

ONWARD NEIGHBORHOOD HOUSE

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2017 AND 2016

ONWARD NEIGHBORHOOD HOUSE

YEARS ENDED JUNE 30, 2017 AND 2016

CONTENTS

	Page
Independent auditors' report	1-2
Financial statements:	
Statements of financial position	3
Statements of activities	4-5
Statements of cash flows	6
Notes to financial statements	7-12
Supplementary information:	
Statements of functional expenses	13-14
Schedule of expenditures of federal awards	15-16
Notes to schedule of expenditures of federal awards	17
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18-19
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	20-21
Single audit schedules:	
Schedule of findings and questioned costs	22
Summary of prior audit findings	23-25

Independent Auditors' Report

Board of Directors
Onward Neighborhood House

Report on the Financial Statements

We have audited the accompanying financial statements of Onward Neighborhood House (the Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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.

Auditors' 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 audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Onward Neighborhood House as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 13 and 14 is presented for the purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2017, 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 the effectiveness of 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.

Ostrow Reisin Berk & Abrams, Ltd.

November 8, 2017

ONWARD NEIGHBORHOOD HOUSE

STATEMENTS OF FINANCIAL POSITION

June 30,	2017	2016
ASSETS		
Cash and cash equivalents	\$ 1,676,821	\$ 1,630,757
Investments	1,179,760	822,730
Grants and contracts receivable	286,378	285,325
Prepaid expenses	10,470	8,317
Property and equipment, net of accumulated depreciation and amortization of \$1,307,079 in 2017 and \$1,378,140 in 2016	2,378,870	2,504,329
Deposits	43,278	39,795
Total assets	\$ 5,575,577	\$ 5,291,253
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 66,331	\$ 197,660
Accrued expenses	41,517	67,318
Mortgage note payable	959,878	1,004,778
Total liabilities	1,067,726	1,269,756
Net assets:		
Unrestricted	4,142,833	3,685,423
Temporarily restricted	365,018	336,074
Total net assets	4,507,851	4,021,497
Total liabilities and net assets	\$ 5,575,577	\$ 5,291,253

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENTS OF ACTIVITIES

Years ended June 30,	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenue and other support:						
Contributions:						
Individuals	\$ 67,298		\$ 67,298	\$ 118,455		\$ 118,455
Corporations and foundations	70,058	\$ 23,500	93,558	97,124	\$ 25,000	122,124
Congregations	21,719		21,719	20,959		20,959
Other organizations	519,957		519,957	18,130		18,130
Donated goods and services	93,112		93,112	95,124		95,124
Special events, net of expenses of \$58,351 and \$49,289 in 2017 and 2016, respectively	54,843	48,944	103,787	61,930	55,759	117,689
Contracts and grants from governmental agencies		2,205,003	2,205,003		2,220,352	2,220,352
Program service fees	51,615		51,615	48,642		48,642
Dividend and interest income	35,997		35,997	39,528		39,528
Net realized and unrealized gain (loss) on investments	54,527		54,527	(29,090)		(29,090)
Other income	10,764		10,764	8,041		8,041
Net assets released from restrictions	2,248,503	(2,248,503)		2,245,352	(2,245,352)	
Total revenue and other support	3,228,393	28,944	3,257,337	2,724,195	55,759	2,779,954
Functional expenses:						
Program services:						
Early Childhood Programs:						
Early Head Start	307,816		307,816	262,474		262,474
Early Childhood Services	1,771,789		1,771,789	1,865,801		1,865,801
School Age	279,682		279,682	281,330		281,330
Community Computer Resource Center	154,020		154,020	147,573		147,573
Total program services	2,513,307		2,513,307	2,557,178		2,557,178

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENTS OF ACTIVITIES (CONTINUED)

