

Independent Auditor's Report

Board of Directors
Next Door Foundation, Inc.
Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of Next Door Foundation, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits 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 Next Door Foundation, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of program activity, Schedules A-1 to A-6 and schedule of expenditures of federal awards and list of programs, Schedules B-1 to B-2, which includes the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, are presented for purposes of additional analysis and are not required parts 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. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015, on our consideration of Next Door Foundation, Inc.'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 the 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 Next Door Foundation, Inc.'s internal control over financial reporting and compliance.

Wight LLP
Wight LLP

November 19, 2015
Madison, Wisconsin

Next Door Foundation, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Income Taxes

Next Door is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Next Door is also exempt from Wisconsin state income tax. Next Door is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. Next Door has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all Next Door's programs, which cannot be readily identified with a final cost objective.

Reclassifications

Certain 2014 amounts have been reclassified to conform with 2015 presentation. There was no effect on net assets or the change in net assets.

Subsequent Events

Subsequent events have been evaluated through November 19, 2015, which is the date the financial statements were available to be issued.

Note 2 Concentration of Credit Risk

Next Door maintains its bank accounts at one financial institution insured by the Federal Deposit Insurance Corporation (FDIC). Depository accounts at this institution are insured by the FDIC up to specified limits. At times, balances exceed FDIC insured levels. Management has assessed the credit worthiness of this institution and does not feel the deposits are subject to significant risk.

Note 3 Investments

Investments, at fair value, consist of the following at June 30:

	2015	2014
Money market fund	\$ 5,371	\$ 11,920
Fixed income fund	261,632	256,989
Equity mutual fund	674,959	622,342
Totals	\$ 941,962	\$ 891,251

Next Door Foundation, Inc.

Notes to Financial Statements

Note 3

Investments (Continued)

Investment income, which is included in other income on the statement of activities, for the year ended June 30 on the above investments consists of the following:

	2015	2014
Net realized and unrealized gain	\$ 19,857	\$ 129,177
Dividends and interest	20,754	18,029
Totals	\$ 40,611	\$ 147,206

Note 4

Fair Value Measurements

Next Door utilizes three levels of inputs to measure fair value (the fair value hierarchy) in accordance with financial accounting standards. The level of an asset or liability within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement of that asset or liability.

In general, Next Door determines fair values as follows:

- Level 1 inputs utilizing quoted market prices in active markets and fair values.
- Level 2 inputs utilizing market information that is observable, such as quoted market prices for similar items, broker/dealer quotes, or models using market interest rates or yield curves.
- Level 3 is valued using unobservable inputs.

Some assets and liabilities are measured at fair value on a recurring basis under accounting principles generally accepted in the United States. Other assets and liabilities, such as impaired investments, are measured at fair value on a nonrecurring basis. Next Door does not have any liabilities that are measured at fair value, nor are there assets or liabilities measured on a nonrecurring basis as of June 30, 2015 and June 30, 2014.

Following is a description of the valuation methodology used, as well as the classification within the fair value hierarchy:

Investments - Money market funds, equity funds, and fixed income funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

Cash surrender value of life insurance - The cash values of certain policies are valued using pricing information from actuaries and confirmations from insurance companies.

Next Door Foundation, Inc.

Notes to Financial Statements

Note 4

Fair Value Measurements (Continued)

Information regarding the fair value of assets measured at fair value on a recurring basis as of June 30, 2015, is as follows:

2015			
	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
Fair Value			
Money market funds	\$ 0	\$ 5,371	\$ 0
Cash surrender value of life insurance	0	0	648,941
Equity mutual funds:			
Domestic large blend funds	576,247	0	0
Foreign large blend funds	98,712	0	0
Intermediate term bond funds	261,632	0	0
Totals	\$ 936,591	\$ 5,371	\$ 648,941
	\$ 1,590,903		

Following is a summary of changes in the fair value of level 3 assets for the year ended June 30, 2015:

Cash	\$ 5,371
surrender value of life insurance	648,941
Earnings	26,183
Balance, July 1, 2014	\$ 622,758
Balance, June 30, 2015	\$ 648,941

Information regarding the fair value of assets measured at fair value on a recurring basis as of June 30, 2014, is as follows:

2014			
	Fair Value Measurements Using		
	Level 1	Level 2	Level 3
Fair Value			
Money market funds	\$ 0	\$ 11,920	\$ 0
Cash surrender value of life insurance	0	0	622,758
Equity mutual funds:			
Domestic large blend funds	537,536	0	0
Foreign large blend funds	84,806	0	0
Fixed income mutual funds	256,989	0	0
Totals	\$ 879,331	\$ 11,920	\$ 622,758
	\$ 1,514,009		

Next Door Foundation, Inc.

