

# **2015 ANNUAL REPORT**

(for the fiscal year ended 7/31/2015)

**to Cincinnati City Council**

## BOARD OF TRUSTEES

Larry E. Kissel, Esq., President  
Jeanne M. Golliher, Secretary/Treasurer  
Darielle Daniel, Trustee  
Margaret A. Hilvert, Esq., Trustee  
Sandra D. Mosley, Trustee

Roger K. Smith, Executive Director

*This report is made pursuant to Section 6 of the trust agreement formally known as “The Woodward High School of the city of Cincinnati” (the Trust). The Board of Trustees respectfully submits the following as the Annual Report of the Trust for the period.*

## **Background**

The **Woodward Trust** was established in 1827 when William Woodward and his wife, Abigail Cutter, donated 4 acres land in the Over-the-Rhine neighborhood of Cincinnati. The income from this property was to provide money to benefit underprivileged children residing in the City of Cincinnati – specifically to allow children whose parents were unable to pay to attend school. Woodward’s vision was to offer a primary education to all children of Cincinnati regardless of the financial means available to a child’s family. His vision of education pre-dated the Ohio public school system and, to further his goals, he established Woodward Free Grammar School and, later, Woodward High School and Woodward College (now part of the University of Cincinnati), each originally located on the site at 13<sup>th</sup> and Sycamore Streets.

Mr. Woodward’s vision and legacy continue today through the work of the Woodward Trust. While Cincinnati Public Schools (CPS) no longer charge students to attend, Woodward Trust remains exclusively for the educational benefit of needy Cincinnati students. The Trust provides grants to assist the underprivileged children of Cincinnati in ways such as purchasing school supplies, supporting educational field trips and providing scholarships to CPS graduates attending the University of Cincinnati.

The **Board of Trustees of the Woodward High School of the City of Cincinnati** is a non-profit organization created and maintained to administer donated and endowed funds for the benefit of Cincinnati children. The Trust is exempt from taxes under section 501c(3) of the Internal Revenue Code. The Trust is managed by a five-member Board of Trustees who serve without compensation. Under the terms of the original Woodward Trust document, three of the trustees are appointed by the Cincinnati City Council (3-year term) and two trustees are appointed by the Hamilton County Court of Common Pleas (7-year term).

Woodward Trust has an investment portfolio comprised of donated and accumulated funds (arising from the original Woodward Trust as well as other, subsequent trusts, estates, bequests and gifts) and also owns land (mostly that originally donated by William Woodward) in the Over-the-Rhine neighborhood of Cincinnati which it leases to third parties.

We have an informational website at **[www.WoodwardTrust.org](http://www.WoodwardTrust.org)**.

## Grants

Woodward Trust made almost \$209,000 in grants for the educational benefit of needy children in Cincinnati. The Trustees identify and support a variety of worthy and effective programs encompassing three need components – 1. Immediate Need, 2. Educational Benefit, and 3. Systemic Change (efforts aimed at eliminating the need for 1. and 2.). All grants requests are considered and approved annually; new grant opportunities are always welcomed.

The following are brief descriptions of our major grants for this period.

➤ **Academic Enhancement Programs**

University of Cincinnati Gen-1 Theme House, Breakthrough Cincinnati and Jobs for Cincinnati Graduates provide hands-on tutoring, classroom support and other direct academic enhancements for “at risk” and other needy Cincinnati students.

➤ **Assistance League**

The Operation School Bell Program of the Assistance League of Greater Cincinnati provides uniform clothes, shoes, jackets and hygiene supplies for needy Cincinnati students.

➤ **School Fieldtrip Programs**

Cincinnati Museum Center, Cincinnati Symphony Orchestra and the National Underground Railroad Freedom Center each offer a Woodward Program for admission and transportation for eligible Cincinnati students and teachers.

➤ **Project Connect**

A CPS-coordinated program providing year-round direct and collaborative support and programming for CPS students experiencing homelessness.

➤ **Extra-Curricular Enhancement Programs**

iSPACE, Activities Beyond the Classroom, Manifest Gallery, Clifton Cultural Arts Center and Queen City Chess provide hands-on extra-curricular activities designed to enhance development of “at risk” and other needy Cincinnati students.

➤ **University of Cincinnati Scholarships**

Woodward Scholarships are awarded to CPS graduates attending University of Cincinnati. Cincinnati Scholarship Foundation manages this program for the Trust. Annual scholarships are renewable for up to four years, with second-tier scholarships available for Woodward Scholars who would otherwise be unable to attend for financial reasons.

