

ONWARD NEIGHBORHOOD HOUSE

**FINANCIAL AND COMPLIANCE AUDIT
(IN ACCORDANCE WITH THE SINGLE
AUDIT ACT OF 1984 AND
OMB CIRCULAR A-133)**

YEARS ENDED JUNE 30, 2014 AND 2013

ONWARD NEIGHBORHOOD HOUSE

YEARS ENDED JUNE 30, 2014 AND 2013

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Independent Auditor's Report

Board of Directors
Onward Neighborhood House
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying 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, 2014 and 2013 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other 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 included on pages 17 and 18, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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 12, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Ostrow Reisin Berk & Abrams, Ltd.

November 12, 2014

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF FINANCIAL POSITION

June 30,	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 950,100	\$ 857,328
Accounts receivable	46,128	22,144
Grants, contracts and pledges receivable (Note 3)	584,634	341,195
Prepaid expenses	1,141	1,424
Total current assets	1,582,003	1,222,091
Property and equipment, net of accumulated depreciation and amortization of \$1,258,462 in 2014 and \$1,122,333 in 2013 (Notes 4 and 11)	1,922,531	2,047,515
Other assets:		
Investments (Note 6)	815,706	717,099
Total assets	\$ 4,320,240	\$ 3,986,705

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF FINANCIAL POSITION (CONTINUED)

June 30,	2014	2013
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of mortgage note payable (Note 11)	\$ 43,287	\$ 40,843
Accounts payable	73,578	55,467
Accrued expenses	65,054	52,391
Total current liabilities	181,919	148,701
Long-term liability:		
Mortgage note payable (Note 11)	1,045,873	1,088,210
Total liabilities	1,227,792	1,236,911
Net assets:		
Unrestricted	2,853,307	2,590,130
Temporarily restricted (Note 8)	239,141	159,664
Total net assets	3,092,448	2,749,794
Total liabilities and net assets	\$ 4,320,240	\$ 3,986,705

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF ACTIVITIES

Years ended June 30,	2014			2013		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Revenue and other support:						
Contributions	\$ 206,034		\$ 206,034	\$ 63,224	\$ 1,000	\$ 64,224
Special events, net of expenses of \$29,051 and \$40,835 in 2014 and 2013, respectively	50,892	\$ 63,810	114,702	33,147	58,514	91,661
Contracts and grants from governmental agencies		2,927,209	2,927,209		2,858,087	2,858,087
Program service fees	95,326		95,326	96,047		96,047
Corporations and foundations	71,800	30,000	101,800	22,335	53,250	75,585
Donated goods and services	72,873		72,873	160,173		160,173
Congregations	13,641		13,641	27,827		27,827
Other organizations	16,700		16,700	18,750		18,750
Dividend and interest income	29,018		29,018	21,697		21,697
Net realized and unrealized gain on investments	71,106		71,106	36,825		36,825
Other income	1,749		1,749	7,821		7,821
Net assets released from restrictions	2,941,542	(2,941,542)		2,899,104	(2,899,104)	
Total revenue and other support	3,570,681	79,477	3,650,158	3,386,950	71,747	3,458,697
Functional expenses:						
Program services:						
Early Childhood Programs:						
Early Head Start	285,944		285,944	287,090		287,090
Early Childhood Services	2,170,076		2,170,076	2,083,171		2,083,171
School Age	506,549		506,549	514,384		514,384
Community Computer Resource Center	92,428		92,428	102,220		102,220
Total program services	3,054,997		3,054,997	2,986,865		2,986,865

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF ACTIVITIES (CONTINUED)

