

ONWARD NEIGHBORHOOD HOUSE

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021

ONWARD NEIGHBORHOOD HOUSE

YEARS ENDED JUNE 30, 2022 AND 2021

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Independent Auditors' Report

Board of Directors
Onward Neighborhood House

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Onward Neighborhood House, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Onward Neighborhood House and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Onward Neighborhood House's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Onward Neighborhood House's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Onward Neighborhood House's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 schedule of expenditures of federal awards 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 December 7, 2022 on our consideration of Onward Neighborhood House'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 solely 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 Onward Neighborhood House's 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 Onward Neighborhood House's internal control over financial reporting and compliance.

Ostrow Reisin Berk & Abrams, Ltd.

December 7, 2022

ONWARD NEIGHBORHOOD HOUSE

STATEMENTS OF FINANCIAL POSITION

June 30,	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,904,139	\$ 1,994,460
Investments	1,589,907	1,885,841
Accounts receivable	613,449	526,924
Property and equipment, net	1,724,601	1,832,857
Deposits and other assets	53,635	59,499
Total assets	\$ 5,885,731	\$ 6,299,581
LIABILITIES AND NET ASSETS		
Liabilities:		
Mortgage note payable	\$ 265,604	\$ 290,149
Loan payable		348,700
Accounts payable and accrued expenses	166,279	140,245
Total liabilities	431,883	779,094
Net assets:		
Without donor restrictions	5,356,122	5,351,623
With donor restrictions	97,726	168,864
Total net assets	5,453,848	5,520,487
Total liabilities and net assets	\$ 5,885,731	\$ 6,299,581

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENTS OF ACTIVITIES

Years ended June 30,	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Revenue and other support:						
Contributions:						
Individuals	\$ 93,462	\$ 5,400	\$ 98,862	\$ 80,415	\$ 600	\$ 81,015
Corporations and foundations	176,808	85,500	262,308	157,083	228,740	385,823
Congregations and other organizations	54,362		54,362	24,066	14,950	39,016
Contributed goods and services	317,425		317,425	122,408		122,408
Special events		27,361	27,361	44,797	34,867	79,664
Grants from governmental agencies		3,495,985	3,495,985		3,429,360	3,429,360
Early childhood program fees	22,472		22,472	28,709		28,709
Forgiveness of debt - PPP loan	238,161		238,161			
Net investment income (loss)	(295,367)		(295,367)	300,535		300,535
Other income	21,305		21,305	24,791		24,791
Net assets released from restrictions	3,685,384	(3,685,384)		3,814,206	(3,814,206)	
Total revenue and other support	4,314,012	(71,138)	4,242,874	4,597,010	(105,689)	4,491,321
Expenses:						
Program services	3,302,551		3,302,551	2,896,363		2,896,363
Supporting services:						
Management and general	864,613		864,613	768,113		768,113
Fundraising	142,349		142,349	143,864		143,864
Total expenses	4,309,513		4,309,513	3,808,340		3,808,340
Change in net assets	4,499	(71,138)	(66,639)	788,670	(105,689)	682,981
Net assets:						
Beginning of year	5,351,623	168,864	5,520,487	4,562,953	274,553	4,837,506
End of year	\$ 5,356,122	\$ 97,726	\$ 5,453,848	\$ 5,351,623	\$ 168,864	\$ 5,520,487

