

One Hope United

Financial and Single Audit Report
(Including State of Florida Projects)
June 30, 2014

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Independent Auditor's Report on the Consolidated Financial Statements

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, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the 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 18, 2014 and December 19, 2013 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.

McGladrey LLP

Chicago, Illinois
December 18, 2014

One Hope United

Consolidated Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets		
Current Assets		
Cash	\$ 3,057,324	\$ 2,597,434
Accounts receivable, less allowance for doubtful accounts 2014 \$120,087; 2013 \$123,042	6,367,905	5,962,860
Bequest receivable	-	1,500,000
Other current assets	1,535,971	1,350,313
Total current assets	10,961,200	11,410,607
Contribution receivable - restricted	1,886,004	-
Fixed Assets		
Land and buildings	14,289,894	14,289,894
Building improvements	2,790,177	2,475,794
Furniture and equipment	3,554,774	3,422,558
Vehicles	350,198	292,103
Leasehold improvements	234,177	234,177
Construction in progress	1,734,124	376,975
	22,953,344	21,091,501
Less accumulated depreciation	10,025,625	9,122,888
Total fixed assets	12,927,719	11,968,613
Long-Term Assets		
Accounts receivable - long-term	-	5,000
Investments in securities	10,957,270	8,255,810
Investments in farm land	5,623,800	5,460,000
Beneficial interest in perpetual trusts	2,741,466	2,653,348
Investments held for deferred compensation	631,965	544,388
Total long-term assets	19,954,501	16,918,546
	\$ 45,729,424	\$ 40,297,766
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 2,551,846	\$ 1,597,578
Accrued expenses	2,837,343	2,714,400
Deferred revenue	2,184,432	1,585,572
Mortgage loans and notes payable	199,934	273,742
Total current liabilities	7,773,555	6,171,292
Long-Term Liabilities		
Accrued expenses	631,965	544,388
Mortgage loans and notes payable, less current portion	2,509,589	2,424,172
Total liabilities	10,915,109	9,139,852
Net Assets		
Unrestricted	28,939,385	27,890,321
Temporarily restricted	3,133,464	614,245
Permanently restricted	2,741,466	2,653,348
Total net assets	34,814,315	31,157,914
	\$ 45,729,424	\$ 40,297,766

See Notes to Consolidated Financial Statements.

One Hope United

**Consolidated Statements of Activities
Years Ended June 30, 2014 and 2013**

	2014	2013
Changes in unrestricted net assets:		
Public support and revenue:		
Dept. of Children and Family Services - Illinois	\$ 18,811,595	\$ 17,868,801
Dept. of Human Services - Illinois	8,548,599	8,140,946
Other government funding	5,139,917	5,350,006
Program service fees	6,086,116	6,106,709
Contributions and bequests	1,100,836	2,790,420
In-kind contributions	323,813	272,019
Investment income	1,400,752	1,180,839
United Way agencies	281,525	337,480
Florida case management services:		
Community Based Care of Central Florida	3,251,713	3,483,340
Heartland	2,905,952	2,760,984
Eckerd Youth Services	2,698,517	2,735,333
Ounce of Prevention	1,697,816	1,203,478
Omni Youth Services	229,913	-
Rental income	98,913	77,240
Farm income	92,787	152,810
Miscellaneous	403,224	593,575
Net assets released from restrictions	15,904	811
Total public support and revenue	53,087,892	53,054,791
Expenses:		
Program services	46,934,896	44,924,988
General fundraising	718,908	604,768
Management and general	3,900,324	3,802,598
Other services	484,700	178,053
Total expenses	52,038,828	49,510,407
Change in unrestricted net assets	1,049,064	3,544,384
Changes in temporarily restricted net assets:		
Contributions	2,535,123	460,290
Net assets released from restrictions	(15,904)	(811)
Change in temporarily restricted net assets	2,519,219	459,479
Changes in permanently restricted net assets:		
Change in value of perpetual trusts	88,118	374,364
Change in net assets	3,656,401	4,378,227
Net assets:		
Beginning	31,157,914	26,779,687
Ending	\$ 34,814,315	\$ 31,157,914

See Notes to Consolidated Financial Statements.

