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, 2015 AND 2014

ONWARD NEIGHBORHOOD HOUSE

YEARS ENDED JUNE 30, 2015 AND 2014

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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, 2015 and 2014 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.

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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, 2015 and 2014 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 11, 2015, 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 11, 2015

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF FINANCIAL POSITION

June 30,	**2015**	2014
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 2,090,689**	$ 950,100
Accounts receivable	**45,790**	46,128
Grants, contracts and pledges receivable (Note 3)	**435,382**	584,634
Prepaid expenses	**3,300**	1,141
Total current assets	**2,575,161**	1,582,003
Property and equipment, net of accumulated depreciation and amortization of $1,250,599 in 2015 and $1,258,462 in 2014 (Notes 4 and 11)	**1,875,886**	1,922,531
Other assets:		
Investments (Note 6)	**826,954**	815,706
Total assets	**$ 5,278,001**	$ 4,320,240

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF FINANCIAL POSITION (CONTINUED)

June 30,	**2015**	2014
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of mortgage note payable (Note 11)	**$ 42,664**	$ 43,287
Accounts payable	**57,788**	73,578
Accrued expenses	**87,181**	65,054
Refundable advance	**22,333**	
Total current liabilities	**209,966**	181,919
Long-term liability:		
Mortgage note payable (Note 11)	**1,004,778**	1,045,873
Total liabilities	**1,214,744**	1,227,792
Net assets:		
Unrestricted	**3,782,942**	2,853,307
Temporarily restricted (Note 8)	**280,315**	239,141
Total net assets	**4,063,257**	3,092,448
Total liabilities and net assets	**$ 5,278,001**	$ 4,320,240

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF ACTIVITIES

Years ended June 30,	2015			2014		
	Unrestricted	**Temporarily restricted**	**Total**	Unrestricted	Temporarily restricted	Total
Revenue and other support:						
Contributions	**$ 46,521**		**$ 46,521**	$ 206,034		$ 206,034
Special events, net of expenses of $42,092 and $29,051 in 2015 and 2014, respectively	**39,730**	**$ 51,175**	**90,905**	50,892	$ 63,810	114,702
Contracts and grants from governmental agencies		**2,752,305**	**2,752,305**		2,927,209	2,927,209
Program service fees	**64,020**		**64,020**	95,326		95,326
Corporations and foundations	**103,448**	**25,000**	**128,448**	71,800	30,000	101,800
Donated goods and services	**92,113**		**92,113**	72,873		72,873
Congregations	**17,462**		**17,462**	13,641		13,641
Other organizations	**44,868**		**44,868**	16,700		16,700
Dividend and interest income	**59,443**		**59,443**	29,018		29,018
Net realized and unrealized gain (loss) on investments	**(30,363)**		**(30,363)**	71,106		71,106
Other income	**2,421**		**2,421**	1,749		1,749
Net assets released from restrictions	**2,787,306**	**(2,787,306)**		2,941,542	(2,941,542)	
Total revenue and other support	**3,226,969**	**41,174**	**3,268,143**	3,570,681	79,477	3,650,158
Functional expenses:						
Program services:						
Early Childhood Programs:						
Early Head Start	**266,893**		**266,893**	285,944		285,944
Early Childhood Services	**2,102,674**		**2,102,674**	2,170,076		2,170,076
School Age	**389,752**		**389,752**	506,549		506,549
Community Computer Resource Center	**150,542**		**150,542**	92,428		92,428
Total program services	**2,909,861**		**2,909,861**	3,054,997		3,054,997

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF ACTIVITIES (CONTINUED)

Years ended June 30,	2015			2014		
	Unrestricted	**Temporarily restricted**	**Total**	Unrestricted	Temporarily restricted	Total
Functional expenses: (continued)						
Supporting services:						
Management and general	**$ 212,175**		**$ 212,175**	$ 159,823		$ 159,823
Fundraising	**80,366**		**80,366**	92,684		92,684
Total supporting services	**292,541**		**292,541**	252,507		252,507
Total expenses	**3,202,402**		**3,202,402**	3,307,504		3,307,504
Other income:						
Gain on sale of property (Note 13)	**905,068**		**905,068**			
Change in net assets	**929,635**	**$ 41,174**	**970,809**	263,177	$ 79,477	342,654
Net assets:						
Beginning of year	**2,853,307**	**239,141**	**3,092,448**	2,590,130	159,664	2,749,794
End of year	**$ 3,782,942**	**$ 280,315**	**$ 4,063,257**	$ 2,853,307	$ 239,141	$ 3,092,448

