

# **One Hope United**

Financial and Single Audit Report  
(Including State of Florida Projects)  
June 30, 2013

## Contents

Independent Auditor's Report	1 – 2
<hr/>	
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statement of Functional Expenses – Year Ended June 30, 2013	5 – 6
Consolidated Statement of Functional Expenses – Year Ended June 30, 2012	7 – 8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10 – 21
<hr/>	
Supplementary Information	
Schedule of Expenditures of Federal Awards and State Financial Assistance	22 – 25
Note to Schedule of Expenditures of Federal Awards and State Financial Assistance	26
<hr/>	
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 <i>Government Auditing Standards</i>	27 – 28
<hr/>	
Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance	29 – 30
<hr/>	
Schedule of Findings and Questioned Costs	31 – 32
<hr/>	
Summary Schedule of Prior Audit Findings	33
<hr/>	



## Independent Auditor's Report

To the Board of Directors  
One Hope United  
Lake Villa, Illinois

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of One Hope United (OHU) which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of One Hope United as of June 30, 2013 and 2012, 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 consolidated financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, Non-Profit Organization*; and the State of Florida Chapter 10.650, *Rules of the Auditor General*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 19, 2013 and December 13, 2012 on our consideration of OHU'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 these reports 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. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OHU's internal control over financial reporting and compliance.



Chicago, Illinois  
December 19, 2013

**One Hope United**

**Consolidated Statements of Financial Position  
June 30, 2013 and 2012**

	2013	2012
<b>Assets</b>		
Current Assets		
Cash	\$ 2,597,434	\$ 2,105,248
Accounts receivable, less allowance for doubtful accounts 2013 \$123,042; 2012 \$111,258	5,962,860	5,320,333
Bequest receivable	1,500,000	-
Other current assets	1,350,313	1,341,306
<b>Total current assets</b>	<b>11,410,607</b>	<b>8,766,887</b>
Fixed Assets		
Land and buildings	14,289,894	14,022,835
Building improvements	2,475,794	2,286,206
Furniture and equipment	3,422,558	2,795,501
Vehicles	292,103	306,805
Leasehold improvements	234,177	234,177
Construction in progress	376,975	-
	<b>21,091,501</b>	<b>19,645,524</b>
Less accumulated depreciation	9,122,888	8,419,536
<b>Total fixed assets</b>	<b>11,968,613</b>	<b>11,225,988</b>
Long-Term Assets		
Accounts receivable - long-term	5,000	10,500
Investments in securities	8,255,810	7,439,873
Investments in farm land	5,460,000	4,961,820
Beneficial interest in perpetual trusts	2,653,348	2,278,984
Investments held for deferred compensation	544,388	467,829
<b>Total long-term assets</b>	<b>16,918,546</b>	<b>15,159,006</b>
	<b>\$ 40,297,766</b>	<b>\$ 35,151,881</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 1,597,578	\$ 1,212,278
Accrued expenses	2,714,400	2,758,633
Deferred revenue	1,585,572	999,650
Mortgage loans and notes payable	273,742	232,580
<b>Total current liabilities</b>	<b>6,171,292</b>	<b>5,203,141</b>
Long-Term Liabilities		
Accrued expenses	544,388	467,829
Mortgage loans and notes payable	2,424,172	2,701,224
<b>Total liabilities</b>	<b>9,139,852</b>	<b>8,372,194</b>
Net Assets		
Unrestricted	27,890,321	24,345,937
Temporarily restricted	614,245	154,766
Permanently restricted	2,653,348	2,278,984
<b>Total net assets</b>	<b>31,157,914</b>	<b>26,779,687</b>
	<b>\$ 40,297,766</b>	<b>\$ 35,151,881</b>

See Notes to Consolidated Financial Statements.

**One Hope United**

**Consolidated Statements of Activities  
Years Ended June 30, 2013 and 2012**

	2013	2012
Changes in unrestricted net assets:		
Public support and revenue:		
Dept. of Children and Family Services - Illinois	\$ 17,868,801	\$ 18,860,692
Dept. of Human Services - Illinois	8,140,946	7,622,098
Other government funding	5,350,006	5,638,935
Program service fees	6,106,709	6,153,934
Contributions and bequests	2,790,420	1,154,253
In-kind contributions	272,019	318,565
Investment income	1,180,839	1,055,166
United Way agencies	337,480	358,710
Florida case management services:		
Heartland	3,483,340	3,036,828
Community Based Care of Central Florida	2,760,984	3,671,120
Hillsborough Kids Inc.	-	1,555,188
Eckerd Youth Services	2,735,333	-
Ounce of Prevention	1,203,478	1,011,948
Rental income	77,240	75,778
Farm income	152,810	100,184
Miscellaneous	593,575	638,515
Net assets released from restrictions	811	4,569,399
<b>Total public support and revenue</b>	<b>53,054,791</b>	<b>55,821,313</b>
Expenses:		
Program services	44,924,988	44,580,363
General fundraising	604,768	583,069
Management and general	3,802,598	3,677,854
Other services	178,053	172,276
<b>Total expenses</b>	<b>49,510,407</b>	<b>49,013,562</b>
<b>Change in unrestricted net assets</b>	<b>3,544,384</b>	<b>6,807,751</b>
Changes in temporarily restricted net assets:		
Contributions	460,290	335,975
Net assets released from restrictions	(811)	(4,569,399)
<b>Change in temporarily restricted net assets</b>	<b>459,479</b>	<b>(4,233,424)</b>
Changes in permanently restricted net assets:		
Change in value of perpetual trusts	374,364	275,035
<b>Change in net assets</b>	<b>4,378,227</b>	<b>2,849,362</b>
Net assets:		
Beginning	26,779,687	23,930,325
Ending	<b>\$ 31,157,914</b>	<b>\$ 26,779,687</b>

See Notes to Consolidated Financial Statements.