One Hope United

Consolidated Statement of Functional Expenses
Year Ended June 30, 2014

	Program Services						Total Program
	Child Development Services	Placement Services	Prevention	Family Preservation	Counseling	Youth Services	
Expenses:							
Salaries	\$ 9,143,807	\$ 11,139,143	\$ 987,054	\$ 1,787,634	\$ 2,675,929	\$ 1,126,687	\$ 26,860,254
Salary-related expenses	1,987,586	2,286,133	206,794	381,845	480,754	236,988	5,580,100
Total salaries and related expenses	11,131,393	13,425,276	1,193,848	2,169,479	3,156,683	1,363,675	32,440,354
Professional liability insurance	99,485	159,085	12,984	18,429	40,960	13,291	344,234
Bad debt expense	45,100	61,798	7,912	11,130	14,823	8,472	149,235
Professional fees and contract services	309,854	640,755	46,168	42,335	264,621	136,787	1,440,320
Legal fees	4,709	42,033	6,286	3,234	59,384	2,375	118,021
Audit fees	-	-	-	-	-	-	-
Interest expense	44,066	6,546	508	1,290	21,826	1,918	76,154
Supplies	1,318,491	409,470	16,088	17,031	95,194	7,749	1,864,023
Telephone and telegraph	175,411	408,312	26,725	55,473	99,344	47,045	812,310
Postage and shipping	6,316	17,373	1,160	3,130	5,314	1,548	34,841
Rent	792,655	619,530	41,076	99,625	212,591	77,094	1,842,571
Other occupancy expenses	649,762	358,026	34,363	50,717	108,096	28,113	1,229,077
Local transportation	64,904	960,676	172,250	198,387	179,106	113,371	1,688,694
Conferences, meetings and seminars	71,974	84,487	7,766	4,593	20,880	5,975	195,675
Specific assistance to individuals	122,527	2,436,048	311,300	39,070	43,907	4,244	2,957,096
Membership dues	30,610	46,842	3,319	4,790	7,429	3,563	96,553
Equipment purchases	59,770	22,138	672	2,625	15,078	1,230	101,513
Equipment rentals	58,584	90,665	9,560	19,022	28,674	15,275	221,780
In-kind contributions	47,713	132,336	65,859	33,567	25,643	1,946	307,064
Printing expense	41,681	6,564	2,209	1,443	2,696	608	55,201
Miscellaneous expenses	34,964	36,604	5,518	4,231	4,830	1,581	87,728
Total expenses before depreciation	15,109,769	19,964,564	1,965,571	2,779,601	4,407,079	1,835,860	46,062,444
Depreciation	499,860	218,915	20,900	28,139	88,882	15,756	872,452
Total expenses	\$ 15,609,629	\$ 20,183,479	\$ 1,986,471	\$ 2,807,740	\$ 4,495,961	\$ 1,851,616	\$ 46,934,896

(Continued)

One Hope United

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2014

	General Fund Raising	Management and General	Other Services	Totals
Expenses:				
Salaries	\$ 359,072	\$ 1,406,401	\$ 49,649	\$ 28,675,376
Salary-related expenses	64,431	197,500	4,430	5,846,461
Total salaries and related expenses	423,503	1,603,901	54,079	34,521,837
Professional liability insurance	59	95	371	344,759
Bad debt expense	-	-	183	149,418
Professional fees and contract services	106,115	1,560,813	288,240	3,395,488
Legal fees	-	59,598	(10,826)	166,793
Audit fees	-	108,876	-	108,876
Interest expense	-	-	1	76,155
Supplies	7,357	44,238	2,801	1,918,419
Telephone and telegraph	11,903	87,552	396	912,161
Postage and shipping	3,839	28,855	4	67,539
Rent	11,988	125,213	90,361	2,070,133
Other occupancy expenses	16,313	24,933	1,600	1,271,923
Local transportation	16,163	133,960	25,691	1,864,508
Conferences, meetings and seminars	5,381	16,150	1,241	218,447
Specific assistance to individuals	100	-	1,838	2,959,034
Membership dues	1,615	11,629	73	109,870
Equipment purchases	3,047	32,795	4	137,359
Equipment rentals	1,915	15,125	8,138	246,958
In-kind contributions	-	-	16,749	323,813
Printing expense	17,950	2,082	2,105	77,338
Miscellaneous expenses	88,481	17,418	1,636	195,263
Total expenses before depreciation	715,729	3,873,233	484,685	51,136,091
Depreciation	3,179	27,091	15	902,737
Total expenses	\$ 718,908	\$ 3,900,324	\$ 484,700	\$ 52,038,828