Notes to Financial Statements

Note 4 Fair Value Measurements (Continued)

Following is a summary of changes in the fair value of level 3 assets for the year ended June 30, 2014:

Cash
surrender
value of life
insurance

Balance, July 1, 2013	\$ 597,015
Earnings	25,743
Balance, June 30, 2014	\$ 622,758

Note 5 Grants Receivable

The balance consists of amounts due from various agencies as follows:

	2015	2014
Federal grants	\$ 740,800	\$ 437,246
State of Wisconsin grants	51,203	163,972
Other grants	37,628	98,184
Total grants receivable	\$ 829,631	\$ 699,402

Note 6 Pledges Receivable

Pledges receivable are unconditional promises to give and are reflected at present value of estimated future cash flows using a discount rates ranging from 3.15% to 5%. Management believes that the pledges receivable are collectible and, therefore, no allowance for uncollectible amounts has been established.

	2015	2014
Receivable in less than one year	\$ 323,208	\$ 308,958
Receivable in one to five years	754,439	675,189
Totals	1,077,647	984,147
Discounts to net present value	(52,975)	(64,082)
Pledges receivable, net	\$ 1,024,672	\$ 920,065

Next Door Foundation, Inc.

Notes to Financial Statements

Note 6 Pledges Receivable (Continued)

	2015	2014
Current pledges receivable	\$ 323,208	\$ 308,958
Long-term pledges receivable	701,464	611,107
Totals	\$ 1,024,672	\$ 920,065

During the year ended June 30, 2011, Next Door received a promise to give of \$100,000 per year for six years, for a total of \$600,000 that included certain conditions that must be met before the donor will make payment. To date, each year a payment has been received. As of June 30, 2015, promise to give was not recorded on the financial statements due to its conditional nature.

Note 7

Cash Surrender Value of Life Insurance

Next Door is the owner of various life insurance policies that were donated in previous years. The policies are recorded based on the policy cash surrender value. The value was \$648,941 and \$622,758 at June 30, 2015 and 2014, respectively.

Note 8

Property and Equipment

Property and equipment consist of the following:

	2015	2014
Land and improvements	\$ 1,189,147	\$ 1,189,147
Buildings and improvements	9,829,497	9,782,518
Equipment	1,801,401	1,656,465
Construction in progress	202,897	0
Subtotals	13,022,942	12,628,130
Accumulated depreciation	(3,873,160)	(3,533,310)
Property and equipment, net of accumulated depreciation	\$ 9,149,782	\$ 9,094,820

Construction in progress consists of work completed in the second phase of renovations at one of the Organization's early childhood sites. A portion of the construction in progress is included in accrued expenses on the statements of financial position. A construction contract was entered into in the amount of \$1,220,766, all of which remains an outstanding commitment as of June 30, 2015.

Next Door Foundation, Inc.

Notes to Financial Statements

Note 9

Lines of Credit

Next Door maintains a \$750,000 line of credit with BMO Harris that expires February 28, 2016, with a variable interest rate. The interest rate at June 30, 2015, was 3.183%. The line of credit is collateralized by assignments of life-insurance policies owned as well as the general assets of Next Door. There was no outstanding balance as of June 30, 2015 and 2014.

Next Door has a construction line of credit with BMO Harris that expires February 28, 2016, with a variable interest rate. The principal available on the line of credit as of June 30, 2015 and 2014 was \$155,000 and \$217,000, respectively. No additional draws can be taken on this line of credit. The interest rate at June 30, 2015, was 3.183%. The line of credit is collateralized by Next Door's buildings and pledges receivable. The balance at June 30, 2015 and 2014, was \$145,000 and \$207,000, respectively.