One Hope United

Consolidated Statement of Functional Expenses  
Year Ended June 30, 2013

	Program Services						Total Program
	Child Development Services	Placement Services	Prevention	Family Preservation	Counseling	Youth Services	
Expenses:							
Salaries	\$ 8,541,376	\$ 11,302,439	\$ 1,023,491	\$ 1,860,191	\$ 2,440,714	\$ 1,211,111	\$ 26,379,322
Salary-related expenses	1,619,087	2,099,152	194,288	368,763	408,723	243,630	4,933,643
<b>Total salaries and related expenses</b>	<b>10,160,463</b>	<b>13,401,591</b>	<b>1,217,779</b>	<b>2,228,954</b>	<b>2,849,437</b>	<b>1,454,741</b>	<b>31,312,965</b>
Professional liability insurance	83,990	160,809	12,953	19,520	36,452	13,403	327,127
Bad debt expense	46,100	50,012	8,371	12,447	12,266	8,759	137,955
Professional fees and contract services	242,931	495,319	44,527	78,577	264,298	124,728	1,250,380
Legal fees	72,658	(3,237)	7,015	52,948	3,409	2,082	134,875
Audit fees	-	-	-	-	-	-	-
Interest expense	73,469	14,502	47	1,301	37,863	29	127,211
Supplies	1,205,873	371,878	16,234	28,643	94,290	9,399	1,726,317
Telephone and telegraph	115,550	296,543	24,500	51,300	76,725	45,009	609,627
Postage and shipping	6,462	22,050	1,631	3,661	4,424	1,942	40,170
Rent	747,394	799,968	43,630	106,192	205,835	83,672	1,986,691
Other occupancy expenses	529,048	447,490	31,390	52,138	84,573	31,629	1,176,268
Local transportation	51,755	935,043	191,456	219,283	166,053	132,068	1,695,658
Conferences, meetings and seminars	43,045	20,778	8,328	4,460	14,819	3,704	95,134
Specific assistance to individuals	116,496	2,137,836	302,691	44,127	21,900	8,013	2,631,063
Membership dues	34,250	33,631	4,566	5,551	6,031	3,882	87,911
Equipment purchases	132,572	15,801	4,527	14,367	18,283	5,333	190,883
Equipment rentals	51,194	110,844	9,466	20,146	18,359	16,403	226,412
In-kind contributions	54,631	119,232	52,999	22,352	18,946	3,859	272,019
Printing expense	7,248	9,243	2,062	1,535	6,576	896	27,560
Miscellaneous expenses	40,886	23,848	4,707	3,157	5,049	2,680	80,327
<b>Total expenses before depreciation</b>	<b>13,816,015</b>	<b>19,463,181</b>	<b>1,988,879</b>	<b>2,970,659</b>	<b>3,945,588</b>	<b>1,952,231</b>	<b>44,136,553</b>
Depreciation	447,795	208,392	15,232	28,381	75,765	12,870	788,435
<b>Total expenses</b>	<b>\$ 14,263,810</b>	<b>\$ 19,671,573</b>	<b>\$ 2,004,111</b>	<b>\$ 2,999,040</b>	<b>\$ 4,021,353</b>	<b>\$ 1,965,101</b>	<b>\$ 44,924,988</b>

(Continued)

**One Hope United**

**Consolidated Statement of Functional Expenses (Continued)  
Year Ended June 30, 2013**

	General Fund Raising	Management and General	Other Services	Totals
Expenses:				
Salaries	\$ 306,919	\$ 1,307,938	\$ 1,441	\$ 27,995,620
Salary-related expenses	49,620	182,848	182	5,166,293
<b>Total salaries and related expenses</b>	356,539	1,490,786	1,623	33,161,913
Professional liability insurance	177	283	372	327,959
Bad debt expense	-	-	205	138,160
Professional fees and contract services	79,544	1,614,737	67,455	3,012,116
Legal fees	600	38,427	25,031	198,933
Audit fees	-	104,468	-	104,468
Interest expense	-	1,975	-	129,186
Supplies	11,612	12,772	1,922	1,752,623
Telephone and telegraph	6,158	68,465	40	684,290
Postage and shipping	1,957	26,001	9	68,137
Rent	11,425	181,276	62,736	2,242,128
Other occupancy expenses	19,200	26,468	814	1,222,750
Local transportation	15,439	94,539	216	1,805,852
Conferences, meetings and seminars	5,518	12,012	69	112,733
Specific assistance to individuals	328	-	592	2,631,983
Membership dues	1,863	17,974	91	107,839
Equipment purchases	437	48,129	3	239,452
Equipment rentals	1,856	17,981	6,243	252,492
In-kind contributions	-	-	-	272,019
Printing expense	9,083	3,565	8	40,216
Miscellaneous expenses	80,641	5,991	10,613	177,572
<b>Total expenses before depreciation</b>	602,377	3,765,849	178,042	48,682,821
Depreciation	2,391	36,749	11	827,586
<b>Total expenses</b>	<u>\$ 604,768</u>	<u>\$ 3,802,598</u>	<u>\$ 178,053</u>	<u>\$ 49,510,407</u>

See Notes to Consolidated Financial Statements.



One Hope United

Consolidated Statement of Functional Expenses  
Year Ended June 30, 2012

	Program Services						Total Program
	Child Development Services	Placement Services	Prevention	Family Preservation	Counseling	Youth Services	
Expenses:							
Salaries	\$ 8,151,477	\$ 11,391,382	\$ 1,225,683	\$ 2,008,213	\$ 2,436,294	\$ 1,321,002	\$ 26,534,051
Salary-related expenses	1,379,117	1,989,369	194,336	369,043	378,171	230,782	4,540,818
<b>Total salaries and related expenses</b>	<b>9,530,594</b>	<b>13,380,751</b>	<b>1,420,019</b>	<b>2,377,256</b>	<b>2,814,465</b>	<b>1,551,784</b>	<b>31,074,869</b>
Professional liability insurance	70,890	155,328	13,243	18,516	31,150	11,420	300,547
Bad debt expense	(15,797)	17,848	8,133	6,331	2,881	4,737	24,133
Professional fees and contract services	148,088	400,767	32,788	141,043	305,043	137,591	1,165,320
Legal fees	22,144	120,297	5,065	2,082	2,685	1,309	153,582
Audit fees	-	-	-	-	-	-	-
Interest expense	70,402	14,762	504	1,331	42,423	109	129,531
Supplies	1,298,742	393,139	36,896	16,858	98,497	12,554	1,856,686
Telephone and telegraph	109,294	250,797	20,468	39,452	66,077	30,491	516,579
Postage and shipping	5,126	21,150	2,838	4,515	3,846	2,517	39,992
Rent	732,666	687,391	55,240	116,208	197,713	87,419	1,876,637
Other occupancy expenses	459,980	346,024	34,738	47,747	56,462	26,332	971,283
Local transportation	67,873	930,714	237,908	247,846	147,047	145,158	1,776,546
Conferences, meetings and seminars	42,207	43,063	5,496	12,398	8,991	33,633	145,788
Specific assistance to individuals	125,632	2,395,998	314,191	29,713	16,270	8,138	2,889,942
Membership dues	20,719	36,622	3,524	4,764	4,328	3,535	73,492
Equipment purchases	29,392	21,523	9,923	2,491	13,597	14,727	91,653
Equipment rentals	63,004	135,999	15,939	22,500	19,216	18,523	275,181
In-kind contributions	42,706	140,787	63,487	20,169	45,475	4,994	317,618
Printing expense	15,377	14,732	1,825	2,657	5,098	1,366	41,055
Miscellaneous expenses	44,106	34,071	3,579	5,178	26,067	2,291	115,292
<b>Total expenses before depreciation</b>	<b>12,883,145</b>	<b>19,541,763</b>	<b>2,285,804</b>	<b>3,119,055</b>	<b>3,907,331</b>	<b>2,098,628</b>	<b>43,835,726</b>
Depreciation	431,407	201,636	13,456	23,864	64,681	9,593	744,637
<b>Total expenses</b>	<b>\$ 13,314,552</b>	<b>\$ 19,743,399</b>	<b>\$ 2,299,260</b>	<b>\$ 3,142,919</b>	<b>\$ 3,972,012</b>	<b>\$ 2,108,221</b>	<b>\$ 44,580,363</b>