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
Total salaries and related expenses	10,160,463	13,401,591	1,217,779	2,228,954	2,849,437	1,454,741	31,312,965
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
Total expenses before depreciation	13,816,015	19,463,181	1,988,879	2,970,659	3,945,588	1,952,231	44,136,553
Depreciation	447,795	208,392	15,232	28,381	75,765	12,870	788,435
Total expenses	\$ 14,263,810	\$ 19,671,573	\$ 2,004,111	\$ 2,999,040	\$ 4,021,353	\$ 1,965,101	\$ 44,924,988

(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
Total salaries and related expenses	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
Total expenses before depreciation	602,377	3,765,849	178,042	48,682,821
Depreciation	2,391	36,749	11	827,586
Total expenses	\$ 604,768	\$ 3,802,598	\$ 178,053	\$ 49,510,407

See Notes to Consolidated Financial Statements.

One Hope United

**Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013**

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ 3,656,401	\$ 4,378,227
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	902,737	827,586
Bad debt expense	149,418	138,160
Net realized and unrealized gain on investments	(1,069,291)	(425,544)
Net unrealized gain on investments in farm land	(163,800)	(498,180)
Net gain on sale of equipment	-	(501)
Loss on disposals of fixed assets	-	9,668
Change in value of beneficial interest in perpetual trusts	(88,118)	(374,364)
Contribution restricted for capital purposes	(579,119)	(324,334)
Changes in:		
Accounts receivable	950,536	(2,275,188)
Contribution receivable	(1,886,004)	-
Accounts payable and accrued expenses	67,234	341,068
Deferred revenue	598,860	585,922
Other assets	(185,658)	(9,007)
Net cash provided by operating activities	2,353,196	2,373,513
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	3,579,406	7,757,183
Purchases of investments	(5,211,575)	(8,147,576)
Purchases of fixed assets	(851,865)	(1,579,878)
Proceeds from sale of equipment	-	501
Net cash used in investing activities	(2,484,034)	(1,969,770)
Cash Flows from Financing Activities		
Repayment on mortgage loans	(272,765)	(235,891)
Proceeds from loan	1,459,209	1,518,876
Repayment on mortgages refinanced	(1,174,835)	(1,518,876)
Contribution restricted for capital purposes	579,119	324,334
Net cash provided by financing activities	590,728	88,443
Net increase in cash	459,890	492,186
Cash:		
Beginning	2,597,434	2,105,248
Ending	\$ 3,057,324	\$ 2,597,434
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 74,912	\$ 133,960
Supplemental Schedule of Noncash Investing Activities		
Net increase in investments held for deferred compensation/accrued expenses	\$ 87,577	\$ 76,559
Construction in progress included in accounts payable	\$ 1,009,977	\$ 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 was received in cash during 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 is adjusted as information about specific accounts becomes available and as accounts reach six months outstanding and have not been collected as of year-end. OHU also compares current reserve amounts to prior-year collections or write-off experience.

The contribution receivable is expected to be collected next year, and has been restricted in purpose for use in the Joliet Project. See Note 12.

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.

One Hope United

Notes to Consolidated Financial Statements

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

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.

In-kind contributions: OHU received contributions of services from outside corporations, including printing, advertising, and various goods, in the amount of \$323,813 and \$272,019 during the years ended June 30, 2014 and 2013, 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.

