

NEIGHBORHOOD HOUSE, INCORPORATED

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2016 AND 2015

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED DECEMBER 31, 2016



NEIGHBORHOOD HOUSE, INCORPORATED

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

May 18, 2017

Board of Trustees
Neighborhood House, Incorporated
Seattle, Washington

We have audited the accompanying financial statements of Neighborhood House, Incorporated (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph of this letter present fairly, in all material respects, the financial position of Neighborhood House, Incorporated as of December 31, 2016 and 2015, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2017 on our consideration of Neighborhood House, Incorporated's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhood House, Incorporated's internal control over financial reporting and compliance.



Jacobson Jarvis & Co, PLLC

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 1,726,571	\$ 1,677,131
Grants and contracts receivable	2,972,690	2,286,702
Current pledges receivable	555,173	809,457
Other receivables	62,968	502,575
Prepaid expenses and deposits	266,326	220,582
	<u>5,583,728</u>	<u>5,496,447</u>
Total Current Assets		
Long-term Investments	744,376	481,273
Equipment and Software, net	254,352	142,517
Facilities, net	14,065,269	14,404,906
	<u>\$20,647,725</u>	<u>\$20,525,143</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Accounts payable	\$ 444,261	\$ 351,388
Accrued expenses	933,391	889,734
Deferred revenue	7,894	-
Notes payable, current	80,300	234,163
	<u>1,465,846</u>	<u>1,475,285</u>
Total Current Liabilities		
Long-term Debt, less current portion	2,876,615	2,956,916
	<u>4,342,461</u>	<u>4,432,201</u>
Total Liabilities		
Net Assets		
Unrestricted		
Undesignated	14,768,045	14,688,280
Board designated for future operations	499,364	467,605
	<u>15,267,409</u>	<u>15,155,885</u>
Total Unrestricted Net Assets		
Temporarily restricted	1,037,855	937,057
	<u>16,305,264</u>	<u>16,092,942</u>
Total Net Assets	<u>\$20,647,725</u>	<u>\$20,525,143</u>

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Change in Unrestricted Net Assets		
Revenues and other support		
Government and private grants and contracts	\$13,453,691	\$12,496,618
In-kind support	792,628	858,123
United Way of King County	700,258	1,040,736
Contributions	712,232	827,579
Investment return	43,810	579
Service fees and other	<u>208,338</u>	<u>694,352</u>
	15,910,957	15,917,987
Net assets released from purpose restrictions	<u>911,693</u>	<u>895,449</u>
Total Unrestricted Revenues and Other Support	<u>16,822,650</u>	<u>16,813,436</u>
Expenses		
Program services	14,547,783	14,263,117
Management and general	1,682,450	1,697,362
Fund development	<u>480,893</u>	<u>525,716</u>
Total Expenses	<u>16,711,126</u>	<u>16,486,195</u>
Change in Unrestricted Net Assets	<u>111,524</u>	<u>327,241</u>
Change in Temporarily Restricted Net Assets		
Contributions	1,012,491	803,080
Net assets released from purpose restrictions	<u>(911,693)</u>	<u>(895,449)</u>
Change in Temporarily Restricted Net Assets	<u>100,798</u>	<u>(92,369)</u>
Total Change in Net Assets	212,322	234,872
Net Assets - beginning of year	<u>16,092,942</u>	<u>15,858,070</u>
Net Assets - end of year	<u><u>\$16,305,264</u></u>	<u><u>\$16,092,942</u></u>