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2015	Program Services					Supporting Services				
	Early Childhood Programs									
	Early Head Start	Early Childhood Services	School Age	Community Computer Resource Center	Total program services	Management and general	Fundraising	Direct benefit to donors	Total supporting services	Total expenses
Salaries	$ 149,468	$ 912,833	$ 158,641	$ 59,344	$ 1,280,286	$ 159,982	$ 56,468		$ 216,450	$ 1,496,736
Retirement plan contributions (Note 5)	5,397	36,131	8,196	1,619	51,343	2,246			2,246	53,589
Insurance benefits	20,021	90,461	18,785	12,966	142,233	17,518	1,539		19,057	161,290
Payroll taxes	12,300	78,509	13,956	4,766	109,531	23,557	4,684		28,241	137,772
Total personnel expenses	187,186	1,117,934	199,578	78,695	1,583,393	203,303	62,691		265,994	1,849,387
Advertising and recruiting						670	30		700	700
Bank and credit card expenses						4,852			4,852	4,852
Conferences, meetings and special events	536	9,116	262	240	10,154	5,662		$ 42,092	47,754	57,908
Depreciation and amortization						129,981			129,981	129,981
Emergency assistance		46,424	48		46,472					46,472
Equipment furniture and fixtures		4,130		98	4,228	849			849	5,077
Equipment rental and maintenance		83			83	10,572			10,572	10,655
Insurance						24,435			24,435	24,435
Interest						62,606			62,606	62,606
Membership		957		100	1,057	235	4,040		4,275	5,332
Occupancy		2,399			2,399	120,223			120,223	122,622
Other		1,209	243	50	1,502	26,668	1,987		28,655	30,157
Printing and publications		204			204	251	3,344		3,595	3,799
Professional fees		41,499	5,511	6,960	53,970	155,893	500		156,393	210,363
Program participant	15,792	102,666	32,659	7,000	158,117	424			424	158,541
Subcontract pass-through		476,987			476,987					476,987
Supplies	179	3,825	716	1,892	6,612	14,515	2,098		16,613	23,225
Telecommunications		37			37	12,939	145		13,084	13,121
Travel		5,968		33	6,001	2,116	157		2,273	8,274
Supporting services:										
Facilities	52,866	216,563	135,082	53,206	457,717	(458,646)	929		(457,717)	
Human resources	6,632	45,758	10,061	1,398	63,849	(66,647)	2,798		(63,849)	
Finance	3,702	26,915	5,592	870	37,079	(38,726)	1,647		(37,079)	
Total expenses	266,893	2,102,674	389,752	150,542	2,909,861	212,175	80,366	42,092	334,633	3,244,494
Less expenses included with revenue on the statement of activities								(42,092)	(42,092)	(42,092)
Total expenses included in the expense section of the statement of activities	$ 266,893	$ 2,102,674	$ 389,752	$ 150,542	$ 2,909,861	$ 212,175	$ 80,366	$ -	$ 292,541	$ 3,202,402

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2014	Program Services					Supporting Services				
	Early Childhood Programs									
	Early Head Start	Early Childhood Services	School Age	Community Computer Resource Center	Total program services	Management and general	Fundraising	Direct benefit to donors	Total supporting services	Total expenses
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 CASH FLOWS