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. The interest rate collar agreement was cancelled effective June 28, 2013.

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, 2014 and 2013 consist of:

	2014	2013
Educational scholarships	\$ 229,797	\$ 200,703
Daycare programs	39,210	39,208
Joliet capital project	2,789,457	324,334
Other capital projects	75,000	50,000
	<u>\$ 3,133,464</u>	<u>\$ 614,245</u>

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).

One Hope United

Notes to Consolidated Financial Statements

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

The accounting standard 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.

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 2011.

Subsequent events: OHU has evaluated subsequent events for potential recognition and/or disclosure through December 18, 2014, the date the consolidated financial statements were available to be issued.

Note 2. Accounts Receivable

Accounts receivable as of June 30, 2014 and 2013, net of allowances for doubtful accounts of \$120,087 and \$123,042, respectively, are summarized as follows:

	2014	2013
Supporting agencies:		
DCFS - Illinois	\$ 2,360,829	\$ 2,321,853
DHS - Illinois	883,349	742,921
Florida case management	1,282,375	1,341,994
Other governmental funding	1,323,338	1,292,262
Other	518,014	263,830
	<u>\$ 6,367,905</u>	<u>\$ 5,962,860</u>

Note 3. Investment Income

Investment income for the years ended June 30, 2014 and 2013 is comprised of the following:

	2014	2013
Interest and dividend income	\$ 167,661	\$ 257,115
Unrealized gains (losses) - securities	920,540	(175,384)
Unrealized gains - investments in farm land	163,800	498,180
Realized gains	148,751	600,928
	<u>\$ 1,400,752</u>	<u>\$ 1,180,839</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 years ended June 30, 2014 and 2013, 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 actual date of the event or change in circumstances that caused the transfer. For the years ended June 30, 2014 and 2013, 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. Between appraisals, which are generally obtained bi-annually, OHU adjusts the fair value of the land based on industry benchmarks for changes in farm land value for the relevant region in Illinois, which considers comparable sales, commodity prices and regional economics.

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

Participants in the 457(b) plan described in Note 11 are offered a variety of investment options within a pooled separate account. Investment options include a variety of equity, fixed income and balanced funds. Fair value of the funds are determined as follows.

Investments in money market 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 funds, fixed income funds, 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.

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, 2014 and 2013:

Description	June 30, 2014			
	Total	Level 1	Level 2	Level 3
Assets				
Investments in securities:				
Money market funds	\$ 838,646	\$ 838,646	\$ -	\$ -
Equity securities:				
U.S. small cap	7,613	7,613	-	-
U.S. mid cap	690,266	690,266	-	-
U.S. large cap	2,289,228	2,289,228	-	-
International equities	2,644,136	2,644,136	-	-
Global equities	302,913	302,913	-	-
Fixed income securities:				
Fixed income funds	2,442,997	2,442,997	-	-
Other securities:				
Commodities funds	102,945	102,945	-	-
Real estate fund	272,758	272,758	-	-
Hedge funds	1,365,771	1,365,771	-	-
	<u>\$ 10,957,270</u>	<u>\$ 10,957,270</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in farm land	<u>\$ 5,623,800</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,623,800</u>
Beneficial interest in perpetual trusts	<u>\$ 2,741,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,741,466</u>
Investments held for deferred compensation in a pooled separate account:				
Money market funds	\$ 225,140	\$ 225,140	\$ -	\$ -
Equity funds	159,939	-	159,939	-
Fixed income funds	101,084	-	101,084	-
Balanced funds	145,802	-	145,802	-
	<u>\$ 631,965</u>	<u>\$ 225,140</u>	<u>\$ 406,825</u>	<u>\$ -</u>

One Hope United

Notes to Consolidated Financial Statements

Note 4. Fair Value Disclosures (Continued)

Description	June 30, 2013			
	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Assets				
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 in a pooled separate account:				
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)