Note 10

Long-Term Debt

Long-term debt consists of the following at June 30:

	2015	2014
--	------	------

Note payable to bank in monthly installments of \$11,334 including a variable interest rate of 2.933% with a final payment due in June of 2019. This note is secured with cash and securities held by BMO Harris Bank, other than those amounts restricted by law. \$ 2,463,987

Loan from bank payable in monthly installments of \$7,650 over 60 months with interest of 4.5% with a final payment due in June of 2019. This note is secured with specific properties. 960,336

Long term debt 3,424,323

Less: current maturities 185,607

Long-term portion \$ 2,787,189

Years Ending June 30,	
2016	\$ 185,607
2017	187,885
2018	190,269
2019	2,860,562
Total	\$ 3,424,323

Next Door Foundation, Inc.

Notes to Financial Statements

Note 11 Temporarily Restricted Net Assets

Temporarily restricted net assets, which have either purpose or time restrictions, are as follows as of June 30:

	2015	2014
Capital campaign	\$ 95,878	\$ 90,587
Pledge receivable – time restriction	200,000	0
Pledge receivable – Kids' Kitchen	120,000	0
Pledge receivable – Art Room	80,000	0
Total temporarily restricted net assets	\$ 495,878	\$ 90,587

Note 12 Permanently Restricted Net Assets

Permanently restricted net assets consist of assets invested on behalf of the Pieper Family Endowment Fund. The balance in permanently restricted net assets was \$475,968 and \$470,957 as of June 30, 2015 and 2014, respectively. The Pieper Family Endowment Fund agreement allows for half of the annual appreciated value to be unrestricted funds available to be distributed to the Next Door Foundation Endowment Fund. Distributions of \$11,535 and \$36,132 were made during the year ended June 30, 2015 and 2014, respectively.

Note 13 Employee Benefit Plan

All eligible employees are covered under a 401(k) Plan. Employees may elect to contribute to the plan through salary deferrals. Next Door matches employee contributions up to a maximum of 1.5% of the employee's annual salary. Total plan expense for the years ended June 30, 2015 and 2014, were \$81,786 and \$51,735, respectively.

Note 14 Endowments

In August 2009, the Wisconsin legislature adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors has interpreted UPMIFA as requiring Next Door to preserve the fair value of the donor's original gift, as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, Next Door classifies as permanently restricted net assets (a) the original value of the donor's gifts to the permanent restricted endowment, (b) the original value of a donor's subsequent gifts to the permanent restricted endowment, and (c) accumulations to the permanent restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the permanent restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Next Door in a manner consistent with the standard prudence prescribed by UPMIFA.

Note 14

Endowments (Continued)

Next Door has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to preserve the purchasing power of the endowment assets. Under Next Door's investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner to protect principal, grow the aggregate portfolio value in excess of the rate of inflation and achieve an effective annual rate of return that is equal to or greater than the designated benchmarks for the various types of investment vehicles, and to ensure that any risk assumed is commensurate with the given investment vehicle and Next Door's objectives.

The Pieper Family Endowment Fund was established by the Pieper Family Fund. This endowment is for the benefit of Next Door. In connection with the Pieper Family Endowment Fund, the Next Door Endowment Fund was established to hold the annual distributions made from the Pieper Family Endowment Fund and any contributions made to the endowment fund that are not within the Pieper Family Endowment Fund's investment strategies.

Changes in endowment funds were as follows:

	Unrestricted	Board Designated	Permanently Restricted	Total
Endowments at July 1, 2013	\$ 295,968	\$ 430,176	\$	\$ 726,144
Contributions	17,901	0	0	17,901
Interest and dividends	9,355	8,674	0	18,029
Appropriations	36,132	(36,132)	0	0
Net appreciation	60,938	68,239	0	129,177
Endowments at June 30, 2014	420,294	470,957	0	891,251
Contributions	10,100	0	0	10,100
Interest and dividends	11,702	9,052	0	20,754
Appropriations	11,535	(11,535)	0	0
Net appreciation	12,363	7,494	0	19,857
Endowments at June 30, 2015	\$ 465,994	\$ 475,968	\$	\$ 941,962

Note 15

Conditional Awards

Next Door had commitments under various grants of approximately \$8,112,000 as of June 30, 2015. These commitments are not recognized in the accompanying financial statements as they are conditional award.

Next Door Foundation, Inc.

Notes to Financial Statements

Note 16 Operations

During the year ended June 30, 2015, Next Door had several nonrecurring transactions that resulted in an increase in net assets on the statement of activities of \$831,264 as follows:

- Numerous fixed assets were purchased during the year with grant funds, resulting in an increase in net assets of \$431,264.
- Pledges receivable relating to commitments of future cash donations totaling \$400,000 were recorded as revenue and pledges receivable at June 30, 2015.