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES							Total Program Services	Management and General	Fund Development	Total Expenses
	Child Development	Adult Employment & Education	Housing Stability	Community Health	Family & Social Services	Youth Development	Other Programs				
	Salaries and wages	\$4,022,085	\$ 1,135,065	\$ 601,015	\$ 709,016	\$ 693,361	\$ 404,355				
Employee health and retirement benefits	519,997	169,584	93,015	75,182	101,307	63,680	27,831	1,050,596	130,653	31,685	1,212,934
Payroll taxes	399,418	105,138	56,085	66,816	66,675	38,246	22,064	754,442	100,202	23,966	878,610
Total Salaries and Related Expenses	4,941,500	1,409,787	750,115	851,014	861,343	506,281	295,483	9,615,523	1,336,576	322,751	11,274,850
Assistance to individuals	-	156,670	874,103	18,118	9,248	25,045	2,141	1,085,325	-	-	1,085,325
Professional fees and contract services	298,537	335,089	2,357	154,476	15,312	43,267	24,473	873,511	75,189	9,094	957,794
Occupancy	432,447	31,202	46,648	10,874	35,886	10,031	89,398	656,486	98,078	20,077	774,641
Supplies	231,706	27,946	15,730	103,624	30,724	26,102	30,546	466,378	51,984	10,030	528,392
Depreciation	224,360	-	-	-	-	-	209,706	434,066	27,157	5,157	466,380
Conferences and meetings	319,839	12,685	5,963	31,353	2,547	5,312	4,402	382,101	13,366	39,145	434,612
In-kind miscellaneous	199,329	-	-	5,000	125,229	302	668	330,528	4,327	44,022	378,877
In-kind occupancy	81,465	-	-	-	-	55,681	39,601	176,747	-	144	176,891
Telephone	63,729	28,286	11,732	10,096	16,411	12,033	11,713	154,000	8,726	1,714	164,440
Local transportation	70,298	19,160	3,103	9,810	10,735	16,606	6,770	136,482	10,296	1,944	148,722
Other expenses	40,241	7,190	3,643	5,604	7,254	3,957	12,021	79,910	45,105	6,828	131,843
Food	69,327	358	-	10,849	7,704	4,994	(122)	93,110	-	1,796	94,906
Printing and publications	5,908	5,187	769	19,849	5,157	690	7,808	45,368	5,802	10,463	61,633
Postage and shipping	544	1,603	134	666	493	69	14,739	18,248	5,844	7,728	31,820
Total Expenses	<u>\$6,979,230</u>	<u>\$ 2,035,163</u>	<u>\$ 1,714,297</u>	<u>\$ 1,231,333</u>	<u>\$ 1,128,043</u>	<u>\$ 710,370</u>	<u>\$ 749,347</u>	<u>\$14,547,783</u>	<u>\$ 1,682,450</u>	<u>\$ 480,893</u>	<u>\$16,711,126</u>

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	PROGRAM SERVICES							Total Program Services	Management and General	Fund Development	Total Expenses
	Child Development	Adult Employment & Education	Housing Stability	Community Health	Family & Social Services	Youth Development	Other Programs				
Salaries and wages	\$3,860,511	\$ 1,062,249	\$ 560,535	\$ 514,307	\$ 851,403	\$ 413,176	\$ 265,169	\$ 7,527,350	\$ 1,090,392	\$ 256,620	\$ 8,874,362
Employee health and retirement benefits	498,773	148,764	89,648	46,795	112,595	55,666	29,196	981,437	128,532	31,331	1,141,300
Payroll taxes	411,343	100,929	52,668	48,943	81,336	39,934	24,276	759,429	100,110	22,999	882,538
Total Salaries and Related Expenses	4,770,627	1,311,942	702,851	610,045	1,045,334	508,776	318,641	9,268,216	1,319,034	310,950	10,898,200
Assistance to individuals	2,739	149,763	1,001,010	17,564	7,751	17,676	250	1,196,753	95	95	1,196,943
Professional fees and contract services	282,238	359,987	1,844	86,609	11,081	30,345	26,797	798,901	91,733	17,511	908,145
Occupancy	416,352	34,112	24,789	2,234	59,818	11,789	117,177	666,271	73,642	13,517	753,430
Supplies	286,188	30,849	10,459	30,541	54,652	61,488	26,270	500,447	51,277	13,013	564,737
Depreciation	87,138	-	-	-	-	-	340,416	427,554	22,805	3,715	454,074
Conferences and meetings	191,685	8,437	3,402	31,609	13,279	4,446	5,185	258,043	12,271	27,554	297,868
In-kind miscellaneous	216,846	-	-	38,000	80,947	3,239	5,454	344,486	15,391	88,276	448,153
In-kind occupancy	74,629	370	-	-	32,199	55,681	15,816	178,695	26,220	7,597	212,512
Telephone	74,228	32,997	15,397	5,869	24,354	11,322	11,417	175,584	13,950	1,620	191,154
Local transportation	87,120	17,059	4,026	6,374	16,165	22,417	5,764	158,925	10,574	2,321	171,820
Other expenses	47,235	7,027	2,778	4,561	9,907	3,349	27,781	102,638	47,697	8,588	158,923
Food	78,673	126	-	10,571	4,177	6,257	213	100,017	-	9,237	109,254
Printing and publications	5,052	7,274	611	41,704	2,952	497	9,220	67,310	9,301	12,342	88,953
Postage and shipping	1,992	745	206	252	1,828	190	14,064	19,277	3,372	9,380	32,029
Total Expenses	<u>\$6,622,742</u>	<u>\$ 1,960,688</u>	<u>\$ 1,767,373</u>	<u>\$ 885,933</u>	<u>\$ 1,364,444</u>	<u>\$ 737,472</u>	<u>\$ 924,465</u>	<u>\$14,263,117</u>	<u>\$ 1,697,362</u>	<u>\$ 525,716</u>	<u>\$16,486,195</u>