Years ended June 30,	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Functional expenses: (continued)						
Supporting services:						
Management and general	\$ 162,834		\$ 162,834	\$ 162,612		\$ 162,612
Fundraising	94,842		94,842	101,924		101,924
Total supporting services	257,676		257,676	264,536		264,536
Total expenses	2,770,983		2,770,983	2,821,714		2,821,714
Change in net assets	457,410	\$ 28,944	486,354	(97,519)	\$ 55,759	(41,760)
Net assets:						
Beginning of year	3,685,423	336,074	4,021,497	3,782,942	280,315	4,063,257
End of year	\$ 4,142,833	\$ 365,018	\$ 4,507,851	\$ 3,685,423	\$ 336,074	\$ 4,021,497

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENTS OF CASH FLOWS

Years ended June 30,	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 486,354	\$ (41,760)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	168,363	127,541
Net realized and unrealized (gain) loss on investments	(54,527)	29,090
(Increase) decrease in operating assets:		
Grants and contracts receivable	(1,053)	150,057
Prepaid expenses	(2,153)	(5,017)
Deposits	(3,483)	5,995
Increase (decrease) in operating liabilities:		
Accounts payable	(131,329)	139,872
Accrued expenses	(25,801)	(19,863)
Refundable advance		(22,333)
Net cash provided by operating activities	436,371	363,582
Cash flows from investing activities:		
Purchase of investments	(1,277,948)	(107,789)
Proceeds from sale of investments	975,445	82,923
Acquisition of property and equipment	(42,904)	(755,984)
Net cash used in investing activities	(345,407)	(780,850)
Cash flows from financing activity:		
Repayments of mortgage note payable	(44,900)	(42,664)
Net cash used in financing activity	(44,900)	(42,664)
Net increase (decrease) in cash and cash equivalents	46,064	(459,932)
Cash and cash equivalents, beginning of year	1,630,757	2,090,689
Cash and cash equivalents, end of year	\$ 1,676,821	\$ 1,630,757
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 47,340	\$ 49,580

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS

1. Organization and purpose

Onward Neighborhood House (an Illinois Not-for-Profit Corporation) (the Organization) was incorporated on December 7, 1943. The mission of the Organization, which provides services in Chicago, Illinois, is to empower families and individuals in need to achieve their full potential in a community-based setting through participant-driven educational, recreational and social service programs.

2. Summary of significant accounting policies

A summary of significant accounting policies for the Organization is as follows:

Method of accounting:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

The Organization classifies its net assets and activities into three classes based on the existence or absence of donor-imposed restrictions: unrestricted, temporarily restricted and permanently restricted.

Temporarily restricted net assets represent those for which the use by the Organization has been limited by donors to a specific time period or purpose. The Organization's temporarily restricted net assets of \$365,018 and \$336,074 at June 30, 2017 and 2016, respectively, are restricted for various operating purposes.

There were no permanently restricted net assets at June 30, 2017 and 2016.

Cash and cash equivalents:

Investments with maturities of three months or less at the time of purchase are considered to be cash equivalents.

Investments:

Investments in mutual funds with readily determinable fair values are measured at fair value in the accompanying statements of financial position. The value of all of the Organization's assets, which are required to be carried at fair value, are considered Level 1 assets and are determined based upon quoted market prices. Investment income and losses (including realized and unrealized gains and losses on investments, interest and dividends) are included in the accompanying statements of activities.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Property and equipment and related depreciation and amortization:

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation and amortization of all such items is computed on a straight-line basis over the estimated useful lives of the assets, generally with buildings and improvements assigned twenty-five year lives, furniture and equipment assigned seven-year lives, vehicles assigned five-year lives and computer equipment and software assigned three-year lives.

Income taxes:

The Organization is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Code. The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2017 and 2016.

Advertising:

Advertising costs are expensed as incurred and totaled \$4,033 and \$2,175 for the years ended June 30, 2017 and 2016, respectively.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

Reclassification:

Certain amounts from the prior year have been reclassified in order to conform to the current year's presentation.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Receivables

Unrestricted grants, contributions and pledges are recorded as revenue in the year received. Donor restricted grants, contributions and pledges are reported as either temporarily or permanently restricted when received. When donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

All receivables are due within one year. An allowance for doubtful accounts is not provided as management believes that all amounts are fully collectible.