During the year ended June 30, 2014, Next Door had several nonrecurring transactions that resulted in an increase in net assets on the statement of activities of \$1,815,874 as follows:

- In conjunction with the purchase of the building at 5310 West Capitol Drive, a gain of \$630,275 was recorded as the Seller sold the building below fair market value to Next Door. This is a noncash transaction.
- Numerous fixed assets were purchased during the year with grant funds, resulting in an increase in net assets of \$434,865.

- As part of the expansion of its Federal Head Start program, eight vehicles were transferred from a prior Head Start agency to Next Door at no cost, resulting in a gain of \$85,734. This is a noncash transaction.
- Pledges relating to commitments of future cash donations in the amount of \$665,000 were recorded as revenue and pledges receivable at June 30, 2014.

Supplementary Information

Next Door Foundation, Inc.

Schedule A-1

Schedule of Program Activity

Year Ended June 30, 2015

FEDERAL PROGRAMS

	USDA		DHHS	
	10,558		93,086	
	Food	Food	Responsible	Responsible
	Program	Program	Fatherhood	Fatherhood
	(1)	(2)	(3)	(4)
	Total	Subtotal	Subtotal	Subtotal
REVENUE				
Grant revenue, public	\$ 14,573,701	\$ 109,350	\$ 666,920	\$ 10,447
Grant revenue, private	1,017,857	0	0	0
United Way revenue	382,912	0	0	0
Contributions	1,184,491	0	0	0
Childcare revenue	1,863,777	0	0	750
Other income	290,196	32,019	161,844	0
Investment income	77,555	0	0	0
In-kind contributions	1,562,613	0	0	0
Transfers	0	1,032	0	3,757
Total Revenue	20,953,102	142,401	828,764	93,501
EXPENSES				
Salaries and wages	10,636,650	55,575	236,717	54,900
Fringe benefits	2,362,655	10,168	52,399	17,283
Staff training and enrichment	154,428	436	2,255	2,626
Recruitment	65,382	0	0	0
Supplies	1,585,102	82,293	380,345	1,154
Family support costs	264,760	151	364	1,555
Nutrition costs	0	(6,352)	13,193	0
Health and wellness costs	0	0	0	0
School library costs	0	0	0	0
Collaboration expense	579,047	0	0	0
Student transportation	0	0	0	0
Travel	87,869	0	0	1,587
Postage	17,923	3	0	10
Telephone	117,362	58	93	1,042
Insurance	109,912	0	0	436
Dues and subscriptions	58,150	69	0	0
Professional fees	722,756	0	0	241
Occupancy	1,035,498	0	997	5,665
Depreciation	663,740	0	0	0
Interest	128,812	0	0	0
Administration	8,141	0	0	7,002
Other	2,082	0	0	0
In-kind expenses	1,562,613	0	0	0
Total Expenses	20,162,883	142,401	686,363	93,501
Change in Net Assets	790,219	0	0	0
Net assets at beginning	7,710,120	0	0	0
NET ASSETS AT END	\$ 8,500,339	\$ 0	\$ 0	\$ 0

Next Door Foundation, Inc.