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies and grantors	\$12,775,597	\$12,294,646
Donors	2,717,866	2,532,514
Investment return	574	510
Other income	616,037	261,967
Cash paid to:		
Personnel	(11,231,193)	(10,852,250)
Vendors	(3,964,844)	(4,107,652)
Grantees	<u>(402,155)</u>	<u>(401,582)</u>
Net Cash Provided (Used) by Operating Activities	<u>511,882</u>	<u>(271,847)</u>
Cash Flows from Investing Activities		
Purchase of investments	(220,000)	-
Purchase of equipment and software	<u>(238,578)</u>	<u>(277,246)</u>
Net Cash Used by Investing Activities	<u>(458,578)</u>	<u>(277,246)</u>
Cash Flows Used by Financing Activities		
Repayment of debt	<u>(3,864)</u>	<u>(3,495)</u>
Change in Cash and Cash Equivalents	49,440	(552,588)
Cash and Cash Equivalents - beginning of year	<u>1,677,131</u>	<u>2,229,719</u>
Cash and Cash Equivalents - end of year	<u>\$ 1,726,571</u>	<u>\$ 1,677,131</u>

NEIGHBORHOOD HOUSE, INCORPORATED

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Change in Net Assets to Net Cash		
Flows from Operating Activities		
Change in net assets	\$ 212,322	\$ 234,872
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	466,380	454,074
Realized and unrealized (gain) loss on investments	(34,468)	7,459
Reinvested earnings	(8,768)	(7,528)
Forgiveness of debt	(230,300)	(179,800)
(Increase) decrease in		
Grants and contracts receivable	(685,988)	(186,819)
Pledges receivable	254,284	(149,306)
Other receivables	439,740	(439,618)
Prepaid expenses and deposits	(45,744)	47,049
Increase (decrease) in		
Accounts payable	92,873	(83,027)
Accrued expenses	43,657	45,950
Deferred revenue	7,894	(15,153)
Net Cash Provided (Used) by Operating Activities	<u>\$ 511,882</u>	<u>\$ (271,847)</u>

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE A – ORGANIZATION

Neighborhood House, Incorporated (the Agency) is a Washington not-for-profit agency established to partner with diverse individuals and families to build community and achieve their goals for health, education and self-sufficiency. In furtherance of its mission, the Agency provides a wide range of services in Seattle and King County.

The principal programs of the Agency are:

Child Development - Provides a comprehensive early childhood development program (pre-school, including Head Start, and prenatal-to-three programs, including Early Head Start) primarily for low-income children (prenatal to five years), primarily living in public housing and emergency shelters.

Youth Development - Provides youth tutoring and other youth development programs in communities in Seattle and King County.

Adult Employment and Education - Provides employment services for adults, English as a second language training, and citizenship classes and application assistance.

Family and Social Services - Provides social and family services to low-income individuals and families, primarily residing in public housing communities in Seattle and King County. Services include case management, outreach for seniors and people with disabilities, personal and financial management.

