

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Consolidating Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4 - 5
Statement of Net Assets and Equity	6 - 7
Statement of Functional Expenses	8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 22



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, 2016, 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, 2016, 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** 2015 consolidated financial statements and in our report which was dated October 15, 2015, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sassetti LLC

January 23, 2017
Oak Park, Illinois

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016, WITH COMPARATIVE TOTALS FOR JUNE 30, 2015

	Volunteers of America Illinois	Hope Manor Apartments / West Side Veterans Housing LP	Eliminations	Totals	
				2016	2015
ASSETS					
Cash and cash equivalents	\$ 399,608	\$ 22,602	\$ -	\$ 422,210	\$ 697,207
Restricted cash	-	1,249,158	-	1,249,158	1,213,346
Accounts receivable	386,153	42,386	-	428,539	390,097
Prepaid expenses	117,821	-	-	117,821	86,536
Other assets	7,950	571,331	(540,000)	39,281	7,950
Deferred charges	-	220,224	-	220,224	237,596
Property and equipment, net	566,651	10,981,059	(492,078)	11,055,632	11,424,655
Investment in Westside Veterans Housing, LP	1,600,000	-	(1,600,000)	-	-
Due from Westside Veterans Housing, LP	1,008,079	-	(1,008,079)	-	-
Due from other related parties, net	153,092	-	-	153,092	92,878
Total Assets	\$ 4,239,354	\$ 13,086,760	\$ (3,640,157)	\$ 13,685,957	\$ 14,150,265
LIABILITIES					
Accounts payable and accrued expenses	\$ 248,893	\$ 142,705	\$ -	\$ 391,598	\$ 517,939
Due to related parties	22,052	402,488	(302,654)	121,886	99,443
Due to DCFS	69,670	-	-	69,670	69,670
Deferred revenue	546,978	-	(540,000)	6,978	-
Deferred reimbursement	-	169,500	-	169,500	113,000
Notes payable - related party	-	705,425	(705,425)	-	-
Notes payable - other	-	3,236,144	-	3,236,144	3,327,744
Total Liabilities	887,593	4,656,262	(1,548,079)	3,995,776	4,127,796
NET ASSETS AND EQUITY					
Net Assets					
Unrestricted	3,268,878	-	(492,078)	2,776,800	2,795,163
Temporarily restricted	82,883	-	-	82,883	30,668
Total Net Assets	3,351,761	-	(492,078)	2,859,683	2,825,831
Partnership equity	-	1,599,827	(1,600,000)	(173)	629
Limited partner	-	6,854,989	-	6,854,989	7,220,327
Reduction in capital commitment	-	(24,318)	-	(24,318)	(24,318)
Total Net Assets and Equity	3,351,761	8,430,498	(2,092,078)	9,690,181	10,022,469
Total Liabilities, Net Assets and Equity	\$ 4,239,354	\$ 13,086,760	\$ (3,640,157)	\$ 13,685,957	\$ 14,150,265

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 2016, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Volunteers of America of Illinois		
	Unrestricted	Temporarily Restricted	Total
REVENUES FROM OPERATIONS:			
Public Support:			
Contributions	\$ 349,822	\$ 30,000	\$ 379,822
Contributions - in-kind	1,885	-	1,885
Fees From Government Agencies:			
Foster Care - Cook	2,288,676	-	2,288,676
Grants:			
Homeless Veterans Reintergration	2,347,932	-	2,347,932
VA	697,082	-	697,082
Program Development Grant	-	-	-
Philanthropy	-	2,200	2,200
Veteran Service	-	-	-
Program and Other Revenue:			
Management fees	388,992	-	388,992
Rent revenue	-	-	-
Housing services reimbursement	1,377,935	-	1,377,935
Developer fees	293,810	-	293,810
Interest income	14,668	-	14,668
Miscellaneous	210	-	210
Net Assets Released from Restriction	29,985	(29,985)	-
Total Revenues from Operations	7,790,997	2,215	7,793,212
OPERATING EXPENSES			
Program services	6,608,612	-	6,608,612
Administrative and general:			
National organization	207,522	-	207,522
General management	936,668	-	936,668
Fundraising	56,558	-	56,558
Total Operating Expenses	7,809,360	-	7,809,360
Income (Loss) from Operations	(18,363)	2,215	(16,148)
NON-OPERATING ACTIVITIES			
Contributed land	150,000	-	150,000
Contribution of land to Hope Manor Joliet	(150,000)	-	(150,000)
Hope Manor Joliet grant revenue	-	50,000	50,000
Total Non-Operating Expenses	-	50,000	50,000
Change in Net Assets	\$ (18,363)	\$ 52,215	\$ 33,852