**Schedule A-2
Schedule of Program Activity
Year Ended June 30, 2015**

FEDERAL PROGRAMS					
Department of Health and Human Services (DHHS)					
93,600					
	ACA	ACA	ACA	ACA	ACA
	Home	Home	Home	Home	Home
	Visitation	Visitation	Visitation	Visitation	Visitation
	(6)	(5)	(5)	(5)	(7)
	Subtotal	Subtotal	Subtotal	Subtotal	Subtotal
	93,505	93,505	93,505	93,505	93,505
	Early Head	Start - CCP	Start - CCP	Start - CCP	Start - CCP
REVENUE					
Grant revenue, public		\$ 99,441	\$ 247,331	\$ 540,695	\$ 788,026
Grant revenue, private					
United Way revenue					
Contributions					
Childcare revenue					
Other income					
Investment income					
In-kind contributions					
Transfers					
Total Revenue	129,144	251,243	709,581	960,824	941,832
EXPENSES					
Salaries and wages	77,053	127,250	311,125	438,375	93,455
Fringe benefits	23,210	20,926	61,310	82,236	13,326
Staff training and enrichment	2,647	2,382	3,754	6,136	8,997
Recruitment	0	0	0	0	0
Supplies	1,354	24,979	21,452	46,431	134,527
Family support costs	2,281	3,829	10,240	14,069	696
Nutrition costs	0	0	0	0	0
Health and wellness costs	0	2,689	11,229	13,918	0
School library costs	0	480	1,435	1,915	0
Collaboration expense	0	0	0	0	415,847
Student transportation	3,244	150	2,217	2,367	16,139
Travel	12	122	387	509	176
Postage	1,288	1,009	5,705	6,714	653
Telephone	609	1,106	1,464	2,570	163
Insurance	0	2,284	2,948	5,232	0
Dues and subscriptions	237	16,947	3,281	20,228	44,104
Professional fees	7,047	22,026	46,931	68,957	1,942
Occupancy	0	0	0	0	0
Depreciation	0	0	0	0	0
Interest	10,162	21,151	68,364	89,515	15,741
Administration	0	3,911	157,739	161,650	196,066
In-kind expenses	0	2	0	2	0
Total Expenses	129,144	251,243	709,581	960,824	941,832
Change in Net Assets	0	0	0	0	0
Net assets at beginning	0	0	0	0	0
NET ASSETS AT END	0	0	0	0	0

Next Door Foundation, Inc.

Schedule A-3

Schedule of Program Activity

Year Ended June 30, 2015

FEDERAL PROGRAMS

Department of Health and Human Services

93,600

	Full-Year, Part-Day	Training & Tech. Assist.	Full-Year, Part-Day	Training & Tech. Assist.	Full-Year, Part-Day	Training & Tech. Assist.	Full-Year, Part-Day	Head Start	Head Start
	(8)	(9)	(10)	(11)	(12)	(13)			
REVENUE									
Grant revenue, public	\$ 3,162,722	\$ 9,948	\$ 5,034,621	\$ 32,297	\$ 208,020	\$ 2,199,234			
Grant revenue, private	105,833	0	230,000	0	1,271	0			
United Way revenue	0	0	0	0	0	0			
Contributions	0	0	0	0	0	0			
Childcare revenue	416,723	0	749,579	0	50,799	570,774			
Other income	1,166	0	3,417	0	0	158			
Investment income	0	0	0	0	0	0			
In-kind contributions	360,643	0	1,586,261	0	43,347	676,613			
Transfers	12,077	0	17	0	7,377	2			
Total Revenue	4,059,164	9,948	7,603,895	32,297	310,814	3,446,781			
EXPENSES									
Salaries and wages	1,485,177	0	2,892,272	0	157,548	1,578,635			
Fringe benefits	323,158	0	638,431	0	38,115	395,756			
Staff training and enrichment	0	9,948	0	32,297	988	24,162			
Recruitment	1,829	0	3,932	0	0	150			
Supplies	564,932	0	141,625	0	4,504	74,128			
Family support costs	27,556	0	37,064	0	(5,300)	(57,807)			
Nutrition costs	(19,797)	0	12,282	0	115	(518)			
Health and wellness costs	52,132	0	129,396	0	2,397	36,944			
School library costs	8,304	0	16,649	0	448	4,964			
Collaboration expense	36,000	0	127,200	0	0	0			
Student transportation	186,408	0	396,173	0	0	0			
Travel	2,613	0	25,766	0	773	12,207			
Postage	1,241	0	507	0	158	1,589			
Telephone	27,585	0	26,157	0	1,317	16,715			
Insurance	18,563	0	15,134	0	5,412	23,591			
Dues and subscriptions	1,787	0	3,773	0	2,464	3,901			
Professional fees	30,224	0	122,993	0	9,182	18,483			
Occupancy	676,447	0	768,124	0	21,429	270,723			
Depreciation	0	0	0	0	0	0			
Interest	0	0	0	0	0	0			
Administration	274,362	0	660,156	0	27,915	366,545			
Other	0	0	0	0	2	0			
In-kind expenses	360,643	0	1,586,261	0	43,347	676,613			
Total Expenses	4,059,164	9,948	7,603,895	32,297	310,814	3,446,781			
Change in Net Assets	0	0	0	0	0	0			
Net assets at beginning	0	0	0	0	0	0			
NET ASSETS AT END	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0			

Next Door Foundation, Inc.

