VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Consolidated Financial Statements
With Independent Auditors' Report

June 30, 2018 and 2017

CAPINCROUSE LLP

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, 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. The consolidated financial statements of Volunteers of America of Illinois and Affiliate as of June 30, 2017, were audited by other auditor's whose report dated December 15, 2017, expressed an unmodified opinion on those statements.

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

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 financial statements.

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

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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, 2018, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Wheaton, Illinois
September 27, 2018

VOLUNTEERS OF AMERICA OF ILLLINOIS AND AFFILIATE

Consolidated Statements of Financial Position

	June 30, 2018	June 30, 2017
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 637,338	$ 326,733
Restricted cash	1,314,066	1,281,703
Accounts receivable, net	508,181	570,410
Prepaid expenses and other assets	168,666	172,946
Due from related parties	16,839	254,460
Total current assets	2,645,090	2,606,252
Noncurrent assets:		
Due from related parties, net	145,000	145,000
Property and equipment, net	10,384,868	10,709,667
Total noncurrent assets	10,529,868	10,854,667
Total Assets	$ 13,174,958	$ 13,460,919
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	$ 213,743	$ 580,475
Accrued expenses	276,691	169,491
Due to related parties	257,548	100,909
Deferred reimbursement	282,500	226,000
Total current liabilities	1,030,482	1,076,875
Long-term liabilities:		
Notes payable	2,868,063	2,942,291
Total liabilities	3,898,545	4,019,166
Net assets:		
Unrestricted attributable to:		
Controlled limited partnership	4,354,759	4,576,524
Undesignated	3,055,329	2,838,862
	7,410,088	7,415,386
Noncontrolling interest in subsidiary	1,866,325	1,961,367
Total unrestricted	9,276,413	9,376,753
Temporarily restricted	-	65,000
Total net assets	9,276,413	9,441,753
Total Liabilities and Net Assets	$ 13,174,958	$ 13,460,919

See notes to consolidated financial statements

VOLUNTEERS OF AMERICA OF IILLINOIS AND AFFILIATE

Consolidated Statements of Activities
Year Ended June 30, 2018

	Unrestricted				
	VOA-IL	West Side Veterans Housing LP	Total Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE:					
Public support:					
Contributions	$ 638,025	$ -	$ 638,025	$ -	$ 638,025
Total public support	638,025	-	638,025	-	638,025
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	8,069,943	602,619	8,672,562	-	8,672,562
Net assets released from restrictions	65,000	-	65,000	(65,000)	-
Total revenue from operations	8,772,968	602,619	9,375,587	(65,000)	9,310,587
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	1,266,148	-	1,266,148	-	1,266,148
Total operating expenses	8,556,501	919,426	9,475,927	-	9,475,927
Change in Net Assets	216,467	(316,807)	(100,340)	(65,000)	(165,340)
Change in net assets attributable to non-controlling interest in limited partnership	-	(95,042)	-	-	-
Net Assets, Beginning of Year	2,838,862	6,537,891	9,376,753	65,000	9,441,753
Net Assets, End of Year	$ 3,055,329	$ 6,221,084	$ 9,276,413	$ -	$ 9,276,413

See notes to consolidated financial statements

VOLUNTEERS OF AMERICA OF IILLINOIS AND AFFILIATE

Consolidated Statements of Activities
Year Ended June 30, 2017

	Unrestricted				
	VOA-IL	West Side Veterans Housing LP	Total Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE:					
Public support:					
Contributions	$ 499,247	$ -	$ 499,247	$ 65,000	$ 499,247
Total public support	499,247	-	499,247	65,000	499,247
Program and other revenue:					
Government fees and grants	5,953,669	-	5,953,669	-	5,953,669
Management fees	318,421	-	318,421	-	318,421
Rent revenue	-	582,647	582,647	-	582,647
Housing services reimbursement	1,326,525	-	1,326,525	-	1,326,525
Developer fees and other revenues	31,219	2,405	33,624	-	33,624
Total other revenue	7,629,834	585,052	8,214,886	-	8,214,886
Net assets released from restrictions	32,883	-	32,883	(32,883)	32,883
Total revenue from operations	8,161,964	585,052	8,747,016	32,117	8,747,016
OPERATING EXPENSES:					
Program services	6,999,511	877,659	7,877,170	-	7,877,170
Supporting activities:					
Management and general	1,195,210	-	1,195,210	-	1,195,210
Fund-raising	50,181	-	50,181	-	50,181
Total supporting activities	1,245,391	-	1,245,391	-	1,245,391
Total operating expenses	8,244,902	877,659	9,122,561	-	9,122,561
NONOPERATING GAIN (LOSS) AND OTHER REVENUE:					
Public support received indirectly–capital grants	-	-	-	95,000	-
Net assets released from restriction	145,000	-	145,000	(145,000)	145,000
Excess (deficit) from nonoperating activities	145,000	-	145,000	(50,000)	145,000
Change in Net Assets	62,062	(292,607)	(230,545)	(17,883)	(248,428)
Change in net assets attributable to non-controlling interest in limited partnership	-	(87,782)	-	-	-
Net Assets, Beginning of Year	2,776,800	6,830,498	9,607,298	82,883	9,690,181
Net Assets, End of Year	$ 2,838,862	$ 6,537,891	$ 9,376,753	$ 65,000	$ 9,441,753

