

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2019 and 2018

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Audit Committee
Volunteers of America of Illinois and Affiliate
Chicago, Illinois

We have audited the accompanying consolidated financial statements of Volunteers of America of Illinois and Affiliate (a nonprofit corporation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Board of Directors and Audit Committee
Volunteers of America of Illinois and Affiliate
Chicago, Illinois

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Volunteers of America of Illinois and Affiliate as of June 30, 2019 and 2018, and the changes in its consolidated net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Volunteers of America of Illinois and Affiliate have adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in Note 2. This had a material effect on the presentation of the June 30, 2019 and 2018, consolidated financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Naperville, Illinois
March 10, 2020

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Consolidated Statements of Financial Position

| | June 30, | |
|---|---------------|---------------|
| | 2019 | 2018 |
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 742,660 | \$ 637,338 |
| Restricted cash | 1,365,887 | 1,314,066 |
| Accounts receivable, net | 589,560 | 508,181 |
| Prepaid expenses and other assets | 314,368 | 168,666 |
| Due from related parties | 97,161 | 16,839 |
| Land held for sale | 7,026,929 | - |
| Total current assets | 10,136,565 | 2,645,090 |
| Noncurrent assets: | | |
| Loans receivable, related parties, net | 145,000 | 145,000 |
| Property and equipment, net | 10,093,903 | 10,384,868 |
| Total noncurrent assets | 10,238,903 | 10,529,868 |
| Total Assets | \$ 20,375,468 | \$ 13,174,958 |
| LIABILITIES AND NET ASSETS: | | |
| Current liabilities: | | |
| Accounts payable | \$ 293,576 | \$ 213,743 |
| Accrued expenses | 532,152 | 276,691 |
| Due to related parties | 331,989 | 257,548 |
| Deferred reimbursement | 339,000 | 282,500 |
| Total current liabilities | 1,496,717 | 1,030,482 |
| Long-term liabilities: | | |
| Notes payable | 2,793,833 | 2,868,063 |
| Total liabilities | 4,290,550 | 3,898,545 |
| Net assets: | | |
| Without donor restrictions attributed to: | | |
| Controlled limited partnership | 4,128,342 | 4,354,759 |
| Undesignated | 10,187,287 | 3,055,329 |
| | 14,315,629 | 7,410,088 |
| Noncontrolling interest in subsidiary | 1,769,289 | 1,866,325 |
| Total without donor restrictions | 16,084,918 | 9,276,413 |
| Total Liabilities and Net Assets | \$ 20,375,468 | \$ 13,174,958 |

See notes to consolidated financial statements

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Consolidated Statements of Activities

Year Ended June 30, 2019

| | Without Donor Restrictions | | | With Donor Restrictions | Total |
|---------------------------------------|----------------------------|----------------------------------|----------------------|----------------------------|----------------------|
| | VOA-IL | West Side Veterans Housing LP | Total | | |
| OPERATING REVENUE: | | | | | |
| Public support: | | | | | |
| Contributions corporate | \$ 134,456 | \$ - | \$ 134,456 | \$ - | \$ 134,456 |
| Contributions foundations | 148,692 | - | 148,692 | - | 148,692 |
| Contributions individuals | 161,557 | - | 161,557 | - | 161,557 |
| Contributions in-kind | 7,256,615 | - | 7,256,615 | - | 7,256,615 |
| Total public support | 7,701,320 | - | 7,701,320 | - | 7,701,320 |
| Program and other revenue: | | | | | |
| Government fees and grants | 5,372,489 | - | 5,372,489 | - | 5,372,489 |
| Management fees | 428,141 | - | 428,141 | - | 428,141 |
| Rent revenue | - | 573,433 | 573,433 | - | 573,433 |
| Housing services reimbursement | 1,667,569 | - | 1,667,569 | - | 1,667,569 |
| Developer fees and other revenues | 84,233 | 23,837 | 108,070 | - | 108,070 |
| Non-operating revenues | 175,000 | - | 175,000 | - | 175,000 |
| Total other revenue | 7,727,432 | 597,270 | 8,324,702 | - | 8,324,702 |
| Net assets released from restrictions | - | - | - | - | - |
| Total Revenue from Operations | 15,428,752 | 597,270 | 16,026,022 | - | 16,026,022 |
| OPERATING EXPENSES: | | | | | |
| Program services | 6,759,622 | 891,959 | 7,651,581 | - | 7,651,581 |
| Supporting activities: | | | | | |
| Management and general | 1,475,433 | 28,764 | 1,504,197 | - | 1,504,197 |
| Fund-raising | 61,739 | - | 61,739 | - | 61,739 |
| Total supporting activities | 1,537,172 | 28,764 | 1,565,936 | - | 1,565,936 |
| Total Operating Expenses | 8,296,794 | 920,723 | 9,217,517 | - | 9,217,517 |
| Change in Net Assets | 7,131,958 | (323,453) | 6,808,505 | - | 6,808,505 |
| Net Assets, Beginning of Year | 3,055,329 | 6,221,084 | 9,276,413 | - | 9,276,413 |
| Net Assets, End of Year | \$ 10,187,287 | \$ 5,897,631 | \$ 16,084,918 | \$ - | \$ 16,084,918 |

See notes to consolidated financial statements

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Consolidated Statements of Activities