(Continued)

**One Hope United**

**Consolidated Statement of Functional Expenses (Continued)**  
**Year Ended June 30, 2012**

	General Fund Raising	Management and General	Other Services	Totals
Expenses:				
Salaries	\$ 281,669	\$ 1,561,495	\$ 1,909	\$ 28,379,124
Salary-related expenses	36,458	211,036	322	4,788,634
<b>Total salaries and related expenses</b>	318,127	1,772,531	2,231	33,167,758
Professional liability insurance	53	76	393	301,069
Bad debt expense	-	-	41	24,174
Professional fees and contract services	55,888	1,001,403	100,512	2,323,123
Legal fees	1,562	65,085	340	220,569
Audit fees	-	121,207	-	121,207
Interest expense	-	2,721	4	132,256
Supplies	11,899	9,673	1,020	1,879,278
Telephone and telegraph	6,876	84,246	839	608,540
Postage and shipping	4,480	27,243	9	71,724
Rent	31,574	178,157	60,769	2,147,137
Other occupancy expenses	30,191	23,875	369	1,025,718
Local transportation	12,954	154,980	522	1,945,002
Conferences, meetings and seminars	743	12,397	690	159,618
Specific assistance to individuals	364	-	170	2,890,476
Membership dues	1,588	41,389	88	116,557
Equipment purchases	622	31,172	4	123,451
Equipment rentals	5,094	37,043	2,546	319,864
In-kind contributions	-	-	947	318,565
Printing expense	11,935	1,713	20	54,723
Miscellaneous expenses	82,570	33,713	744	232,319
<b>Total expenses before depreciation</b>	576,520	3,598,624	172,258	48,183,128
Depreciation	6,549	79,230	18	830,434
<b>Total expenses</b>	<b>\$ 583,069</b>	<b>\$ 3,677,854</b>	<b>\$ 172,276</b>	<b>\$ 49,013,562</b>

See Notes to Consolidated Financial Statements.

**One Hope United**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2013 and 2012**

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 4,378,227	\$ 2,849,362
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	827,586	830,434
Bad debt expense	138,160	24,174
Net realized and unrealized loss (gain) on investments	(425,544)	107,163
Net unrealized gain on investments in farm land	(498,180)	(927,820)
Net gain on sale of equipment	(501)	(1,073)
Loss on disposals of fixed assets	9,668	3,700
Change in value of beneficial interest in perpetual trusts	(374,364)	(275,035)
Contributions restricted for capital purposes	(324,334)	(335,975)
Changes in:		
Accounts receivable	(2,275,188)	369,990
Accounts payable and accrued expenses	341,068	(868,996)
Deferred revenue	585,922	295,498
Other assets	(9,007)	48,498
<b>Net cash provided by operating activities</b>	<b>2,373,513</b>	<b>2,119,920</b>
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	7,757,183	4,024,157
Purchases of investments	(8,147,576)	(4,161,244)
Purchases of fixed assets	(1,579,878)	(1,005,272)
Proceeds from sale of equipment	501	1,073
<b>Net cash used in investing activities</b>	<b>(1,969,770)</b>	<b>(1,141,286)</b>
Cash Flows from Financing Activities		
Repayment on mortgage loans	(235,891)	(210,993)
Proceeds from loan	1,518,876	876,210
Net repayments on line of credit	-	(340,000)
Repayment on mortgages refinanced	(1,518,876)	-
Contributions restricted for capital purposes	324,334	335,975
<b>Net cash provided by financing activities</b>	<b>88,443</b>	<b>661,192</b>
<b>Net increase in cash</b>	<b>492,186</b>	<b>1,639,826</b>
Cash:		
Beginning	2,105,248	465,422
Ending	<u>\$ 2,597,434</u>	<u>\$ 2,105,248</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 133,960	\$ 133,564
Supplemental Schedule of Noncash Investing Activities		
Net increase (decrease) in investments held for deferred compensation / accrued expenses	\$ 76,559	\$ (16,382)
Construction in progress included in accounts payable	\$ 79,937	\$ -

See Notes to Consolidated Financial Statements.

## One Hope United

### Notes to Consolidated Financial Statements

---

#### **Note 1. Nature of Organization and Significant Accounting Policies**

One Hope United (OHU), is an Illinois not-for-profit organization which is exempt from payment of income taxes under Section 501(c)(3) of the Internal Revenue Code. OHU's primary purpose is to respond to the unmet needs of children and families by operating social welfare programs which offer services in the areas of child development, placement, prevention, family preservation, counseling and youth services.

OHU operates under a federated model, which was created to maximize economies of scale and minimize the use of resources for centralized administrative functions. Under this model, the operations of One Hope United, and each partner agency (One Hope United Northern Region, One Hope United Hudson Region, and One Hope United Florida Region) are consolidated. OHU maintains ownership of all assets including property, investments and cash management. Additionally, OHU manages long-term debt, the line of credit and other federation-wide functions. The partner agencies control and service contracts, raise funds, advocate for clients and are responsible for their financial performance. OHU, however, maintains responsibility for approval of all partner agency budgets and monitors performance. OHU allocates federation expenses to the partner agencies based on overall partner agency operating expenses.