Financial instruments classified as Level 3 in the fair value hierarchy represent OHU's investments in financial instruments in which at least one significant unobservable input is used in the valuation model. The following table presents a reconciliation of activity for the Level 3 financial instruments during the years ended June 30, 2014 and 2013:

	June 30, 2014		June 30, 2013	
	Investments in Farm Land	Beneficial Interest in Perpetual Trusts	Investments in Farm Land	Beneficial Interest in Perpetual Trusts
Balance, beginning of year	\$ 5,460,000	\$ 2,653,348	\$ 4,961,820	\$ 2,278,984
Change in value of perpetual trusts	-	88,118	-	374,364
Unrealized gains - investments in farm land	163,800	-	498,180	-
Balance, end of year	<u>\$ 5,623,800</u>	<u>\$ 2,741,466</u>	<u>\$ 5,460,000</u>	<u>\$ 2,653,348</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	\$ 5,623,800	Market (comparable sales)	Time (since comparable sale)	\$0 - \$650
			Location	\$0 - \$250
			Land quality (e.g. tillable percentage, soil quality, drainage)	\$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, 2014 and 2013, cash in both trusts combined was \$39,987 and \$27,797, respectively, and the estimated fair market value of the 360 acres of farm land was \$3,615,300 and \$3,510,000, respectively. OHU has a 75 percent interest in the income from each trust. OHU values its beneficial interest in each perpetual trust based on the fair value of the assets within the trust. OHU's proportionate share of the fair value of the trusts' assets was \$2,741,466 and \$2,653,348, at June 30, 2014 and 2013, respectively. The income from the trusts is to be paid annually. During the years ended June 30, 2014 and 2013, OHU received \$53,933 and \$45,329, 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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
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
Mortgage loan payable, IFF, 6.09%, due in monthly payments of \$4,303 including interest, due July 2015, collateralized by building	-	93,632
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
Mortgage loan payable, IFF, 5.75%, due in monthly payments of \$1,718 including interest, due December 2018, collateralized by building.	-	92,354
Mortgage loan payable, IFF, 5.0%, due in monthly payments of \$6,600 including interest, due May 2025, collateralized by building.	-	709,923
Note payable, IFF, 5.1%, due in monthly payments of \$360 including interest, due September 2013, collateralized by a van.	-	1,071
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
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
Note payable, GMAC, 5.89%, due in monthly payments of \$443 including interest, due October 2015, collateralized by a van.	6,397	11,186
Mortgage loan payable, bank, 2.6%, 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.	2,703,126	1,513,376
	<u>2,709,523</u>	<u>2,697,914</u>
Less current portion	199,934	273,742
	<u>\$ 2,509,589</u>	<u>\$ 2,424,172</u>

One Hope United

Notes to Consolidated Financial Statements

Note 6. Mortgage Loans and Notes Payable (Continued)

Debt service requirements under these obligations are as follows:

Years ending June 30:

2015	\$ 199,934
2016	202,179
2017	205,701
2018	2,101,709
	<u>\$ 2,709,523</u>

In July 2013, an additional \$1,459,205 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 principal payments remain \$22,109. Interest is payable monthly.

OHU has a \$4,000,000 revolving bank line of credit. Interest is payable monthly at floating LIBOR (0.15 percent and 0.19 percent at June 30, 2014 and 2013, 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 borrowings during the years ended June 30, 2014 and June 30, 2013.

In June 2013, OHU obtained a \$1,000,000 construction draw loan facility. 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 years ended June 30, 2014 and June 30, 2013.

The bank line of credit, mortgage loan and construction draw loan facility 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. The agreement was scheduled to expire on February 28, 2014, but OHU cancelled the agreement effective June 28, 2013. The collar was not designated as a hedging instrument. 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 of income for the year ended June 30, 2013, and is included within miscellaneous expense on the consolidated statement 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, 2014, 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:	
2015	\$ 2,164,860
2016	1,335,119
2017	913,018
2018	923,942
2019	617,736
Thereafter	200,000
	<u>\$ 6,154,675</u>

Rental expense under operating leases was \$2,070,133 and \$2,242,128 for the years ended June 30, 2014 and 2013, 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 \$32,500,000 and \$31,360,000 of its support and revenue from the State of Illinois and other governmental agencies during the years ended June 30, 2014 and 2013, 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 \$145,557 and \$138,372 to the Plan in the years ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, \$0 and \$174,186, respectively, was accrued for this benefit.