Year Ended June 30, 2018

| | Without Donor Restrictions | | | With Donor Restrictions | Total |
|---------------------------------------|----------------------------|----------------------------------|---------------------|----------------------------|---------------------|
| | VOA-IL | West Side Veterans Housing LP | Total | | |
| OPERATING REVENUE: | | | | | |
| Public support: | | | | | |
| Contributions corporate | \$ 115,658 | \$ - | \$ 115,658 | \$ - | \$ 115,658 |
| Contributions foundations | 380,074 | - | 380,074 | - | 380,074 |
| Contributions individuals | 131,610 | - | 131,610 | - | 131,610 |
| Contributions in-kind | 10,683 | - | 10,683 | - | 10,683 |
| Total public support | <u>638,025</u> | <u>-</u> | <u>638,025</u> | <u>-</u> | <u>638,025</u> |
| Program and other revenue: | | | | | |
| Government fees and grants | 5,897,179 | - | 5,897,179 | - | 5,897,179 |
| Management fees | 389,044 | - | 389,044 | - | 389,044 |
| Rent revenue | - | 581,780 | 581,780 | - | 581,780 |
| Housing services reimbursement | 1,616,035 | - | 1,616,035 | - | 1,616,035 |
| Developer fees and other revenues | 167,685 | 20,839 | 188,524 | - | 188,524 |
| Total other revenue | <u>8,069,943</u> | <u>602,619</u> | <u>8,672,562</u> | <u>-</u> | <u>8,672,562</u> |
| Net assets released from restrictions | <u>65,000</u> | <u>-</u> | <u>65,000</u> | <u>(65,000)</u> | <u>-</u> |
| Total Revenue from Operations | <u>8,772,968</u> | <u>602,619</u> | <u>9,375,587</u> | <u>(65,000)</u> | <u>9,310,587</u> |
| OPERATING EXPENSES: | | | | | |
| Program services | 7,290,353 | 919,426 | 8,209,779 | - | 8,209,779 |
| Supporting activities: | | | | | |
| Management and general | 1,225,975 | - | 1,225,975 | - | 1,225,975 |
| Fund-raising | 40,173 | - | 40,173 | - | 40,173 |
| Total supporting activities | <u>1,266,148</u> | <u>-</u> | <u>1,266,148</u> | <u>-</u> | <u>1,266,148</u> |
| Total Operating Expenses | <u>8,556,501</u> | <u>919,426</u> | <u>9,475,927</u> | <u>-</u> | <u>9,475,927</u> |
| Change in Net Assets | 216,467 | (316,807) | (100,340) | (65,000) | (165,340) |
| Net Assets, Beginning of Year | <u>2,838,862</u> | <u>6,537,891</u> | <u>9,376,753</u> | <u>65,000</u> | <u>9,441,753</u> |
| Net Assets, End of Year | <u>\$ 3,055,329</u> | <u>\$ 6,221,084</u> | <u>\$ 9,276,413</u> | <u>\$ -</u> | <u>\$ 9,276,413</u> |

See notes to consolidated financial statements

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

| | Program Services | | | | | | Supporting Activities | | Total Volunteers of America Illinois |
|--------------------------------------|--|---------------------------|--------------------------------|-------------------------|----------------------------------|---------------------|---------------------------|------------------|--|
| | Encouraging Positive Development | Fostering Independence | Promoting Self- Sufficiency | Transitional Housing | West Side Veterans Housing LP | Total | Management and General | Fund- raising | |
| Salaries and wages | \$ 811,317 | \$ 893,956 | \$ 1,320,222 | \$ 522,792 | \$ 129,437 | \$ 3,677,724 | \$ 644,957 | \$ 1,128 | \$ 4,323,809 |
| Other employee benefits | 100,702 | 148,721 | 162,219 | 51,389 | 15,496 | 478,527 | 117,685 | 327 | 596,539 |
| Payroll taxes | 69,437 | 67,081 | 115,155 | 43,918 | 12,798 | 308,389 | 49,829 | - | 358,218 |
| Counseling and consulting fees | 83,443 | - | - | - | 2,178 | 85,621 | 99,230 | - | 184,851 |
| Legal fees | - | - | - | - | - | - | 35,623 | - | 35,623 |
| Accounting fees | - | - | - | - | - | - | 103,014 | - | 103,014 |
| Other professional fees | 1,163 | - | 18,266 | 9,800 | 210,804 | 240,033 | 15,846 | 20,170 | 276,049 |
| Supplies and expenses | 2,692 | 1,365 | 23,617 | 1,077 | 17,871 | 46,622 | 25,667 | 27,243 | 99,532 |
| Program supplies | 970 | - | 18,076 | 1,385 | - | 20,431 | - | - | 20,431 |
| Occupancy costs | 94,521 | 7,220 | 267,627 | 5,598 | 97,132 | 472,098 | 97,488 | 201 | 569,787 |
| Insurance | 15,910 | 16,276 | 28,638 | 441 | 32,850 | 94,115 | 8,072 | - | 102,187 |
| Travel and transportation | 126,054 | 11,985 | 45,657 | 2,365 | 70 | 186,131 | 35,810 | 4,905 | 226,846 |
| Housing and rental assistance | 49,064 | - | 940,875 | 733 | 295 | 990,967 | - | - | 990,967 |
| Foster family grants | 496,357 | - | - | - | - | 496,357 | - | - | 496,357 |
| Equipment rental and maintenance | 485 | 792 | 22,001 | - | 15,749 | 39,027 | 15,724 | 997 | 55,748 |
| Interest expense and bank fees | - | - | - | - | 6,865 | 6,865 | 17,619 | 2,971 | 27,455 |
| Telecommunications | 7,450 | 248 | 7,107 | 384 | 10,329 | 25,518 | 25,422 | - | 50,940 |
| Conferences and meetings | 398 | 4,268 | 28,104 | - | 3,627 | 36,397 | 29,905 | - | 66,302 |
| Subscriptions and publications | 296 | - | 199 | - | - | 495 | 417 | - | 912 |
| Postage | 176 | - | 2,026 | 25 | - | 2,227 | 9,176 | - | 11,403 |
| Printing and publications | 115 | - | 3,546 | 26 | 3,073 | 6,760 | 1,122 | 2,143 | 10,025 |
| Membership dues | 13,936 | 550 | 550 | 599 | - | 15,635 | 2,204 | 500 | 18,339 |
| Bad debt | - | - | - | - | 5,751 | 5,751 | - | - | 5,751 |
| Miscellaneous | 408 | 455 | 14,041 | - | 14,545 | 29,449 | 16,187 | 928 | 46,564 |
| Gift in kind - professional services | - | - | - | - | - | - | 11,218 | - | 11,218 |
| Depreciation and amortization | 1,477 | 1,691 | 5,340 | 1,065 | 313,089 | 322,662 | 890 | 226 | 323,778 |
| National organization fees | - | 63,780 | - | - | - | 63,780 | 141,092 | - | 204,872 |
| Total Functional Expense | \$ 1,876,371 | \$ 1,218,388 | \$ 3,023,266 | \$ 641,597 | \$ 891,959 | \$ 7,651,581 | \$ 1,504,197 | \$ 61,739 | \$ 9,217,517 |

See notes to consolidated financial statements

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Consolidated Statement of Functional Expenses