**Accounting policies:** OHU follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition, results of activities, and cash flows. References to Generally Accepted Accounting Principles (GAAP) in these footnotes are to the *FASB Accounting Standards Codification*, sometimes referred to as the Codification or ASC.

**Accounting estimates:** The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Revenue recognition:** The majority of funding for OHU operations is provided by governmental agencies. OHU recognizes program revenues in the fiscal year that the services are rendered. Grant revenue is recognized when the related grant expenditure has been incurred. Contribution revenues and other support are recognized when an unconditional promise to give is made or when cash is received if an unconditional promise does not exist. Contributions include bequests, which are recognized as revenue when OHU has an irrevocable right to the gift, such as when the bequest has been through probate and declared valid. The bequest receivable at June 30, 2013 is expected to be received in cash within fiscal year 2014.

**Deferred revenue:** Program revenues received in advance are deferred to the period in which they are earned.

**Accounts receivable:** Accounts receivable are primarily uncollateralized obligations of the State of Illinois and other grantors. These receivables are stated at the amounts billed and do not accrue interest. Payments of accounts receivable are allocated to specific invoices identified on the remittance advices or, if unspecified, are applied to the oldest unpaid invoices. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will be collected.

**Investments:** Investments are recorded at fair value. Realized gains and losses from sales of investments are determined using the average cost method. Investments are classified as current or long-term based on intended use.

**Fixed assets:** Fixed assets are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which range from 3 to 30 years.

## One Hope United

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**In-kind contributions:** OHU received contributions of services from outside corporations, including printing, advertising, and various goods, in the amount of \$272,019 and \$318,565 during the years ended June 30, 2013 and 2012, respectively, which it distributed to the families it serves. The receipt and subsequent distribution of these goods and services are shown as revenue and expenditures in the consolidated statements of activities.

**Fair value of financial instruments:** The carrying amount of financial instruments including accounts receivable, notes receivable, accounts payable, accrued expenses and short-term borrowings, approximate fair value due to the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates fluctuate with market interest rates or the fixed rates are based on current rates offered to OHU for debt with similar terms and maturities. The interest rate collar agreement was cancelled effective June 28, 2013.

**Derivative financial instruments:** OHU has only limited involvement with derivative financial instruments and does not use them for trading purposes. Derivatives are recorded at fair value, which considers, among other factors, nonperformance risk. OHU had entered into an interest rate collar agreement with the objective of stabilizing interest costs on its long-term debt. Amounts payable or receivable under the instrument were accrued as increases or decreases to interest expense.

**Temporarily restricted net assets:** Temporarily restricted net assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because OHU has fulfilled the restriction. Donor-restricted gifts are reported as temporarily restricted contributions regardless of when the net assets are expended. Transfers of temporarily restricted net assets associated with current expenditures for which the restrictions have been satisfied as well as donor changes in the nature of restrictions of net assets are reported as net assets released from restrictions. Temporarily restricted net assets at June 30, 2013 and 2012 consist of gifts from private sources available for educational scholarships of \$200,703 and \$65,557, respectively, gifts from private sources available for daycare programs of \$39,208 at June 30, 2013 and 2012, gifts from private and governmental sources for the Joliet capital project of \$324,334 and \$0, respectively, and gifts from private sources for other capital projects of \$50,000 at June 30, 2013 and 2012.

**Permanently restricted net assets:** Permanently restricted net assets are net assets for which the principal must remain intact per donor request and the earnings can be used for specified purposes or general operations to the extent of its investment income. Included in this category is OHU's interest in perpetual trusts.

**Concentration of credit risk:** OHU maintains cash accounts at several commercial banks. The amount on deposit customarily exceeds the insurance limits of the Federal Deposit Insurance Corporation. OHU has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Income taxes:** OHU, including each of the consolidated partner agencies, is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, OHU may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of OHU and the various positions related to the potential sources of unrelated business taxable income (UBIT). OHU has determined that there were no uncertain tax positions during the reported periods covered by these consolidated financial statements.

## One Hope United

### Notes to Consolidated Financial Statements

---

#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

OHU files Forms 990 in the U.S. federal jurisdiction and in the State of Illinois. With few exceptions, OHU is no longer subject to examination by the Internal Revenue Service for years before 2010.

**Subsequent events:** OHU has evaluated subsequent events for potential recognition and/or disclosure through December 19, 2013, the date the consolidated financial statements were available to be issued.

#### Note 2. Accounts Receivable

Accounts receivable as of June 30, 2013 and 2012, net of allowances for doubtful accounts of \$123,003 and \$111,258, respectively, are summarized as follows:

	2013	2012
Supporting agencies:		
DCFS - Illinois	\$ 2,321,853	\$ 1,668,307
DHS - Illinois	742,921	846,199
Florida case management	1,341,994	1,318,315
Other governmental funding	1,297,262	1,275,389
Other	263,830	222,623
	<u>\$ 5,967,860</u>	<u>\$ 5,330,833</u>

#### Note 3. Investment Income

Investment income for the years ended June 30, 2013 and 2012 is comprised of the following:

	2013	2012
Interest and dividend income	\$ 257,115	\$ 234,507
Unrealized losses - securities	(175,384)	(180,591)
Unrealized gains - investments in farm land	498,180	927,820
Realized gains	600,928	73,430
	<u>\$ 1,180,839</u>	<u>\$ 1,055,166</u>

OHU invests in a portfolio of fixed income securities, mutual funds and common stocks. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

## One Hope United

### Notes to Consolidated Financial Statements

---

#### Note 4. Fair Value Disclosures

The Fair Value Measurements and Disclosures Topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Topic are described below:

Level 1. Unadjusted quoted prices in active markets, such as the New York Stock Exchange, for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2. Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3. Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies or investment pools, general and limited partnership interests in corporate private equity and real estate funds, debt funds and funds of hedge funds.

For the fiscal years ended June 30, 2013 and 2012, the application of valuation techniques applied to similar assets and liabilities has been consistent. OHU assesses levels of the investments at each measurement date and transfers between levels are recognized on the accrual date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2013 and 2012, there were no such instances.

The following is a description of the valuation methodologies used for instruments measured at fair value:

#### *Investment Securities*

The fair value of publicly traded equity, fixed income, commodities and real estate funds is based upon market quotations of national security exchanges. These financial instruments are classified as Level 1 in the fair value hierarchy.