4. Property and equipment

The components of property and equipment are as follows:

June 30,	2017	2016
Land	\$ 127,500	\$ 127,500
Buildings and improvements	3,542,249	2,767,861
Furniture and equipment	13,382	107,509
Computer equipment	2,818	101,557
Computer software		4,358
Vehicles		26,000
Construction in progress		747,684
Total	3,685,949	3,882,469
Less accumulated depreciation and amortization	1,307,079	1,378,140
Property and equipment, net	\$ 2,378,870	\$ 2,504,329

5. Retirement plan

The Organization has a 403(b) retirement plan (the Plan) which covers all eligible full-time employees. Employees can elect to defer their compensation up to the maximum allowed. Employees are entitled to receive employer contributions equal to 5% of their annual compensation. Employer contributions to the Plan were \$42,419 and \$40,786 for the years ended June 30, 2017 and 2016, respectively.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Line of credit

The Organization entered into a line of credit in April 2017 that provides for borrowings up to \$250,000 with interest due at 5% per annum. The line of credit is collateralized by their investment portfolio at MB Financial Bank and matures in April 2018. There were no borrowings on the line of credit at June 30, 2017 and 2016.

7. Temporarily restricted net assets

Temporarily restricted net assets are available for the following purpose restrictions:

June 30,	2017	2016
Amounts restricted for:		
Capital campaign	\$ 365,018	\$ 316,074
Adult education program		20,000
Total temporarily restricted net assets	\$ 365,018	\$ 336,074

During the years ended June 30, 2017 and 2016, net assets were released from donor restrictions by incurring expenses satisfying the following purpose restrictions:

Years ended June 30,	2017	2016
Adult education program	\$ 20,000	\$ 25,000
Childhood education program	2,205,003	2,220,352
Other programs	23,500	
Total net assets released from restrictions	\$ 2,248,503	\$ 2,245,352

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. In-kind contributions

In-kind contributions are reflected as contributions at their estimated fair value at date of donation. The Organization reports in-kind contributions as unrestricted support unless explicit donor stipulations specify how the contributions must be used.

In-kind contributions consisted of the following:

Years ended June 30,	2017	2016
Food donations - Greater Chicago Food Depository	\$ 59,698	\$ 84,299
Donated legal services	33,414	10,825
Total	\$ 93,112	\$ 95,124

9. Concentration of credit risk

The Organization maintains cash balances at several financial institutions which, at times, may exceed federally-insured limits. At June 30, 2017 and 2016, cash in excess of these limits totaled approximately \$1,158,000 and \$903,000, respectively. Management believes that the Organization is not exposed to any significant credit risk on cash.

10. Mortgage note payable

The Organization holds a mortgage with PNC Bank that matures in March 2021. Payments are payable in monthly installments of \$7,693 with a final balloon payment of \$778,637 due at the maturity date. Interest is due at 4.75% per annum. The mortgage is collateralized by real estate located at 5423-5427 West Diversey Avenue in Chicago, Illinois.

The following schedule lists annual principal amounts due on the note.

Year ending June 30:	Amount
2018	\$ 47,111
2019	49,431
2020	51,751
2021	811,585
Total	\$ 959,878

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Operating lease

The Organization rents additional space near its existing location on a month-to-month basis. Rent expense for the years ended June 30, 2017 and 2016 totaled \$14,950 and \$14,300, respectively.

12. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2017, the financial statement date, through November 8, 2017, the date the financial statements were available to be issued.

