addition to \$150,000 of insurance proceeds initially recognized in 2014.

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.

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

Note 5: Fair Value Measurements (continued)

Financial assets consisted of the following at June 30, 2016 and 2015:

	Level 1	Level 2	Level 3	Total 2016
Cash equivalents	\$ 109,957	\$ -	\$ -	\$ 109,957
Mutual funds:				
Equity	5,635,514	-	-	5,635,514
Fixed-income	974,468	-	-	974,468
Common/collective funds:				
Equity	-	3,208,764	-	3,208,764
Fixed-income	-	1,082,273	-	1,082,273
Alternative investment	-	-	503,756	503,756
Totals	\$ 6,719,939	\$ 4,291,037	\$ 503,756	\$ 11,514,732

	Level 1	Level 2	Level 3	Total 2015
Cash equivalents	\$ 267,930	\$ -	\$ -	\$ 267,930
Mutual funds:				
Equity	5,464,445	-	-	5,464,445
Fixed-income	1,131,403	-	-	1,131,403
Common/collective funds:				
Equity	-	3,213,139	-	3,213,139
Fixed-income	-	946,470	-	946,470
Alternative investment	-	-	1,071,549	1,071,549
Totals	\$ 6,863,778	\$ 4,159,609	\$ 1,071,549	\$ 12,094,936

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, 2016 and 2015.

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, 2016 and 2015

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, 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, 2016 and 2015:

	<u>Alternative Investment</u>
Balance, June 30, 2014	\$ 963,670
Unrealized gain	<u>107,879</u>
Balance, June 30, 2015	\$ 1,071,549
Purchases and sales, net	(448,545)
Realized loss	(38,258)
Unrealized loss	<u>(80,990)</u>
Balance, June 30, 2016	\$ <u>503,756</u>

Note 6: Donated Materials and Services

All significant donated materials and services are recorded by the Organization at their estimated fair 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 \$591,024 and \$908,723 for the years ended June 30, 2016 and 2015, 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), and \$7,716 and \$23,138 for the years ended June 30, 2016 and 2015, respectively, related to pro bono legal services provided for the Organization in relation to a potential business expansion opportunity.

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

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, 2016 and 2015 was \$2,373 and \$16,953, respectively. The remaining loan balance at June 30, 2016 will be repaid in full during fiscal 2017. The net book value of these properties included in the statements of financial position at June 30, 2016 and 2015 was \$77,181 and \$77,057, respectively.

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, 2016 and 2015, \$2,500 was forgiven and recognized as revenue on the accompanying statements of activities. At June 30, 2016 and 2015, \$82,500 and \$85,000, respectively, was included in long-term debt on the accompanying statements of financial position.

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, excluding donated rent, were \$19,022 and \$22,775 during the years ended June 30, 2016 and 2015, respectively.

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

2017	\$	10,464
2018		10,464
2019		<u>2,616</u>
	\$	<u>23,544</u>

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.

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

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:

	2016	2015
Adapted football	\$ 37,000	\$ 25,000
Camp services	3,142	3,060
Family services	7,738	6,799
General support	9,310	9,520
Help Me Grow	7,760	-
I Can Bike	13,470	8,349
Therapy services	75,000	150,000
Westlake facility	278	278
United Way of Greater Cleveland allocations – time and use restricted	306,202	328,030
United Way of Greater Cleveland designations – time restricted	115,673	128,531
	\$ 575,573	\$ 659,567

Net assets released from restriction for the years ended June 30, 2016 and 2015 were as follows:

	2016	2015
Adapted sports	\$ 25,000	\$ 25,000
Camp capital improvements	-	10,374
Camp services	-	3,000
Early intervention services	-	15,000
Family services	6,799	6,059
General support	9,520	-
Highland playground improvement	-	4,451
I Can Bike program	5,668	5,468
Therapy services	75,000	3,000
United Way of Greater Cleveland allocations – time and use restricted	328,030	167,378
United Way of Greater Cleveland designations – time restricted	128,531	110,083
	\$ 578,548	\$ 349,813

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

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. 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 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, 2016, the Organization had the following endowment related activities:

	Donor-Restricted Endowment Fund	Board-Designated Endowment Fund	Total
Investment return:			
Interest and dividends	\$ 13,562	\$ 236,283	\$ 249,845
Net realized and unrealized losses	<u>(25,839)</u>	<u>(450,173)</u>	<u>(476,012)</u>
Total investment return	(12,277)	(213,890)	(226,167)
Contributions to perpetual endowment	-	200,000	200,000
Investment management fees	-	(57,043)	(57,043)
Amounts appropriated for expenditure	<u>-</u>	<u>(496,994)</u>	<u>(496,994)</u>
Total change in endowment funds	\$ <u><u>(12,277)</u></u>	\$ <u><u>(567,927)</u></u>	\$ <u><u>(580,204)</u></u>

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

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

During the year ended June 30, 2015, the Organization had the following endowment related activities:

	<u>Donor-Restricted Endowment Fund</u>	<u>Board-Designated Endowment Fund</u>	<u>Total</u>
Investment return:			
Interest and dividends	\$ 20,766	\$ 369,198	\$ 389,964
Net realized and unrealized losses	<u>(8,126)</u>	<u>(144,473)</u>	<u>(152,599)</u>
Total investment return	12,640	224,725	237,365
Contributions to perpetual endowment	-	-	-
Investment management fees	(3,125)	(55,559)	(58,684)
Amounts appropriated for expenditure	<u>(9,515)</u>	<u>(634,426)</u>	<u>(643,941)</u>
Total change in endowment funds	\$ <u><u>-</u></u>	\$ <u><u>(465,260)</u></u>	\$ <u><u>(465,260)</u></u>

Endowment Net Asset Composition
by type of Fund as of June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ (12,277)	\$ -	\$ 585,000	\$ 572,723
Board-designated endowment fund	<u>10,942,009</u>	<u>-</u>	<u>-</u>	<u>10,942,009</u>
Total funds	\$ <u><u>10,929,732</u></u>	\$ <u><u>-</u></u>	\$ <u><u>585,000</u></u>	\$ <u><u>11,514,732</u></u>

Endowment Net Asset Composition
by type of Fund as of June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ -	\$ 585,000	\$ 585,000
Board-designated endowment fund	<u>11,509,936</u>	<u>-</u>	<u>-</u>	<u>11,509,936</u>
Total funds	\$ <u><u>11,509,936</u></u>	\$ <u><u>-</u></u>	\$ <u><u>585,000</u></u>	\$ <u><u>12,094,936</u></u>

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

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

Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 11,509,936	\$ -	\$ 585,000	\$ 12,094,936
Investment return:				
Interest and dividends	236,283	13,562	-	249,845
Net realized and unrealized losses	<u>(462,450)</u>	<u>(13,562)</u>	<u>-</u>	<u>(476,012)</u>
Total investment return	(226,167)	-	-	(226,167)
Contributions to perpetual endowment	200,000	-	-	200,000
Investment management fees	(57,043)	-	-	(57,043)
Appropriation of endowment assets for expenditure	<u>(496,994)</u>	<u>-</u>	<u>-</u>	<u>(496,994)</u>
Endowment net assets, end of year	\$ <u>10,929,732</u>	\$ <u>-</u>	\$ <u>585,000</u>	\$ <u>11,514,732</u>

Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 11,975,196	\$ -	\$ 585,000	\$ 12,560,196
Investment return:				
Interest and dividends	369,198	20,766	-	389,964
Net realized and unrealized losses	<u>(144,473)</u>	<u>(8,126)</u>	<u>-</u>	<u>(152,599)</u>
Total investment return	224,725	12,640	-	237,365
Contributions to perpetual endowment	-	-	-	-
Investment management fees	(55,559)	(3,125)	-	(58,684)
Appropriation of endowment assets for expenditure	<u>(634,426)</u>	<u>(9,515)</u>	<u>-</u>	<u>(643,941)</u>
Endowment net assets, end of year	\$ <u>11,509,936</u>	\$ <u>-</u>	\$ <u>585,000</u>	\$ <u>12,094,936</u>

Achievement Centers For Children

Notes to Financial Statements

June 30, 2016 and 2015

Note 10: 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 \$12,277 and \$-0- as of June 30, 2016 and 2015, respectively. The deficiency at June 30, 2016 resulted from unfavorable market fluctuations that occurred during the fiscal year.

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 U.S. Treasury Bills.

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. Certain amounts above the stated spending policy were appropriated in fiscal 2015, as approved by the Organization's Board of Directors, to address cash flow needs.

**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, 2016, 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 13, 2016.

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.

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 13, 2016