

**ONWARD NEIGHBORHOOD HOUSE**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

# **ONWARD NEIGHBORHOOD HOUSE**

YEAR ENDED JUNE 30, 2019

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## **Independent Auditors' Report**

Board of Directors  
Onward Neighborhood House

We have audited the accompanying financial statements of Onward Neighborhood House (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2019, 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.

## **Emphasis of Matter**

As discussed in Note 2 to the financial statements, the Organization has adopted the following guidance: ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. Our opinion is not modified with respect to this matter.

*Ostrow Reisin Berk & Abrams, Ltd.*

December 5, 2019

# ONWARD NEIGHBORHOOD HOUSE

## STATEMENT OF FINANCIAL POSITION

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June 30, 2019

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### ASSETS

Cash and cash equivalents	\$ 1,633,075
Investments	1,557,339
Accounts receivable	314,683
Contributions receivable	50,000
Property and equipment, net	2,042,111
Deposits and other assets	62,271

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Total assets	\$ 5,659,479
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### LIABILITIES AND NET ASSETS

#### Liabilities:

Accounts payable and accrued expenses	\$ 150,041
Mortgage note payable	663,019

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Total liabilities	813,060
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#### Net assets:

Without donor restrictions	4,551,435
With donor restrictions	294,984

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Total net assets	4,846,419
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Total liabilities and net assets	\$ 5,659,479
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*See notes to financial statements.*

# ONWARD NEIGHBORHOOD HOUSE

## STATEMENT OF ACTIVITIES

Year ended June 30, 2019	Without donor restrictions	With donor restrictions	Total
Revenue and other support:			
Contributions:			
Individuals	\$ 102,343	\$ 985	\$ 103,328
Corporations and foundations	143,200	23,000	166,200
Congregations and other organizations	14,939		14,939
Contributed goods and services	70,172		70,172
Special events, net of expenses of \$55,798	51,886	33,689	85,575
Grants from governmental agencies		2,600,714	2,600,714
Program service fees	45,929		45,929
Investment income, net	76,813		76,813
Other income	14,497		14,497
Net assets released from restrictions	2,874,698	(2,874,698)	
<b>Total revenue and other support</b>	<b>3,394,477</b>	<b>(216,310)</b>	<b>3,178,167</b>
Functional expenses:			
Program services:			
Early Childhood Programs:			
Early Head Start	363,753		363,753
Early Childhood Services	1,635,787		1,635,787
School Age	195,341		195,341
Adult Education Services	190,428		190,428
<b>Total program services</b>	<b>2,385,309</b>		<b>2,385,309</b>

See notes to financial statements.

# ONWARD NEIGHBORHOOD HOUSE

## STATEMENT OF ACTIVITIES (CONTINUED)

Year ended June 30, 2019	Without donor restrictions	With donor restrictions	Total
Functional expenses: (continued)			
Supporting services:			
Management and general	\$ 451,376		\$ 451,376
Fundraising	167,026		167,026
<b>Total supporting services</b>	<b>618,402</b>		<b>618,402</b>
<b>Total expenses</b>	<b>3,003,711</b>		<b>3,003,711</b>
Change in net assets	390,766	\$ (216,310)	174,456
Net assets:			
Beginning of year	4,160,669	511,294	4,671,963
End of year	\$ 4,551,435	\$ 294,984	\$ 4,846,419

*See notes to financial statements.*

**ONWARD NEIGHBORHOOD HOUSE**

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2019	Program Services					Supporting Services				
	Early Childhood Programs		School Age	Adult Education Services	Total program services	Management and general	Fundraising	Direct benefit to donors	Total supporting services	Total expenses
	Early Head Start	Early Childhood Services								
Personnel expenses	\$ 228,994	\$ 806,739	\$ 67,074	\$ 107,389	\$ 1,210,196	\$ 269,305	\$ 131,346		\$ 400,651	\$ 1,610,847
Conferences, meetings and special events	491	3,980	464	572	5,507	2,133	892	\$ 55,798	58,823	64,330
Depreciation	19,096	64,744	34,857	38,762	157,459	9,814	2,423		12,237	169,696
Emergency assistance		55,172			55,172					55,172
Insurance	2,158	7,284	4,001	4,763	18,206	3,720	298		4,018	22,224
Interest	6,590	22,343	12,029		40,962	1,404			1,404	42,366
Occupancy	14,438	86,422	26,102	33,031	159,993	19,406	5,223		24,629	184,622
Other	492	5,146	621	697	6,956	6,022	5,589		11,611	18,567
Professional fees	60,121	97,661	11,207	2,032	171,021	137,372	18,808		156,180	327,201
Program food, supplies, activities and other	27,550	91,822	32,770	1,779	153,921		388		388	154,309
Pass-through grant		373,376			373,376					373,376
Supplies	3,823	21,098	6,216	1,403	32,540	2,200	2,059		4,259	36,799
<b>Total expenses</b>	<b>363,753</b>	<b>1,635,787</b>	<b>195,341</b>	<b>190,428</b>	<b>2,385,309</b>	<b>451,376</b>	<b>167,026</b>	<b>55,798</b>	<b>674,200</b>	<b>3,059,509</b>
Less expenses included with revenue on the statement of activities								(55,798)	(55,798)	(55,798)
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 363,753</b>	<b>\$ 1,635,787</b>	<b>\$ 195,341</b>	<b>\$ 190,428</b>	<b>\$ 2,385,309</b>	<b>\$ 451,376</b>	<b>\$ 167,026</b>	<b>\$ -</b>	<b>\$ 618,402</b>	<b>\$ 3,003,711</b>