Schedule A-4

Schedule of Program Activity

Year Ended June 30, 2015

STATE & LOCAL PROGRAMS		FEDERAL PROGRAMS		FEDERAL PROGRAMS		STATE & LOCAL PROGRAMS	
	Milwaukee						
	Public	Wisconsin	FEDERAL	FEDERAL	FEDERAL	Parent	Home
	Schools	Head	PROGRAMS	PROGRAMS	PROGRAMS	Child	Home
	K4/K5	Start				(15)	(16)
	(15)	(14)					
REVENUE							
Grant revenue, public	\$ 11,392,608	\$ 448,632	\$ 12,946,995	\$ 11,392,608	\$ 448,632	\$ 11,788,074	\$ 1,178,074
Grant revenue, private	337,104	0	344,104	337,104	0	173,145	20,287
United Way revenue	0	0	0	0	0	0	0
Contributions	0	0	750	0	0	0	0
Childcare revenue	1,787,875	0	1,787,875	1,787,875	0	75,876	0
Other income	4,741	0	170,732	4,741	0	14,659	0
Investment income	0	0	0	0	0	0	0
In-kind contributions	2,862,930	0	3,024,580	2,862,930	0	48,439	0
Transfers	19,473	0	48,427	19,473	0	349,255	0
Total Revenue	16,404,731	448,632	18,323,463	16,404,731	448,632	1,839,448	20,287
EXPENSES							
Salaries and wages	6,207,087	306,673	7,014,807	6,207,087	306,673	631,895	6,929
Fringe benefits	1,408,786	75,135	1,576,799	1,408,786	75,135	173,670	776
Staff training and enrichment	76,392	2,754	87,866	76,392	2,754	4,118	151
Recruitment	5,911	0	5,911	5,911	0	282	0
Supplies	919,716	11,675	1,430,139	919,716	11,675	68,644	8,728
Family support costs	2,209	696	19,074	2,209	696	217,806	162
Nutrition costs	(7,918)	0	(1,077)	(7,918)	0	1,077	0
Health and wellness costs	220,869	0	224,787	220,869	0	25,014	0
School library costs	30,365	0	32,280	30,365	0	3,459	0
Collaboration expense	579,047	0	579,047	579,047	0	0	0
Student transportation	582,581	8,505	582,581	582,581	8,505	164,815	0
Travel	57,498	0	63,109	57,498	0	2,086	3,541
Postage	3,671	0	4,195	3,671	0	137	0
Telephone	72,427	0	80,580	72,427	0	4,008	0
Insurance	62,863	0	66,042	62,863	0	23,841	0
Dues and subscriptions	11,925	0	17,226	11,925	0	738	0
Professional fees	224,986	8,865	245,451	224,986	8,865	103,264	0
Occupancy	1,738,665	32,527	1,815,666	1,738,665	32,527	231,975	0
Depreciation	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0
Administration	1,344,719	1,802	1,444,396	1,344,719	1,802	134,180	0
Other	2	0	4	2	0	0	0
In-kind expenses	2,862,930	0	3,024,580	2,862,930	0	48,439	0
Total Expenses	16,404,731	448,632	18,323,463	16,404,731	448,632	1,839,448	20,287
Change in Net Assets	0	0	0	0	0	0	0
Net assets at beginning	0	0	0	0	0	0	0
NET ASSETS AT END	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Next Door Foundation, Inc.