#### *Investments in Farm Land*

The fair value of farm land is based on independent appraisals. The appraisals valued the properties based on the market approach, which considers comparable sales and adjusts for factors such as time (since comparable sale), location, and land quality. Since the valuations include certain unobservable inputs, the investments are classified as Level 3.

## One Hope United

### Notes to Consolidated Financial Statements

---

#### **Note 4. Fair Value Disclosures (Continued)**

##### *Beneficial Interest in Perpetual Trusts*

The fair value of OHU's beneficial interest in perpetual trusts were provided by the trustee. The trustee determines fair value based on readily available pricing sources for market transactions involving identical assets for securities and based on independent appraisals for farm land. The valuations include certain unobservable inputs and are, therefore, classified as Level 3.

##### *Investments Held for Deferred Compensation*

Investments in money market funds and equity mutual funds are traded on national securities exchanges and are stated at the last reported sales price on the day of valuation and are, therefore, classified as Level 1.

Investments in the equity securities, fixed income securities, and balanced funds are valued at fair value based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date, as determined by the Fund Manager. In determining fair value, the Fund Manager utilizes the valuations of the underlying investments, which are primarily comprised of securities which are traded on national securities exchanges and have readily available market prices. The fair value of OHU's investments in these funds generally represents the amount OHU would expect to receive if it were to liquidate its investment in the funds excluding any redemption charges that may apply. There are no redemption restrictions. These investments are classified as Level 2.

##### *Interest Rate Collar*

The valuation of this instrument is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the interest rate collar. This analysis reflects the contractual terms of the interest rate collar, including the period to maturity, and uses observable market-based inputs, including the LIBOR index. The fair value estimate is classified as Level 2.



**One Hope United**

**Notes to Consolidated Financial Statements**

**Note 4. Fair Value Disclosures (Continued)**

The following tables present OHU's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2013 and 2012:

Description	June 30, 2013			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments in securities:				
Money market funds	\$ 402,088	\$ 402,088	\$ -	\$ -
Equity securities:				
U.S. small cap	7,612	7,612	-	-
U.S. mid cap	503,283	503,283	-	-
U.S. large cap	2,242,519	2,242,519	-	-
International equities	1,239,968	1,239,968	-	-
Emerging markets	422,863	422,863	-	-
Global equities	162,481	162,481	-	-
Fixed income securities:				
Fixed income funds	2,912,732	2,912,732	-	-
Other securities:				
Commodities funds	286,369	286,369	-	-
Real estate fund	75,895	75,895	-	-
	<u>\$ 8,255,810</u>	<u>\$ 8,255,810</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in farm land	\$ 5,460,000	\$ -	\$ -	\$ 5,460,000
Beneficial interest in perpetual trusts	\$ 2,653,348	\$ -	\$ -	\$ 2,653,348
Investments held for deferred compensation:				
Money market funds	\$ 36,015	\$ 36,015	\$ -	\$ -
Equity funds	124,508	-	124,508	-
Fixed income funds	242,576	-	242,576	-
Balanced funds	141,289	-	141,289	-
	<u>\$ 544,388</u>	<u>\$ 36,015</u>	<u>\$ 508,373</u>	<u>\$ -</u>

**One Hope United**

**Notes to Consolidated Financial Statements**

**Note 4. Fair Value Disclosures (Continued)**

Description	June 30, 2012			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Investments in securities:				
Money market funds	\$ 567,904	\$ 567,904	\$ -	\$ -
Equity securities:				
U.S. small cap	237,707	237,707	-	-
U.S. mid cap	458,260	458,260	-	-
U.S. large cap	1,541,258	1,541,258	-	-
International equities	634,739	634,739	-	-
Emerging markets	511,534	511,534	-	-
Fixed income securities:				
Fixed income funds	3,269,630	3,269,630	-	-
Real Estate ETF	218,841	218,841	-	-
	<u>\$ 7,439,873</u>	<u>\$ 7,439,873</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in farm land	\$ 4,961,820	\$ -	\$ -	\$ 4,961,820
Beneficial interest in perpetual trusts	<u>\$ 2,278,984</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,278,984</u>
Investments held for deferred compensation:				
Money market funds	\$ 31,235	\$ 31,235	\$ -	\$ -
Equity funds	96,868	-	96,868	-
Fixed income funds	216,403	-	216,403	-
Balanced funds	123,323	-	123,323	-
	<u>\$ 467,829</u>	<u>\$ 31,235</u>	<u>\$ 436,594</u>	<u>\$ -</u>
<b>Liability</b>				
Interest rate collar	<u>\$ 34,841</u>	<u>\$ -</u>	<u>\$ 34,841</u>	<u>\$ -</u>

## One Hope United

### Notes to Consolidated Financial Statements

#### Note 4. Fair Value Disclosures (Continued)

Financial instruments classified as Level 3 in the fair value hierarchy represent OHU's investments in financial instruments in which the Fund Manager has used at least one significant unobservable input in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments during the years ended June 30, 2013 and 2012:

	June 30, 2013		June 30, 2012	
	Farm Land	Beneficial Interest in Perpetual Trust	Farm Land	Beneficial Interest in Perpetual Trust
Balance, beginning of year	\$ 4,961,820	\$ 2,278,984	\$ 4,034,000	\$ 2,003,949
Change in value of perpetual trusts	-	374,364	-	275,035
Unrealized gains - investments in farm land	498,180	-	927,820	-
Balance, end of year	<u>\$ 5,460,000</u>	<u>\$ 2,653,348</u>	<u>\$ 4,961,820</u>	<u>\$ 2,278,984</u>

The following table represents OHU's investments in farm land, the valuation techniques used to measure fair value, the significant unobservable inputs, and the ranges of values of those inputs:

	Fair Value	Valuation Technique	Unobservable Inputs	Range (Per Acre)
Farm land	\$ 5,460,000	Market (comparable sales)	Time (since comparable sale) Location Land quality (e.g. tillable percentage, soil quality, drainage)	\$0 - \$650 \$0 - \$250 \$50 - \$1,400

#### Note 5. Beneficial Interest in Perpetual Trusts

OHU has a beneficial interest in two related perpetual trusts. Each trust includes cash and an undivided 50 percent interest in 360 acres of a parcel of farm land in Illinois. At June 30, 2013 and 2012, cash in both trusts combined was \$27,797 and \$38,644, respectively, and the estimated fair market value of the 360 acres of farm land was \$3,510,000 and \$3,000,000, respectively. OHU has a 75 percent interest in the income from each trust. OHU values their beneficial interest in the perpetual trust based on fair value of the assets within the trust. OHU's proportionate share of the fair value of the trusts' assets was \$2,653,348 and \$2,278,984, at June 30, 2013 and 2012, respectively. The income from the trust is to be paid annually. During years ended June 30, 2013 and 2012, OHU received \$45,329 and \$45,822, respectively, of income from the trusts and this amount is included in miscellaneous revenue on the consolidated statements of activities.