*See notes to financial statements.*

# ONWARD NEIGHBORHOOD HOUSE

## STATEMENT OF CASH FLOWS

Year ended June 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ 174,456
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	169,696
Net realized and unrealized gain on investments	(34,654)
Decrease in operating assets:	
Accounts receivable	13,479
Contributions receivable	50,000
Deposits and other assets	3,151
Decrease in operating liabilities:	
Accounts payable and accrued expenses	(29,839)
Net cash provided by operating activities	346,289
Cash flows from investing activities:	
Purchase of investments	(240,007)
Proceeds from sale of investments	201,821
Purchase of property and equipment	(2,632)
Net cash used in investing activities	(40,818)
Cash flows from financing activity:	
Repayments of mortgage note payable	(249,748)
Net cash used in financing activity	(249,748)
Net change in cash and cash equivalents	55,723
Cash and cash equivalents, beginning of year	1,577,352
Cash and cash equivalents, end of year	\$ 1,633,075
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	\$ 42,564

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.

The Organization provides early childhood educational programs to children ages 3-5 and school age educational programs to children ages 6-12, which are subsidized through federal, state and local government funding. The Organization also provides free community access to computers and information technology and free training and classes in computer utilization and software application to residents of the local community.

### **2. Summary of significant accounting policies**

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

#### **Basis of accounting:**

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

#### **Recent accounting pronouncements:**

Effective July 1, 2018, the Organization adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. This guidance provides for additional disclosure requirements and modifies net asset reporting. The standard requires the Organization to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions. It also adds information about liquidity and availability of resources and requires the reporting of expense by nature and function. The Organization has included the changes within the financial statements and related disclosures.

#### **Cash equivalents:**

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

# **ONWARD NEIGHBORHOOD HOUSE**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **2. Summary of significant accounting policies (continued)**

#### **Investments:**

Investments are stated at fair value. The Organization's investments are exposed to various risks such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the statement of financial position.

Net investment income is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

#### **Accounts receivable:**

Accounts receivable consist of grants and other amounts due from governmental agencies. The Organization estimates an allowance for doubtful accounts based on analysis of specific account history and experience. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. An allowance for doubtful accounts is not provided as management believes that all amounts are fully collectible.

#### **Contributions receivable:**

Contributions receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. An allowance for doubtful accounts is not provided as management believes that all amounts are fully collectible. All contributions receivable at June 30, 2019 are due in less than one year.

#### **Property and equipment:**

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation 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 assigned three-year lives.

# ONWARD NEIGHBORHOOD HOUSE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Property and equipment: (continued)

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. An impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

#### Net assets:

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net assets without donor restrictions** - Net assets available for use in general operations and not subject to donor or grantor restrictions.

**Net assets with donor restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. See Note 10 for a description of net assets with donor restrictions at June 30, 2019.

#### Contributions and grants revenue:

The Organization recognizes contributions and grants when cash, securities or other assets, or an unconditional promise to give (pledge) is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions received are recorded as without or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Donor-restricted support, including grants from governmental agencies, is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

# ONWARD NEIGHBORHOOD HOUSE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### Contributed goods and services:

Contributed goods are reflected as contributions at their fair value at date of donation and are reported as contributions without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the fair value of contributed services if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization but these services do not meet the criteria for financial statement recognition.

The Organization was the recipient of the following contributed goods and services:

Year ended June 30, 2019	Program services	Management and general	Total
Food	\$ 53,145		\$ 53,145
Legal services		\$ 17,027	17,027
Total	\$ 53,145	\$ 17,027	\$ 70,172

#### Fair value measurements:

The Organization defines fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The value of all of the Organization's assets which are required to be carried at fair value are exchange-traded and are, therefore, considered Level 1 assets.