Year Ended June 30, 2018

| | Program Services | | | | | Supporting Activities | | Total Volunteers of America Illinois | |
|--------------------------------------|--|---------------------------|--------------------------------|-------------------------|----------------------------------|-----------------------|---------------------------|--|---------------------|
| | Encouraging Positive Development | Fostering Independence | Promoting Self- Sufficiency | Transitional Housing | West Side Veterans Housing LP | Total | Management and General | | Fund- raising |
| Salaries and wages | \$ 849,827 | \$ 947,129 | \$ 1,488,189 | \$ 451,604 | \$ 138,679 | \$ 3,875,428 | \$ 568,035 | \$ - | \$ 4,443,463 |
| Other employee benefits | 96,308 | 150,019 | 145,760 | 57,701 | 16,783 | 466,571 | 74,195 | 24 | 540,790 |
| Payroll taxes | 76,889 | 72,630 | 134,164 | 37,870 | 10,934 | 332,487 | 44,953 | - | 377,440 |
| Counseling and consulting fees | 111,125 | 3,000 | - | - | 2,178 | 116,303 | 46,768 | - | 163,071 |
| Legal fees | 14,447 | - | - | - | 3,840 | 18,287 | 13,779 | - | 32,066 |
| Accounting fees | - | - | - | - | 15,569 | 15,569 | 57,596 | - | 73,165 |
| Other professional fees | 3,768 | 603 | 613 | 4,475 | 192,675 | 202,134 | - | 18,281 | 220,415 |
| Supplies and expenses | 3,687 | 1,818 | 24,292 | 940 | 22,832 | 53,569 | 17,504 | 8,557 | 79,630 |
| Program supplies | 481 | - | 20,327 | 105 | - | 20,913 | - | - | 20,913 |
| Occupancy costs | 88,442 | 11,618 | 180,961 | 6,841 | 95,631 | 383,493 | 79,207 | 6,619 | 469,319 |
| Insurance | 16,165 | 15,886 | 31,448 | 799 | 31,878 | 96,176 | 6,773 | - | 102,949 |
| Travel and transportation | 138,335 | 14,005 | 56,706 | 2,536 | 211 | 211,793 | 33,384 | 1,908 | 247,085 |
| Specific assistance | 55,421 | - | 1,103,238 | - | 1,607 | 1,160,266 | 553 | - | 1,160,819 |
| Foster family payments | 657,355 | - | - | - | - | 657,355 | - | - | 657,355 |
| Equipment rental and maintenance | 3,752 | 396 | 20,215 | 220 | 16,868 | 41,451 | 15,869 | 1,270 | 58,590 |
| Interest expense and bank fees | - | - | - | - | 7,423 | 7,423 | 14,512 | - | 21,935 |
| Telecommunications | 11,013 | 624 | 10,323 | 165 | 9,560 | 31,685 | 20,806 | 217 | 52,708 |
| Conferences and meetings | 7,985 | 3,375 | 14,534 | 113 | 1,199 | 27,206 | 26,953 | - | 54,159 |
| Subscriptions and publications | - | 16 | 199 | - | - | 215 | 1,455 | - | 1,670 |
| Postage | 1,325 | 293 | 2,429 | 130 | 7 | 4,184 | 11,274 | 222 | 15,680 |
| Printing and publications | 747 | 353 | 3,981 | 395 | 3,351 | 8,827 | 1,907 | 2,288 | 13,022 |
| Membership dues | 21,345 | 611 | 2,505 | 312 | 1,250 | 26,023 | 2,382 | 190 | 28,595 |
| Bad debt | - | - | - | - | 11,777 | 11,777 | 28,452 | - | 40,229 |
| Miscellaneous | 250 | 80 | 11,180 | - | 1,005 | 12,515 | 2,617 | 100 | 15,232 |
| Gift in kind - professional services | - | - | - | - | - | - | 6,249 | - | 6,249 |
| Depreciation and amortization | 3,916 | 508 | 4,656 | 328 | 334,169 | 343,577 | 1,999 | 497 | 346,073 |
| National organization fees | - | 84,552 | - | - | - | 84,552 | 148,753 | - | 233,305 |
| Total Functional Expense | \$ 2,162,583 | \$ 1,307,516 | \$ 3,255,720 | \$ 564,534 | \$ 919,426 | \$ 8,209,779 | \$ 1,225,975 | \$ 40,173 | \$ 9,475,927 |

See notes to consolidated financial statements

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Consolidated Statements of Cash Flows

| | Year Ended June 30, | |
|--|---------------------|--------------|
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 6,808,505 | \$ (165,340) |
| Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 323,778 | 346,073 |
| Donated property and equipment | (7,026,929) | - |
| Changes in: | | |
| Accounts receivable | (81,379) | 62,229 |
| Prepaid expenses and other assets | (145,702) | 4,280 |
| Accounts payable | 79,833 | (366,732) |
| Accrued expenses | 255,461 | 107,200 |
| Due to related parties | 74,441 | 156,639 |
| Due from related parties, net | (80,322) | 237,621 |
| Deferred reimbursement | 56,500 | 56,500 |
| Net Cash Provided by Operating Activities | 264,186 | 438,470 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (15,442) | (3,903) |
| Net Cash Used by Investing Activities | (15,442) | (3,903) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on notes payable | (91,601) | (91,599) |
| Net Cash Used by Financing Activities | (91,601) | (91,599) |
| Change in Cash and Cash Equivalents | 157,143 | 342,968 |
| Cash and Cash Equivalents, Beginning of Year | 1,951,404 | 1,608,436 |
| Cash and Cash Equivalents, End of Year | \$ 2,108,547 | \$ 1,951,404 |
| Cash and Cash Equivalents: | | |
| Available for operations | \$ 742,660 | \$ 637,338 |
| Restricted-purpose cash escrows and reserves | 1,365,887 | 1,314,066 |
| | \$ 2,108,547 | \$ 1,951,404 |

See notes to consolidated financial statements

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

1. NATURE OF ORGANIZATION:

Volunteers of America of Illinois (the Corporation), an Illinois not-for-profit corporation, is a licensed child welfare agency organization. The Corporation is part of a national ministry of service designed to reach and uplift people in need throughout the country. The Corporation is a human service organization specifically dedicated to improving the lives of children and families throughout the State of Illinois through a comprehensive range of strength-based and solution-focused programs and services without regard to race, religion, or national origin.

The Corporation is a chartered affiliate of Volunteers of America, Inc. (National). The chartered affiliate agrees to accept and promote the articles of the Constitution of Volunteers of America, Inc. and to be part of the Volunteers of America Faith Based Mission. The chartered affiliate agrees to adhere to standards, consistent with charter requirements, set forth by the Board of Directors of Volunteers of America, Inc. to implement the charter requirements.

The Corporation has a number of programs that provide social services in impact areas including positive development and fostering independence.

ENCOURAGING POSITIVE DEVELOPMENT

The Corporation provides services to encourage positive development for troubled and at-risk children and youth, while also promoting the healthy development of all children, adolescents and their families. The programs provide a continuum of care and support for young people ages birth to 21 through prevention, early intervention, crisis intervention, and long-term services.

- Foster Care - Recruitment and support of foster parents, placement and support to children in state custody due to abuse and/or neglect.
- Child & Family Supportive Services - Programs providing a wide range of supportive services for families and/or children including child development, counseling, case management, home-based services, and assistance with special needs children and their families.
- Adoption - Programs facilitate placement in adoptive homes and provides information and support to adoptive and birth families
- Family Preservation - Provides a wide range of supportive services and case management to children at risk of abuse or neglect and their families, with goal of preserving and, if needed, reunifying the family.

