

**OMNI YOUTH SERVICES,
INCORPORATED**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

OMNI YOUTH SERVICES, INCORPORATED

YEARS ENDED JUNE 30, 2017

CONTENTS

	Page
Independent auditors' report	1-2
Financial statements:	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6-7
Notes to financial statements	8-16
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	19-20
Single audit schedules:	
Schedule of expenditures of federal awards	21
Notes to schedule of expenditures of federal awards	22
Schedule of findings and questioned costs	23
Schedule of prior year findings and questioned costs	24

Independent Auditors' Report

Board of Directors
Omni Youth Services, Incorporated

Report on the Financial Statements

We have audited the accompanying financial statements of Omni Youth Services, Incorporated (the Organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Omni Youth Services, Incorporated as of June 30, 2017, and the changes in its net assets and its cash flows for the year 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, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 January 22, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Ostrow Reisin Berk & Abrams, Ltd.

January 22, 2018

OMNI YOUTH SERVICES, INCORPORATED

STATEMENT OF FINANCIAL POSITION

June 30, 2017

ASSETS

Cash	\$	211,054
Investments		998,121
Receivables:		
Contributions		154,694
Government grants		1,055,807
Program service fees		123,497
Prepaid expenses and other assets		192,934
Property and equipment, net		2,408,302
Total assets	\$	5,144,409

LIABILITIES AND NET ASSETS

Liabilities:		
Line of credit	\$	300,000
Accounts payable and accrued expenses		572,833
Deferred revenue		96,133
Notes payable		1,092,767
Total liabilities		2,061,733
Net assets:		
Unrestricted:		
Board-designated endowment fund		732,566
Undesignated		2,051,872
Total unrestricted		2,784,438
Temporarily restricted		154,694
Permanently restricted		143,544
Total net assets		3,082,676
Total liabilities and net assets	\$	5,144,409

See notes to financial statements.

OMNI YOUTH SERVICES, INCORPORATED

STATEMENT OF ACTIVITIES

Year ended June 30, 2017	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue:				
Government grants	\$ 4,877,419			\$ 4,877,419
Contributions	197,250	\$ 98,678		295,928
Special events, net of direct benefit to donors of \$56,266 for 2017	88,849			88,849
Program service fees	1,429,452			1,429,452
Investment income	69,401			69,401
Miscellaneous	32,906			32,906
Net assets released from restrictions	80,610	(80,610)		
Total revenue	6,775,887	18,068		6,793,955
Expenses:				
Program services	5,690,421			5,690,421
Management and general	663,586			663,586
Fundraising	167,903			167,903
Total expenses	6,521,910			6,521,910
Change in net assets	253,977	18,068		272,045
Net assets, beginning of year	2,530,461	136,626	\$ 143,544	2,810,631
Net assets, end of year	\$ 2,784,438	\$ 154,694	\$ 143,544	\$ 3,082,676

See notes to financial statements.

OMNI YOUTH SERVICES, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2017	Program services	Management and general	Fundraising	Direct benefit to donors	Total expenses
Activities and events	\$ 58,067	\$ 880		\$ 56,266	\$ 115,213
Depreciation and amortization	30,059	75,151	\$ 1,029		106,239
Employee benefits	213,594	11,633	7,848		233,075
General occupancy	96,149	103,316	3,198		202,663
General supplies	68,192	6,433	2,768		77,393
Interest		59,767			59,767
Lease rentals	330,784	721			331,505
Miscellaneous	75,710	35,675	15,474		126,859
Outside printing and design	11,488	224	190		11,902
Payroll taxes	246,797	14,358	9,045		270,200
Professional and contractual services	1,436,428	134,544	22,552		1,593,524
Program supplies and equipment	42,739	46,423	309		89,471
Salaries	2,806,081	150,891	102,940		3,059,912
Telephone and internet	68,856	16,189	2,161		87,206
Transportation	205,477	7,381	389		213,247
	5,690,421	663,586	167,903	56,266	6,578,176
Less expenses included with revenue on the statement of activities				(56,266)	(56,266)
Total expenses included in the expense section on the statement of activities	\$ 5,690,421	\$ 663,586	\$ 167,903	\$ -	\$ 6,521,910

See notes to financial statements.