Housing Stability - Provides rental assistance linked with services to promote long-term housing stability for individuals and families, to prevent homelessness and reduce the duration of housing instability.

Community Health - Provides programs to promote healthy communities and combat health problems harming low-income communities. Programs include HIV prevention, wellness, substance abuse prevention, in-home case management for older adults and other community health education.

Other Programs - Operate and manage community facilities, hosting other organizations that bring additional services to communities. Publish a monthly newspaper for community residents. The Agency serves as the fiscal sponsor for the Seattle Human Services Coalition (SHSC). The financial statements include approximately \$167,000 and \$146,000 of revenue and expenses, respectively, for 2016. In 2015, the revenue and expenses included for SHSC were approximately \$156,000 and \$136,000, respectively.

Federal income taxes

The Internal Revenue Service has recognized Neighborhood House, Incorporated as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation. Therefore, no provision for federal income taxes has been made in the financial statements.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE B – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Agency reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets of the Agency are classified as follows:

Unrestricted net assets are available without restriction for support of the Agency's operations. The Board of Trustees has designated a portion of these funds as follows at December 31:

	<u>2016</u>	<u>2015</u>
Kay Hendricks Bequest Fund (operating reserves)	\$ 300,000	\$ 300,000
Building reserve fund - High Point Center	102,462	84,599
Building reserve fund - Rainier Vista Center	<u>96,902</u>	<u>83,006</u>
	<u>\$ 499,364</u>	<u>\$ 467,605</u>

Temporarily restricted net assets are restricted by the donor to be used for certain purposes or future periods. Temporarily restricted net assets are available as follows at December 31:

	<u>2016</u>	<u>2015</u>
Child Development	\$ 744,169	\$ 679,298
Housing Stability	151,388	33,579
Adult Employment and Education	89,668	27,481
Youth Development and Education	34,083	134,636
Community Health	11,329	18,510
Family and Social Services	<u>7,218</u>	<u>43,553</u>
	<u>\$ 1,037,855</u>	<u>\$ 937,057</u>

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for current operations. The Agency had no permanently restricted net assets at December 31, 2016 or 2015.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short term investments in highly liquid instruments, such as money market accounts, purchased with an original maturity of three months or less. At December 31, 2016 and 2015, cash and cash equivalents included \$0 and \$30,533, respectively, of cash restricted by donors for program purposes.

Cash deposits in excess of insured limits

The Agency maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Agency has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards 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. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

Investments are recorded at fair value. Gains and losses on investments are reported in the statements of activities as increases or decreases in unrestricted activity, unless their use is restricted by explicit donor stipulation. Investments consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Money market funds	\$ 57,744	\$ 57,521
Certificates of deposit	220,368	-
Fixed income securities	74,471	72,427
Equity securities	<u>391,793</u>	<u>351,325</u>
	<u>\$ 744,376</u>	<u>\$ 481,273</u>

Investment returns consist of the following for the years ended December 31:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 8,768	\$ 7,528
Realized and unrealized gains	<u>34,468</u>	<u>(7,459)</u>
	<u>\$ 43,236</u>	<u>\$ 69</u>

Other receivables

Other receivables are stated at net realizable value and are considered fully collectible by management.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government contracts and grants and related receivables

A substantial portion of public support is derived from contracts and grants administered by federal, state, and local government agencies. Revenue from these contracts and grants is subject to audits, which could result in adjustments. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency.

During the years ended December 31, 2016 and 2015, no significant amounts were disallowed as a result of such examinations. Government contracts and grants receivable are recorded at net realizable value and are considered fully collectible by management.

Promises to give (pledges receivable)

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of December 31, 2016, the Agency did not have any conditional promises to give that were contingent on meeting certain performance outcomes or milestones. As of December 31, 2016, unconditional promises to give were due in less than one year.

Facilities, equipment, and software

Facilities, equipment, and software are stated at cost, or if donated, at fair value at date of donation. Assets purchased under capital leases are stated at the lower of fair value or the net present value of the minimum lease payments. The Agency capitalization threshold is \$5,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The Agency uses the direct expensing method to account for planned major maintenance activities.