Years ended June 30,	2014			2013		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Functional expenses: (continued)						
Supporting services:						
Management and general	\$ 159,823		\$ 159,823	\$ 256,467		\$ 256,467
Fundraising	92,684		92,684	101,952		101,952
Total supporting services	252,507		252,507	358,419		358,419
Total expenses	3,307,504		3,307,504	3,345,284		3,345,284
Change in net assets	263,177	\$ 79,477	342,654	41,666	\$ 71,747	113,413
Net assets:						
Beginning of year	2,590,130	159,664	2,749,794	2,548,464	87,917	2,636,381
End of year	\$ 2,853,307	\$ 239,141	\$ 3,092,448	\$ 2,590,130	\$ 159,664	\$ 2,749,794

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2014	Program Services					Supporting Services				
	Early Childhood Programs			Community				Direct		
	Early Head	Early	School	Computer	Total	Management	Fundraising	benefit	Total	Total
	Start	Childhood	Age	Resource	program	and		to	supporting	expenses
				Center	services	general		donors	services	
Salaries	\$ 163,227	\$ 1,046,344	\$ 226,116	\$ 31,827	\$ 1,467,514	\$ 183,839	\$ 42,828		\$ 226,667	\$ 1,694,181
Retirement plan contributions (Note 5)	7,980	39,059	8,978	1,591	57,608	6,247	959		7,206	64,814
Insurance benefits	26,805	105,318	23,627	4,443	160,193	16,025	5,842		21,867	182,060
Payroll taxes	14,263	89,066	19,355	2,685	125,369	16,993	4,088		21,081	146,450
Total personnel expenses	212,275	1,279,787	278,076	40,546	1,810,684	223,104	53,717		276,821	2,087,505
Advertising and recruiting	185	198			383	186	250		436	819
Bank and credit card expenses						2,437			2,437	2,437
Conferences, meetings and special events	265	7,788	351		8,404	3,506	873	\$ 29,051	33,430	41,834
Depreciation and amortization						136,129			136,129	136,129
Emergency assistance		40,309			40,309					40,309
Equipment furniture and fixtures		3,863			3,863	606			606	4,469
Equipment rental and maintenance	9			334	343	6,131			6,131	6,474
Insurance						22,586			22,586	22,586
Interest						67,099			67,099	67,099
Membership						401	3,700		4,101	4,101
Occupancy		2,700			2,700	102,345			102,345	105,045
Other		69	5		74	6,669	210		6,879	6,953
Printing and publications	74	2,906			2,980		1,884		1,884	4,864
Professional fees	409	51,103	1,469	2,880	55,861	137,227	23,105		160,332	216,193
Program participant	16,861	125,283	49,582		191,726	291	196		487	192,213
Subcontract pass-through		343,790			343,790					343,790
Supplies	72	10,882	2,607	276	13,837	20,287	2,447		22,734	36,571
Telecommunications		33			33	12,543	18		12,561	12,594
Travel		3,430			3,430	921	219		1,140	4,570
Supporting services:										
Facilities	45,928	228,168	159,515	46,222	479,833	(481,654)	1,821		(479,833)	
Human resources	6,285	43,738	9,534	1,328	60,885	(63,536)	2,651		(60,885)	
Finance	3,581	26,029	5,410	842	35,862	(37,455)	1,593		(35,862)	
Total expenses	285,944	2,170,076	506,549	92,428	3,054,997	159,823	92,684	29,051	281,558	3,336,555
Less expenses included with revenue on the statement of activities								(29,051)	(29,051)	(29,051)
Total expenses included in the expense section of the statement of activities	\$ 285,944	\$ 2,170,076	\$ 506,549	\$ 92,428	\$ 3,054,997	\$ 159,823	\$ 92,684	\$ -	\$ 252,507	\$ 3,307,504