## One Hope United

### Notes to Consolidated Financial Statements

#### Note 6. Mortgage Loans and Notes Payable

A summary of OHU's long-term debt and collateral pledged thereon consisted of the following as of June 30, 2013 and 2012:

	2013	2012
Mortgage loan payable, IFF, 5.50% through September 2014, fixed recalculated rate October 2014 through October 2019, due in monthly payments of \$1,443 including interest, due October 2019, collateralized by building.	\$ 92,454	\$ 103,367
Mortgage loan payable, IFF, 6.09%, due in monthly payments of \$4,303 including interest, due July 2015, collateralized by building	93,632	131,926
Mortgage loan payable, IFF, 5.0% through September 2014, fixed recalculated rate October 2014 through October 2019, due in monthly payments of \$2,825 including interest, due October 2019, collateralized by building.	180,939	202,298
Mortgage loan payable, IFF, 5.75%, due in monthly payments of \$1,718 including interest, due December 2018, collateralized by building.	92,354	106,138
Mortgage loan payable, IFF, 5.0%, due in monthly payments of \$6,600 including interest, due May 2025, collateralized by building.	709,923	748,997
Note payable, IFF, 5.1%, due in monthly payments of \$360 including interest, due September 2013, collateralized by a van.	1,071	4,884
Mortgage loan payable, bank, LIBOR collar, due in monthly principal payments of \$3,567, with a balloon payment in February 2014, collateralized by building. Loan refinanced in June 2013.	-	723,133
Note payable for leasehold improvements, 7.25%, due in monthly payments of \$551 including interest, due August 2013, collateralized by furniture and equipment on leased premises.	1,886	13,751
Note payable for leasehold improvements, 6.75%, due in monthly payments of \$1,039 including interest, due August 2013, collateralized by furniture and equipment on leased premises.	1,093	7,397
Note payable, GMAC, 5.89%, due in monthly payments of \$443 including interest, due October 2015, collateralized by a van.	11,186	15,703
Loan payable, bank, floating LIBOR rate plus 2.85% (3.1% at June 30, 2012), due in quarterly principal payments \$10,953, with a balloon payment in February 2016, collateralized by Aurora property. Loan refinanced in June 2013.	-	876,210
Mortgage loan payable, bank, 2.60%, due in monthly principal payments of \$22,109, with a balloon payment on June 30, 2018, collateralized by OHU property including buildings and accounts receivable.	1,513,376	-
	2,697,914	2,933,804
Less current portion	273,742	232,580
	<u>\$ 2,424,172</u>	<u>\$ 2,701,224</u>

## One Hope United

### Notes to Consolidated Financial Statements

---

#### Note 6. Mortgage Loans and Notes Payable (Continued)

Debt service requirements under these obligations, adjusted to reflect the July 2013 refinancing as discussed below, are as follows:

Years ending June 30:

2014	\$ 273,742
2015	270,367
2016	267,065
2017	265,312
2018	1,621,428
	<u>\$ 2,697,914</u>

In July 2013, an additional \$1,459,209 was borrowed on the mortgage loan payable, increasing the balance due from \$1,513,376 at June 30, 2013 to \$2,972,581. Most of the additional borrowing was used to pay off the outstanding IFF loans. The additional disbursement increases the balloon payment due on June 30, 2018. The monthly payments remain \$22,109. The debt service schedule above is presented to reflect the July 2013 refinancing of the IFF loans.

OHU has a \$4,000,000 revolving bank line of credit. Interest is payable monthly at floating LIBOR (0.19 and 0.24 percent at June 30, 2013 and 2012, respectively) plus 1.85 percent. The LIBOR rate is subject to a 1 percent floor. The revolving line of credit matures on February 28, 2015. Borrowings under the line of credit are collateralized by certain properties and OHU's net accounts receivable. There were no outstanding balances at June 30, 2013 and 2012.

In June 2013, OHU obtained a \$1,000,000 construction draw loan. Interest is payable monthly at floating LIBOR (subject to a 1 percent floor) plus 1.80 percent. The loan matures on June 30, 2018. There were no borrowings during the year ended June 30, 2013.

The bank line of credit, mortgage loan and construction draw loan are subject to certain covenant requirements including liquidity and minimum debt service coverage.

#### Note 7. Interest Rate Collar

OHU had an interest rate collar agreement which provided an interest rate cap of 4 percent on OHU's floating LIBOR rate in exchange for an interest rate floor of 3.2 percent on a notional balance \$727,600 at June 30, 2012. The agreement was scheduled to expire in February 28, 2014, but OHU cancelled the agreement effective June 28, 2013. The collar was not designated as a hedging instrument. The fair value of the collar agreement was a liability of \$34,841 at June 30 2012, and was included within accrued expenses on the consolidated statement of financial position. The cancellation required a settlement payment of \$17,500. The change in fair value of the collar agreement, net of the settlement payment, resulted in \$17,341 and \$12,801 of income for the years ended June 30, 2013 and 2012, respectively, and is included within miscellaneous expense on the consolidated statements of functional expenses.

## One Hope United

### Notes to Consolidated Financial Statements

---

#### Note 8. Leases and Commitments

OHU leases office space and office equipment. These leases expire at various dates through June 2020. At June 30, 2013, future minimum lease payments under noncancelable operating leases with initial or remaining lease terms in excess of one year were as follows:

Years ending June 30:	
2014	\$ 1,867,716
2015	1,494,607
2016	874,132
2017	470,617
2018	435,096
Thereafter	521,512
	<u>\$ 5,663,680</u>

Rental expense under operating leases was \$2,242,128 and \$2,147,137 for the years ended June 30, 2013 and 2012, respectively.

OHU has a contract related to information technology services management. The contract term is 36 months, expiring May 21, 2015. The cost is approximately \$82,000 per month.