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		
	Encouraging Positive Development	Fostering Independence	Promoting Self-Sufficiency	Transitional Housing	West Side Veterans Housing LP	Total	Management and General	Fund-raising	Total
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	8,866	100	21,481
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 Statement of Functional Expenses

Year Ended June 30, 2017

	Program Services						Supporting Activities		
	Encouraging Positive Development	Fostering Independence	Promoting Self-Sufficiency	Transitional Housing	West Side Veterans Housing LP	Total	Management and General	Fund-raising	Total
Salaries and wages	$ 918,461	$ 880,064	$ 1,452,369	$ 349,701	$ 125,870	$ 3,726,465	$ 528,827	$ -	$ 4,255,292
Other employee benefits	116,200	139,456	134,898	29,580	19,506	439,640	43,512	362	483,514
Payroll taxes	83,061	69,334	132,066	34,153	7,437	326,051	39,492	-	365,543
Counseling and consulting fees	192,100	891	-	1,086	3,955	198,032	118,782	-	316,814
Legal fees	1,569	388	4,260	-	2,839	9,056	14,434	-	23,490
Accounting fees	-	-	-	-	19,682	19,682	99,320	-	119,002
Other professional fees	3,960	231	2,353	122	184,151	190,817	25,164	6,007	221,988
Supplies and expenses	3,834	458	11,199	2,325	24,578	42,394	22,248	9,137	73,779
Program supplies	1,588	-	27,287	48	-	28,923	-	-	28,923
Occupancy costs	83,491	12,481	155,109	8,590	97,029	356,700	45,140	9,882	411,722
Insurance	15,147	15,315	31,183	6,421	28,368	96,434	5,590	-	102,024
Travel and transportation	149,864	16,373	64,881	4,557	310	235,985	20,144	5,763	261,892
Specific assistance	75,941	-	844,064	75	2,192	922,272	-	-	922,272
Foster family payments	700,050	-	-	-	-	700,050	-	-	700,050
Equipment rental and maintenance	6,857	1,056	29,398	694	14,085	52,090	10,446	3,104	65,640
Interest expense and bank fees	-	-	-	-	6,503	6,503	13,901	401	20,805
Telecommunications	16,491	3,501	13,615	563	3,163	37,333	14,109	627	52,069
Conferences and meetings	723	1,595	14,634	400	3,846	21,198	17,774	11,452	50,424
Subscriptions and publications	99	-	11	-	-	110	2,806	-	2,916
Postage	2,739	614	4,146	283	131	7,913	1,865	463	10,241
Printing and publications	1,765	1,117	4,407	169	320	7,778	960	1,130	9,868
Membership dues	7,525	56	700	102	1,131	9,514	2,033	-	11,547
Bad debt	-	-	-	-	-	-	30,776	-	30,776
Miscellaneous	538	55	9,232	343	(1,606)	8,562	1,389	1,160	11,111
Depreciation and amortization	6,154	865	7,156	505	334,169	348,849	2,628	693	352,170
National organization fees	-	84,819	-	-	-	84,819	133,870	-	218,689
Total Functional Expense	$ 2,388,157	$ 1,228,669	$ 2,942,968	$ 439,717	$ 877,659	$ 7,877,170	$ 1,195,210	$ 50,181	$ 9,122,561

See notes to consolidated financial statements

VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (165,340)	$ (248,428)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	324,799	352,170
Changes in:		
Accounts receivable	62,229	(141,871)
Prepaid expenses and other assets	4,280	(15,115)
Accounts payable	(366,732)	263,364
Accrued expenses	107,200	19,627
Due to related parties	156,639	(20,977)
Due from related parties, net	237,621	(246,368)
Deferred reimbursement	56,500	(2,000)
Net Cash Provided (Used) by Operating Activities	417,196	(39,598)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(22,734)
Net Cash (Used) by Investing Activities	-	(22,734)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(74,228)	(600)
Net Cash (Used) by Financing Activities	(74,228)	(600)
Change in Cash and Cash Equivalents	342,968	(62,932)
Cash and Cash Equivalents, Beginning of Year	1,608,436	1,671,368
Cash and Cash Equivalents, End of Year	$ 1,951,404	$ 1,608,436

See notes to consolidated financial statements

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.