OMNI YOUTH SERVICES, INCORPORATED

STATEMENT OF CASH FLOWS

Year ended June 30, 2017	
Cash flows from operating activities:	
Change in net assets	\$ 272,045
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	106,239
Net realized and unrealized gains on investments	(54,839)
Increase in operating assets:	
Receivables	(153,376)
Prepaid expenses and other assets	(55,422)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	18,375
Return of grant funds	(436,398)
Deferred revenue	23,766
Net cash used in operating activities	(279,610)
Cash flows from investing activities:	
Proceeds from sale of investments	107,319
Purchase of investments	(125,572)
Purchase of property and equipment	(330,148)
Net cash used in investing activities	(348,401)
Cash flows from financing activities:	
Payments on line of credit	(100,000)
Payments on notes payable	(64,203)
Net cash used in financing activities	(164,203)
Net decrease in cash	(792,214)
Cash, beginning of year	1,003,268
Cash, end of year	\$ 211,054

See notes to financial statements.

OMNI YOUTH SERVICES, INCORPORATED

STATEMENT OF CASH FLOWS (CONTINUED)

Year ended June 30, 2017

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 59,767
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Supplemental disclosure of non-cash investing and financing activities:

Property and equipment financed with note payable	\$ 350,000
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See notes to financial statements.

OMNI YOUTH SERVICES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

1. Organization and purpose

Omni Youth Services, Incorporated (the Organization) is a community-based organization, which provides comprehensive outpatient social services to youth and their families in northwest suburban Cook County and south-central Lake County. The Organization is dedicated to:

- Strengthening families by developing responsible children, youth and parents
- Empowering youth to become positive participants in the community
- Serving communities through partnership and prevention strategies
- Being a successful alternative to costly institutional care

2. Summary of significant accounting policies

The significant accounting policies of the Organization are summarized below:

Basis of accounting:

The Organization's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

The Organization reports information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted - Unrestricted net assets are available to finance the general operations of the Organization. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates and the purposes specified in its Articles of Incorporation. Voluntary resolutions by the Board of Directors to designate a portion of the Organization's unrestricted net assets for specified purposes do not result in restricted funds. See Note 13.

Temporarily restricted - Temporarily restricted net assets represent those for which the use by the Organization has been limited by donors to a specific time period or purpose. See Note 11.

Permanently restricted - Permanently restricted net assets (generally referred to as endowment funds) are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently, but may permit the entity to utilize or expend part or all of the income or other economic benefits derived from the donated assets. See Note 12.

OMNI YOUTH SERVICES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Unrestricted and restricted revenue:

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions, government grants, and program service fees receivables:

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. At June 30, 2017, \$114,694 of unconditional promises to give are due within one year and \$40,000 are due in one to five years.

All government grants and program service fees receivables are due within one year.

The Organization provides an allowance, as needed, for estimated uncollectible receivables. All receivables are considered fully collectible and no allowances are considered necessary.

Investments:

Investments are carried at fair value. Realized and unrealized investment gains and losses and other investment income are reflected in the statement of activities as changes in unrestricted net assets.

Property and equipment:

Property and equipment is stated at cost or, if donated, at the approximate fair value at date of donation. Depreciation and amortization of property and equipment is provided over the estimated life of the assets using the straight-line method. Estimated lives are as follows:

Buildings	30 years
Building improvements	10 years
Leasehold improvements	Shorter of life of lease or 10 years
Furniture and equipment	3-7 years

OMNI YOUTH SERVICES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Property and equipment: (continued)

Additions over \$500 are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed as incurred.

Contributed goods and services:

The Organization records the fair value of contributed goods and services provided that the contributed services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by donation. During the year ended June 30, 2017, the Organization was the recipient of donated rent totaling \$12,000.

Expense allocation:

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

Expenses incurred for program services were allocated to the following programs:

<u>Year ended June 30, 2017</u>	
Youth and Family Counseling	\$ 2,141,600
Family Preservation	2,135,170
Community Resource Centers	114,983
Prevention	463,914
Collegiate Wellness and Learning	834,754
Total	<u>\$ 5,690,421</u>

OMNI YOUTH SERVICES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Summary of significant accounting policies (continued)

Expense allocation: (continued)

The programs offered by the Organization are described as below:

Youth and Family Counseling - Offers family, group and individual counseling for youth encountering emotional and behavioral difficulties.

Family Preservation - Provides home-based services that keep children safe while strengthening families and helping them stay together.

Community Resource Centers - Provides services that address basic immediate needs, the focus is to promote self-sufficiency and increase participation in the community. The programs are designed to give parents and youth the skills they need to build healthy and successful families.

Prevention - Provides prevention services to the community which focus on education, awareness and policy development which promotes and supports the prevention of alcohol, tobacco and other drugs used by youth.

Collegiate Wellness and Learning - Provides residential housing and social work assistance to individuals in need of these services.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events:

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2017, the financial statement date, through January 22, 2018, the date the financial statements were available to be issued.

OMNI YOUTH SERVICES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Tax status

The Organization is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Code.

The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2017.