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 2016, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Hope Manor Apartments / West Side Veterans Housing LP		Totals	
		Eliminations	2016	2015
REVENUES FROM OPERATIONS:				
Public Support:				
Contributions	\$ -	\$ -	\$ 379,822	\$ 449,830
Contributions - in-kind	-	-	1,885	250,000
Fees From Government Agencies:				
Foster Care - Cook	-	-	2,288,676	2,099,118
Grants:				
Homeless Veterans Reintergration	-	-	2,347,932	1,723,983
VA	-	-	697,082	671,103
Program Development Grant	-	-	-	1,971
Philanthropy	-	-	2,200	-
Veteran Services	-	-	-	11,500
Program and Other Revenue:				
Management fees	-	(36,747)	352,245	393,746
Rent revenue	557,960	(91,036)	466,924	459,391
Housing services reimbursement	-	(158,547)	1,219,388	1,387,291
Developer fees	-	-	293,810	107,143
Interest income	1,369	-	16,037	11,692
Miscellaneous	-	-	210	387
Net Assets released from Restriction	-	-	-	-
Total Revenues from Operations	<u>559,329</u>	<u>(286,330)</u>	<u>8,066,211</u>	<u>7,567,155</u>
OPERATING EXPENSES				
Program services	925,469	(286,330)	7,247,751	6,640,637
Administrative and general:				
National organization	-	-	207,522	152,252
General management	-	-	936,668	736,547
Fundraising	-	-	56,558	314,520
Total Operating Expenses	<u>925,469</u>	<u>(286,330)</u>	<u>8,448,499</u>	<u>7,843,956</u>
Income (Loss) from Operations	<u>(366,140)</u>	<u>-</u>	<u>(382,288)</u>	<u>(276,801)</u>
NON-OPERATING ACTIVITIES				
Contributed land	-	-	150,000	-
Contribution of land to Hope Manor Joliet	-	-	(150,000)	-
Hope Manor Joliet grant revenue	-	-	50,000	-
Total Non-Operating Expenses	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Change in Net Assets	<u>\$ (366,140)</u>	<u>\$ -</u>	<u>\$ (332,288)</u>	<u>\$ (276,801)</u>

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, 2016

	Volunteers of America of Illinois		
	Unrestricted	Temporarily Restricted	Total
Balance, June 30, 2015	\$ 3,287,241	\$ 30,668	\$ 3,317,909
Change in net assets	(18,363)	52,215	33,852
Balance June 30, 2016	\$ 3,268,878	\$ 82,883	\$ 3,351,761

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, 2016

	<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, 2015	\$ 1,600,629	\$ 7,220,327	\$ (24,318)	\$ 8,796,638	\$ (2,092,078)	\$ 10,022,469
Change in net assets	(802)	(365,338)	-	(366,140)	-	(332,288)
Balance June 30, 2016	<u>\$ 1,599,827</u>	<u>\$ 6,854,989</u>	<u>\$ (24,318)</u>	<u>\$ 8,430,498</u>	<u>\$ (2,092,078)</u>	<u>\$ 9,690,181</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 2016, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