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2022	Program Services					Supporting Services			Total expenses
	Early Childhood Programs		School Age	Adult Education Services	Total program services	Management and general	Fundraising	Total supporting services	
	Early Head Start	Early Childhood Services							
Personnel	\$ 639,890	\$ 1,077,974	\$ 155,576	\$ 116,712	\$ 1,990,152	\$ 440,839	\$ 109,332	\$ 550,171	\$ 2,540,323
Conferences, meetings and special events	3,950	8,778	1,270	1,258	15,256	522	381	903	16,159
Depreciation				1,492	1,492	178,811		178,811	180,303
Emergency assistance		308,000			308,000				308,000
Insurance	2,559	8,635	4,616	4,738	20,548	3,769	296	4,065	24,613
Interest						12,940		12,940	12,940
Occupancy	18,959	70,604	29,523	58,877	177,963	29,096	4,898	33,994	211,957
Office	2,051	14,058	5,783	12,378	34,270	21,797	18,007	39,804	74,074
Pass-through grant		247,241			247,241				247,241
Professional fees	55,868	117,148	2,367	70,612	245,995	174,170	7,706	181,876	427,871
Program food, supplies, activities	75,849	107,828	28,847	15,934	228,458	1,123	1,484	2,607	231,065
Supplies	4,195	17,277	8,155	3,549	33,176	1,546	245	1,791	34,967
Total expenses	\$ 803,321	\$ 1,977,543	\$ 236,137	\$ 285,550	\$ 3,302,551	\$ 864,613	\$ 142,349	\$ 1,006,962	\$ 4,309,513

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2021	Program Services					Supporting Services			
	Early Childhood Programs		School Age	Adult Education Services	Total program services	Management and general	Fundraising	Total supporting services	Total expenses
	Early Head Start	Early Childhood Services							
Personnel	\$ 437,377	\$ 979,741	\$ 117,704	\$ 178,505	\$ 1,713,327	\$ 344,984	\$ 114,296	\$ 459,280	\$ 2,172,607
Conferences, meetings and special events	655	6,495	490		7,640	89	110	199	7,839
Depreciation				1,492	1,492	177,295		177,295	178,787
Emergency assistance		117,027			117,027				117,027
Insurance	2,345	8,118	4,014	4,449	18,926	3,948	278	4,226	23,152
Interest						22,051		22,051	22,051
Occupancy	15,951	62,769	29,524	67,528	175,772	33,192	8,494	41,686	217,458
Office	7,975	9,804	353	2,386	20,518	15,410	2,286	17,696	38,214
Pass-through grant		269,685			269,685				269,685
Professional fees	69,206	127,709	953	37,691	235,559	149,925	16,665	166,590	402,149
Program food, supplies, activities	47,261	180,736	46,773	26,876	301,646	18,400	795	19,195	320,841
Supplies	4,639	21,654	8,293	185	34,771	2,819	940	3,759	38,530
Total expenses	\$ 585,409	\$ 1,783,738	\$ 208,104	\$ 319,112	\$ 2,896,363	\$ 768,113	\$ 143,864	\$ 911,977	\$ 3,808,340

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENTS OF CASH FLOWS

Years ended June 30,	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (66,639)	\$ 682,981
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	180,303	178,787
Net realized and unrealized (gain) loss on investments	368,251	(260,446)
Forgiveness of debt - PPP loan	(238,161)	
(Increase) decrease in operating assets:		
Accounts receivable	(86,525)	(171,705)
Contributions receivable		16,140
Deposits and other assets	5,864	3,824
Increase in operating liabilities:		
Accounts payable and accrued expenses	26,034	18,029
Net cash provided by operating activities	189,127	467,610
Cash flows from investing activities:		
Purchases of investments	(546,088)	(1,217,051)
Proceeds from sale of investments	473,771	1,179,741
Purchases of property and equipment	(72,047)	(64,500)
Net cash used in investing activities	(144,364)	(101,810)
Cash flows from financing activities:		
Payments on mortgage note payable	(24,545)	(311,225)
Payments on loan payable	(110,539)	
Net cash used in financing activities	(135,084)	(311,225)
Net change in cash and cash equivalents	(90,321)	54,575
Cash and cash equivalents, beginning of year	1,994,460	1,939,885
Cash and cash equivalents, end of year	\$ 1,904,139	\$ 1,994,460
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 12,958	\$ 22,306

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 to 5 and school age educational programs to children ages 6 to 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

The significant accounting policies of the Organization are summarized below:

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 pronouncement:

Effective July 1, 2021, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit entity has received. Adoption of this standard did not have a significant impact on the Organization's financial statements.