#### Note 9. State and Local Government Agency Support

OHU received approximately \$31,360,000 and \$32,122,000 of its support and revenue from the State of Illinois and other governmental agencies during 2013 and 2012, respectively. A significant reduction in the level of this support, if it were to occur, could have a significant effect on OHU's programs and activities. A portion of this support is subject to review and final determination by these state and governmental agencies. OHU does not anticipate any significant adjustments upon final review and determination.

#### Note 10. Retirement Plan

OHU employees participate in the American Baptist Retirement and Death 403(b) Plan, a defined contribution plan. Under this plan, OHU contributes scheduled amounts that are a matched contribution up to 4 percent of salary. All OHU employees become eligible to participate in the Plan upon achieving service level requirements. Employees vest ratably over six years. OHU made contributions of \$138,372 and \$151,998 to the Plan in the years ended June 30, 2013 and 2012, respectively. As of June 30, 2013 and 2012, \$174,186 and \$173,428 was accrued for this benefit, respectively.

#### Note 11. Deferred Compensation Plan

OHU offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to certain OHU employees, permits them to defer a portion of their salary until future years. OHU did not make any contributions to the plan for the years ended June 30, 2013 and 2012, respectively. OHU accounts for the assets held by this plan as investments held for deferred compensation, as described in Note 4, with the related liability recorded as accrued expenses.

## One Hope United

### Notes to Consolidated Financial Statements

---

#### **Note 12. Joliet Project**

OHU has been awarded approximately \$3.1 million from the Illinois Capital Board towards an estimated \$4.2 million project to purchase and renovate a former elementary school in Joliet, Illinois into an early learning center. OHU has purchased the facility and entered into project management and architectural agreements related to the project. OHU will fund the remaining portion of this project thru a combination of foundation, corporate and individual contributions as well as a construction / term loan. As of June 30, 2013, OHU had capitalized \$376,975 in costs related to the purchase, renovation and construction of the facility. OHU received and recognized \$324,334 of the Illinois Capital Board grant as a temporarily restricted contribution during the year ended June 30, 2013. The new facility is expected to be placed in service September 1, 2014.

## **Supplementary Information**



One Hope United

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

Federal Grantor/ Program Title Pass Through Grantor/	Federal CFDA #	Grant or Contract #	Expenditures of Federal Awards
<b>United States Department of Agriculture</b>			
Child Nutrition Cluster passed through:			
Illinois State Board of Education			
Cash Assistance:			
School Breakfast Program	10.553	ISBE-HR	\$ 7,924
		ISBE-NR	10,450
National School Lunch Program	10.555	ISBE-HR	13,073
		ISBE-NR	16,112
			<u>47,559</u>
Child and Adult Care Food Program passed through:			
Illinois State Board of Education	10.558	ISBE-NR	<u>834,241</u>
<b>Total United States Department of Agriculture</b>			<b><u>881,800</u></b>
<b>United States Department of Justice</b>			
Public Safety Partnership and Community Policing Grants			
Direct award - DOJ Office of Community Oriented Policing Services	16.710	2008CKWX0065	<u>16,045</u>
<b>Total United States Department of Justice</b>			<b><u>16,045</u></b>
<b>United States Department of Health and Human Services</b>			
Enhance the Safety of Children Affected by Parental Methamphetamine or other Substance Abuse passed through:			
ACYF/Children's Bureau	93.087	90CU0007/03	<u>317,133</u>
			<u>317,133</u>
Substance Abuse and Mental Health Services_Projects of Regional and National Significance			
Direct award - US DHHS Substance Abuse and Mental Health Services Administration	93.243	1U79SM061151-01	<u>51,313</u>
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program passed through:			
Ounce of Prevention	93.505	2013-77M	<u>216,000</u>
Promoting Safe and Stable Families-Title IV-B passed through:			
Illinois Department of Children and Family Services	93.556	0040193163	1,277
		0040194272	48
		0040194273	4,123
		0040194302	453
		0040194303	169
		0100530022	(5,152)
		0100530032	(754)
		0100530042	(2,382)
		0100537042	23,584
		0100537043	62,184
Heartland For Children		HOHCM1	9,549
ECA Hillsborough		ECAH-CMO-OHU-FY13	33,228
Community Based Care of Central Florida		OROS002-1314	102,557
			<u>228,884</u>

One Hope United

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

Federal Grantor/ Program Title Pass Through Grantor/	Federal CFDA #	Grant or Contract #	Expenditures of Federal Awards
<b>United States Department of Health and Human Services (continued)</b>			
Healthy Families-Temporary Assistance for Needy Families-Title IV-A			
Block Grant passed through:			
Heartland For Children	93.558	HOHCM1	\$ 513,413
Community Based Care of Central Florida		OROS002-1314	411,823
ECA Hillsborough		ECAH-CMO-OHU-FY13	529,688
Kenosha County Department of Social Services		3561	5,959
			<u>1,460,883</u>
Child Care and Development Fund Cluster passed through:			
Illinois Department of Human Services			
Child Care and Development Block Grant	93.575	3FCSR100650	750,032
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	3FCSR100650	5,365,470
			<u>6,115,502</u>
Head Start Cluster passed through:			
Riverbend			
The Ounce of Prevention Fund	93.600	Contract 05CH6100/28 & /29	1,190 987,469
			<u>988,659</u>
Basic Center Grant passed through:			
Omni Youth Services	93.623	Contract	<u>54,083</u>
Child Welfare Services-Title IV-B passed through:			
County of Kenosha, Wisconsin	93.645	3561	19,300
Heartland For Children		HOHCM1	77,665
ECA Hillsborough		ECAH-CMO-OHU-FY13	74,330
Community Based Care of Central Florida		OROS002-1314	80,197
			<u>251,492</u>
Foster Care-Title IV-E passed through:			
Heartland For Children			
ECA Hillsborough	93.658	HOHCM1	724,803
County of Kenosha, Wisconsin		ECAH-CMO-OHU-FY13	760,071
Community Based Care of Central Florida		3561	3,115
		OROS002-1314	771,225
			<u>2,259,214</u>
Adoption Assistance - Title IV-E passed through:			
Community Based Care of Central Florida	93.659	OROS002-1314	177,199
Heartland For Children		HOHCM1	223,542
ECA Hillsborough		ECAH-CMO-OHU-FY13	170,508
			<u>571,249</u>