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.

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.

• Computer Center - Programs using computer technology to help clients focus on securing employment, training and needed skill development.

• Aftercare Support - Continued case management, referrals to supportive services, structured support through an alumni network, and development of interpersonal/life skills.

• 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 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.

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, 2018 and 2017, the Corporation's cash balances exceeded federally insured limits by $379,003 and $66,710, 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.

A replacement reserve funded at $400 per year for each apartment unit; at June 30, 2018 and 2017, the reserve balance was $129,932 and $119,932, respectively, and is in the custody of IHDA.

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; at June 30, 2018 and 2017, the reserve balance was $273,459, and is in the custody of IHDA.

A working capital reserve, amounting to $101,698 and $101,522 at June 30, 2018 and 2017, held by the Corporation.

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. At June 30, 2018 and 2017 the reserve balance was $716,400 and $709,520.

A real estate tax and insurance escrow amounting to $92,577 and $77,230 at June 30, 2018 and 2017, which is in the custody of IHDA.

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, 2018 and 2017 was $1,314,066 and 1,281,703, 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 $6,156 related to amounts due from related parties for the both the years ended June 30, 2018 and 2017.

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

DEFERRED REIMBURSEMENT

The Section 1602 grant described in Note 5 provides that the principal sum is forgiven in equal amounts annually over a 15-year period while the property complies with specific operational restrictions. During the years ended June 30, 2018 and 2017, respectively, $90,400 was forgiven and reclassified as deferred reimbursement. Because the loan proceeds were restricted to use only for property development lots, the deferred reimbursement is being amortized over the 40-year period over which the building and improvement costs are being depreciated. Amortization is $33,900 and the unamortized deferred reimbursement is $282,500 and $226,000 for the years ended June 30, 2018 and 2017, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS

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

Unrestricted net assets are those currently available for ministry 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 unrestricted net assets.

Temporarily restricted net assets 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 reports as unrestricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement 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.

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. Accordingly, certain costs have been allocated among the programs and supporting activities. Salaries of certain personnel are allocated based on the amount of time spent in connection with the various programs and indirect expenses have been allocated based on salary expenditures.

USE OF ESTIMATES

The preparation of 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 financial statements and accompanying notes. Actual results could differ from those estimates.

RECLASSIFICATION

Prior year unrestricted net assets have been reclassified to conform to current year presentation. The prior year non-controlling interest in partnership was not previously presented as a separate component of unrestricted net assets.

3. PROPERTY AND EQUIPMENT

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

	2018	2017
Land	$ 555,500	$ 639,886
Buildings and improvements	11,776,578	11,683,802
Furniture and equipment	1,031,991	1,006,481
	13,364,069	13,330,169
Less: accumulated depreciation	(2,979,201)	(2,620,502)
	$ 10,384,868	$ 10,709,667

Depreciation expense for the years ended June 30, 2018 and 2017 totaled $324,799 and $352,170 respectively.

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 $130,220 and $98,000 as of June 30, 2018 and 2017, 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 statement of financial position and are summarized as follows at June 30:

	2018	2017
Cost	$ 305,441	$ 305,441
Less: accumulated amortization	(119,959)	(102,588)
Net Capitalized Costs	$ 185,482	$ 202,853

Amortization expense for both years ended June 30, 2018 and 2017, was $17,371. Estimated amortization expense for each of the next five years is as follows:

2019	$ 17,371
2020	17,371
2021	17,371
2022	17,371
2023	17,371
Thereafter	98,627
	$ 185,482

5. NOTES PAYABLE:

Notes payable consists of the following as of June 30:

	2018	2017
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, 2018 and 2017, 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 will be waived on December 31, 2027, if all 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.	903,973	994,373

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.	650,005	651,204
	3,053,545	3,145,144
Less: debt issuance costs (see Note 4)	(185,482)	(202,853)
	$ 2,868,063	$ 2,942,291

Future maturities are as follows:

2019	$ 1,200
2020	1,200
2021	1,200
2022	1,200
2023	1,200
Thereafter	3,047,545
	$ 3,053,545

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, 2018 and 2017, there were no advances owed on the line of credit.