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

1. NATURE OF ORGANIZATION, continued:

FOSTERING INDEPENDENCE

The Corporation (and National) fosters the health and independence of the elderly, persons with disabilities, mental illness and HIV/AIDS through quality affordable housing, health care services, and a wide range of community services.

- Elderly Services - Service Coordination in Affordable Housing - Services provided to link low-income elderly and disabled residents with community services that will assist them in maintaining independence in federally subsidized and other affordable housing.
- Elderly Services - Elderly Housing - The Corporation maintains affordable apartment housing communities offering long-term residences for low-income elderly individuals. Services offered include case management, religious activities, and health and nutrition counseling/education. HUD 202 funding usually supports this housing.
- Elderly Services - Case Management - Programs designed to assess and determine the need for services, locating, coordinating and advocating for needed services, authorizing or directly purchasing services, and monitoring services at regular intervals.

PROMOTING SELF-SUFFICIENCY

To meet the needs of homeless veterans and their families. The program's goal is to help homeless veterans achieve economic self-sufficiency and overall stability in their lives with the support, training and opportunities needed to secure and maintain viable, long-term employment.

- Supportive Services for Veterans & Families (SSVF) - Programs designed to provide supportive services to low income Veteran families living in or transitioning to permanent housing. Services include outreach, case management, and assistance in obtaining Veterans Administration and other benefits. Benefits may include health care services, fiduciary and payee services, daily living services, personal financial planning, legal, transportation, child care, and housing counseling services. In addition, these programs may also provide time-limited financial support to third party vendors (landlords, utility companies and other vendors) to help Veteran families remain in or acquire permanent housing.
- Outreach - Programs with the goal of engaging homeless persons who are living on the streets or those at risk of homelessness by linking them with supports and services.
- Computer Center - Programs using computer technology to help clients focus on securing employment, training and needed skill development.

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

1. NATURE OF ORGANIZATION, continued:

PROMOTING SELF-SUFFICIENCY, continued

- Employment Counseling and Job Placement - Provision of employment services such as assessment, counseling, job search, job development, job shadowing, employment placement and employment retention, along with support services such as child care, substance abuse counseling, mental health counseling, and education and training, with helping participants secure and retain a job and achieve their vocational goals.
- Aftercare Support - Continued case management, referrals to supportive services, structured support through an alumni network, and development of interpersonal/life skills.

TRANSITIONAL HOUSING

Transitional Housing - Provided for homeless veterans and their families. Comprehensive support services include outreach and assessment, emergency services and case management. The Corporation also offers Transitional Treatment Programs, providing residential therapeutic treatment for veterans recovering substance addiction, and special need services for the frail elderly, and veterans with mental illness.

- Real Estate Development - Encompasses brick and mortar development and asset building. Through this work, the Corporation develops affordable, high-quality, energy efficient construction and long-term rental communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Corporation prepares its consolidated financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred. The accounting policies of the Corporation conform to accounting principles generally accepted in the United States of America as applicable to voluntary health and welfare organizations. The more significant accounting policies are described below.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Volunteers of America of Illinois and its affiliate, West Side Veterans Housing, LP.

West Side Veterans Housing, LP (the Partnership), was formed as a limited partnership under the laws of the State of Illinois on December 3, 2008, for the purpose of constructing and operating a rental housing project (the Project). The project consists of 50 units located in Chicago, Illinois, and is currently operating under the name of Hope Manor Apartments. The project was placed in service in early 2012. The project is eligible for low-income housing tax credits pursuant to Internal Revenue Service Code Section 42. The Partnership has one General Partner, West Side Veterans VOA Housing Inc. NFP, (which has a .01% interest) and one limited partner, NEF Limited Partnership, which has a 99.99% interest.

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

PRINCIPLES OF CONSOLIDATION, continued

The General Partner units are owned 70% by the Corporation and 30% by National. The Corporation is required to consolidate the partnership as it has a controlling interest in the partnership.

All material intercompany accounts and transactions have been implemented in consolidation. The Corporation's fiscal year ends on June 30. The Partnership's fiscal year ends on December 31. Partnership activity has been consolidated based on the fiscal year of the Corporation.

CASH AND CASH EQUIVALENTS AND CREDIT RISK

The Corporation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements, or otherwise designated or restricted. Cash equivalents include money market funds, checking accounts, and a sweep account. These accounts, from time to time, may exceed federally insured limits. At June 30, 2019 and 2018, the Corporation's cash balances exceeded federally insured limits by \$520,294 and \$379,003, respectively. The Corporation does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage.

RESTRICTED CASH

The Corporation has established the following restricted-purpose cash escrows and reserves. Releases from these reserves can be obtained subject to protocols specified in the debt and partnership agreements related to West Side Veterans Housing Limited Partnership.

| | <u>Year Ended June 30,</u> | |
|---|----------------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| A replacement reserve funded at \$400 per year for each apartment unit and is in the custody of IHDA. | \$ 162,259 | \$ 129,932 |
| An operating reserve, in the initial amount of \$271,190; the Corporation is obligated to deposit project cash flow on a priority basis, if needed, to restore any releases from the reserve and is in the custody of IHDA. | 278,013 | 273,459 |
| A working capital reserve held by the Corporation. | 102,181 | 101,698 |
| A revenue deficit reserve has been established to fund project cash deficits, subject to release protocols which are more restrictive than the operating and working capital reserves. | 719,809 | 716,400 |
| A real estate tax and insurance escrow in the custody of IHDA. | <u>103,625</u> | <u>92,577</u> |
| | <u>\$ 1,365,887</u> | <u>\$ 1,314,066</u> |

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RESTRICTED CASH, continued

Each of the above reserve accounts are maintained with one lender. Accounts at this financial institution are not insured by the Federal Deposit Insurance Corporation. Total uninsured restricted cash at June 30, 2019 and 2018, was \$1,365,887 and \$1,314,066, respectively. The Corporation has not experienced any losses on these accounts, and believes that it is not exposed to any significant credit risk with respect to its deposits with the lender.

ACCOUNTS RECEIVABLE

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the status of individual grants, contracts and others. Management has recorded an accounts receivable allowance of \$6,056 and \$6,156, respectively, related to amounts due from related parties for the both the years ended June 30, 2019 and 2018.

LAND HELD FOR SALE

Land held for sale consists of farm land that was donated to the Corporation during 2019 and is expected to be sold within one year. The land is valued at net realizable value and the revenue from the donation is reflected as contributions in-kind in the June 30, 2019 consolidating statement of activities.