Assets acquired under certain government grant programs are considered owned by the Agency while used in the program for which they were purchased or in other future authorized programs. However, the governmental grantor has a reversionary interest in the property. Therefore, ownership, disposition, and any proceeds of disposition are subject to governmental regulation.

Facilities are valued as follows for the years ended December 31:

	Estimated <u>Useful Lives</u>	<u>2016</u>	<u>2015</u>
Land (High Point, Rainier Vista)		\$ 3,014,074	\$ 3,014,074
Building (High Point, Rainier Vista)	39 years	13,437,723	13,428,128
Leasehold improvements	3 - 10 years	<u>537,270</u>	<u>479,272</u>
		16,989,067	16,921,474
Less accumulated depreciation		<u>(2,923,798)</u>	<u>(2,516,568)</u>
		<u>\$14,065,269</u>	<u>\$14,404,906</u>

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment and software are valued as follows for the years ended December 31:

	Estimated <u>Useful Lives</u>	<u>2016</u>	<u>2015</u>
Furniture, equipment, and other	2 - 7 years	\$ 1,190,897	\$ 1,066,187
Less accumulated depreciation		<u>(936,545)</u>	<u>(923,670)</u>
		<u>\$ 254,352</u>	<u>\$ 142,517</u>

Restricted and unrestricted support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the year in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

In-kind goods and services

Contributed goods and services have been recorded on the basis of rates that otherwise would have been paid for similar goods and services. Donated services are recorded as in-kind contributions at estimated fair values at the date of receipt if they (a) create or enhance non-financial assets, or (b) require specialized skills and would need to be purchased if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized by the Agency.

Many volunteers have donated significant time to the Agency's activities. The values of these volunteer services are not recorded in the accompanying financial statements as they do not meet the criteria for recognition. The fair value of these services is estimated to be \$1,216,300 and \$938,000, respectively, for the years ended December 31, 2016 and 2015.

In-kind support recorded in the financial statements exceeded in-kind expenses by \$236,900 and \$179,800, respectively, for the years ended December 31, 2016 and 2015, due to the forgiveness of loans and capitalized equipment.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE B – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

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

Concentration

Approximately 30% of total government grants and contracts in 2016 was received from the U.S. Department of Health & Human Services for the Head Start Program.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - FAIR VALUE MEASUREMENTS

Assets carried at fair value on a recurring basis as of December 31, 2016 and 2015 are:

	Quote prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
As of December 31, 2016				
Equity securities	\$ 391,793	\$ -	\$ -	\$ 391,793
Fixed income securities	<u>74,471</u>	<u>-</u>	<u>-</u>	<u>74,471</u>
Total assets shown at fair value	<u>\$ 466,264</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,264</u>
	Quote prices in active markets (Level 1)	Other observable inputs (Level 2)	Unobservable inputs (Level 3)	Total
As of December 31, 2015				
Equity securities	\$ 351,325	\$ -	\$ -	\$ 351,325
Fixed income securities	<u>72,427</u>	<u>-</u>	<u>-</u>	<u>72,427</u>
Total assets shown at fair value	<u>\$ 423,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,752</u>

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return, which is a level 3 input. The Agency also uses fair value concepts to test various long-lived assets for impairment.

NOTE D - LONG-TERM DEBT

Long-term debt consists of the following at December 31,	<u>2016</u>	<u>2015</u>
High Point Neighborhood Center		
<i>King County</i>		
The construction of the High Point Neighborhood Center facility was partially financed with loan proceeds from the King County Department of Community and Human Services. The loan for \$300,000 closed in December 2007, is non-interest bearing, is collateralized by a deed of trust on the real property, and matures in 2025. The loan is forgivable, provided the property continues to be used for the stated purpose. The Agency fully intends to comply.	\$ 300,000	\$ 300,000
<i>Seattle Housing Authority</i>		
The acquisition of land by Neighborhood House, Incorporated and the financing of certain other development costs related to the High Point Neighborhood Center was financed with the proceeds from Seattle Housing Authority to Neighborhood House, Incorporated. The loan is non-interest bearing and matures in the year 2057. The total loan amount is \$4,014,000. The initial loan amount of \$2,514,000 was used to purchase the land in December 2008 and the cash balance of \$1,500,000 was fully disbursed by December 31, 2009.		
The loan is forgivable (one-fiftieth each year), provided the property continues to be used for the stated purpose, as described in a restrictive covenant that runs concurrent with the term of the loan. In the case of sale or change of use, the Agency must pay to Seattle Housing Authority, the lesser of shared appreciation or 6% interest on the outstanding principal amount of the loan. The loan includes Lender Right of First Refusal. The Agency fully intends to comply with the restrictive covenant and does not intend to sell the property.		
During 2016, \$80,300 (one-fiftieth) of the loan was forgiven.	2,196,915	2,277,216

