

**VOLUNTEERS OF AMERICA OF ILLINOIS  
AND AFFILIATE  
CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017**

VOLUNTEERS OF AMERICA OF ILLINOIS  
AND AFFILIATE  
CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017

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To The Board of Directors  
Volunteers of America of Illinois  
and Affiliate  
Chicago, Illinois

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of **VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE**, which comprise the consolidating statement of financial position as of June 30, 2017, and the related consolidating statements of activities, net assets and equity, functional expenses and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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



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

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidating financial position of **VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE** as of June 30, 2017, and the consolidating changes in their net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited **VOLUNTEERS OF AMERICA OF ILLINOIS AND AFFILIATE'S** 2016 consolidated financial statements and in our report which was dated January 23, 2017, we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Sassetti LLC". The signature is written in a cursive, flowing style.

December 15, 2017  
Oak Park, Illinois

VOLUNTEERS OF AMERICA OF ILLINOIS  
AND AFFILIATE  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2017, WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	Volunteers of America Illinois	Hope Manor Apartments / West Side Veterans Housing LP	Eliminations	Totals	
				2017	2016
<b>ASSETS</b>					
Cash and cash equivalents	\$ 320,528	\$ 6,205	\$ -	\$ 326,733	\$ 422,210
Restricted cash	-	1,281,703	-	1,281,703	1,249,158
Accounts receivable, net	509,250	61,160	-	570,410	428,539
Prepaid expenses	164,996	-	-	164,996	117,821
Other assets	7,950	540,000	(540,000)	7,950	39,281
Property and equipment, net	571,383	10,630,362	(492,078)	10,709,667	11,055,632
Investment in Westside Veterans Housing, LP	1,600,000	-	(1,600,000)	-	-
Due from Westside Veterans Housing, LP	980,922	-	(980,922)	-	-
Due from other related parties, net	399,460	-	-	399,460	153,092
<b>Total Assets</b>	<b>\$ 4,554,489</b>	<b>\$ 12,519,430</b>	<b>\$ (3,613,000)</b>	<b>\$ 13,460,919</b>	<b>\$ 13,465,733</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 370,940	\$ 139,865	\$ -	\$ 510,805	\$ 247,441
Accrued payroll liabilities	160,061	3,723	-	163,784	144,157
Advances	729	-	-	729	-
Due to related parties	12,171	364,235	(275,497)	100,909	121,886
Due to DCFS	69,670	-	-	69,670	69,670
Deferred revenue	544,978	-	(540,000)	4,978	6,978
Deferred reimbursement	-	226,000	-	226,000	169,500
Notes payable - related party	-	705,425	(705,425)	-	-
Notes payable - other	-	2,942,291	-	2,942,291	3,015,920
<b>Total Liabilities</b>	<b>1,158,549</b>	<b>4,381,539</b>	<b>(1,520,922)</b>	<b>4,019,166</b>	<b>3,775,552</b>
<b>NET ASSETS AND EQUITY</b>					
Net Assets					
Unrestricted	3,330,940	-	(492,078)	2,838,862	2,776,800
Temporarily restricted	65,000	-	-	65,000	82,883
<b>Total Net Assets</b>	<b>3,395,940</b>	<b>-</b>	<b>(492,078)</b>	<b>2,903,862</b>	<b>2,859,683</b>
Partnership equity	-	1,599,025	(1,600,000)	(975)	(173)
Limited partner	-	6,563,184	-	6,563,184	6,854,989
Reduction in capital commitment	-	(24,318)	-	(24,318)	(24,318)
<b>Total Net Assets and Equity</b>	<b>3,395,940</b>	<b>8,137,891</b>	<b>(2,092,078)</b>	<b>9,441,753</b>	<b>9,690,181</b>
<b>Total Liabilities, Net Assets and Equity</b>	<b>\$ 4,554,489</b>	<b>\$ 12,519,430</b>	<b>\$ (3,613,000)</b>	<b>\$ 13,460,919</b>	<b>\$ 13,465,733</b>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA OF ILLINOIS  
AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30 2017, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