FIXED ASSETS AND DEPRECIATION

Land, buildings, and equipment purchased by the Corporation are recorded at cost. The Corporation follows the practice of capitalizing all expenditures for land, buildings, and equipment over \$4,000 with a useful life greater than one year. The fair value of donated fixed assets is similarly capitalized. Tenant alterations in a leased residential facility are amortized over the life of the lease. Depreciation is computed on the straight-line method based upon the following estimated useful lives of the assets:

| | |
|---|-------------|
| Buildings and improvements | 30-39 years |
| Leasehold improvements | 5-15 years |
| Office furniture, equipment, and vehicles | 3-7 years |

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

The consolidated financial statements report amounts by class of net assets:

Net assets without donor restrictions are those currently available for general purposes under the direction of the board, and those resources invested in property and equipment. Board designated net assets are those net assets that the Board of Directors has set aside for specific uses such as future operating reserves, facility needs, or specific ministry opportunities. As these restrictions are initiated by the Corporation and not by donors, these net assets are presented as net assets without donor restrictions.

Net assets with donor restrictions are those contributed with donor stipulations for specific purposes or programs, those with time restrictions, or those not currently available for use until commitments regarding their use have been fulfilled.

PARTNERSHIP PROFITS, LOSS AND DISTRIBUTIONS

Profits, losses and cash distributions of the Partnership are to be allocated to the partners according to the provisions of the Partnership Agreement.

SUPPORT, REVENUE, AND EXPENSES

Contributions are reported as income when made, which may be when cash is received, unconditional promises are made or when ownership of donated assets is transferred. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions. Gifts of cash and other assets received with donor stipulations that limit their use are reported as support without donor restrictions if restrictions are met within the same reporting period. Otherwise, they are reported as restricted support, and when a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Developer fee revenue is recognized when earned, as specified in development fee agreements. Costs incurred relating to developer fee revenue are deferred until the corresponding revenue is recognized as earned, at which time the deferred costs are charged to expense.

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities of the ministry have been summarized on a functional basis in the consolidated statements of activities. Those expenses include depreciation, facilities, and salaries and benefits. Depreciation and facilities expenses are allocated based on a square footage basis and salaries and benefits are allocated based on estimates of time and effort. All other categories are allocated based on a detailed estimate of expenses making up each account within each respective category.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ministry adopted the provisions of this new standard during the year ended June 30, 2019. In addition to changes in terminology used to describe categories of net assets through out the consolidated financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 11), and disclosures related to functional allocation of expenses were expanded.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|----------------------|----------------------|
| Land | \$ 687,726 | \$ 555,500 |
| Buildings and improvements | 11,742,678 | 11,776,578 |
| Furniture and equipment | 1,085,668 | 1,031,991 |
| | <u>13,516,072</u> | <u>13,364,069</u> |
| Less: accumulated depreciation | <u>(3,422,169)</u> | <u>(2,979,201)</u> |
| | <u>\$ 10,093,903</u> | <u>\$ 10,384,868</u> |

Depreciation expense for the years ended June 30, 2019 and 2018, totaled \$306,407 and \$324,799, respectively.

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

4. DEFERRED CHARGES:

Costs incurred, during the year ended June 30, 2011, to obtain financing and low income housing tax credits have been capitalized and are amortized over the term of the loan or the tax credit period.

Additionally, during the year ended June 30, 2011, as described in its commitment letter, the Partnership paid an asset management fee to the Illinois Housing Development Authority (the Authority) to reimburse the Authority for its asset management function. The fee is considered earned over a 15-year compliance period. In the event a default or an event of default occurs on the Section 1602 grant described in Note 6, the Authority may apply any remaining amount to the Section 1602 grant. The fee of \$48,728 and \$55,261 as of June 30, 2019 and 2018, respectively, is included in deferred charges and will be amortized over 15 years.

Deferred charges are netted against the note payable balance in the accompanying consolidated statements of financial position and are summarized as follows at June 30:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|-------------------|-------------------|
| Cost | \$ 305,441 | \$ 305,441 |
| Less: accumulated amortization | <u>(137,330)</u> | <u>(119,959)</u> |
| Net Capitalized Costs | <u>\$ 168,111</u> | <u>\$ 185,482</u> |

Amortization expense for both years ended June 30, 2019 and 2018, was \$17,371. Estimated amortization expense for each of the next five years is as follows:

| | |
|------------|-------------------|
| 2020 | \$ 17,371 |
| 2021 | 17,371 |
| 2022 | 17,371 |
| 2023 | 17,371 |
| 2024 | 17,371 |
| Thereafter | <u>81,256</u> |
| | <u>\$ 168,111</u> |

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

5. NOTES PAYABLE:

Notes payable consists of the following as of June 30:

| | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|
| Westside Veterans Housing, LP has entered into a senior mortgage note, dated October 1, 2010, which is held by the City of Chicago in an original amount of \$1,500,000, and bears interest at 0% per annum. The entire principal balance shall be due and payable in full on December 31, 2042. The entire principal balance outstanding, together with accrued and unpaid interest thereon, if any, may also become due and payable because of acceleration or prepayment as provided in the agreement. This note is collateralized by real property held for lease, the leasehold interest and rights to the Ground Lease, and the assignment of rents and leases of the real property. | \$ 1,499,567 | \$ 1,499,567 |

The Authority provided a grant to Westside Housing Veterans, LP to be used for construction of a 50-unit low-income rental housing development (Hope Manor I) on its leasehold property. The grant is a sub-award of Section 1602 American Reinvestment and Recovery Funds awarded to state agencies from Department of Treasury in an exchange program for low income housing tax credits. The grant totaling \$1,355,973 is recorded as a mortgage payable as of June 30, 2019 and 2018, and is considered a junior mortgage. The mortgage, in accordance with the grant agreements, is secured by a non-interest bearing promissory note for which payment is waived as covenants of the grant are upheld. The Authority has the option to declare amounts, including recapture interest, owing under the promissory notes immediately due and payable upon occurrence and continuance of a default as described in the grant agreement.

| | |
|---------|---------|
| 813,572 | 903,973 |
|---------|---------|

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

5. NOTES PAYABLE, continued:

The Authority provided an additional loan to Westside Housing, LP to be used for construction of Hope Manor I. The loan is considered a junior mortgage. The mortgage, in accordance with the loan agreement is secured by a non-interest bearing promissory note requiring monthly payments of \$100 after which the remaining balance will be waived on June 1, 2042, if all covenants of the loan are upheld. The Authority has the option to declare all amounts, including recapture interest, owing under the promissory notes immediately due and payable upon occurrence and continuance of a default as described in the loan agreement.

| | | |
|--|--------------|--------------|
| | 648,805 | 650,005 |
| | 2,961,944 | 3,053,545 |
| Less: debt issuance costs (see Note 4) | (168,111) | (185,482) |
| | \$ 2,793,833 | \$ 2,868,063 |

Future maturities are as follows:

| | |
|------------|--------------|
| 2020 | \$ 1,200 |
| 2021 | 1,200 |
| 2022 | 1,200 |
| 2023 | 1,200 |
| 2024 | 1,200 |
| Thereafter | 2,955,944 |
| | \$ 2,961,944 |

6. LINE OF CREDIT

The Corporation maintains a \$300,000 variable interest rate line of credit that is due on demand. The line is collateralized by all assets of the Corporation. As of both June 30, 2019 and 2018, there were no advances owed on the line of credit.