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following as of June 30:

	2018	2017
Grant for future program costs	$ -	$ 30,000
Time-restricted promise to give	-	35,000
	$ -	$ 65,000

8. 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 February 2017 through July 2019. Total lease expense for the years ended June 30, 2018 and 2017 totaled, $344,054 and $303,144, respectively.

Future minimum rental payments are as follows:

2019	$ 349,018
2020	310,615
2021	339,718
2022	317,306
	$ 1,316,656

9. 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 25% and 28% of total revenue for the years ended June 30, 2018 and 2017, respectively.

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

	Year Ended June 30,	
	2018	2017
Homeless Veterans Reintegration	47%	44%
Cook County Foster Care	27%	30%
US Department of Veteran Affairs	13%	11%

10. CONTINGENCIES:

The Project's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Internal Revenue Code Section 42. The amount of credits totaled $1,303,413 at both June 30, 2018, and 2017. 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.

11. 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 field 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, 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

Transactions with related parties for the year ended June 30, 2017, are as follows:

	Hope Manor II	Hope Manor Joliet	National
Revenues Earned by the Corporation			
Developer fees, management fees, and payroll reimbursements	$ 318,209	$ 166,293	$ 1,259,512
Expenses Incurred by the Corporation			
Supporting services	-	-	218,689

11. RELATED PARTY TRANSACTIONS, continued:

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)

Amounts due from/(due to) related parties for the year ended June 30, 2017, are as follows:

	Hope Manor II	Hope Manor Joliet	National
Corporation			
Developer fees, management fees, and payroll reimbursements	$ 63,393	$ 309,855	$ 26,212
Supporting services	-	-	(12,171)
Partnership			
Deferred developer fees and other liabilities	-	-	(89,488)

11. 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:

	2018	2017
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

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 27, 2018, which represents the date the financial statements were issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

CAPINCROUSE LLP

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, 2018, and our report thereon dated September 27, 2018, which expresses an unmodified opinion on those consolidated financial statements, appears on page 1. 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 24-26 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

Wheaton, Illinois
September 27, 2018

120 East Liberty Drive, Suite 270
Wheaton, IL 60187
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VOLUNTEERS OF AMERICA OF ILLLINOIS AND AFFILIATE

Consolidating Statements of Financial Position

	June 30,							
	2018				2017			
	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	$ 632,072	$ 5,266	$ -	$ 637,338	$ 320,528	$ 6,205	$ -	$ 326,733
Restricted cash	-	1,314,066	-	1,314,066	-	1,281,703	-	1,281,703
Accounts receivable, net	442,829	65,352	-	508,181	509,250	61,160	-	570,410
Prepaid expenses and other assets	168,666	540,000	(540,000)	168,666	172,946	540,000	(540,000)	172,946
Due from related parties	161,839	-	-	161,839	399,460	-	-	399,460
Total current assets	1,405,406	1,924,684	(540,000)	2,790,090	1,402,184	1,889,068	(540,000)	2,751,252
Noncurrent assets:								
Investment in Westside Veterans Housing, LP	1,600,000	-	(1,600,000)	-	1,600,000	-	(1,600,000)	-
Due from related parties, net	1,019,540	-	(1,019,540)	-	980,922	-	(980,922)	-
Property and equipment, net	559,479	10,279,664	(454,275)	10,384,868	571,383	10,630,362	(492,078)	10,709,667
Total noncurrent assets	3,179,019	10,279,664	(3,073,815)	10,384,868	3,152,305	10,630,362	(3,073,000)	10,709,667
Total Assets	$ 4,584,425	$ 12,204,348	$ (3,613,815)	$ 13,174,958	$ 4,554,489	$ 12,519,430	$ (3,613,000)	$ 13,460,919
LIABILITIES, NET ASSETS, AND EQUITIES:								
Current liabilities:								
Accounts payable	$ 175,388	$ 38,355	$ -	$ 213,743	$ 440,610	$ 139,865	$ -	$ 580,475
Accrued expenses	816,691	3,723	(543,723)	276,691	705,768	3,723	(540,000)	169,491
Due to related parties	44,939	485,198	(272,589)	257,548	12,171	364,235	(275,497)	100,909
Deferred reimbursement	-	282,500	-	282,500	-	226,000	-	226,000
Total current liabilities	1,037,018	809,776	(816,312)	1,030,482	1,158,549	733,823	(815,497)	1,076,875
Long-term liabilities:								
Notes payable	-	3,573,488	(705,425)	2,868,063	-	3,647,716	(705,425)	2,942,291
Total liabilities	1,037,018	4,383,264	(1,521,737)	3,898,545	1,158,549	4,381,539	(1,520,922)	4,019,166
Net assets:								
Unrestricted attributable to:								
Controlled limited partnership	-	5,474,759	(1,600,000)	3,874,759	-	5,696,524	(1,600,000)	4,096,524
Undesignated	3,547,407	-	(492,078)	3,055,329	3,330,940	-	(492,078)	2,838,862
	3,547,407	5,474,759	(2,092,078)	6,930,088	3,330,940	5,696,524	(2,092,078)	6,935,386
Noncontrolling interest in limited partnership	-	2,346,325	-	2,346,325	-	2,441,367	-	2,441,367
Total unrestricted	3,547,407	7,821,084	(2,092,078)	9,276,413	3,330,940	8,137,891	(2,092,078)	9,376,753
Temporarily restricted	-	-	-	-	65,000	-	-	65,000
Total net assets and equity	3,547,407	7,821,084	(2,092,078)	9,276,413	3,395,940	8,137,891	(2,092,078)	9,441,753
Total Liabilities, Net Assets, and Equity	$ 4,584,425	$ 12,204,348	$ (3,613,815)	$ 13,174,958	$ 4,554,489	$ 12,519,430	$ (3,613,000)	$ 13,460,919