Volunteers of America of Illinois			
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES FROM OPERATIONS:</b>			
Public Support:			
Contributions	\$ 497,452	\$ 65,000	\$ 562,452
Contributions - in-kind	1,795	-	1,795
Fees From Government Agencies:			
Foster Care - Cook	2,494,229	-	2,494,229
Grants:			
Homeless Veterans Reintergration	2,624,452	-	2,624,452
VA	683,225	-	683,225
Program Development Grant	151,763	-	151,763
Philanthropy	-	-	-
Veteran Service	-	-	-
Program and Other Revenue:			
Management fees	355,939	-	355,939
Rent revenue	-	-	-
Housing services reimbursement	1,483,512	-	1,483,512
Developer fees	99,766	-	99,766
Interest income	170	-	170
Miscellaneous	28,312	-	28,312
Net Assets Released from Restriction	32,883	(32,883)	-
Total Revenues from Operations	8,453,498	32,117	8,485,615
<b>OPERATING EXPENSES</b>			
Program services	7,164,534	-	7,164,534
Administrative and general:			
National organization	218,689	-	218,689
General management	1,103,032	-	1,103,032
Fundraising	50,181	-	50,181
Total Operating Expenses	8,536,436	-	8,536,436
Income (Loss) from Operations	(82,938)	32,117	(50,821)
<b>NON-OPERATING ACTIVITIES</b>			
Contributed land	-	-	-
Contribution of land to Hope Manor Joliet	-	-	-
Hope Manor Joliet grant revenue	-	95,000	95,000
Net Assets Released from Restriction	145,000	(145,000)	-
Total Non-Operating Expenses	145,000	(50,000)	95,000
Change in Net Assets	\$ 62,062	\$ (17,883)	\$ 44,179

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA OF ILLINOIS  
AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30 2017, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

	Hope Manor Apartments / West Side Veterans Housing LP		Totals	
		Eliminations	2017	2016
<b>REVENUES FROM OPERATIONS:</b>				
Public Support:				
Contributions	\$ -	\$ -	\$ 562,452	\$ 379,822
Contributions - in-kind	-	-	1,795	1,885
Fees From Government Agencies:				
Foster Care - Cook	-	-	2,494,229	2,288,676
Grants:				
Homeless Veterans Reintegration	-	-	2,624,452	2,347,932
VA	-	-	683,225	697,082
Program Development Grant	-	-	151,763	-
Philanthropy	-	-	-	2,200
Veteran Services	-	-	-	-
Program and Other Revenue:				
Management fees	-	(37,518)	318,421	352,245
Rent revenue	582,647	(97,029)	485,618	466,924
Housing services reimbursement	-	(156,987)	1,326,525	1,219,388
Developer fees	-	-	99,766	293,810
Interest income	2,405	-	2,575	16,037
Miscellaneous	-	-	28,312	210
Net Assets released from Restriction	-	-	-	-
<b>Total Revenues from Operations</b>	<b>585,052</b>	<b>(291,534)</b>	<b>8,779,133</b>	<b>8,066,211</b>
<b>OPERATING EXPENSES</b>				
Program services	877,659	(291,534)	7,750,659	7,247,751
Administrative and general:				
National organization	-	-	218,689	207,522
General management	-	-	1,103,032	936,668
Fundraising	-	-	50,181	56,558
<b>Total Operating Expenses</b>	<b>877,659</b>	<b>(291,534)</b>	<b>9,122,561</b>	<b>8,448,499</b>
<b>Income (Loss) from Operations</b>	<b>(292,607)</b>	<b>-</b>	<b>(343,428)</b>	<b>(382,288)</b>
<b>NON-OPERATING ACTIVITIES</b>				
Contributed land	-	-	-	150,000
Contribution of land to Hope Manor Joliet	-	-	-	(150,000)
Hope Manor Joliet grant revenue	-	-	95,000	50,000
Net Assets Released from Restriction	-	-	-	-
<b>Total Non-Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>95,000</b>	<b>50,000</b>
<b>Change in Net Assets</b>	<b>\$ (292,607)</b>	<b>\$ -</b>	<b>\$ (248,428)</b>	<b>\$ (332,288)</b>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA OF ILLINOIS  
AND AFFILIATE  
CONSOLIDATING STATEMENT OF NET ASSETS AND EQUITY  
YEAR ENDED JUNE 30, 2017