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE D - LONG-TERM DEBT (Continued)	<u>2016</u>	<u>2015</u>
Rainier Vista		
The acquisition and construction of the Rainier Vista facility was partially financed with loan proceeds from the City of Seattle, Human Services Department. The loan is non-interest bearing, is collateralized by a deed of trust on the real property, and matures in 2020. The loan is forgivable provided the property continues to be used for the stated purpose. The Agency fully intends to comply.	250,000	250,000
The acquisition and construction of the Rainier Vista facility was partially financed with loan proceeds from Seattle Housing Authority. The loan is non-interest bearing, is collateralized by a deed of trust on the real property, and matures in 2054. In the event the property is sold or used for an unauthorized purpose, the loan is subject to interest at 3% of the outstanding loan balance per year from the date of non-compliance. The Agency fully intends to comply with the authorized purpose.	210,000	210,000
The acquisition and construction of the Rainier Vista facility was partially financed with loan proceeds from the King County Department of Community and Human Services. The loan was non-interest bearing, collateralized by a deed of trust on the real property, and matured in November 2016. Loan forgiveness terms were met in 2016.	-	150,000
<i>Capital leases</i>		
In December 2011, the Agency entered into two sixty-month non-cancelable capital copier leases with a total recorded cost of \$17,538. Monthly payments, which included interest at 5%, were \$331.	-	3,863
Total	2,956,915	3,191,079
Less: current portion	(80,300)	(234,163)
	<u>\$ 2,876,615</u>	<u>\$ 2,956,916</u>

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE D - LONG-TERM DEBT (Continued)

Principal reductions of notes payable for the years ending December 31 are:

2017	\$	80,300
2018		80,300
2019		80,300
2020		330,300
2021		80,300
Thereafter		<u>2,305,415</u>
		<u>\$ 2,956,915</u>

NOTE E - OBLIGATIONS

The acquisition and construction of the High Point Neighborhood Center was partially financed by grants from the State of Washington and City of Seattle that include obligations that restrict the use of the facility for a period of 10 years. The use restrictions are consistent with the use restrictions in the loans in Note D. Should the facility not be used for the purpose intended, the Agency would be obligated to repay the funds. The Agency fully intends to comply. The amounts awarded under these grants through December 31, 2016 are:

State of Washington	\$	3,945,000
City of Seattle		<u>500,000</u>
		<u>\$ 4,445,000</u>

NOTE F - SEATTLE HOUSING AUTHORITY MASTER LEASE

As part of the development and operational financing of the High Point Neighborhood Center, Neighborhood House High Point QALICB entered into a lease with Seattle Housing Authority as a tenant for a portion of the space at the High Point Neighborhood Center. The lease began January 2010, and had an initial term of 15 years. As of January 1, 2015, following the merger of Neighborhood House High Point QALICB and Neighborhood House, Incorporated, Neighborhood House, Incorporated has waived base rent payments in this lease and is negotiating in good faith with Seattle Housing Authority on amendments to the lease.

NOTE G - RETIREMENT PLAN

The Agency sponsors a 403(b) defined contribution plan (the Plan), as defined by the Internal Revenue Code. With some exceptions, employees are eligible for agency contributions to the plan upon reaching approximately three months of employment and completing required enrollment documentation. The Board of Trustees, at its discretion, can prospectively modify the plan, including contribution levels, at any time or terminate the plan entirely. Total employer contributions for the years ended December 31, 2016 and 2015 were \$284,289 and \$264,086, respectively.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE H - COMMITMENTS

The Agency leases office and operating facilities at rates substantially below market rents. The difference between the estimated fair value of the space provided and rent paid is included in the accompanying financial statements as in-kind support and as in-kind occupancy expense. The agency signed a 7-year lease to occupy commercial office space, beginning in March 2015, for its central office. Total rent expense for the years ended December 31, 2016 and 2015 was \$540,665 and \$481,861, respectively.