Years ended June 30,	**2015**	2014
Operating activities:		
Change in net assets	**$ 970,809**	$ 342,654
Adjustments to reconcile above to cash provided by operating activities:		
Depreciation and amortization	**129,981**	136,129
Gain on sale of property	**(905,068)**	
Net realized and unrealized (gain) loss on investments	**30,363**	(71,106)
(Increase) decrease in operating assets:		
Accounts receivable	**338**	(23,984)
Grants, contracts and pledges receivable	**149,252**	(243,439)
Prepaid expenses	**(2,159)**	283
Increase (decrease) in operating liabilities:		
Accounts payable	**(15,790)**	18,111
Accrued expenses	**22,127**	12,663
Refundable advance	**22,333**	
Cash provided by operating activities	**402,186**	171,311
Investing activities:		
Purchase of investments	**(294,819)**	(115,994)
Sale of investments	**253,208**	88,493
Acquisition of property and equipment	**(228,215)**	(11,145)
Proceeds from sale of property	**1,049,947**	
Cash provided by (used in) investing activities	**780,121**	(38,646)

See notes to financial statements.

ONWARD NEIGHBORHOOD HOUSE

STATEMENT OF CASH FLOWS (CONTINUED)

Years ended June 30,		**2015**		2014
Financing activity:				
Repayments of mortgage note payable	**$**	**(41,718)**	$	(39,893)
Cash used in financing activity		**(41,718)**		(39,893)
Increase in cash and cash equivalents		**1,140,589**		92,772
Cash and cash equivalents, beginning of year		**950,100**		857,328
Cash and cash equivalents, end of year	**$**	**2,090,689**	$	950,100
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	**$**	**62,859**	$	67,138

See 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 $280,315 and $239,141 at June 30, 2015 and 2014, respectively, are restricted for various operating purposes.

There were no permanently restricted net assets at June 30, 2015 and 2014.

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.

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.

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.

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, contributions and pledges are recorded as revenue in the year received. Donor restricted grants, contributions and pledges are reported as either temporarily or permanently restricted when received. When donor restrictions expire, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. There are no permanently restricted contributions for the years ended June 30, 2015 and 2014.

4. Property and equipment

The components of property and equipment are as follows:

June 30,	**2015**	2014
Land	**$ 127,500**	$ 133,211
Buildings and improvements	**2,759,561**	2,808,358
Furniture and equipment	**107,509**	107,509
Computer equipment	**101,557**	101,557
Computer software	**4,358**	4,358
Vehicles	**26,000**	26,000
Total	**3,126,485**	3,180,993
Less accumulated depreciation and amortization	**1,250,599**	1,258,462
Property and equipment, net	**$ 1,875,886**	$ 1,922,531

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 $53,589 and $64,814 for the years ended June 30, 2015 and 2014, respectively.

6. Investments

The components of investments are as follows:

June 30,	**2015**	2014
Money market fund	**$ 15,574**	$ 9,952
Equity mutual funds	**422,661**	429,233
Bond mutual funds	**388,719**	376,521
Total investments	**$ 826,954**	$ 815,706

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, 2015, the Organization extended the line of credit through February 28, 2016. There were no borrowings on this line of credit at June 30, 2015 and 2014.

8. Temporarily restricted net assets

Temporarily restricted net assets consist of the following:

June 30,	**2015**	2014
The Field Foundation of Illinois, Inc.	**$ 20,000**	$ 20,000
The Chicago Community Trust Foundation		10,000
Individual appeals	**260,315**	209,141
Total temporarily restricted net assets	**$ 280,315**	$ 239,141
Amounts restricted for:		
Capital campaign	**$ 260,315**	$ 209,141
Program services	**20,000**	30,000
Total temporarily restricted net assets	**$ 280,315**	$ 239,141

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,	**2015**	2014
Food donations - Greater Chicago Food Depository	**$ 43,853**	$ 39,267
Donated legal services	**48,260**	33,606
Total	**$ 92,113**	$ 72,873

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.

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, 2015 and 2014, cash in excess of these limits totaled approximately $1,391,000 and $570,000, 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 was for $1,240,000 with an interest of 5.96% per annum. Payments were payable in monthly installments of $8,919 beginning on April 24, 2011. The mortgage was scheduled to mature on March 24, 2021 with a final balloon payment estimated to be $744,000. The mortgage was secured by real estate located at 5423-5427 West Diversey Avenue in Chicago, Illinois.