ONWARD NEIGHBORHOOD HOUSE

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2017	Program Services					Supporting Services				
	Early Childhood Programs		School Age	Community Computer Resource Center	Total program services	Management and general	Fundraising	Direct benefit to donors	Total supporting services	Total expenses
	Early Head Start	Early Childhood Services								
Salaries	\$ 165,453	\$ 754,443	\$ 102,953	\$ 41,515	\$ 1,064,364	\$ 150,369	\$ 29,621		\$ 179,990	\$ 1,244,354
Retirement plan contributions	5,633	26,203	5,195	2,139	39,170	2,359	890		3,249	42,419
Employee benefits	20,441	75,673	6,740	15,375	118,229	28,010	3,858		31,868	150,097
Payroll taxes	15,134	71,536	9,845	3,805	100,320	10,715	3,145		13,860	114,180
Total personnel expenses	206,661	927,855	124,732	62,835	1,322,083	191,453	37,514		228,967	1,551,050
Advertising and recruiting		155			155	3,409	469		3,878	4,033
Bank and credit card expenses						2,499			2,499	2,499
Conferences, meetings and special events	221	5,026	223		5,471	2,134	95	\$ 58,351	60,580	66,051
Depreciation and amortization						168,363			168,363	168,363
Emergency assistance		60,773			60,773					60,773
Equipment furniture and fixtures				780	780	390	390		780	1,560
Equipment rental and maintenance						5,514			5,514	5,514
Insurance	61	172	172		404	21,700			21,700	22,104
Interest						47,375			47,375	47,375
Membership	30	811		250	1,091	1,013	2,630		3,643	4,734
Occupancy		720		55	775	74,855			74,855	75,630
Other	40	705	112	293	1,150	8,407	40		8,447	9,597
Printing and publications						94	4,309		4,403	4,403
Professional fees	9,930	33,339	9,850	7,432	60,551	142,135	36,820		178,955	239,506
Program participant	22,367	90,053	27,725	176	140,321	223			223	140,544
Subcontract pass-through		374,498			374,498					374,498
Supplies	732	9,137	558	84	10,512	19,040	1,191		20,231	30,743
Telecommunications		74			74	15,712	897		16,609	16,683
Travel		3,024		19	3,043	396	235		631	3,674
Supporting services:										
Facilities	56,562	191,757	103,242	76,203	427,764	(432,526)	4,762		(427,764)	
Human resources	7,607	44,574	8,943	3,524	64,648	(68,183)	3,535		(64,648)	
Finance	3,605	29,115	4,125	2,369	39,214	(41,169)	1,955		(39,214)	
Total expenses	307,816	1,771,789	279,682	154,020	2,513,307	162,834	94,842	58,351	316,027	2,829,334
Less expenses included with revenue on the statements of activities								(58,351)	(58,351)	(58,351)
Total expenses included in the expense section of the statements of activities	\$ 307,816	\$ 1,771,789	\$ 279,682	\$ 154,020	\$ 2,513,307	\$ 162,834	\$ 94,842	\$ -	\$ 257,676	\$ 2,770,983