Cash equivalents:

Financial instruments with original 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 reported at fair value on the statements of financial position. Net investment income (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external 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 that the receivable will not be collected. Management considers an allowance for doubtful accounts to be unnecessary and is not provided for as of June 30, 2022 and 2021.

Property and equipment:

Property and equipment are stated at cost, if purchased or at fair value at the date of donation, if donated. 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 and computer equipment assigned three-year lives.

Management 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. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2022 and 2021.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

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 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 the resources be maintained in perpetuity.

Revenue and revenue recognition:

The Organization has the following types of revenue:

Contributions and grants

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.

Contributed goods and services

Contributed goods are reflected as contributions at their fair value at the date of donation and are reported as contributions without donor restrictions unless explicit donor stipulations specify how the 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.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Revenue recognition: (continued)

Contributed goods and services (continued)

Contributed goods are not sold and goods and services are only utilized by the Organization. There were no donor restrictions for contributed goods and services during the years ended June 30, 2022 and 2021. Contributed food is valued at estimated fair value using estimates of wholesale value. The fair value of legal services is estimated based on standard industry pricing for similar services.

During the years ended June 30, 2022 and 2021, contributed goods and services were allocated as follows:

Year ended June 30, 2022	Program services	Management and general	Total
Food	\$ 308,000		\$ 308,000
Legal services		\$ 9,425	9,425
Total	\$ 308,000	\$ 9,425	\$ 317,425

Year ended June 30, 2021	Program services	Management and general	Total
Food	\$ 117,027		\$ 117,027
Legal services		\$ 5,381	5,381
Total	\$ 117,027	\$ 5,381	\$ 122,408

Early childhood program fees

Early childhood program fees include copayments for enrollment in the early childhood education program. Revenue is recognized over time as the services are provided to the families. As of June 30, 2022 and 2021, there were no remaining performance obligations outstanding. In addition, there were no receivables, contract assets or contract liabilities as of June 30, 2022, 2021 and 2020.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Functional allocation of expenses:

The costs of programs and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel expense is allocated on the basis of estimates of time and effort. Insurance and occupancy expenses are allocated based on square footage. All other expenses are reported using the direct allocation method.

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles 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 7, 2022, the date the financial statements were available to be issued.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Liquidity and availability

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

The table below presents financial assets available for general expenditures within one year as of June 30, 2022 and 2021:

June 30,	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,904,139	\$ 1,994,460
Investments	1,589,907	1,885,841
Accounts receivable	613,449	526,924
Total financial assets	4,107,495	4,407,225
Less amounts not available to be used within one year:		
Accounts receivable		5,543
Net assets with donor restrictions	97,726	168,864
Total amounts not available to be used within one year	97,726	174,407
Financial assets available to meet general expenditures within one year	\$ 4,009,769	\$ 4,232,818

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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. Management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2022 and 2021.

5. Concentration of credit risk

The Organization maintains its cash in bank accounts which, at times, exceed federally-insured limits. At June 30, 2022 and 2021, cash in excess of these limits totaled approximately \$1,516,000 and \$1,642,000, respectively. Management believes that the Organization is not exposed to any significant credit risk on cash.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Fair value measurements

The Organization reports investments at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
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Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. <p>If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.</p>
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Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Fair value measurements (continued)

In some cases, the inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

The valuation methodologies used for assets measured at fair value are as follows:

Domestic common stock and mutual funds: Valued at fair value based on quoted prices in active markets.

Money market funds: Valued at cost.