11. Mortgage note payable (continued)

In May 2015, the Organization refinanced its mortgage with PNC Bank. The mortgage is for $1,054,003 with an interest of 4.75% per annum. Payments are payable in monthly installments of $7,693 beginning on May 24, 2015. The mortgage matures on March 24, 2021 with a final balloon payment estimated to be $778,637. 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
2016	$ 42,664
2017	44,900
2018	47,111
2019	49,431
2020	51,751
Thereafter	811,585
Total	$ 1,047,442

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. During the year ended June 30, 2015, the formal lease agreement expired and the Organization continued renting the space on a month-to-month basis. Rent expense for the years ended June 30, 2015 and 2014 totaled $13,200 and $11,800, respectively. Effective August 1, 2015, monthly rental payments were increased to $1,200 per month. Future minimum rental payments for the year ending June 30, 2016 are $14,300.

13. Gain on sale of property

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. The realized gain on the sale was $905,068.

14. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2015, the financial statement date, through November 11, 2015, the date the financial statements were available to be issued.

On October 2, 2015, the Organization entered in a construction contract totaling $624,117 to renovate existing space.

Except as noted in the paragraph 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, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Number	Project Year	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Pass-through City of Chicago Department of Family and Support Services:				
Head Start Programs:				
Head Start Program	93.600	PO #28875-1	December 1, 2013 - November 30, 2014	$ 656,589
Head Start Program	93.600	PO #28875-2	December 1, 2014 - November 30, 2015	752,958
Early Head Start Program	93.600	PO #28847-1	December 1, 2013 - November 30, 2014	27,521
Early Head Start Program	93.600	PO #28847-2	December 1, 2014 - November 30, 2015	38,657
Total Head Start Programs*				1,475,725
Child Care Programs:				
Child Care/Infants and Toddlers Program	93.596	PO #28393	July 1, 2014 - June 30, 2015	80,093
Child Care/Preschool Program	93.596	PO #28393	July 1, 2014 - June 30, 2015	369,155
Child Care/School Age Program	93.596	PO #28393	July 1, 2014 - June 30, 2015	247,729
Total Child Care Programs				696,977
Pass-through The Greater Chicago Food Depository:				
Temporary Assistance for Needy Families	93.558	A0001	July 1, 2014 - June 30, 2015	1,178
Total U.S. Department of Health and Human Services				2,173,880

See notes to schedule of expenditures of federal awards.

ONWARD NEIGHBORHOOD HOUSE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Contract Number	Project Year	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE:				
Pass-through program from Illinois State Board of Education:				
Child Care Food Program	10.558	15-016-585P-00	October 1, 2013 - September 30, 2014	$ 36,978
Child Care Food Program	10.558	15-016-585P-00	October 1, 2014 - September 30, 2015	66,195
Total Child Care Program				103,173
Pass-through The Greater Chicago Food Depository:				
Emergency Food Assistance Program	10.569	A0001	July 1, 2014 - June 30, 2015	34,229
Total U.S. Department of Agriculture				137,402
U.S. DEPARTMENT OF HOMELAND SECURITY:				
Pass-through The Greater Chicago Food Depository:				
Emergency Food and Shelter National Board Program	97.024	A0001	July 1, 2014 - June 30, 2015	2,077
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
Pass-through The Greater Chicago Food Depository:				
Community Block Grants/Entitlement Grants	14.218	A0001	July 1, 2014 - June 30, 2015	6,369
Total expenditures of federal awards				$ 2,319,728

*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, 2015

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:

Program Title	Federal CFDA Number	Amount provided to subrecipients
Head Start	93.600	$ 476,987

3. Food donation and non-cash assistance

There was $43,853 of food donations consumed during the year ended June 30, 2015. There was no other non-cash assistance consumed during the year ended June 30, 2015.

4. Federal insurance

There was no federal insurance in effect during the year ended June 30, 2015.

5. Loans or loan guarantees

There were no loans or loan guarantees outstanding as of June 30, 2015.

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, 2015 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 11, 2015.

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.

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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 11, 2015

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, 2015. 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.

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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, 2015.

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 11, 2015

ONWARD NEIGHBORHOOD HOUSE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

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:

CFDA Number	Name of Federal Program
93.600	Head Start

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

Auditee qualified as low-risk auditee? Yes

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, 2015

There were no audit findings for the prior year.