➤ **Student Assistance Programs**

Woodward Trust provides funding for needy Cincinnati Public School (CPS) K-12 students to obtain school supplies, clothing, calculators and other similar items as well as educational field trips and fees for college applications and testing. These funds are administered by the CPS Treasurer’s Office and Project Connect staff within specific guidelines.

## Assets

### **Securities Portfolio**

As of July 31, 2015, Woodward Trust has \$2.2 million in a well-diversified, conservative portfolio of marketable securities and funds on which it earned \$50,000 in interest and dividends during the period. The portfolio realized \$51,000 in net gain on sales during the year, and reflected an additional \$48,000 in unrealized gains, holding \$520,000 in net unrealized gains in its investment portfolio at year-end.

The Trust employs Haberer Registered Investment Advisors, Inc. (Haberer) to manage its investments. In April 2015, Haberer merged into its parent Huntington National Bank's Trust Department. The Trust uses the Cincinnati office of Charles Schwab as its investment custodian. Haberer charges a fee of 75 BPs (0.75%) of assets under their management.

### **Real Estate**

Woodward Trust owns, without lien or liability, real estate valued at \$1.6 million by the Hamilton County Auditor. This property, roughly four acres in the Over-the-Rhine neighborhood of Cincinnati, is currently leased to 17 tenants for \$32,000 per year. Under the terms of the original trust, the properties may not be sold, gifted or otherwise disposed of by the Trust. Most of the properties are under 99-year, renewable ground leases. The vast majority of our tenants pay their rent timely.

Routine billing, collection and other property management functions are performed by our Executive Director. We utilize the services of Beckman Weil & Shepardson LLC for legal matters, including seriously delinquent tenants.

In addition to coverages required of its tenants, Woodward Trust also maintains liability insurance coverage of \$1 million on its properties through J.R. Schiff & Co.

## Income & Expenses

The trustees' primary responsibility is to effectively balance its ability to maximize grants while simultaneously preserving the assets of the trust in perpetuity. The trustees also understand that the Trust's function has a counter-cyclical component, with a larger need arising when the economy is weaker. Accordingly, no set formula or proportion is utilized. Each giving year is assessed individually in the context of recent history, current opportunities and prospects for the foreseeable future.

Our portfolio has produced solid returns for the past two years (\$149,000 [6.7%] this past year, and \$218,000 [9.7%] the prior year). This enabled the trustees to relax giving restrictions somewhat. Given the continued uncertainties in the market, and the at-times wide market swings, however, the trustees remain cautiously optimistic about the next few years.

For this 2014-2015 school year, the trustees approved operating grants of \$208,000, or 9.1% of monetary assets at the beginning of this year. The Trust actually spent \$209,000 in beneficence during the year ended July 31, 2015 and, due to market drops in the latter half, ended the year with \$78,000 more in expenses than income (excluding the \$18,000 non-cash change in real estate value). This deficit operation is buffered by the \$520,000 in market gain currently retained, unrealized, in the investment portfolio, which supports the Trust's counter-cyclical role to meet a *larger* need in a *weaker* economy.

For the upcoming 2015-2016 school year, the trustees approved operating grants of \$172,000, or 7.8% of monetary assets at the beginning of this year.

The Trust operates on a school year basis, with most grants drawn and used prior to the July 31 fiscal year end. Unused grants would usually expire at that date, except those which had properly utilized funds, but not yet requested draw, accruing for payment after that date.

Management & General Expenses are comprised of both Revenue Support costs and Overhead costs. Revenue Support costs (those needed to generate income, such as investment advisor fees and legal support on property management) were \$18,000, or 6.7% of total expenses. Overhead costs (those not directly related to grants or income; including the costs of our part-time Executive Director, audit and website) were \$33,000, or 12.6% of total expenses.

## Administration

### ➤ **Trustees**

The appointed trustees continue to serve without exception.

In November 2013, Cincinnati City Council appointed **Darielle Daniel** to her first term as trustee, which will expire 3/31/16. She fills the trustee position vacated by Scotty Johnson.

In June 2014, Cincinnati City Council reappointed **Sandra Mosley** to her fourth term as trustee, which will expire 3/31/17.

### ➤ **Meetings**

The trustees formally met five times during the period, supplemented by monthly financial and administrative reporting from the Executive Director. Resolution of significant matters arising between meetings is often handled by e-mail or conference call.

### ➤ **Audit & Form 990**

The Trust's financials are audited biennially, with this being an "audit" year. The audit for the fiscal years ended 7/31/2014 and 7/31/2015 is pending.

A routine audit of the Trust's finances for the fiscal years ended 7/31/2012 and 7/31/2013 was conducted by Maddox & Associates CPAs Inc., resulting in a clean\* opinion.