One Hope United

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

Federal Grantor/ Program Title Pass Through Grantor/	Federal CFDA #	Grant or Contract #	Expenditures of Federal Awards
<b>United States Department of Health and Human Services (continued)</b>			
Social Services Block Grant - Title XX passed through:			
County of Kenosha, Wisconsin	93.667	3561	\$ 8,533
Illinois Department of Human Services		3FCSRJ00215	198,679
		3FCSRE01031	60,319
		3FCSRJ00238	6,825
			<u>274,356</u>
Children's Health Insurance Program passed through:			
Illinois Department of Healthcare and Family Services	93.767	55M00000072	39,874
Medical Assistance Program passed through:			
Illinois Department of Healthcare and Family Services	93.778	55M00000072	<u>241,348</u>
<b>Total United States Department of Health and Human Services</b>			<b><u>13,069,990</u></b>
<b>Corporation for National and Community Service</b>			
Foster Grand Parent Program			
Direct award - Corporation for National and Community Service	94.011	09SFNIL003	423,068
<b>Total Corporation for National and Community Service</b>			<b><u>423,068</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 14,390,903</u></b>

See Note to Schedules of Expenditures of Federal Awards and State Financial Assistance.

One Hope United

Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2013

State Agency/ Program Title/ Pass Through Grantor	State CSFA #	Grant or Contract #	Expenditures of State Financial Assistance
<b>Florida Department of Children and Families</b>			
Community Based Care Support (Family Safety) passed through:			
Community Based Care of Central Florida	60.094	OROS002-1314	\$ 1,178,207
Heartland for Children		HOHCM1	929,774
ECA Hillsborough		ECAH-CMO-OHU-FY13	850,220
			<u>2,958,201</u>
Matching Funds for Federal Awards passed through:			
Community Based Care of Central Florida		OROS002-1314	207,317
Heartland for Children		HOHCM1	252,613
ECA Hillsborough		ECAH-CMO-OHU-FY13	198,569
			<u>658,499</u>
<b>Total Florida Department of Children and Family Service</b>			<b>\$ 3,616,700</b>
<b>Total Expenditures of State Financial Assistance</b>			<b>\$ 3,616,700</b>

## One Hope United

### Note to Schedules of Expenditures of Federal Awards and State Financial Assistance

---

#### **Note 1. Significant Accounting Policies**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes all of the federal grant activity and state projects of One Hope United and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the consolidated financial statements.

No funds were identified as having been provided to subrecipients by One Hope United under the meaning of Sections 105 and 210 of OMB Circular A-133, or the State of Florida Chapter 10.650, and, accordingly, no funds identified in the Schedule are attributable to subrecipient entities as required under Section 310(b) of OMB Circular A-133 or the State of Florida Chapter 10.650.

There were no federal awards expended for insurance, non-cash assistance, or any loans or loan guarantees outstanding at year-end.

One Hope United allocates indirect costs to each program based on the percentage of program expenses to agency-wide expenses.

**Basis of accounting:** The Schedules have been prepared using the accrual basis of accounting.

The Schedules includes total federal awards expended by One Hope United for each individual federal program and state project. Such awards expended are determined based on the requirements set forth under Section 205 of Subpart B of OMB Circular A-133 and under the State of Florida Chapter 10.650.



**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**

**Independent Auditor's Report**

To the Board of Directors  
One Hope United  
Lake Villa, 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 consolidated financial statements of One Hope United, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated 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 19, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered One Hope United'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of One Hope United's internal control. Accordingly, we do not express an opinion on the effectiveness of One Hope United'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 One Hope United's consolidated 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McGladrey LLP*

Chicago, Illinois  
December 19, 2013



**Report on Compliance for Each Major Federal Program and State Project and  
Report on Internal Control Over Compliance**

**Independent Auditor's Report**

To the Board of Directors  
One Hope United  
Lake Villa, Illinois

**Report on Compliance for Each Major Federal Program and State Project**

We have audited One Hope United's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the Executive Office of the Governor's State Project *Compliance Supplement* that could have a direct and material effect on each of One Hope United's major federal programs and state projects for the year ended June 30, 2013. One Hope United's major federal programs and state projects 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 and the state projects.

***Auditor's Responsibilities***

Our responsibility is to express an opinion on compliance for each of One Hope United's major federal programs and state projects 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, OMB Circular A-133, *Audits of States, Local Governments, Non-Profit Organizations*, and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Those standards, OMB Circular A-133, and State of Florida Chapter 10.650, *Rules of the Auditor General* 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 and state project occurred. An audit includes examining, on a test basis, evidence about One Hope United's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of One Hope United's compliance.

***Opinion on Each Major Federal Program and State Project***

In our opinion, One Hope United 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 and state projects for the year ended June 30, 2013.



## Report on Internal Control Over Compliance

Management of One Hope United 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 One Hope United's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project 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 state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and State of Florida Chapter 10.650, *Rules of the Auditor General*, 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 One Hope United'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.

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.

*McGladrey LLP*

Chicago, Illinois  
December 19, 2013

**One Hope United**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013**

---

**I. Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?                           Yes      X   No  
 Significant deficiency(ies) identified?                   Yes      X   None Reported

Noncompliance material to financial statements noted?                   Yes      X   No

*Federal Awards and State Projects*

Internal control over major programs:

Material weakness(es) identified?                           Yes      X   No  
 Significant deficiency(ies) identified?                   Yes      X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?                           Yes      X   No

Identification of major programs:

<u>CFDA Numbers</u>	<u>CSFA Number</u>	<u>Name of Federal Program, Cluster or State Project</u>
10.558		Child and Adult Care Food Program
93.600		Head Start Cluster
93.658		Foster Care – Title IV-E
	60.094	Community Based Care Support (Family Safety)

Dollar threshold used to distinguish between type A and type B programs

Type A and Type B federal	\$431,727
Type A and Type B state project	\$300,000

Auditee qualified as low-risk auditee?                      X   Yes           No

**One Hope United**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013**

---

**II. Financial Statement Findings**

There were no financial statement findings required to be reported in accordance with generally accepted *Government Auditing Standards*.

**III. Findings and Questioned Costs for Federal Awards**

There were no findings or questioned costs for federal awards.

**IV. Findings and Questioned Costs for State Projects**

There were no findings or questioned costs for state projects.

**One Hope United**

**Schedule of Prior Audit Findings  
Year Ended June 30, 2013**

---

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior year's Summary of Prior Audit Findings.