Note 11. Deferred Compensation Plan

OHU offers 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, 2014 and 2013. 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's Joliet project is a \$4.2 million project to purchase and renovate a former elementary school in Joliet, Illinois into an early learning center. OHU purchased the facility in the prior year and is approximately 75 percent complete with the renovation at this time. As of June 30, 2014 and 2013, OHU had capitalized \$1,734,124 and \$376,975 in costs related to the purchase, renovation and construction of the facility, respectively. The new facility is expected to be placed in service in the spring of 2015.

OHU was awarded approximately \$3.1 million from the Illinois Capital Board for the project. OHU has recognized \$2,465,123 and \$324,334 of the Illinois Capital Board grant as a temporarily restricted contribution during the year ended June 30, 2014 and 2013, respectively. On September 15, 2014, OHU entered into state and federal New Market Tax Credits (NMTC) financings for the Joliet facility and refinancing of its Aurora child care facility. The state NMTC financing was for \$10 million; the federal portion was \$5 million. These two properties were transferred to One Hope United Title Holding Corporation, a newly formed 501(c)(2) special purpose not-for-profit title holding company, wholly-owned by OHU, which received the NMTC financing. The NMTC financing completed the financing for the project and resulted in \$1.1 million of additional net financing available for the project.

Supplementary Information

One Hope United

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Federal Grantor/ Program Title Pass Through Grantor/	Federal CFDA #	Grant or Contract #	Expenditures of Federal Awards
United States Department of Agriculture			
Child Nutrition Cluster passed through:			
Illinois State Board of Education			
Cash Assistance:			
School Breakfast Program	10.553	13058002P00 34049031P00	\$ 5,790 12,884
National School Lunch Program	10.555	13058002P00 34049031P00	10,007 <u>20,241</u>
			<u>48,922</u>
Child and Adult Care Food Program passed through:			
Illinois State Board of Education	10.558	34049031P00	<u>870,727</u>
Total United States Department of Agriculture			<u>919,649</u>
United States Department of Health and Human Services			
Enhance the Safety of Children Affected by Parental Methamphetamine or other Substance Abuse passed through:			
ACYF/Children's Bureau	93.087	B0891G1	<u>42,372</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>471,226</u>
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program passed through:			
Ounce of Prevention	93.505	2014-77M	<u>216,000</u>
Promoting Safe and Stable Families-Title IV-B passed through:			
Illinois Department of Children and Family Services	93.556	0040193163 0040193164 0100537043 0100537044 HOHCM1 ECAH-CMO-OHU-FY14 OROS002-1314	8 4,015 18,777 64,292 9,985 22,774 <u>96,126</u>
Heartland For Children			9,985
ECA Hillsborough			22,774
Community Based Care of Central Florida			<u>96,126</u>
			<u>215,957</u>

See Note to Schedule of Expenditures of Federal Awards.

One Hope United

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/ Program Title Pass Through Grantor/	Federal CFDA #	Grant or Contract #	Expenditures of Federal Awards
United States Department of Health and Human Services (Continued)			
Healthy Families-Temporary Assistance for Needy Families- Title IV-A Block Grant passed through:			
Heartland For Children	93.558	HOHCM1	\$ 535,036
Community Based Care of Central Florida		OROS002-1314	574,275
ECA Hillsborough		ECAH-CMO-OHU-FY14	609,151
			<u>1,718,462</u>
Child Care and Development Fund Cluster passed through:			
Illinois Department of Human Services			
Child Care and Development Block Grant	93.575	FCSS100650	840,315
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FCSS100650	5,256,354
			<u>6,096,669</u>
Head Start passed through:			
Riverbend	93.600	Contract	432
The Ounce of Prevention Fund		05CH6100/29 & /30, 05CH8341/01 & /02	1,457,028
			<u>1,457,460</u>
Basic Center Grant passed through:			
Omni Youth Services	93.623	Contract	59,000
Stephanie Tubbs Jones Child Welfare Services-Title IV-B passed through:			
County of Kenosha, Wisconsin	93.645	3561	757
Heartland For Children		HOHCM1	78,899
ECA Hillsborough		ECAH-CMO-OHU-FY14	84,525
Community Based Care of Central Florida		OROS002-1314	82,924
			<u>247,105</u>
Child Welfare Research Training or Demonstration passed through:			
Illinois Department of Children and Family Services	93.648	40194313	3,234
		40194224	17,087
		40194224	14,376
		1005537063	38,600
		1005537064	41,958
			<u>115,255</u>