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

7. LEASED FACILITIES:

The Corporation leases facilities and vehicles used for program services under operating leases. The facility lease expires on April 30, 2022. The vehicles leases expire on various dates beginning December 2019 through January 2021. Total lease expense for the years ended June 30, 2019 and 2018, totaled \$349,018 and \$344,054, respectively.

Future minimum rental payments are as follows:

| | | |
|------|--|--------------------------|
| 2020 | | \$ 310,615 |
| 2021 | | 339,718 |
| 2022 | | <u>317,306</u> |
| | | <u><u>\$ 967,639</u></u> |

8. CONCENTRATIONS:

The Illinois Department of Children and Family Services (DCFS) is a major source of the Corporation's operating revenues. Revenues from DCFS accounted for 12% and 25% of total revenue for the years ended June 30, 2019 and 2018, respectively.

A significant portion of government fees and grants is provided by three contracting agencies:

| | Year Ended June 30, | |
|----------------------------------|---------------------|------|
| | 2019 | 2018 |
| Homeless Veterans Reintegration | 49% | 47% |
| Cook County Foster Care | 27% | 27% |
| US Department of Veteran Affairs | 14% | 13% |

9. CONTINGENCIES:

The Project's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Internal Revenue Code Section 42. The amount of tax credits totaled \$1,303,413 at both June 30, 2019, and 2018. Failure to maintain compliance with occupant eligibility and/or gross rent or to correct noncompliance with a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the Limited Partners. Management believes they are in compliance with all requirements.

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

10. RELATED PARTY TRANSACTIONS:

Related party transactions include transactions with Hope Manor II Veterans Housing, LP (Hope Manor II), Hope Manor Joliet Veterans Housing LP (Hope Manor Joliet), and National.

Hope Manor II was formed as a limited partnership pursuant to a Certificate of Limited Partnership filed with the state of Illinois Secretary of State during the year ended June 30, 2013. Hope Manor II has one General Partner, Hope Manor II VOA Veterans Housing LLC. (which has a .01% interest), of which the Corporation is a partner. The Corporation is not required to consolidate Hope Manor II as it does not have a controlling interest in the limited liability company.

Hope Manor Joliet was formed as a limited partnership pursuant to a Certificate of Limited Partnership filed with the State of Illinois Secretary of State during the year ended June 30, 2017. Hope Manor Joliet has one General Partner, Hope Manor Joliet VOA Veterans Housing LLC (which has a .01% interest), of which the Corporation is a member. The Corporation is not required to consolidate Hope Manor Joliet as it does not have a controlling interest in the limited liability company.

Transactions with related parties for the year ended June 30, 2019, are as follows:

| | Hope Manor II | Hope Manor Joliet | National |
|---|---------------|----------------------|--------------|
| Revenues Earned by the Corporation | | | |
| Developer fees, management fees, and payroll reimbursements | \$ 357,792 | \$ 409,603 | \$ 1,368,735 |
| Expenses Incurred by the Corporation | | | |
| Supporting services | \$ - | \$ - | \$ 204,872 |

Transactions with related parties for the year ended June 30, 2018, are as follows:

| | Hope Manor II | Hope Manor Joliet | National |
|---|---------------|----------------------|--------------|
| Revenues Earned by the Corporation | | | |
| Developer fees, management fees, and payroll reimbursements | \$ 361,627 | \$ 446,311 | \$ 1,382,011 |
| Expenses Incurred by the Corporation | | | |
| Supporting services | \$ - | \$ - | \$ 233,305 |

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

10. RELATED PARTY TRANSACTIONS, continued:

Amounts due from/(due to) related parties for the year ended June 30, 2019, are as follows:

| | Hope Manor II | Hope Manor Joliet | National |
|---|---------------|----------------------|-------------|
| Corporation | | | |
| Developer fees, management fees, and payroll reimbursements | \$ 38,405 | \$ 248,968 | \$ 85,629 |
| Supporting services | \$ - | \$ - | \$ (6,576) |
| Partnership | | | |
| Deferred developer fees and other liabilities | \$ - | \$ - | \$ (96,269) |

Amounts due from/(due to) related parties for the year ended June 30, 2018, are as follows:

| | Hope Manor II | Hope Manor Joliet | National |
|---|---------------|----------------------|-------------|
| Corporation | | | |
| Developer fees, management fees, and payroll reimbursements | \$ 44,330 | \$ 250,886 | \$ 63,058 |
| Supporting services | \$ - | \$ - | \$ (7,476) |
| Partnership | | | |
| Deferred developer fees and other liabilities | \$ - | \$ - | \$ (96,269) |

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

10. RELATED PARTY TRANSACTIONS, continued:

In addition to the transactions summarized above, the Corporation issued two junior loans to Hope Manor II and one junior loan to Hope Manor Joliet. The balances as of June 30 are as follows:

| | 2019 | 2018 |
|---|------------|------------|
| Hope Manor II: The first junior loan, dated April 30, 2013, in the original amount of \$500,000, is a non-interest bearing note. The loan matures on December 31, 2045. The loans are secured by real estate owned by Hope Manor II. | \$ 500,000 | \$ 500,000 |
| Hope Manor II: the second junior loan, dated April 30, 2013, in the original amount of \$97,658, is accruing interest at 7% annually. The loan matures on December 31, 2045. The loans are secured by real estate owned by Hope Manor II. | 101,048 | 101,048 |
| Hope Manor Joliet: A junior loan in the original amount of up to \$150,000 is a non-interest bearing note. The loan matures on December 31, 2047, and is secured by the real estate owned by Hope Manor Joliet. | 145,000 | 145,000 |
| | 746,048 | 746,048 |
| Less: Allowance for doubtful loans | (601,048) | (601,048) |
| | \$ 145,000 | \$ 145,000 |

11. LIQUIDITY AND AVAILABILITY OF RESOURCES:

The following table reflects the Corporation's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year or due to contractual or donor-imposed restrictions. The Corporation's general operations are funded by contributions from donors as well as grants from outside organizations.

| | |
|--|--------------|
| Financial assets: | |
| Cash and cash equivalents | \$ 742,660 |
| Restricted cash | 1,365,887 |
| Accounts receivable | 589,560 |
| Less those unavailable for general expenditures within one year, due to: | |
| Restrictions on use of cash (Note 2) | (1,365,887) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 1,332,220 |

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

11. LIQUIDITY AND AVAILABILITY OF RESOURCES, continued:

As part of the Corporation's liquidity management process, it has a practice of structuring its financial assets to be available as its expenditures and liabilities come due. The Corporation also invests its cash in excess of its daily requirements in short-term investments. A line of credit in the amount of \$300,000 is also available to which the Corporation can use to manage unanticipated liquidity needs. Furthermore, the Corporation has \$7.6 million in donated land is intended to be liquidated and sold to a buyer during fiscal year 2020. At least half of these proceeds will serve as an additional cash reserve for the Corporation and will be available to cover unanticipated liquidated needs.