4. Concentration of credit risk

The Organization receives a substantial amount of its support from the Illinois Department of Human Services and Illinois Department of Children and Family Services. Approximately 44% of total revenue was from the Illinois Department of Human Services and Illinois Department of Children and Family Services for the year ended June 30, 2017. Furthermore, substantially all accounts receivable are due from the Illinois Department of Human Services and Illinois Department of Children and Family Services at June 30, 2017.

The Organization maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2017, there was no cash in excess of federally-insured limits. Management believes that the Organization is not exposed to any significant credit risk on cash.

5. Investments

The Organization reports its investments in accordance with the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Invested cash is carried at cost, which approximates fair value. All other investments are stated at fair value based on quoted prices in active markets (all Level 1 measurements under the fair value hierarchy).

OMNI YOUTH SERVICES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Investments (continued)

The Organization's investments stated at fair value are as follows:

<u>June 30, 2017</u>	
Invested cash	\$ 157,191
Mutual funds:	
Money market	205,406
Other	635,524
<u>Total investments</u>	<u>\$ 998,121</u>

6. Property and equipment

Property and equipment consist of the following:

<u>June 30, 2017</u>	
Land	\$ 350,000
Buildings and building improvements	1,410,071
Leasehold improvements	94,644
Furniture and equipment	1,656,035
	<u>3,510,750</u>
Less accumulated depreciation and amortization	<u>2,759,915</u>
	750,835
<u>Construction in process</u>	<u>1,657,467</u>
<u>Property and equipment, net</u>	<u>\$ 2,408,302</u>

7. Line of credit

The Organization has a \$1,000,000 revolving line of credit collateralized by all Organization's assets. Interest on outstanding advances is at Prime, subject to a minimum interest floor of 4.00%. At June 30, 2017, interest was 4.25%.

OMNI YOUTH SERVICES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Notes payable

<u>June 30, 2017</u>	
Installment note due in May 2020. Monthly payments of \$6,464 consisting of principal and interest at 5.25% per annum with a balloon payment of \$593,925 at maturity. Collateralized by real estate.	\$ 712,354
Installment note due in March 2024. Monthly payments of \$4,988 consisting of principal and interest at 5.25% per annum. Collateralized by real estate.	338,712
Installment notes due in January and May 2020. Monthly payments of \$1,278 consisting of principal and interest at 2.9%. Collateralized by vehicles.	41,701
Total	\$ 1,092,767

Future minimum payments are as follows:

<u>Year ending June 30:</u>	<u>Amount</u>
2018	\$ 98,244
2019	102,968
2020	688,512
2021	50,254
2022	52,995
Thereafter	99,794
Total	\$ 1,092,767

9. Contingencies

The Organization has received funds from state and federal grants which are subject to audits by the granting agencies. Management believes that any adjustments that might arise from these audits would be insignificant to the Organization's operations.

OMNI YOUTH SERVICES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Leases

Offices:

The Organization leases offices under non-cancelable operating lease agreements, which expire through December 31, 2018. Future minimum lease payments are \$77,400 and \$17,100 for the years ending June 30, 2018 and 2019, respectively.

Residential apartments:

The Organization also leases residential apartments for its program activities under short-term leases which expire at various times during the year ending June 30, 2018. Depending on the Organization's needs, some of the leases may not be renewed upon expiration. Future minimum lease payments are \$207,435 and \$49,160 for the years ending June 30, 2018 and 2019, respectively.

Rent expense was \$331,505 for the year ended June 30, 2017.

11. Temporary restricted net assets

As of June 30, 2017, temporarily restricted net assets are comprised entirely of time restricted contributions receivable.

During the year ended June 30, 2017, temporarily restricted net assets were released by the passage of time.

12. Permanently restricted net assets

As of June 30, 2017, permanently restricted net assets are comprised entirely of donor-restricted endowment funds. See Note 13.

13. Endowment Funds

The Organization's endowment funds consist of donor-restricted funds and Board-designated funds. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) eliminates the historical dollar value rule with respect to endowment fund spending, updates the prudence standard for the management and investment of charitable funds and amends the provisions governing the release and modification of charitable funds.

OMNI YOUTH SERVICES, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. Endowment Funds (continued)

The Organization's endowment funds are invested in a broadly diversified portfolio of debt and equity mutual funds to maximize total return consistent with prudent risk limitations. Income generated from the donor-restricted endowment funds is classified as temporarily restricted until spent. Income and losses generated by the Board-designated endowment are added to or subtracted from the designated unrestricted net asset balance. To this extent, the Organization has adopted a spending policy that attempts to balance the long-term objectives of maintaining the purchasing power of funds while providing a reasonable, predictable, stable, and sustainable level of income to support current operations.