See Note to Schedule of Expenditures of Federal Awards.

One Hope United

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014**

Federal Grantor/ Program Title Pass Through Grantor/	Federal CFDA #	Grant or Contract #	Expenditures of Federal Awards
United States Department of Health and Human Services (Continued)			
Foster Care-Title IV-E passed through:			
Heartland For Children	93.658	HOHCM1	\$ 711,212
ECA Hillsborough		ECAH-CMO-OHU-FY14	976,980
County of Kenosha, Wisconsin		3561	1,211
Community Based Care of Central Florida		OROS002-1314	<u>1,018,814</u>
			<u>2,708,217</u>
Adoption Assistance - Title IV-E passed through:			
Community Based Care of Central Florida	93.659	OROS002-1314	208,868
Heartland For Children		HOHCM1	242,360
ECA Hillsborough		ECAH-CMO-OHU-FY14	<u>181,628</u>
			<u>632,856</u>
Social Services Block Grant - Title XX passed through:			
Illinois Department of Human Services	93.667	FCSRE01031	59,578
		FCSRJ00215	<u>214,956</u>
			<u>274,534</u>
Children's Health Insurance Program passed through:			
Illinois Department of Healthcare and Family Services	93.767	55M00000072	<u>32,554</u>
Medical Assistance Program passed through:			
Illinois Department of Healthcare and Family Services	93.778	55M00000072	<u>250,194</u>
Total United States Department of Health and Human Services			<u>14,537,861</u>
Corporation for National and Community Service			
Foster Grand Parent Program			
Direct Award - Corporation for National and Community Service	94.011	A6759P1	<u>503,078</u>
Total Corporation for National and Community Service			<u>503,078</u>
Total Expenditures of Federal Awards			<u>\$ 15,960,588</u>

See Note to Schedule of Expenditures of Federal Awards.

One Hope United

**Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014**

State Agency/ Program Title/ Pass Through Grantor	State CSFA #	Grant or Contract #	Expenditures of State Financial Assistance
Florida Department of Children and Families			
Out of Home Supports passed through:			
Community Based Care of Central Florida	60.074	OROS002-1314	\$ 592,414
Heartland for Children		HOHCM1	237,029
ECA Hillsborough		ECAH-CMO-OHU-FY14	294,499
			<u>1,123,942</u>
In Home Supports passed through:			
Community Based Care of Central Florida	60.075	OROS002-1314	\$ 247,643
Heartland for Children		HOHCM1	499,659
ECA Hillsborough		ECAH-CMO-OHU-FY14	153,524
			<u>900,826</u>
Matching Funds for Federal Awards passed through:			
Community Based Care of Central Florida		OROS002-1314	492,105
Heartland for Children		HOHCM1	582,562
ECA Hillsborough		ECAH-CMO-OHU-FY14	378,025
			<u>1,452,692</u>
Total Florida Department of Children and Family Service			\$ 3,477,460
Total Expenditures of State Financial Assistance			\$ 3,477,460

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

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.

The Schedules include 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.

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.

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

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.



**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, 2014, 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 18, 2014.

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 18, 2014



**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, 2014. 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular No. A-133 and State of Florida Chapter 10.650 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program and state project is not modified with respect to this matter.