Lease obligations also include various program office spaces, expiring through 2022. Future minimum payments are as follows for the years ending December 31:

2017	\$	537,898
2018		512,133
2019		448,370
2020		393,649
2021		285,633
2022		<u>33,867</u>
	\$	<u>2,211,550</u>

NOTE I - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2016 through May 18, 2017, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2016, including the estimates inherent in the processing of financial statements.

SUPPLEMENTARY INFORMATION

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2016

Federal Grantor

<i>Pass-through Grantor</i> "Program Title"	Contract Number	CFDA Number	Passed Through To Subrecipients	Federal Expenditures
Department of Health and Human Services				
"Head Start"	10CH010418-01;10CH0418-02		\$ -	\$ 514,262
"Head Start"	10CH018404;10CH018405		-	985,019
"Head Start"	10CH0224/02		-	2,536,383
		93.600*	-	4,035,664
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"	1H79SP021216-01		-	227,897
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"	1H79SP021924-01		-	6,029
"Substance Abuse and Mental Health Services Projects of Regional and National Significance"	1H79TI025803		75,265	617,352
		93.243*	75,265	851,278
<i>City of Seattle Human Services Department</i>				
"Affordable Care Act - Aging and Disability Resource Center"	DA15-1549;DA16-1549	93.517	-	7,013
<i>TRAC Associates</i>				
"Affordable Care Act Health Profession Opportunity Grants"	15/625-HHS-NH;16/640-HWF-NH	93.093	-	80,035
<i>State of Washington Department of Commerce</i>				
"Community Services Block Grant"	F16-32100-018	93.569	16,800	178,286
<i>King County Community and Human Services</i>				
"Block Grants for Prevention and Treatment of Substance Abuse"	5639593;5726359	93.959	-	125,004
<i>City of Seattle Human Services Department</i>				
"Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers" Aging Cluster	DA15-1549;DA16-1549	93.044	-	96,875
<i>City of Seattle Human Services Department</i>				
"National Family Caregiver Support, Title III, Part E"	DA15-1288;DA16-1288		-	26,435
"National Family Caregiver Support, Title III, Part E"	DA15-1609; DA16-1609		-	18,919
		93.052	-	45,354
<i>City of Seattle Human Services Department</i>				
"Medical Assistance Program"	DA16-1173		-	160,091
"Medical Assistance Program"	DA15-1549;DA16-1549		-	25,588
Medicaid Cluster		93.778	-	185,679
Subtotal Department of Health and Human Services			92,065	5,605,188

* Denotes a major program.

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2016

Federal Grantor

<i>Pass-through Grantor</i> "Program Title"	Contract Number	CFDA Number	Passed Through To Subrecipients	Federal Expenditures
Department of Agriculture				
<i>State of Washington Department of Social and Health Services</i>				
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	1512-49928;1612-74831		-	112,282
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	1512-49930		-	26,667
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	1612-74829		-	14,321
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	1512-50413;1612-71530		-	58,012
<i>Seattle Jobs Initiative</i>				
"State Administrative Matching Grants for the Supplemental Nutrition Assistance Program"	1021-16		-	93,083
SNAP Cluster		10.561	-	304,365
<i>State of Washington Department of Social and Health Services</i>				
"Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP"	1512-50135;1612-76246	10.596	-	256,035
<i>State of Washington Office of the Superintendent of Public Instruction</i>				
"Child and Adult Care Food Program"	17-03-0147	10.558	-	188,829
	Subtotal Department of Agriculture		-	749,229
Department of Housing and Urban Development				
<i>City of Seattle</i>				
"Continuum of Care Program"	DA16-1091		-	162,611
<i>King County Workforce Development Council</i>				
"Continuum of Care Program"	14/486-HUD		-	9,553
		14.267	-	172,164
<i>City of Seattle Human Services Department</i>				
"Emergency Solutions Grant Program"	DA16-1168	14.231	-	45,712
<i>Seattle Housing Authority</i>				
"Choice Neighborhoods Implementation Grants"				
HOPE VI Cluster	SR4409	14.889	-	19,766
	Subtotal Department of Housing and Urban Development		-	237,642

* Denotes a major program.