Composition of and changes in endowment funds net assets were as follows:

	Board- designated	Donor- restricted	Total
Balance, June 30, 2016	\$ 679,642	\$ 143,544	\$ 823,186
Dividends and interest	12,583	1,954	14,537
Net gain on investments held and sold	40,341	14,597	54,938
Appropriation of endowment assets for expenditure		(16,551)	(16,551)
Balance, June 30, 2017	\$ 732,566	\$ 143,544	\$ 876,110

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain. There are no deficiencies of this nature as of June 30, 2017.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
Omni Youth Services, Incorporated

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 Omni Youth Services, Incorporated (the Organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Ostrow Reisin Berk & Abrams, Ltd.

Chicago, IL
January 22, 2018

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Omni Youth Services, Incorporated

Report on Compliance for Each Major Federal Program

We have audited Omni Youth Services, Incorporated's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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.

Ostrow Reisin Berk & Abrams, Ltd.

Chicago, IL
January 22, 2018

OMNI YOUTH SERVICES, INCORPORATED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Project Year	Passed Through To Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services:					
Drug-Free Communities Support Program Grants	93.276	5H79SP020150-03	October 1, 2015 - September 30, 2016		\$ 30,912
Drug-Free Communities Support Program Grants	93.276	5H79SP020150-04	October 1, 2016 - September 30, 2017		107,998
Total Drug-Free Communities Support Program Grants					<u>138,910</u>
Basic Center Grant (Runaway and Homeless Youths)	93.623	90CY6630-02	October 1, 2015 - September 30, 2016		104,514
Basic Center Grant (Runaway and Homeless Youths)	93.623	90CY6630-03	October 1, 2016 - September 30, 2017		145,021
Basic Center Grant (Suburban Chicago Homeless and Runaway Project)	93.623	90CY6688-02	October 1, 2015 - September 30, 2016		24,500
Basic Center Grant (Suburban Chicago Homeless and Runaway Project)	93.623	90CY6688-03	October 1, 2016 - September 30, 2017		36,750
Total Basic Center Grant				\$ 98,400	<u>310,785</u>
Pass through programs from Illinois Department of Human Services:					
Teenage Pregnancy Prevention Program	93.297	FCSVP03993	July 1, 2016 - June 30, 2017		<u>108,987</u>
Social Services Block Grant	93.667	FCSVR01030	July 1, 2016 - June 30, 2017		125,523
Social Services Block Grant	93.667	43CUC00219	July 1, 2016 - June 30, 2017		22,340
Total Social Services Block Grant				136,420	<u>147,863</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959 *	FCSVP01443	July 1, 2016 - June 30, 2017		145,454
Block Grants for Prevention and Treatment of Substance Abuse	93.959 *	43CUC03012	July 1, 2016 - June 30, 2017		14,880
Block Grants for Prevention and Treatment of Substance Abuse	93.959 *	43C4C00217	July 1, 2016 - June 30, 2017		88,843
Total Block Grants for Prevention and Treatment of Substance Abuse					<u>249,177</u>
Pass through programs from Illinois Department of Children and Family Services:					
Promoting Safe and Stable Families	93.556	60005654057	July 1, 2016 - June 30, 2017		<u>171,251</u>
Total U.S. Department of Health and Human Services					<u>1,126,973</u>
U.S. Department of Housing and Urban Development:					
Community Development Block Grants/Entitlement Grants	14.218	1504-057	October 1, 2015 - September 30, 2016		5,255
Community Development Block Grants/Entitlement Grants	14.218	1604-056	October 1, 2016 - September 30, 2017		54,745
Total Community Development Block Grants/Entitlement Grants					<u>60,000</u>
Total expenditures of federal awards					\$ 1,186,973

*Denotes a major program.

See notes to schedule of expenditures of federal awards.

ONMI YOUTH SERVICES, INCORPORATED

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Omni Youth Services, Incorporated (the Organization) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect cost rate

The Organization has elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

OMNI YOUTH SERVICES, INCORPORATED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Omni Youth Services, Incorporated.
2. There were no significant deficiencies or material weaknesses disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Omni Youth Services, Incorporated which would be required to be reported in accordance with *Government Auditing Standards*.
4. There were no significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs of Omni Youth Services, Incorporated expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as a major program included:
Block Grants for Prevention and Treatment of Substance Abuse 93.959
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Omni Youth Services, Incorporated qualified as a low-risk auditee.

Findings - Financial Statement Audit

None.

Findings and Questioned Costs - Major Federal Award Programs

None.

OMNI YOUTH SERVICES, INCORPORATED

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

Findings - Financial Statement Audit

None.

Findings and Questioned Costs - Major Federal Award Programs

None.