Investments consist of the following at June 30, 2022 and 2021:

June 30, 2022	Level 1	Total
Mutual funds	\$ 1,519,046	\$ 1,519,046
Total investments at fair value	\$ 1,519,046	1,519,046
Money market funds		70,861
Total investments		\$ 1,589,907
June 30, 2021	Level 1	Total
Domestic common stock	\$ 972,335	\$ 972,335
Mutual funds	881,662	881,662
Total investments at fair value	\$ 1,853,997	1,853,997
Money market funds		31,844
Total investments		\$ 1,885,841

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Fair value measurements (continued)

Risks and uncertainties:

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

7. Property and equipment

The components of property and equipment are as follows:

June 30,	2022	2021
Land	\$ 127,500	\$ 127,500
Buildings and improvements	3,747,844	3,675,797
Furniture and equipment	13,382	13,382
Computer equipment	16,910	16,910
Total	3,905,636	3,833,589
Less accumulated depreciation	2,181,035	2,000,732
Property and equipment, net	\$ 1,724,601	\$ 1,832,857

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 investments and matures in April 2023. There were no borrowings on the line of credit at June 30, 2022 and 2021.

9. Mortgage note payable

The Organization has a mortgage with a bank that matures in January 2031. Payments are payable in monthly installments of \$3,125, including interest. Interest is due at a fixed rate of 4.58% per annum. Interest expense on the note totaled \$12,940 and \$22,051 for the years ended June 30, 2022 and 2021, respectively. The mortgage is collateralized by real estate located in Chicago, Illinois.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Mortgage note payable (continued)

Future principal amounts due on the mortgage note payable are as follows:

Year ending June 30:	Amount
2023	\$ 25,738
2024	26,931
2025	28,236
2026	29,576
2027	30,979
Thereafter	124,144
Total	\$ 265,604

10. Loan payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent and utilities. The Organization applied for and received \$348,700 on May 7, 2020. The Organization applied for forgiveness of \$238,161 of the loan and was approved by the lender and the SBA in September 2021. The Organization has accounted for the PPP loan under the debt model and recognized forgiveness of debt revenue of \$238,161 during the year ended June 30, 2022 upon approval of the loan forgiveness application. The remaining balance of \$110,539 was paid in full during the year ended June 30, 2022.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Net assets with donor restrictions

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

June 30,	2022	2021
Purpose restrictions:		
Capital campaign	\$ 72,726	\$ 45,364
Childhood education program		1,450
Property and equipment		72,050
Time restriction:		
Grants receivable	25,000	50,000
Total net assets with donor restrictions	\$ 97,726	\$ 168,864

During the years ended June 30, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the following purpose and time restrictions:

Years ended June 30,	2022	2021
Purpose restrictions:		
Adult education program	\$ 12,500	\$ 1,690
Capital campaign		264,056
Childhood education program	3,525,834	3,488,460
Property and equipment	72,050	
Time restriction:		
Grants receivable	75,000	60,000
Total net assets released from restrictions	\$ 3,685,384	\$ 3,814,206

12. Operating lease

The Organization rents additional space near its existing location on a month-to-month basis. Additionally, in August 2019, the Organization entered into a lease agreement for additional program space. The lease was for a three-year term and expired in August 2022. This lease was not renewed. Rent expense for the years ended June 30, 2022 and 2021 totaled \$53,850 and \$51,250, respectively.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. 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 \$72,868 and \$65,327 for the years ended June 30, 2022 and 2021, respectively.

**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, which comprise the statement of financial position as of June 30, 2022, 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 December 7, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Onward Neighborhood House's internal control over financial reporting (internal control) as a basis for designing 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 Onward Neighborhood House's internal control. Accordingly, we do not express an opinion on the effectiveness of Onward Neighborhood House'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Onward Neighborhood House'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 financial statements. 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 Onward Neighborhood House's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Onward Neighborhood House's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ostrow Reisin Berk & Abrams, Ltd.

Chicago, IL
December 7, 2022

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

Opinion on Each Major Federal Program

We have audited Onward Neighborhood House's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Onward Neighborhood House's major federal programs for the year ended June 30, 2022. Onward Neighborhood House's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Onward Neighborhood House 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, 2022.