#### Functional allocation of expenses:

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries, employee benefits and payroll taxes (personnel expenses), depreciation, insurance, interest and occupancy. Salaries, employee benefits and payroll taxes are allocated on the basis of estimates of time and effort. Depreciation, insurance, interest and occupancy expenses are allocated based on square footage utilized for program and supporting services. All other expenses are reported using the direct allocation method.

# ONWARD NEIGHBORHOOD HOUSE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 2. Summary of significant accounting policies (continued)

#### 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.

#### Subsequent events:

Management of the Organization has evaluated subsequent events through December 5, 2019, the date the financial statements were available to be issued.

### 3. Liquidity and availability

The following represents the Organization's financial assets at June 30, 2019:

<u>June 30, 2019</u>	
Financial assets at year-end:	
Cash and cash equivalents	\$ 1,633,075
Investments	1,557,339
Accounts receivable	314,683
Contributions receivable	50,000
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Total financial assets	3,555,097
<hr/>	
Less amounts not available to be used within one year:	
Accounts receivable	7,500
Net assets with donor restrictions	294,984
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Total amounts not available to be used within one year	302,484
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Financial assets available to meet general expenditures within one year	\$ 3,252,613
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# ONWARD NEIGHBORHOOD HOUSE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. Liquidity and availability (continued)

The Organization manages available cash to meet general expenditures following these principles: meets operating needs and contractual commitments, maintains adequate liquid assets, and maximizes investment opportunities. The sources of liquidity available to the Organization are cash and cash equivalents, investments, accounts receivable and contributions receivable. The Organization prepares its annual budget as well as cash flow projections. The Organization's Finance and Investment Committee reviews liquidity measures every two months.

### 4. Tax status

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, 2019.

### 5. Cash and cash equivalents

The Organization maintains its cash in bank accounts which, at times, exceed federally-insured limits. At June 30, 2019, cash in excess of these limits totaled approximately \$1,089,000. Management believes that the Organization is not exposed to any significant credit risk on cash.

### 6. Investments

Investment securities are carried at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at June 30, 2019:

<u>June 30, 2019</u>	
Mutual funds	\$ 817,711
Domestic common stock	716,573
Money market instruments	23,055
<u>Total investments at fair value</u>	<u>\$ 1,557,339</u>

# ONWARD NEIGHBORHOOD HOUSE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 7. Property and equipment

The components of property and equipment are as follows:

<u>June 30, 2019</u>	
Land	\$ 127,500
Buildings and improvements	3,542,249
Furniture and equipment	13,382
Computer equipment	5,450
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Total	3,688,581
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Less accumulated depreciation	1,646,470
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Property and equipment, net	\$ 2,042,111

### 8. Line of credit

The line of credit provides for borrowings up to \$250,000 with interest due at 5.5% per annum. It is collateralized by the Organization's investment portfolio at MB Financial Bank and matures in April 2020. There were no borrowings on the line of credit at June 30, 2019.

### 9. 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, including interest, with a final balloon payment due at the maturity date. Interest is due at 4.75% per annum. Interest expense on the note totaled \$42,366 for the year ended June 30, 2019. 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.

<u>Year ending June 30:</u>	<u>Amount</u>
2020	\$ 61,645
2021	601,374
<hr/>	
Total	\$ 663,019

# ONWARD NEIGHBORHOOD HOUSE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 10. Net assets with donor restrictions

Net assets with donor restrictions are available for the following purpose and time restrictions:

<u>June 30, 2019</u>	
Purpose restriction:	
Capital campaign	\$ 244,984
Time restriction:	
Contributions receivable	50,000
<b>Total net assets with donor restrictions</b>	<b>\$ 294,984</b>

During the year ended June 30, 2019, net assets were released from donor restrictions by incurring expenses satisfying the following purpose and time restrictions:

<u>Year ended June 30, 2019</u>	
Purpose restrictions:	
Childhood education program	\$ 2,624,698
Capital campaign	200,000
Time restriction:	
Contributions receivable	50,000
<b>Total net assets released from restrictions</b>	<b>\$ 2,874,698</b>

### 11. Operating lease

The Organization rents additional space near its existing location on a month-to-month basis. Rent expense for the year ended June 30, 2019 totaled \$17,250.

Subsequent to June 30, 2019, the Organization entered into a lease agreement for additional program space. The lease for is an initial three-year term with an option to renew for an additional three years.

# ONWARD NEIGHBORHOOD HOUSE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 11. Operating lease (continued)

Future minimum rental payments are as follows:

Year ending June 30:	Amount
2020	\$ 33,000
2021	36,000
2022	36,000
2023	3,000
Total	\$ 108,000

### 12. 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 \$45,922 for the year ended June 30, 2019.