**Schedule A-5
Schedule of Program Activity**

Year Ended June 30, 2015

STATE & LOCAL PROGRAMS

	Books for Kids (17)	Capital Fund (18)	ABE/ GED (19)	Special Purpose (20)	Total State & Local Programs	Total Programs
REVENUE						
Grant revenue, public	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,626,706	\$ 14,573,701
Grant revenue, private	27,500	0	0	142,314	363,246	707,350
United Way revenue	0	0	68,592	0	68,592	68,592
Contributions	9,340	11,107	0	56,300	76,747	77,497
Childcare revenue	0	0	0	0	75,876	1,863,751
Other income	0	0	30	0	14,689	185,421
Investment income	0	10	0	0	10	10
In-kind contributions	0	0	0	0	48,439	3,073,019
Transfers	0	0	70,742	0	419,997	468,424
Total Revenue	36,840	11,117	139,364	198,614	2,694,302	21,017,765
EXPENSES						
Salaries and wages	58,600	0	51,476	119,965	1,175,538	8,190,345
Fringe benefits	9,432	0	7,163	11,765	277,941	1,854,740
Staff training and enrichment	35	0	1,168	2,611	10,837	98,703
Recruitment	239	0	0	77	598	6,509
Supplies	4,200	0	5,742	1,704	100,693	1,530,832
Family support costs	125	0	0	375	219,164	238,238
Nutrition costs	0	0	0	0	1,077	0
Health and wellness costs	0	0	0	0	25,014	259,801
School library costs	(37,015)	0	1,276	0	(32,280)	0
Collaboration expense	0	0	0	0	0	579,047
Student transportation	0	0	0	0	173,320	755,901
Travel	0	0	140	4,582	10,349	73,458
Postage	625	0	5	0	767	4,962
Telephone	0	0	693	0	4,701	85,281
Insurance	0	0	4,142	0	27,983	94,025
Dues and subscriptions	0	0	90	215	1,043	18,269
Professional fees	360	0	7,358	57,320	177,167	422,618
Occupancy	239	0	40,693	0	305,434	2,121,100
Depreciation	0	0	0	0	0	0
Interest	0	5,826	0	0	5,826	5,826
Administration	0	0	19,418	0	155,400	1,599,796
Other	0	0	0	0	0	4
In-kind expenses	0	0	0	0	48,439	3,073,019
Total Expenses	36,840	5,826	139,364	198,614	2,689,011	21,012,474
Change in Net Assets	0	5,291	0	0	5,291	5,291
Net assets at beginning	0	90,587	0	0	90,587	90,587
NET ASSETS AT END	\$ 0	\$ 95,878	\$ 0	\$ 0	\$ 95,878	\$ 95,878

See Independent Auditor's Report.

Next Door Foundation, Inc.

Schedule B-1 Schedule of Expenditures of Federal Awards and List of Programs Year Ended June 30, 2015

Federal Grantor/Program Title	CFDA Number	Funding Source/ Pass-Through Entity	Program Period	Federal Expenditures
(1) Child and Adult Care Food Program	10.558	State of Wisconsin - DPI	10/01/13-09/30/14	\$ 109,350
(2) Child and Adult Care Food Program		State of Wisconsin - DPI	10/01/14-09/30/15	557,570
Total Federal Expenditures CFDA 10.558				666,920
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
(3) Healthy Marriage Promotion and Responsible Fatherhood Grants 90FR0049	93.086	Milwaukee County Dept. of Human Services	10/01/12-09/30/14	10,447
(4) Healthy Marriage Promotion and Responsible Fatherhood Grants 90FR0049		Milwaukee County Dept. of Human Services	10/01/14-09/30/15	88,994
(5) Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program CFA0064	93.505	State of WI - DCF	10/01/12-09/30/14	247,331
(6) Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Visiting Program CFA0064		State of WI - DCF	10/01/14-09/30/15	540,695
Total Federal Expenditures CFDA 93.086				99,441
(7) Early Head Start - Child Care Partnership 05HP0029/01	93.600	U.S. Dept. of Health and Human Services	01/01/15-06/30/16	745,766
(8) Head Start Full-Year, Part-Day 05CH8319/02		U.S. Dept. of Health and Human Services	11/01/13-10/31/14	3,162,722
(9) Head Start Training & Technical Assistance - 05CH8319/02		U.S. Dept. of Health and Human Services	11/01/13-10/31/14	9,948
(10) Head Start Full-Year, Part-Day 05CH8319/03		U.S. Dept. of Health and Human Services	11/01/14-10/31/15	5,034,621
(11) Head Start Training & Technical Assistance - 05CH8319/03		U.S. Dept. of Health and Human Services	11/01/14-10/31/15	32,297
(12) Early Head Start 05CH8281/07		U.S. Dept. of Health and Human Services	08/01/13-07/31/14	208,020
(13) Early Head Start 05CH8281/08		U.S. Dept. of Health and Human Services	08/01/14-10/31/15	2,199,234
Total Federal Expenditures CFDA 93.600				11,392,608
TOTAL FEDERAL EXPENDITURES				\$ 12,946,995

See Independent Auditor's Report.

Next Door Foundation, Inc.