ONWARD NEIGHBORHOOD HOUSE

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2016	Program Services					Supporting Services				
	Early Childhood Programs		School Age	Community	Total program services	Management and general	Fundraising	Direct benefit to donors	Total supporting services	Total expenses
	Early Head Start	Early Childhood Services		Computer Resource Center						
Salaries	\$ 136,203	\$ 846,160	\$ 106,207	\$ 64,112	\$ 1,152,682	\$ 166,135	\$ 63,696		\$ 229,831	\$ 1,382,513
Retirement plan contributions	5,779	25,672	4,955	2,801	39,207	(271)	1,850		1,579	40,786
Employee benefits	19,858	71,909	7,346	18,820	117,933	28,145	5,355		33,500	151,433
Payroll taxes	12,356	77,982	10,096	5,522	105,956	20,686	5,788		26,474	132,430
Total personnel expenses	174,196	1,021,723	128,604	91,255	1,415,778	214,695	76,689		291,384	1,707,162
Advertising and recruiting		605		60	665	1,435	75		1,510	2,175
Bank and credit card expenses						2,494			2,494	2,494
Conferences, meetings and special events	573	5,020	304	355	6,252	3,153	384	\$ 49,289	52,826	59,078
Depreciation and amortization						127,541			127,541	127,541
Emergency assistance		85,270			85,270					85,270
Equipment furniture and fixtures							2,405		2,405	2,405
Equipment rental and maintenance						11,842			11,842	11,842
Insurance						22,739			22,739	22,739
Interest						49,614			49,614	49,614
Membership		650			650	1,269	3,261		4,530	5,180
Occupancy		12,460			12,460	81,958			81,958	94,418
Other		1,516	75	34	1,625	20,916	941		21,857	23,482
Printing and publications						1,028	4,601		5,629	5,629
Professional fees	1,078	31,333	3,897	3,468	39,776	108,111	90		108,201	147,977
Program participant	17,311	115,853	29,360	354	162,878	475			475	163,353
Subcontract pass-through		307,749			307,749					307,749
Supplies	156	10,790	159	350	11,455	19,784	2,919		22,703	34,158
Telecommunications		35			35	11,762	2,085		13,847	13,882
Travel		3,471			3,471	1,190	194		1,384	4,855
Supporting services:										
Facilities	58,072	196,895	106,004	45,908	406,879	(409,748)	2,869		(406,879)	
Human resources	7,718	45,235	9,074	3,575	65,602	(69,185)	3,583		(65,602)	
Finance	3,370	27,196	3,853	2,214	36,633	(38,461)	1,828		(36,633)	
Total expenses	262,474	1,865,801	281,330	147,573	2,557,178	162,612	101,924	49,289	313,825	2,871,003
Less expenses included with revenue on the statements of activities								(49,289)	(49,289)	(49,289)
Total expenses included in the expense section of the statements of activities	\$ 262,474	\$ 1,865,801	\$ 281,330	\$ 147,573	\$ 2,557,178	\$ 162,612	\$ 101,924	\$ -	\$ 264,536	\$ 2,821,714

ONWARD NEIGHBORHOOD HOUSE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Number	Project Year	Pass-through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>					
Pass-through City of Chicago Department of Family and Support Services:					
Head Start Programs:					
Head Start Program	93.600	PO #33364-1	July 1, 2016 - November 30, 2016	\$ 169,252	\$ 531,823
Head Start Program	93.600	PO #33364-2	December 1, 2016 - June 30, 2017	205,246	652,363
Early Head Start Program	93.600	PO #33348-1	July 1, 2016 - November 30, 2016		28,170
Early Head Start Program	93.600	PO #33348-2	December 1, 2016 - June 30, 2017		90,689
Total Head Start Programs*				<u>374,498</u>	<u>1,303,045</u>
Child Care Programs:					
Child Care/Infants and Toddlers Program	93.596	PO #28393	July 1, 2016 - June 30, 2017		49,123
Child Care/Preschool Program	93.596	PO #28393	July 1, 2016 - June 30, 2017		257,524
Child Care/School Age Program	93.596	PO #28393	July 1, 2016 - June 30, 2017		151,538
Total Child Care Programs					<u>458,185</u>
Pass-through The Greater Chicago Food Depository:					
Temporary Assistance for Needy Families - Food Commodities	93.558	A0001	July 1, 2016 - June 30, 2017		132
Total U.S. Department of Health and Human Services				<u>374,498</u>	<u>1,761,362</u>

See notes to schedule of expenditures of federal awards.

ONWARD NEIGHBORHOOD HOUSE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Number	Project Year	Pass-through to Subrecipients	Total Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>					
Pass-through program from Illinois State Board of Education:					
Child Care Food Program	10.558	15-016-585P-00	July 1, 2016 - September 30, 2016		\$ 25,016
Child Care Food Program	10.558	15-016-585P-00	October 1, 2016 - June 30, 2017		61,554
Total Child Care Program					86,570
Pass-through The Greater Chicago Food Depository:					
Emergency Food Assistance Program - Food Commodities	10.569	A0001	July 1, 2016 - June 30, 2017		48,614
Total U.S. Department of Agriculture					135,184
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>					
Pass-through The Greater Chicago Food Depository:					
Emergency Food and Shelter National Board Program - Food Commodities	97.024	A0001	July 1, 2016 - June 30, 2017		5,139
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>					
Pass-through The Greater Chicago Food Depository:					
Community Block Grants/Entitlement Grants - Food Commodities	14.218	A0001	July 1, 2016 - June 30, 2017		5,813
Total expenditures of federal awards				\$ 374,498	\$ 1,907,498

*Denotes major program.