See notes to consolidated financial statements

VOLUNTEERS OF AMERICA OF IILLINOIS AND AFFILIATE

Consolidating Schedules of Activities

Year Ended June 30, 2018

	Volunteers of America of Illinois			Westside Veterans Housing LP				
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Eliminations	Consolidated Total
OPERATING REVENUE:								
Public support:								
Contributions	$ 638,025	$ -	$ 638,025	$ -	$ -	$ -	$ -	$ 638,025
Total public support	638,025	-	638,025	-	-	-	-	638,025
Program and 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

VOLUNTEERS OF AMERICA OF IILLINOIS AND AFFILIATE

Consolidating Schedules of Activities

Year Ended June 30, 2017

	Volunteers of America of Illinois			Westside Veterans Housing LP				
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total	Eliminations	Consolidated Total
OPERATING REVENUE:								
Public support:								
Contributions	$ 499,247	$ 65,000	$ 564,247	$ -	$ -	$ -	$ -	$ 564,247
Total public support	499,247	65,000	564,247	-	-	-	-	564,247
Other revenue:								
Government fees and grants	5,953,669	-	5,953,669	-	-	-	-	5,953,669
Management fees	355,939	-	355,939	-	-	-	(37,518)	318,421
Rent revenue	-	-	-	582,647	-	582,647	-	582,647
Housing services reimbursement	1,483,512	-	1,483,512	-	-	-	(156,987)	1,326,525
Developer fees and other revenues	128,248	-	128,248	2,405	-	2,405	(97,029)	33,624
Total other revenue	7,921,368	-	7,921,368	585,052	-	585,052	(291,534)	8,214,886
Net assets released from restrictions	32,883	(32,883)	-	-	-	-	-	-
Total revenue from operations	8,453,498	32,117	8,485,615	585,052	-	585,052	(291,534)	8,779,133
OPERATING EXPENSES:								
Program services	7,249,353	-	7,249,353	877,659	-	877,659	(249,842)	7,877,170
Supporting activities:								
Management and general	1,236,902	-	1,236,902	-	-	-	(41,692)	1,195,210
Fund-raising	50,181	-	50,181	-	-	-	-	50,181
Total supporting activities	1,287,083	-	1,287,083	-	-	-	(41,692)	1,245,391
Total operating expenses	8,536,436	-	8,536,436	877,659	-	877,659	(291,534)	9,122,561
NONOPERATING GAIN (LOSS) AND OTHER REVENUE:								
Public support–capital grants	-	95,000	95,000	-	-	-	-	95,000
Net assets released from restriction	145,000	(145,000)	-	-	-	-	-	-
Excess (deficit) from nonoperating activities	145,000	(50,000)	95,000	-	-	-	-	95,000
Change in Net Assets	62,062	(17,883)	44,179	(292,607)	-	(292,607)	-	(248,428)
Net Assets, Beginning of Year	3,268,878	82,883	3,351,761	8,430,498	-	8,430,498	(2,092,078)	9,690,181
Net Assets, End of Year	$ 3,330,940	$ 65,000	$ 3,395,940	$ 8,137,891	$ -	$ 8,137,891	$ (2,092,078)	$ 9,441,753

See notes to consolidated financial statements