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2013	Program Services					Supporting Services				Total expenses
	Early Childhood Programs		School Age	Community Computer Resource Center	Total program services	Management and general	Fundraising	Direct benefit to donors	Total supporting services	
	Early Head Start	Early Childhood Services								
Salaries	\$ 167,453	\$ 975,337	\$ 217,211	\$ 31,476	\$ 1,391,477	\$ 218,688	\$ 70,684		\$ 289,372	\$ 1,680,849
Retirement plan contributions (Note 5)	8,104	39,305	8,974	1,572	57,955	1,520	1,124		2,644	60,599
Insurance benefits	20,207	92,145	20,990	4,074	137,416	13,450	4,399		17,849	155,265
Payroll taxes	16,236	94,944	21,275	3,056	135,511	22,785	6,925		29,710	165,221
Total personnel expenses	212,000	1,201,731	268,450	40,178	1,722,359	256,443	83,132		339,575	2,061,934
Advertising and recruiting		225			225		21		21	246
Bank and credit card expenses						3,326			3,326	3,326
Conferences, meetings and special events	803	11,815	133		12,751	1,460	565	\$ 40,835	42,860	55,611
Depreciation and amortization						135,775			135,775	135,775
Emergency assistance		39,214			39,214					39,214
Equipment furniture and fixtures		655			655	3,120	179		3,299	3,954
Equipment rental and maintenance						4,800			4,800	4,800
Insurance						24,007			24,007	24,007
Interest						69,435			69,435	69,435
Licenses and permits						610			610	610
Membership		99			99	3,378	3,142		6,520	6,619
Occupancy		29	46		75	97,127			97,127	97,202
Other		1,052	14		1,066	9,754	164		9,918	10,984
Printing and publications	352	3,126			3,478		5,625		5,625	9,103
Professional fees	39	31,836	11,345	7,506	50,726	220,179	2,907		223,086	273,812
Program participant	15,942	116,601	47,076		179,619	155	367		522	180,141
Subcontract pass-through		352,922			352,922					352,922
Supplies	64	11,238	1,295	999	13,596	23,589	191		23,780	37,376
Telecommunications		1,326			1,326	14,750	60		14,810	16,136
Travel	18	1,994	10		2,022	726	164		890	2,912
Supporting services:										
Facilities	51,274	243,512	166,296	51,604	512,686	(514,438)	1,752		(512,686)	
Human resources	4,256	40,128	13,174	1,188	58,746	(61,133)	2,387		(58,746)	
Finance	2,342	25,668	6,545	745	35,300	(36,596)	1,296		(35,300)	
Total expenses	287,090	2,083,171	514,384	102,220	2,986,865	256,467	101,952	40,835	399,254	3,386,119
Less expenses included with revenue on the statement of activities								(40,835)	(40,835)	(40,835)
Total expenses included in the expense section of the statement of activities	\$ 287,090	\$ 2,083,171	\$ 514,384	\$ 102,220	\$ 2,986,865	\$ 256,467	\$ 101,952	\$ -	\$ 358,419	\$ 3,345,284

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF CASH FLOWS

Years ended June 30,	2014	2013
Operating activities:		
Change in net assets	\$ 342,654	\$ 113,413
Adjustments to reconcile above to cash provided by operating activities:		
Depreciation and amortization	136,129	135,775
Net realized and unrealized gain on investments	(71,106)	(36,825)
(Increase) decrease in operating assets:		
Accounts receivable	(23,984)	2,014
Grants, contracts and pledges receivable	(243,439)	7,247
Prepaid expenses	283	(63)
Increase (decrease) in operating liabilities:		
Accounts payable	18,111	(26,625)
Accrued expenses	12,663	3,631
Cash provided by operating activities	171,311	198,567
Investing activities:		
Purchase of investments	(115,994)	(146,291)
Sale of investments	88,493	
Acquisition of property and equipment	(11,145)	(13,618)
Cash used in investing activities	(38,646)	(159,909)
Financing activity:		
Repayments of mortgage note payable	(39,893)	(37,559)
Cash used in financing activity	(39,893)	(37,559)
Increase in cash and cash equivalents	92,772	1,099
Cash and cash equivalents, beginning of year	857,328	856,229
Cash and cash equivalents, end of year	\$ 950,100	\$ 857,328
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 67,138	\$ 69,472

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 on the accrual basis of accounting in accordance with generally accepted accounting principles.