Basis for Opinion on Each Major Federal Program

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Onward Neighborhood House and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Onward Neighborhood House's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Onward Neighborhood House's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Onward Neighborhood House's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Onward Neighborhood House's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Onward Neighborhood House's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Onward Neighborhood House's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Onward Neighborhood House's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Chicago, IL
December 7, 2022

ONWARD NEIGHBORHOOD HOUSE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-through Number	Project Year	Pass-through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Pass-through program from City of Chicago Department of Family and Support Services:					
Head Start:					
Head Start	93.600	Agreement # 113828 PO #147323	July 1, 2021 - July 31, 2021	\$ 41,903	\$ 150,845
Head Start	93.600	Chicago Commons	August 1, 2021 - June 30, 2022	205,339	1,895,424
Head Start	93.600	Agreement # 113828 PO #147322	July 1, 2021 - July 31, 2021		39,410
Head Start	93.600	Agreement # 139140 PO #142311	July 1, 2020 - November 30, 2020		
Total Head Start*				<u>247,242</u>	<u>2,085,679</u>
Pass-through program from the Greater Chicago Food Depository Community Services Block Grant (Food Commodities)	93.569	A0001	July 1, 2021 - June 30, 2022		<u>37,800</u>
U.S. DEPARTMENT OF AGRICULTURE					
Pass-through program from Illinois State Board of Education:					
Child and Adult Care Food Program	10.558	15-016-585P-00	July 1, 2021 - September 30, 2021		24,585
Child and Adult Care Food Program	10.558	15-016-585P-00	October 1, 2021 - June 30, 2022		<u>81,925</u>
Total Child and Adult Care Food Program					<u>106,510</u>
Pass-through program from the Greater Chicago Food Depository: Emergency Food Assistance Program (Food Commodities)	10.569	A0001	July 1, 2021 - June 30, 2022		<u>211,772</u>
U.S. DEPARTMENT OF HOMELAND SECURITY					
Pass-through program from the Greater Chicago Food Depository:					
Emergency Food and Shelter National Board Program (Food Commodities)	97.024	A0001	July 1, 2021 - June 30, 2022		<u>16,690</u>
Pass-through program from the Greater Chicago Food Depository: Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Food Commodities)	97.036	A0001	July 1, 2021 - June 30, 2022		<u>13,300</u>
U.S. DEPARTMENT OF TREASURY					
Pass-through program from State of Illinois Department of Human Services:					
COVID-19 - Coronavirus Relief Fund (Food Commodities)	21.019	A0001	July 1, 2021 - June 30, 2022		28,438
COVID-19 - Coronavirus State and Local Fiscal Recovery	21.027	FCSAK05841 444-80-1493	July 1, 2021 - June 30, 2022		<u>18,311</u>
Total expenditures of federal awards				\$ 247,242	\$ 2,518,500

*Denotes a 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, 2022

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of Onward Neighborhood House 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 Onward Neighborhood House, it is not intended to and does not present the financial position, changes in net assets or cash flows of Onward Neighborhood House.

2. Insurance, loans, or loan guarantees

There were no insurance, loans, or loan guarantees outstanding as of and for the year ended June 30, 2022.

3. Federal awards for endowment funds

There were no federal awards for endowment funds that are federally restricted at year-end.

4. Value of non-cash commodities

The total value of non-cash commodities provided by the Greater Chicago Food Depository under Federal programs is \$308,000.

5. Indirect cost rate

Onward Neighborhood House has elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

ONWARD NEIGHBORHOOD HOUSE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Significant deficiencies	None
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>Assistance Listing 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
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Auditee qualified as low-risk auditee?	Yes
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Section II - Financial Statement Findings

There are no financial statement findings.

Section III - Major Federal Awards Programs Findings and Questioned Costs

There are no major federal awards programs findings and questioned costs.

ONWARD NEIGHBORHOOD HOUSE

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

Financial Statement Findings

There were no financial statement findings for the year ended June 30, 2021.

Major Federal Awards Programs Findings and Questioned Costs

There were no major federal awards programs findings and questioned costs for the year ended June 30, 2021.