See notes to schedule of expenditures of federal awards.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of Onward Neighborhood House (the Organization) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of significant accounting policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect cost rate

The Organization has elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Independent Auditors' 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*

Board of Directors
Onward Neighborhood House

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 Onward Neighborhood House (an Illinois Not-for-Profit Corporation) (the Organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2017.

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 a material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Ostrow Reisin Berk & Abrams, Ltd.

November 8, 2017

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Onward Neighborhood House

Report on Compliance for Each Major Federal Program

We have audited Onward Neighborhood House's (an Illinois Not-for-Profit Corporation) (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ostrow Reisin Berk & Abrams, Ltd.

November 8, 2017

ONWARD NEIGHBORHOOD HOUSE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Significant deficiencies	None reported
Material weaknesses	None
Noncompliance, material to financial statements	None

Federal Awards

Internal control over major programs:	
Significant deficiencies	None reported
Material weaknesses	None
Type of auditors' report issued on compliance for major programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	None

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.600	Head Start
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs.

ONWARD NEIGHBORHOOD HOUSE

SUMMARY OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2017

Section II - Financial Statement Findings

Material weakness

2016-001 Material audit adjustments:

Criteria

Financial statements should fairly present, in all material respects, the financial results and related disclosures of the Organization.

Condition

During our testing of the Organization's liabilities, we discovered a material transaction that was recorded to the wrong period and an account balance that was materially understated. The following audit adjustments were required in order to fairly state the year-end balances as follows:

- To record additional construction in progress and accounts payable – \$117,948
- To accrue real estate taxes – \$22,978

Effect

Failure to properly record journal entries could result in materially misstated financial statements.

Cause

Management did not consistently review invoices received after the year ended June 30, 2016 for activities rendered during the fiscal year to ensure proper completeness of year-end accruals. In addition, management did not consistently review its significant estimates to record an estimate of real estate taxes incurred during the year.

ONWARD NEIGHBORHOOD HOUSE

SUMMARY OF PRIOR AUDIT FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2017

Section II - Financial Statement Findings (continued)

Material weakness (continued)

2016-001 Material audit adjustments: (continued)

Recommendation

We recommend that the Organization review and post these journal entries. In addition, we recommend that management review the accounts impacted by the audit adjustments and adjust the accounts as needed throughout the year. The adjustments allow for management and the Board of Directors to have the most accurate financial information available to make informed decisions.

Status

The Organization corrected this instance of noncompliance. This is no longer a finding.

ONWARD NEIGHBORHOOD HOUSE

SUMMARY OF PRIOR AUDIT FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2017

Section III - Major Federal Awards Programs Findings and Questioned Costs

2016-002 Lack of control over in-kind reporting:

Criteria

The Organization is required to contribute at least 20 percent of the costs of the program through cash or in-kind contributions. On a monthly basis, the Organization must report in-kind volunteer hours, used as fulfillment of this compliance requirement, to its funding agency and maintain the proper supporting documentation in its records.

Condition

During our testing of the compliance requirement, we noted that three of the thirty-seven volunteer time sheets reviewed for the months of October 2015 and June 2016 did not include a signature from an authorized supervisor within the Organization attesting to the hours of service performed.

Effect

The Organization is not in compliance with this compliance requirement.

Cause

The Organization did not comply with the existing controls in place over the in-kind reporting process.

Recommendation

We recommend that a dedicated employee review all time sheets for proper approval prior to submission to the funding agency.

Status

The Organization corrected this instance of noncompliance. This is no longer a finding.