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 \$239,141 and \$159,664 at June 30, 2014 and 2013, respectively, are restricted for various operating purposes.

There were no permanently restricted net assets at June 30, 2014 and 2013.

Cash and cash equivalents:

Cash and cash equivalents are stated at cost, which approximates fair value. 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 in mutual funds with readily determinable fair values are measured at fair value in the accompanying statement of financial position. The value of all of the Organization's assets and liabilities, which are required to be carried at fair value, are considered Level 1 assets and liabilities 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 statement of activities.

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 not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, there is no provision for federal income taxes in the accompanying financial statements. In addition, the Organization is determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, is no longer subject to examination by the Internal Revenue Service for the years ended prior to June 30, 2011.

Functional allocation of expenses:

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

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 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.

3. Grants, contracts and pledges receivable

Unrestricted grants and contributions are recorded as revenue in the year received. Donor restricted grants and contributions 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 statement of activities as net assets released from restrictions. There are no permanently restricted contributions for the years ended June 30, 2014 and 2013.

4. Property and equipment

The components of property and equipment are as follows:

June 30,	2014	2013
Land	\$ 133,211	\$ 133,211
Buildings and improvements	2,808,358	2,798,233
Furniture and equipment	107,509	107,509
Computer equipment	101,557	100,537
Computer software	4,358	4,358
Vehicles	26,000	26,000
Total	3,180,993	3,169,848
Less accumulated depreciation and amortization	1,258,462	1,122,333
Property and equipment, net	\$ 1,922,531	\$ 2,047,515

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Retirement plan

The Organization has a 403(b) retirement plan (the Plan) which covers all eligible full-time employees. The Plan is non-contributory, although employees may contribute voluntarily.

Employer contributions to the Plan were \$64,814 and \$60,599 for the years ended June 30, 2014 and 2013, respectively.

6. Investments

The components of investments are as follows:

June 30,	2014	2013
Money market fund	\$ 9,952	\$ 8,433
Equity mutual funds	429,233	385,481
Bond mutual funds	376,521	323,185
Total investments	\$ 815,706	\$ 717,099

7. Line of credit

The Organization entered into a line of credit with PNC Bank on June 17, 2011. It provides for borrowings up to \$250,000 with interest at prime rate plus 2% and is secured by all assets. During the year ended June 30, 2014, the Organization extended the line of credit through December 14, 2014. There were no borrowings on this line of credit at June 30, 2014 and 2013.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Temporarily restricted net assets

Temporarily restricted net assets consist of the following:

June 30,	2014	2013
The Field Foundation of Illinois, Inc.	\$ 20,000	
The Chicago Community Trust Foundation	10,000	\$ 13,333
Individual appeals	209,141	146,331
Total temporarily restricted net assets	\$ 239,141	\$ 159,664
Amounts restricted for:		
Capital campaign	\$ 209,141	\$ 146,331
Program services	30,000	13,333
Total temporarily restricted net assets	\$ 239,141	\$ 159,664

9. 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,	2014	2013
Food donations - Greater Chicago Food Depository	\$ 39,267	\$ 35,077
Donated legal services	33,606	125,096
Total	\$ 72,873	\$ 160,173

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) for *Accounting for Contributions Received and Contributions Made*, the Organization records fair value of contributed services if the contributed services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by donation.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Concentration of credit risk

The Organization maintains cash balances at several financial institutions which, at times, may exceed federally-insured limits. The Organization has not experienced any losses in such accounts. At June 30, 2014 and 2013, cash in excess of these limits totaled approximately \$570,000 and \$400,000, respectively. Management believes that the Organization is not exposed to any significant credit risk on cash.