12. SUBSEQUENT EVENTS:

Subsequent to year end, land held for sale was sold and proceeds in the amount of \$7,026,929 were received.

Subsequent events have been evaluated through March 10, 2020, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY DATA**

Board of Directors and Audit Committee
Volunteers of America of Illinois and Affiliate
Chicago, Illinois

We have audited the consolidated financial statements of Volunteers of America of Illinois and Affiliate as of and for the year ended June 30, 2019, and our report thereon dated March 10, 2020, which expresses an unmodified opinion on those consolidated financial statements, appears on page 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and schedule of activities on pages 25-26 are presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position and operations of the individual organizations, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Naperville, Illinois
March 10, 2020

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Consolidating Statements of Financial Position

June 30,

| | 2019 | | | | 2018 | | | |
|--|--------------------------------------|---------------------------------|-----------------------|----------------------|--------------------------------------|---------------------------------|-----------------------|----------------------|
| | Volunteers of America of Illinois | Westside Veterans Housing LP | Eliminations | Total | Volunteers of America of Illinois | Westside Veterans Housing LP | Eliminations | Total |
| ASSETS: | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 734,037 | \$ 8,623 | \$ - | \$ 742,660 | \$ 632,072 | \$ 5,266 | \$ - | \$ 637,338 |
| Restricted cash | - | 1,365,887 | - | 1,365,887 | - | 1,314,066 | - | 1,314,066 |
| Accounts receivable, net | 527,745 | 61,815 | - | 589,560 | 442,829 | 65,352 | - | 508,181 |
| Prepaid expenses and other assets | 314,368 | 540,000 | (540,000) | 314,368 | 168,666 | 540,000 | (540,000) | 168,666 |
| Due from related parties | 97,161 | - | - | 97,161 | 16,839 | - | - | 16,839 |
| Land held for sale | 7,026,929 | - | - | 7,026,929 | - | - | - | - |
| Total current assets | 8,700,240 | 1,976,325 | (540,000) | 10,136,565 | 1,260,406 | 1,924,684 | (540,000) | 2,645,090 |
| Noncurrent assets: | | | | | | | | |
| Investment in Westside Veterans Housing, LP | 1,600,000 | - | (1,600,000) | - | 1,600,000 | - | (1,600,000) | - |
| Loans receivable, related parties, net | 1,105,026 | - | (960,026) | 145,000 | 1,164,540 | - | (1,019,540) | 145,000 |
| Property and equipment, net | 602,035 | 9,983,946 | (492,078) | 10,093,903 | 559,479 | 10,279,664 | (454,275) | 10,384,868 |
| Total noncurrent assets | 3,307,061 | 9,983,946 | (3,052,104) | 10,238,903 | 3,324,019 | 10,279,664 | (3,073,815) | 10,529,868 |
| Total Assets | \$ 12,007,301 | \$ 11,960,271 | \$ (3,592,104) | \$ 20,375,468 | \$ 4,584,425 | \$ 12,204,348 | \$ (3,613,815) | \$ 13,174,958 |
| LIABILITIES, NET ASSETS, AND EQUITIES | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | \$ 208,052 | \$ 85,524 | \$ - | \$ 293,576 | \$ 175,388 | \$ 38,355 | \$ - | \$ 213,743 |
| Accrued expenses | 1,072,152 | 3,723 | (543,723) | 532,152 | 816,691 | 3,723 | (543,723) | 276,691 |
| Due to related parties | 47,732 | 535,135 | (250,878) | 331,989 | 44,939 | 485,198 | (272,589) | 257,548 |
| Deferred reimbursement | - | 339,000 | - | 339,000 | - | 282,500 | - | 282,500 |
| Total current liabilities | 1,327,936 | 963,382 | (794,601) | 1,496,717 | 1,037,018 | 809,776 | (816,312) | 1,030,482 |
| Long-term liabilities: | | | | | | | | |
| Notes payable | - | 3,499,258 | (705,425) | 2,793,833 | - | 3,573,488 | (705,425) | 2,868,063 |
| Total liabilities | 1,327,936 | 4,462,640 | (1,500,026) | 4,290,550 | 1,037,018 | 4,383,264 | (1,521,737) | 3,898,545 |
| Net assets: | | | | | | | | |
| Without donor restriction attributed To: | | | | | | | | |
| Controlled limited partnership | - | 5,248,342 | (1,120,000) | 4,128,342 | - | 5,474,759 | (1,120,000) | 4,354,759 |
| Undesignated | 10,679,365 | - | (492,078) | 10,187,287 | 3,547,407 | - | (492,078) | 3,055,329 |
| | <u>10,679,365</u> | <u>5,248,342</u> | <u>(1,612,078)</u> | <u>14,315,629</u> | <u>3,547,407</u> | <u>5,474,759</u> | <u>(1,612,078)</u> | <u>7,410,088</u> |
| Noncontrolling interest in limited partnership | - | 2,249,289 | (480,000) | 1,769,289 | - | 2,346,325 | (480,000) | 1,866,325 |
| Total without donor restrictions | 10,679,365 | 7,497,631 | (2,092,078) | 16,084,918 | 3,547,407 | 7,821,084 | (2,092,078) | 9,276,413 |
| Total Liabilities, Net Assets, and Equity | \$ 12,007,301 | \$ 11,960,271 | \$ (3,592,104) | \$ 20,375,468 | \$ 4,584,425 | \$ 12,204,348 | \$ (3,613,815) | \$ 13,174,958 |

See notes to consolidated financial statements

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Consolidating Schedules of Activities