	Volunteers of America of Illinois		
	Unrestricted	Temporarily Restricted	Total
Balance, June 30, 2016	\$ 3,268,878	\$ 82,883	\$ 3,351,761
Change in net assets	62,062	(17,883)	44,179
Balance June 30, 2017	\$ 3,330,940	\$ 65,000	\$ 3,395,940

The accompanying notes are an integral part of these financial statements.



VOLUNTEERS OF AMERICA OF ILLINOIS  
AND AFFILIATE  
CONSOLIDATING STATEMENT OF NET ASSETS AND EQUITY  
YEAR ENDED JUNE 30, 2017

	<u>Hope Manor Apartments / West Side Veterans Housing LP</u>					
	<u>Partnership equity</u>	<u>Limited partner</u>	<u>Reduction in capital commitment</u>	<u>Total</u>	<u>Elimination</u>	<u>Total</u>
Balance, June 30, 2016	\$ 1,599,827	\$ 6,854,989	\$ (24,318)	\$ 8,430,498	\$ (2,092,078)	\$ 9,690,181
Change in net assets	<u>(802)</u>	<u>(291,805)</u>	<u>-</u>	<u>(292,607)</u>	<u>-</u>	<u>(248,428)</u>
Balance June 30, 2017	<u>\$ 1,599,025</u>	<u>\$ 6,563,184</u>	<u>\$ (24,318)</u>	<u>\$ 8,137,891</u>	<u>\$ (2,092,078)</u>	<u>\$ 9,441,753</u>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA OF ILLINOIS  
AND AFFILIATE

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30 2017, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016

Program Services - Volunteers of America of Illinois					
	Encouraging Positive Development	Fostering Independence	Promoting Self - Sufficiency	Transitional Housing	Total Program
Salaries and wages	\$ 918,461	\$ 880,064	\$ 1,452,369	\$ 475,571	\$ 3,726,465
Other employee benefits	116,200	139,456	134,898	49,086	439,640
Payroll taxes	83,061	69,334	132,066	41,590	326,051
Consulting and counseling fees	192,100	891	-	1,086	194,077
Legal fees	1,569	388	4,260	-	6,217
Accounting fees	-	-	-	-	-
Other professional fees	3,960	231	2,353	122	6,666
Supplies and expenses	3,834	458	11,199	2,325	17,816
Program supplies	1,588	-	27,287	48	28,923
Occupancy costs	83,491	12,481	252,138	8,590	356,700
Insurance	15,147	15,315	31,183	6,421	68,066
Travel and transportation	149,864	16,373	64,881	4,557	235,675
Specific assistance	75,941	-	844,064	75	920,080
Foster family payments	700,050	-	-	-	700,050
Equipment rental and maintenance	6,857	1,056	29,398	694	38,005
Interest expense and bank fees	-	-	-	-	-
Telecommunications	16,491	3,501	13,615	563	34,170
Conference and meetings	723	1,595	14,634	400	17,352
Subscriptions and publications	99	-	11	-	110
Postage	2,739	614	4,146	283	7,782
Printing and publications	1,765	1,117	4,407	169	7,458
Membership dues	7,525	56	700	102	8,383
Bad debt	-	-	-	-	-
Miscellaneous	538	55	9,232	343	10,168
Total direct expense before depreciation and amortization	2,382,003	1,142,985	3,032,841	592,025	7,149,854
Depreciation and amortization	6,154	865	7,156	505	14,680
Amortization of deferred reimbursement	-	-	-	-	-
Total Depreciation and amortization	6,154	865	7,156	505	14,680
Total direct expenses	2,388,157	1,143,850	3,039,997	592,530	7,164,534
Administrative fees:					
National organization	-	84,819	-	-	84,819
General management allocation	211,433	106,832	333,001	201,197	852,463
Total expenses	<u>\$ 2,599,590</u>	<u>\$ 1,335,501</u>	<u>\$ 3,372,998</u>	<u>\$ 793,727</u>	<u>\$ 8,101,816</u>