11. Mortgage note payable

In March 2011, the Organization refinanced its mortgage with PNC Bank. The mortgage is for \$1,240,000 with an interest of 5.96% per annum. Payments are payable in monthly installments of \$8,919 beginning on April 24, 2011. The mortgage matures on March 24, 2021 with a final balloon payment estimated to be \$744,000. The mortgage is secured 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
2015	\$ 43,287
2016	45,938
2017	48,752
2018	51,738
2019	54,908
Thereafter	844,537
Total	\$ 1,089,160

12. Operating lease

During the year ended June 30, 2014, the Organization entered into a lease agreement to rent additional space near one of its existing locations. The lease agreement calls for monthly rental payments of \$1,000-\$1,100 over the life of the lease. The lease term ended on July 31, 2014. Rent expense for the year ended June 30, 2014 totaled \$11,800. Future minimum rental payments for the year ended June 30, 2015 are \$1,100.

ONWARD NEIGHBORHOOD HOUSE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2014, the financial statement date, through November 12, 2014, the date the financial statements were available to be issued.

On September 16, 2014, the Organization paid \$215,000, plus various settlement charges, to purchase property near one of its existing locations.

On September 30, 2014, the Organization entered into a contract totaling \$1,100,000, plus various settlement charges, to sell the property that housed its West Town location. At June 30, 2014, the net book value of this property totaled approximately \$148,000.

Except as noted in the paragraphs above, no events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.

ONWARD NEIGHBORHOOD HOUSE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Project Year	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	December 1, 2012 - November 30, 2013	\$ 558,492
Head Start Program	93.600	December 1, 2013 - November 30, 2014	751,146
Early Head Start Program	93.600	December 1, 2012 - November 30, 2013	23,516
Early Head Start Program	93.600	December 1, 2013 - November 30, 2014	<u>37,638</u>
Total Head Start Programs			<u>1,370,792</u>
Child Care Programs:			
Child Care/Infants-Toddlers Program	93.596	July 1, 2013 - June 30, 2014	63,777
Child Care/Preschool Program	93.596	July 1, 2013 - June 30, 2014	435,837
Child Care/School Age Program	93.596	July 1, 2013 - June 30, 2014	<u>317,467</u>
Total Child Care Programs*			<u>817,081</u>
Total U.S. Department of Health and Human Services			<u>2,187,873</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
Pass-through program from Illinois State Board of Education:			
Child Care Food Program	10.558	October 1, 2012 - September 30, 2013	43,576
Child Care Food Program	10.558	October 1, 2013 - September 30, 2014	<u>94,793</u>
Total Child Care Program			138,369
Pass-through The Greater Chicago Food Depository:			
Emergency Food Assistance Program	10.569	July 1, 2013 - June 30, 2014	<u>39,267</u>
Total U.S. Department of Agriculture			<u>177,636</u>
Total expenditures of federal awards			<u>\$ 2,365,509</u>

*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, 2014

1. Basis of presentation

The accompanying schedule of expenditures of federal awards 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

See Note 2 “Summary of significant accounting policies” in the notes to the financial statements for more information.

2. Subrecipients

Of the federal expenditures presented in the schedule, the Organization provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount provided to subrecipients</u>
Head Start	93.600	\$ 343,790

3. Food donation and non-cash assistance

There was \$39,267 of food donations consumed during the year ended June 30, 2014. There was no other non-cash assistance consumed during the year ended June 30, 2014.

4. Federal insurance

There was no federal insurance in effect during the year ended June 30, 2014.

5. Loans or loan guarantees

There were no loans or loan guarantees outstanding as of June 30, 2014.

Independent Auditor’s 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
Chicago, Illinois

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, 2014 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 November 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

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

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

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 12, 2014

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Directors
Onward Neighborhood House
Chicago, Illinois

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 Circular A-133 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, 2014. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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 OMB Circular A-133, 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 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.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ostrow Reisin Berk & Abrams, Ltd.

November 12, 2014

ONWARD NEIGHBORHOOD HOUSE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's 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 auditor's report issued on compliance for major programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	None

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.596	Child Care

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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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 - 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, 2014

There were no audit findings for the prior year.