Year Ended June 30, 2019

| | Volunteers of America of Illinois | | | Westside Veterans Housing LP | | | Eliminations | Consolidated Total |
|---------------------------------------|-----------------------------------|----------------------------|----------------------|-------------------------------|----------------------------|---------------------|-----------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total | | |
| OPERATING REVENUE: | | | | | | | | |
| Public support: | | | | | | | | |
| Contributions corporate | \$ 134,456 | \$ - | \$ 134,456 | \$ - | \$ - | \$ - | \$ - | \$ 134,456 |
| Contributions foundations | 148,692 | - | 148,692 | - | - | - | - | 148,692 |
| Contributions individuals | 161,557 | - | 161,557 | - | - | - | - | 161,557 |
| Contributions in-kind | 7,256,615 | - | 7,256,615 | - | - | - | - | 7,256,615 |
| Total public support | <u>7,701,320</u> | <u>-</u> | <u>7,701,320</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,701,320</u> |
| Program and other revenue: | | | | | | | | |
| Government fees and grants | 5,372,489 | - | 5,372,489 | - | - | - | - | 5,372,489 |
| Management fees | 428,141 | - | 428,141 | - | - | - | - | 428,141 |
| Rent revenue | - | - | - | 573,433 | - | 573,433 | - | 573,433 |
| Housing services reimbursement | 1,833,150 | - | 1,833,150 | - | - | - | (165,581) | 1,667,569 |
| Developer fees and other revenues | 84,233 | - | 84,233 | 23,837 | - | 23,837 | - | 108,070 |
| Non-operating revenues | 175,000 | - | 175,000 | - | - | - | - | 175,000 |
| Total other revenue | <u>7,893,013</u> | <u>-</u> | <u>7,893,013</u> | <u>597,270</u> | <u>-</u> | <u>597,270</u> | <u>(165,581)</u> | <u>8,324,702</u> |
| Net assets released from restrictions | - | - | - | - | - | - | - | - |
| Total Revenue from Operations | <u>15,594,333</u> | <u>-</u> | <u>15,594,333</u> | <u>597,270</u> | <u>-</u> | <u>597,270</u> | <u>(165,581)</u> | <u>16,026,022</u> |
| OPERATING EXPENSES: | | | | | | | | |
| Program services | 6,925,203 | - | 6,925,203 | 891,959 | - | 891,959 | (165,581) | 7,651,581 |
| Supporting activities: | | | | | | | | |
| Management and general | 1,475,433 | - | 1,475,433 | 28,764 | - | 28,764 | - | 1,504,197 |
| Fund-raising | 61,739 | - | 61,739 | - | - | - | - | 61,739 |
| Total supporting activities | <u>1,537,172</u> | <u>-</u> | <u>1,537,172</u> | <u>28,764</u> | <u>-</u> | <u>28,764</u> | <u>-</u> | <u>1,565,936</u> |
| Total Operating Expenses | <u>8,462,375</u> | <u>-</u> | <u>8,462,375</u> | <u>920,723</u> | <u>-</u> | <u>920,723</u> | <u>(165,581)</u> | <u>9,217,517</u> |
| Change in Net Assets | 7,131,958 | - | 7,131,958 | (323,453) | - | (323,453) | - | 6,808,505 |
| Net Assets, Beginning of Year | <u>3,547,407</u> | <u>-</u> | <u>3,547,407</u> | <u>7,821,084</u> | <u>-</u> | <u>7,821,084</u> | <u>(2,092,078)</u> | <u>9,276,413</u> |
| Net Assets, End of Year | <u>\$ 10,679,365</u> | <u>\$ -</u> | <u>\$ 10,679,365</u> | <u>\$ 7,497,631</u> | <u>\$ -</u> | <u>\$ 7,497,631</u> | <u>\$ (2,092,078)</u> | <u>\$ 16,084,918</u> |

See notes to consolidated financial statements

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Consolidating Schedules of Activities

Year Ended June 30, 2018

| | Volunteers of America of Illinois | | | Westside Veterans Housing LP | | | Eliminations | Consolidated Total |
|---------------------------------------|-----------------------------------|---------------------------|---------------------|------------------------------|---------------------------|---------------------|-----------------------|-----------------------|
| | Without Donor Restriction | With Donor Restriction | Total | Without Donor Restriction | With Donor Restriction | Total | | |
| OPERATING REVENUE: | | | | | | | | |
| Public support: | | | | | | | | |
| Contributions corporate | \$ 115,658 | \$ - | \$ 115,658 | \$ - | \$ - | \$ - | \$ - | \$ 115,658 |
| Contributions foundations | 380,074 | - | 380,074 | - | - | - | - | 380,074 |
| Contributions individuals | 131,610 | - | 131,610 | - | - | - | - | 131,610 |
| Contributions in-kind | 10,683 | - | 10,683 | - | - | - | - | 10,683 |
| Total public support | 638,025 | - | 638,025 | - | - | - | - | 638,025 |
| Other revenue: | | | | | | | | |
| Government fees and grants | 5,897,179 | - | 5,897,179 | - | - | - | - | 5,897,179 |
| Management fees | 428,280 | - | 428,280 | - | - | - | (39,236) | 389,044 |
| Rent revenue | - | - | - | 581,780 | - | 581,780 | - | 581,780 |
| Housing services reimbursement | 1,779,952 | - | 1,779,952 | - | - | - | (163,917) | 1,616,035 |
| Developer fees and other revenues | 263,316 | - | 263,316 | 20,839 | - | 20,839 | (95,631) | 188,524 |
| Total other revenue | 8,368,727 | - | 8,368,727 | 602,619 | - | 602,619 | (298,784) | 8,672,562 |
| Net assets released from restrictions | 65,000 | (65,000) | - | - | - | - | - | - |
| Total Revenue from Operations | 9,071,752 | (65,000) | 9,006,752 | 602,619 | - | 602,619 | (298,784) | 9,310,587 |
| OPERATING EXPENSES: | | | | | | | | |
| Program services | 7,561,494 | - | 7,561,494 | 919,426 | - | 919,426 | (271,141) | 8,209,779 |
| Supporting activities: | | | | | | | | |
| Management and general | 1,253,618 | - | 1,253,618 | - | - | - | (27,643) | 1,225,975 |
| Fund-raising | 40,173 | - | 40,173 | - | - | - | - | 40,173 |
| Total supporting activities | 1,293,791 | - | 1,293,791 | - | - | - | (27,643) | 1,266,148 |
| Total Operating Expenses | 8,855,285 | - | 8,855,285 | 919,426 | - | 919,426 | (298,784) | 9,475,927 |
| Change in Net Assets | 216,467 | (65,000) | 151,467 | (316,807) | - | (316,807) | - | (165,340) |
| Net Assets, Beginning of Year | 3,330,940 | 65,000 | 3,395,940 | 8,137,891 | - | 8,137,891 | (2,092,078) | 9,441,753 |
| Net Assets, End of Year | \$ 3,547,407 | \$ - | \$ 3,547,407 | \$ 7,821,084 | \$ - | \$ 7,821,084 | \$ (2,092,078) | \$ 9,276,413 |

See notes to consolidated financial statements