The accompanying notes are an integral part of these financial statements.

	Supporting Services			Program		Totals	
	Fundraising	General Management	Total Volunteers of America Illinois	Hope Manor Apartments / West Side Veterans Housing LP	Eliminations	2017	2016
Salaries and wages	\$ -	\$ 528,827	\$ 4,255,292	\$ 125,870	\$ (125,870)	\$ 4,255,292	\$ 3,997,691
Other employee benefits	362	43,512	483,514	19,506	(19,506)	483,514	393,504
Payroll taxes	-	39,492	365,543	7,437	(7,437)	365,543	400,779
Consulting and counseling fees	-	118,782	312,859	3,955	-	316,814	285,979
Legal fees	-	14,434	20,651	2,839	-	23,490	5,469
Accounting fees	-	99,320	99,320	19,682	-	119,002	127,865
Other professional fees	6,007	66,856	79,529	184,151	(41,692)	221,988	211,956
Supplies and expenses	9,137	22,248	49,201	24,578	-	73,779	70,426
Program supplies	-	-	28,923	-	-	28,923	39,511
Occupancy costs	9,882	45,140	411,722	97,029	(97,029)	411,722	352,039
Insurance	-	5,590	73,656	28,368	-	102,024	89,391
Travel and transportation	5,763	20,144	261,582	310	-	261,892	227,393
Specific assistance	-	-	920,080	2,192	-	922,272	787,029
Foster family payments	-	-	700,050	-	-	700,050	588,545
Equipment rental and maintenance	3,104	10,446	51,555	14,085	-	65,640	77,781
Interest expense	401	13,901	14,302	6,503	-	20,805	11,773
Telecommunications	627	14,109	48,906	3,163	-	52,069	64,114
Conference and meetings	11,452	17,774	46,578	3,846	-	50,424	44,881
Subscriptions and publications	-	2,806	2,916	-	-	2,916	961
Postage	463	1,865	10,110	131	-	10,241	10,983
Printing and publications	1,130	960	9,548	320	-	9,868	17,067
Membership dues	-	2,033	10,416	1,131	-	11,547	12,826
Bad debt	-	30,776	30,776	-	-	30,776	39,521
Miscellaneous	1,160	1,389	12,717	(1,606)	-	11,111	30,998
Total direct expense before depreciation and amortization	49,488	1,100,404	8,299,746	543,490	(291,534)	8,551,702	7,888,482
Depreciation and amortization	693	2,628	18,001	368,069	-	386,070	386,395
Amortization of deferred reimbursement	-	-	-	(33,900)	-	(33,900)	(33,900)
	693	2,628	18,001	334,169	-	352,170	352,495
Total direct expenses	50,181	1,103,032	8,317,747	877,659	(291,534)	8,903,872	8,240,977
Administrative fees:							
National organization	-	133,870	218,689	-	-	218,689	207,522
General management allocation	23,920	(876,383)	-	-	-	-	-
Total expenses	\$ 74,101	\$ 360,519	\$ 8,536,436	\$ 877,659	\$ (291,534)	\$ 9,122,561	\$ 8,448,499