Schedule B-2 Schedule of Expenditures of Federal Awards and List of Programs Year Ended June 30, 2015

Federal Grantor/Program Title	CFDA Number	Funding Source/ Pass-Through Entity	Program Period
STATE AND LOCAL PROGRAMS			
(14) Wisconsin Head Start		State of Wisconsin - DPI	07/01/14-06/30/15
(15) Milwaukee Public Schools K4/K5		Milwaukee Public Schools	07/01/14-06/30/15
(16) Parent Child Home		Contributions	07/01/14-06/30/15
(17) Books for Kids		Contributions, various grants	07/01/14-06/30/15
(18) Capital Fund		Contributions	07/01/14-06/30/15
(19) ABE/GED Adult Education		Contributions	07/01/14-06/30/15
(20) Special Purpose		Contributions	07/01/14-06/30/15
DISCRETIONARY ACTIVITY			
(21) Helwig Center		N/A	07/01/14-06/30/15
(22) Next Door Endowment Fund		Investment Income, various other	07/01/14-06/30/15
Other Unrestricted			
(23) GAAP Adjustments		N/A	07/01/14-06/30/15
(24) Other Unrestricted Donations		Contributions, Interest, various other	07/01/14-06/30/15
PERMANENTLY RESTRICTED ACTIVITY			
(25) Pieper Foundation Endowment		Investment Income	07/01/14-06/30/15

Notes to Schedule of Expenditures of Federal Awards and List of Programs

Note 1: Basis of Presentation - The accompanying schedule of expenditures of federal awards and list of programs (the "Schedule") includes the federal grant activity of Next Door Foundation, Inc. under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Next Door Foundation, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Next Door Foundation, Inc.

Note 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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Next Door Foundation, Inc.
Milwaukee, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Next Door Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Next Door Foundation, Inc.'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 Next Door Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Next Door Foundation, Inc.'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 Next Door Foundation, Inc.'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 Next Door Foundation, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Next Door Foundation, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wight LLP
Wight LLP

November 19, 2015
Madison, Wisconsin

Independent Auditor's Report on Compliance for Each Major Federal and State Program and On Internal Control Over Compliance

Board of Directors
Next Door Foundation, Inc.
Milwaukee, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Next Door Foundation, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2015. Next Door Foundation, Inc.'s major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Next Door Foundation, Inc.'s major federal and state 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Next Door Foundation, Inc.'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 and state program. However, our audit does not provide a legal determination of Next Door Foundation, Inc.'s compliance.

Opinion

In our opinion, Next Door Foundation, Inc. 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 and state programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Next Door Foundation, Inc. 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 Next Door Foundation, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state 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 or state program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Next Door Foundation, Inc.'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 or state 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 or state 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 or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wipfl LLP
Wipfl LLP

November 19, 2015
Madison, Wisconsin

Next Door Foundation, Inc.

Schedule of Findings and Questioned Costs

A.

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Next Door Foundation, Inc.

2. No material weaknesses or significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.

3. No instances of noncompliance material to the financial statements of Next Door Foundation, Inc. were disclosed during the audit.

4. No material weaknesses or significant deficiencies were disclosed during the audit of the major federal and state award programs as reported in the Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over major federal and state award programs for the major federal and state award programs for

5. The auditor's report on compliance for the major federal and state award programs for Next Door Foundation, Inc. expresses an unmodified opinion.

6. There were no audit findings relative to the major federal and state award programs for Next Door Foundation, Inc.

7. The program tested as major federal programs were U.S. Department of Health and Human Services, Head Start (CFDA #93.600).

8. The state major program is the State Head Start program.

9. The threshold for distinguishing Types A and B federal programs was \$388,410.

10. The threshold for distinguishing Types A and B state programs was \$100,000.

11. Next Door Foundation, Inc. was determined to be a low-risk auditee.

B.

Findings – Financial Statements Audit

None

C.

Current Year Findings and Questioned Costs – Major Federal Award Programs Audit

Questioned Costs: None

Finding: None

Next Door Foundation, Inc.

Schedule of Findings and Questioned Costs

D. Prior Year Findings

None

E. Other Issues

1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:
 - a. Department of Public Instruction No
 - b. Department of Health Services No
 - c. Department of Children and Families No

3. Was a management letter or other document conveying audit comments issued as a result of this audit? No

4. Name and signature of partner in charge

5. Date of report

Jean M. Christensen, CPA

November 19, 2015