*\* The audit opinion is qualified due to carrying our land at the current Hamilton County Auditor's Land Value rather than its historical value at the time of its donation (which is unknown since this occurred in 1827.)*

Woodward Trust files IRS Form 990 (Return of Organization Exempt from Income Tax) on an annual basis. That form is available at [www.Guidestar.org](http://www.Guidestar.org) and upon request.

## Woodward Trust Balance Sheets

	<u>7/31/2014</u> (Audit Pending)	<u>7/31/2015</u> (Audit Pending)
<b><u>ASSETS</u></b>		
Cash and Equivalents	\$ 163,318	\$ 142,413
Investments (at Fair Market Value)	\$ 2,100,445	\$ 2,062,320
Rents Receivable	\$ 8,329	\$ 917
Prepaid Assets	\$ 3,973	\$ 1,564
Land (Restricted Asset at FMV)	\$ 1,621,190	\$ 1,602,920
<b>Total Assets</b>	<b><u>\$ 3,897,255</u></b>	<b><u>\$ 3,810,134</u></b>
 <b><i>Memorandum Amounts:</i></b>		
Marketable Securities (at Cost)	\$ 1,629,978	\$ 1,541,867
Net Appreciation in Investments	\$ 470,467	\$ 520,453
Funds Drawn from Investments	\$ 200,000	\$ 170,000
 <b><u>LIABILITIES</u></b>		
Accounts Payable & Accrued Expenses	\$ 2,122	\$ 6,675
Grants Payable	\$ --	\$ 5,000
Prepaid Rent	\$ 5,320	\$ 5,069
<b>Total Liabilities</b>	<b><u>\$ 7,442</u></b>	<b><u>\$ 16,744</u></b>
 <b><u>TRUST EQUITY</u></b>		
Temporarily Restricted Trust Equity	\$ 2,125,959	\$ 2,047,806
Permanently Restricted Trust Equity	\$ 1,763,854	\$ 1,745,584
<b>Total Trust Equity</b>	<b><u>\$ 3,889,813</u></b>	<b><u>\$ 3,793,390</u></b>
 <b>Total Liabilities &amp; Trust Equity</b>	 <b><u>\$ 3,897,255</u></b>	 <b><u>\$ 3,810,134</u></b>

## Woodward Trust Income Statements

	<b>2014</b> (Year ended 7/31/14) (Audit Pending)	<b>2015</b> (Year ended 7/31/15) (Audit Pending)
<b><u>REVENUE</u></b>		
Dividends & Interest	\$ 54,086	\$ 49,512
Gain (Loss) on Sale of Investments	\$ 119,435	\$ 51,501
<b>Investment Income</b>	<b>\$ 173,521</b>	<b>\$ 101,013</b>
Rental Income	\$ 32,116	\$ 32,369
<b>Realized Revenue</b>	<b>\$ 205,637</b>	<b>\$ 133,382</b>
Change in Unrealized Gains & Losses on Investments	\$ 44,283	\$ 48,106
Change in Value of Land	\$ --	\$ (18,270)
<b>Total Revenue</b>	<b>\$ 249,920</b>	<b>\$ 163,218</b>
<b><u>EXPENSES</u></b>		
<i>Beneficence</i>		
Direct Grants	\$ 158,700	\$ 205,205
Beneficence Support	\$ 3,204	\$ 3,618
<b>Total Beneficence</b>	<b>\$ 161,904</b>	<b>\$ 208,823</b>
<i>Property Costs</i>		
Legal & Insurance	\$ 1,133	\$ 1,586
Other Property Costs	\$ --	\$ --
	<b>\$ 1,133</b>	<b>\$ 1,586</b>
<i>Investment Costs</i>		
Advisor Fees	\$ 16,394	\$ 16,572
<i>Trust &amp; Overhead</i>		
Contracted Services:		
Executive Director	\$ 25,050	\$ 25,800
Audit	\$ 1,000	\$ 2,000
Website	\$ 808	\$ 1,404
Other (Trust & Overhead)	\$ 3,236	\$ 3,455
	<b>\$ 30,094</b>	<b>\$ 32,659</b>
<b>Total Expenses</b>	<b>\$ 209,525</b>	<b>\$ 259,641</b>
<b>Change in Net Assets</b>	<b>\$ 40,395</b>	<b>\$ (96,423)</b>
Net Assets – Start of Year	\$ 3,849,418	\$ 3,889,813
Net Assets – End of Year	<b>\$ 3,889,813</b>	<b>\$ 3,793,390</b>