VOLUNTEERS OF AMERICA OF ILLINOIS  
AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (248,428)	\$ (332,288)
Adjustments to reconcile change in net assets to net cash used in operating activities :		
Depreciation and amortization	352,170	352,495
(Increase) decrease in operating assets:		
Accounts receivable	(141,871)	(38,442)
Prepaid expenses	(47,175)	(31,285)
Other assets	31,331	(31,331)
Increase (decrease) in operating liabilities:		
Accounts payable	263,364	(24,541)
Accrued payroll liabilities	19,627	(101,800)
Advances	729	-
Due to related parties	(20,977)	22,443
Due from other related parties, net	(246,368)	(60,214)
Deferred revenue	(2,000)	6,978
Net cash used in operating activities	<u>(39,598)</u>	<u>(237,985)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(22,734)</u>	<u>-</u>
Net cash used in investing activities	<u>(22,734)</u>	<u>-</u>
Cash Flows from Financing Activities		
Repayments of notes payable	<u>(600)</u>	<u>(1,200)</u>
Net cash used in financing activities	<u>(600)</u>	<u>(1,200)</u>
Decrease in cash and cash equivalents	(62,932)	(239,185)
Cash and cash equivalents:		
Beginning of year	<u>1,671,368</u>	<u>1,910,553</u>
End of year	<u>\$ 1,608,436</u>	<u>\$ 1,671,368</u>
Cash and cash equivalents are classified on the consolidated statement of financial position as:		
Cash and cash equivalents	\$ 326,733	\$ 422,210
Restricted cash	1,281,703	1,249,158
	<u>\$ 1,608,436</u>	<u>\$ 1,671,368</u>
Noncash financing activities		
Loan balance transferred to deferred reimbursement	<u>\$ 90,400</u>	<u>\$ 90,400</u>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA OF ILLINOIS  
AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2017

1. NATURE OF THE AGENCY

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 support 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.

**Scholastic Books** - Books donated by Scholastics are distributed to children in lower income families through local offices and various community agencies.

VOLUNTEERS OF AMERICA OF ILLINOIS  
AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2017

1. NATURE OF THE AGENCY (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.

**Homeless Veterans (HVRP)** - Programs designed to support homeless veterans' reintegration, training and placement project program. The Corporation provides employment and training services for homeless veterans.

**Supportive Services for Veterans & Families (SSVF)** - Programs is 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.

VOLUNTEERS OF AMERICA OF ILLINOIS  
AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2017

1. NATURE OF THE AGENCY (CONTINUED)

**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.

**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 from 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 opportunities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The consolidated financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned, and expenses are recognized when incurred, which is in accordance with accounting principles generally accepted in the United States of America.

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

All material intercompany accounts and transactions have been eliminated 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.

Deferred reimbursement - The Section 1602 loan described in Note 6 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 2017, \$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. For 2017, amortization is \$33,900 and the unamortized deferred reimbursement is \$226,000.

Basis of Presentation - As required by the generally accepted accounting principles for Not-for-Profit accounting, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There were no permanently restricted net assets at June 30, 2017.

The Corporation reports contributions and grants with donor-imposed restrictions that are met in the same year as unrestricted revenues.

Reclassification - Certain reclassifications have been made to the June 30, 2016 financial statements in order to conform to the current presentation.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Income Tax Status - Volunteers of America of Illinois is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code. Management believes that it has no liability for unrelated business taxes for the year ended June 30, 2017. The Corporation's Forms 990, *Return of Organization Exempt from Income Tax*, generally for three years after they were filed.

No provision or benefit for income taxes has been included in these financial statements for the Partnership since taxable income passes through to, and is reportable by, the Partners and Members individually.

Statement of Cash Flows - The Corporation considers all highly liquid investments with an initial maturity date of three months or less to be cash equivalents including restricted cash. Restricted cash include amounts held in escrow or reserves based on the terms of the Partnership's development agreement. No amounts were paid for income taxes or interest during the year ended June 30, 2017.