NEIGHBORHOOD HOUSE, INCORPORATED
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2016

Federal Grantor				
<i>Pass-through Grantor</i>		Contract	CFDA	Passed Through
<u>"Program Title"</u>		<u>Number</u>	<u>Number</u>	<u>To Subrecipients</u>
				<u>Federal Expenditures</u>
Department of Labor				
<i>King County Workforce Development Council</i>				
"WIA/WIOA Adult Program"		15/101-ADU;16/111-ADU	17.258	236,882
<i>King County Workforce Development Council</i>				
"WIA/WIOA Dislocated Worker Formula Grants"		15/11-DWK;16/112-DWK	17.278	45,560
<i>King County Work Training Program</i>				
"WIA/WIOA Youth Activities"		5722297-V, VI;5722297-VII	17.259	-
	WIA Cluster			282,442
<i>King County Workforce Development Council</i>				
"Workforce Investment Act National Emergency Grants"		15/240-SPNEG	17.277	27,648
		Subtotal Department of Labor		310,090
National Science Foundation				
"Education and Human Resources"		DRL-1311253	47.076	-
				194,383
Department of Homeland Security				
"Citizenship Education and Training"		2016-CS-010-000026	97.010	-
				25,392
Total Expenditures of Federal Awards				\$ 402,155
				\$ 7,700,545

* Denotes a major program.

NEIGHBORHOOD HOUSE, INCORPORATED

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Neighborhood House, Incorporated and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - INDIRECT COST RATE

Neighborhood House, Incorporated has a negotiated indirect cost rate for use on Federal grants and contracts. For 2016, the predetermined rate was 11.2% based on total modified direct costs. As such, Neighborhood House, Incorporated is not eligible to elect use of the 10% *de minimus* indirect cost rate.

INDEPENDENT AUDITOR'S REPORT
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

May 18, 2017

Board of Trustees
Neighborhood House, Incorporated
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Neighborhood House, Incorporated, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Neighborhood House, Incorporated's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighborhood House, Incorporated's internal control. Accordingly, we do not express an opinion on the effectiveness of Neighborhood House, Incorporated'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 Neighborhood House, Incorporated's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Neighborhood House, Incorporated's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Neighborhood House, Incorporated's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

May 18, 2017

Board of Trustees
Neighborhood House, Incorporated
Seattle, Washington

Report on Compliance with Each Major Federal Program

We have audited Neighborhood House, Incorporated's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Neighborhood House, Incorporated's major federal programs for the year ended December 31, 2016. Neighborhood House, Incorporated's major federal programs are identified in the summary of audit 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Neighborhood House, Incorporated's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Neighborhood House, Incorporated's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Neighborhood House, Incorporated's compliance.

Opinion on Each Major Federal Program

In our opinion, Neighborhood House, Incorporated complied, in all material respects, with the types of compliance requirements referred to in the first paragraph of this letter that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Neighborhood House, Incorporated is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the preceding page. In planning and performing our audit of compliance, we considered Neighborhood House, Incorporated's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Neighborhood House, Incorporated'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

NEIGHBORHOOD HOUSE, INCORPORATED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Neighborhood House, Incorporated.
2. No material weaknesses relating to the financial statements are reported in the "Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of Neighborhood House, Incorporated were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance as Required by the Uniform Guidance."
5. The auditor's report on compliance for the major federal award programs for Neighborhood House, Incorporated expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for Neighborhood House, Incorporated are reported in Part C of this Schedule.
7. The programs tested as major were Head Start, CFDA No. 93.600 and Substance Abuse and Mental Health Services Projects of Regional and National Significance, CFDA No. 93.243.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Neighborhood House, Incorporated was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None