One Hope United's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. One Hope United's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

One Hope United's response to the internal control over compliance finding identified in our audit is described in the corrective action plan. One Hope United's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and State of Florida Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

McGladrey LLP

Chicago, Illinois
December 18, 2014

One Hope United

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

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 No
 Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards and State Projects

Internal control over major programs:

Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes 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 No

Identification of major programs:

<u>CFDA Numbers</u>	<u>CSFA Number</u>	<u>Name of Federal Program, Cluster or State Project</u>
93.243		Substance Abuse and Mental Health Services – Projects of Regional and National Significance
93.575, 93.596		Child Care and Development Fund Cluster
93.659 94.011		Adoption Assistance- Title IV-E Foster Grand Parent Program
	60.074	Out of Home Supports
	60.075	In Home Supports

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

Type A and Type B federal	\$478,818
Type A and Type B state project	\$300,000

Auditee qualified as low-risk auditee? Yes No

One Hope United

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014**

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

Finding 2014-001: Reporting

Questioned costs: None

Federal agency: United States Department of Health and Human Services

Federal Program Title, Pass-Through Entity (if applicable), CFDA Number, Award Number, Award Period: Substance Abuse and Mental Health Services – Projects of Regional and National Significance; direct award; 93.243; 1U79SM061151-01, Project year: 09/30/2012 – 09/29/2016, Budget period: 09/30/2012 – 09/29/2013

Criteria: Per the grant agreement, the annual report is to be submitted within 90 days of the budget period-end and the cash reimbursement submissions should be complete and timely.

Condition: During our testing of this award's reporting requirements, we noted that the September 2013 report was submitted late. The submission of the September 2013 annual report was submitted 177 days after the budget year-end. We also noted there was only 1 reimbursement request sent in fiscal year 2014. This request was for the period January 2013 through March 2014.

Cause: Employee turnover within a key reporting function contributed to the late reporting.

Effect: Noncompliance with federal regulations could result in the disallowance of costs and/or the loss of future federal funding. Improper internal controls over reporting can lead to future noncompliance.

Recommendation: We recommend that internal controls over reporting be strengthened to ensure timely billing and reporting. Key reporting processes and deadlines should be clearly documented to allow for timely submissions, even in the event of employee turnover.

Management response: See attached corrective action plan.

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, 2014**

The prior year audit disclosed no financial statement findings, federal or state award findings, or questioned costs 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.



Protecting children.
Strengthening families.

**Corrective Action Plan
Year Ended June 30, 2014**

Findings and Questioned Costs for Federal Awards

Finding 2014-001: Reporting

Federal agency: United States Department of Health and Human Services

Federal Program Title, Pass-Through Entity (if applicable), CFDA Number, Award Number, Award Period: Substance Abuse and Mental Health Services – Projects of Regional and National Significance; direct award; 93.243; 1U79SM061151-01, Project year: 09/30/2012 – 09/29/2016, Budget period: 09/30/2012 – 09/29/2013

Finding:

During our testing of this award's reporting requirements, we noted that the September 2013 report was submitted late. The submission of the September 2013 annual report was submitted 177 days after the budget year end. We also noted there was only 1 reimbursement request sent in fiscal year 2014. This request was for the period January 2013 through March 2014.

Corrective Action Planned: Due to OHU staff turnover in August 2013, OHU experienced difficulty accessing the funder website to submit reimbursement requests. Access has now been obtained to that website. Quarterly service reports have been completed and submitted in a timely manner. OHU has documented the reimbursement request procedures, and will begin the process of moving this responsibility to a specific billing person. Reimbursement requests are to be submitted on a monthly basis once the new billing person is in place.

Anticipated Completion Date: It is anticipated that the FY14 annual report and reimbursement request will be submitted by January 31, 2015. Training of the new staff person is estimated to be completed by February 2015 so that the responsibility to submit reimbursement requests can be transferred at that time.

Contact Person Responsible for Corrective Action:

Name: Betty Winters

Title: Business Manager

Phone: 847-245-6502