Accounts Receivable- Accounts receivable 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 receivables from grants, contracts and others. Management has recorded an accounts receivable allowance of \$6,156 related to amounts due from related parties for the year ended June 30, 2017. Bad debt expense for the year ended June 30, 2017 was \$30,776 and related to both accounts receivable and amounts due from related parties.

Property and Equipment: Property and equipment purchased are valued at cost. The Corporation and Partnership capitalize expenditures for property and equipment over \$1,000; donated property and equipment are capitalized at their fair market value when received. Assets are being depreciated over their estimated useful lives using the straight-line method.

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions and Donated Material: Contributions are considered to be available for unrestricted use unless specifically temporarily or permanently restricted by the donor. Contributions received with temporary restrictions are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. Donated materials are recorded at fair value when received.

Developer Fee Revenue - Developer fee revenue is recognized as it is 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.

Allocation of Functional Expenses - The cost of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the various functions.

Allocable Costs - The Corporation provides management and supervisory services for the various programs. Management and general expenses, which pertain to all programs, are charged to the programs based on management's allocation policies and are not necessarily indicative of the costs that may have been incurred had the individual programs been separate and independent.

Subsequent Events - The Corporation has evaluated subsequent events through December 15, 2017, the date which the financial statements were available to be issued.

3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 consists of the following on a consolidated basis:

Land	\$ 639,886
Buildings and improvements	11,683,802
Furniture and equipment	<u>1,006,481</u>
	13,330,169
Accumulated depreciation	<u>(2,620,502)</u>
	<u>\$ 10,709,667</u>

Depreciation expense for the year ended June 30, 2017 totaled \$386,070.

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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 1602 grant described in Note 6, the Authority may apply any remaining amount to the 1602 grant. The fee of **\$98,000** as of June 30, 2017 is included in deferred charges and will be amortized over 15 years.

Deferred charges are net against the note payable balance in the accompanying consolidated statement of financial position and are summarized as follows at June 30, 2017:

Cost	\$ 305,441
Less: Accumulated amortization	<u>(102,588)</u>
Net Capitalized Costs	<u><u>\$ 202,853</u></u>

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

Year Ended June 30,	Amount
2018	\$ 17,371
2019	17,371
2020	17,371
2021	17,371
2022	17,371
Thereafter	115,998
	<u><u>\$ 202,853</u></u>

5. DUE TO DCFS

The Office of Internal Audit - DCFS performs desk reviews of the audited consolidated financial statements of Volunteers of America of Illinois. These reviews through fiscal year 2004 have resulted in claims for refunds totaling \$70,009. DCFS has allowed the Corporation to retain these amounts until the related contracts are no longer in effect, at which time any remaining liability balance will be evaluated for repayment. The total liability to DCFS as of June 30, 2017 is \$69,670.

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6. LONG-TERM LIABILITIES

Notes and mortgages payable are summarized as follows as of June 30, 2017:

West Side Veterans Housing, LP: Notes Payable - Other

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

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 the 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, 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 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 grant agreement.

994,373

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6. LONG-TERM LIABILITIES - (CONTINUED)

The Authority provided an additional loan to Westside Housing Veterans, LP to be used for construction of Hope Manor I. The loan is considered a junior mortgage. The mortgage, in accordance with the loan agreements 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.

	\$ 651,204
Total West Side Veterans Housing, LP	\$ 3,145,144
Less: debt issuance costs (see Note 4)	\$ (202,853)
	\$ 2,942,291

Aggregate maturities of long-term debt are as follows:

Years ended June 30,	Amount
2018	\$ 1,200
2019	1,200
2020	1,200
2021	1,200
2022	1,200
Thereafter	3,139,144
	\$ 3,145,144

7. LINE OF CREDIT

The Corporation maintains a \$125,000 variable interest rate line of credit that is due on demand. The line is collateralized by all the assets of the Corporation. As of June 30, 2017, there were no advances owed on the line of credit.

8. RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 consists of the following:

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

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9. RELATED PARTY TRANSACTIONS

Related party transactions include transactions with Hope Manor II Veterans Housing L.P. (Hope Manor II), Hope Manor Joliet Veterans Housing L.P. (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 as 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 general partnership.

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 as 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, 2017 are summarized as follows:

	<u>Hope Manor II</u>	<u>Hope Manor Joliet</u>	<u>National</u>
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

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9. RELATED PARTY TRANSACTIONS - CONTINUED

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

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

(ii) At June 30, 2016, Hope Manor II owed the Corporation \$72,012 related to these transactions, net of an allowance of \$6,156.

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, 2017 are as follows:

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
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
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
Less: Allowance for doubtful loans		(601,048)
Total loans receivable	\$	145,000

Management's decision to allow for the balance of these loans does not constitute a cancellation of the debt.

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10. 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.

11. LEASED FACILITIES

The Corporation leases facilities and vehicles used for program services under operating leases. The two facility leases expire on April 30, 2017 and December 1, 2019, respectively. The vehicle leases expire on various dates beginning February 2017 through July 2019. Total lease expense for the year ended June 30, 2016 was \$303,144.

Future minimum rental payments are as follows:

Year ended June 30,	Amount
2018	\$ 445,689
2019	443,462
2020	373,789
2021	339,718
2022	57,986
	<u>\$ 1,660,644</u>

12. CONCENTRATIONS

At various times during the year, the Corporation has cash balances in excess of the FDIC insured amount.

The Illinois Department of Children and Family Services ("DCFS") is a major source of the Corporation's operating revenues. Revenues from DCFS accounted for 28% of total revenue for the year ended June 30, 2017.

13. 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 June 30, 2017. Failure to maintain compliance with occupant eligibility and/or unit gross rent or to correct noncompliance within 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.



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14. PROPERTY PURCHASE OPTION

The Limited Partnership Agreement permits the General Partner or the Corporation to purchase the Partnership property at the end of the low-income housing tax credit compliance period at a price that would facilitate the purchase while protecting the Partnership's tax benefits from the project. The option is contingent on the General Partner or Corporation maintaining the low-income occupancy of the project and must be in a form that is satisfactory to legal and tax counsel.

15. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities. Key elements of the ASU include a reduction in the number of asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard will be effective for the Organization's June 30, 2019 financial statements. Early adoption is permitted.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard will be effective for the Organization's June 30, 2021 financial statements. Early adoption is permitted.

The FASB recently issued ASU 2014-09, Revenue (Topic 606): Revenue from Contracts with Customers. The ASU provides updated guidance to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. A significant number of nonprofit revenue streams that would be considered revenue from contracts with a customer may fall within their purview of the ASU. Some of these include the following: memberships, subscriptions, products or services, royalty agreements, sponsorships, conferences and seminars, tuition, advertising, licensing, and federal and state grants and contracts, among others. Contribution revenue is specifically excluded from the scope of this update. The ASU will need to be applied either retrospectively to each prior period presented, or retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. The new standard will be effective for the Organization's June 30, 2019 financial statements.

The Organization is currently evaluating the impact of the adoption of the above standards on its financial statements.

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15. CHANGE IN ACCOUNTING PRINCIPLE

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation for Debt Issuance Costs. The core principle of ASU 2015-03 is to report deferred debt issuance costs as a direct deduction from the carrying amount of the related debt rather than as assets in the statement of financial statement of financial position. ASU 2015-03 is effective for annual periods beginning after December 15, 2015. The Organization implemented this presentation in fiscal year 2017 which results in long-term debt presented net of deferred debt issuance costs of \$202,853 and \$220,224 at June 30, 2017 and 2016, respectively (See Notes 4 and 6).