Program Services - Volunteers of America of Illinois					
	Encouraging Positive Development	Fostering Independence	Promoting Self - Sufficiency	Transitional Housing	Total Program
Salaries and wages	\$ 815,416	\$ 888,909	\$ 1,409,750	\$ 397,183	\$ 3,511,258
Other employee benefits	76,510	123,272	113,506	34,190	347,478
Payroll taxes	87,368	77,551	153,646	39,829	358,394
Consulting and counseling fees	203,992	2,799	-	3,416	210,207
Legal fees	-	75	3,050	-	3,125
Accounting fees	-	-	-	-	-
Other professional fees	11,072	238	27,482	1,135	39,927
Supplies and expenses	4,536	1,946	9,242	277	16,001
Program supplies	7,084	-	32,305	122	39,511
Occupancy costs	67,806	19,435	213,754	6,578	307,573
Insurance	12,998	15,447	23,069	(438)	51,076
Travel and transportation	134,780	9,596	59,976	2,624	206,976
Specific assistance	90,117	-	677,971	14,547	782,635
Foster family payments	588,545	-	-	-	588,545
Equipment rental and maintenance	7,681	2,896	30,389	554	41,520
Interest expense and bank fees	-	-	-	-	-
Telecommunications	14,519	6,701	12,888	469	34,577
Conference and meetings	4,922	4,461	11,624	1,434	22,441
Subscriptions and publications	189	130	128	52	499
Postage	2,534	1,619	3,666	208	8,027
Printing and publications	1,358	465	5,108	357	7,288
Membership dues	8,850	550	100	-	9,500
In-kind advertising	-	-	-	-	-
Bad debt	-	-	-	-	-
Miscellaneous	3	110	6,679	-	6,792
Total direct expense before depreciation and amortization	2,140,280	1,156,200	2,794,333	502,537	6,593,350
Depreciation and amortization	4,965	2,627	7,211	459	15,262
Amortization of deferred reimbursement	-	-	-	-	-
Total Depreciation and amortization	4,965	2,627	7,211	459	15,262
Total direct expenses	2,145,245	1,158,827	2,801,544	502,996	6,608,612
Administrative fees:					
National organization	-	72,956	-	-	72,956
General management allocation	186,642	206,459	418,288	-	811,389
Total expenses	\$ 2,331,887	\$ 1,438,242	\$ 3,219,832	\$ 502,996	\$ 7,492,957

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

	Supporting Services		Total Volunteers of America Illinois	Program		Totals	
	Fundraising	General Management		Hope Manor Apartments / West Side Veterans Housing LP	Eliminations	2016	2015
Salaries and wages	\$ -	\$ 486,433	\$ 3,997,691	\$ 133,156	\$ (133,156)	\$ 3,997,691	\$ 3,575,456
Other employee benefits	403	45,624	393,505	13,705	(13,706)	393,504	287,260
Payroll taxes	-	42,385	400,779	8,742	(8,742)	400,779	359,437
Consulting and counseling fees	-	72,922	283,129	2,850	-	285,979	155,773
Legal fees	-	2,261	5,386	83	-	5,469	18,704
Accounting fees	-	107,522	107,522	20,343	-	127,865	117,670
Other professional fees	9,507	3,929	53,363	198,283	(39,690)	211,956	256,537
Supplies and expenses	10,293	28,527	54,821	15,605	-	70,426	58,731
Program supplies	-	-	39,511	-	-	39,511	25,299
Occupancy costs	9,825	34,641	352,039	91,036	(91,036)	352,039	252,086
Insurance	-	5,447	56,523	32,868	-	89,391	83,371
Travel and transportation	3,962	16,082	227,020	373	-	227,393	217,739
Specific assistance	-	1,554	784,189	2,840	-	787,029	795,866
Foster family payments	-	-	588,545	-	-	588,545	632,210
Equipment rental and maintenance	1,572	7,328	50,420	27,361	-	77,781	71,657
Interest expense	-	7,549	7,549	4,224	-	11,773	11,949
Telecommunications	634	19,983	55,194	8,920	-	64,114	71,970
Conference and meetings	10,380	9,473	42,294	2,587	-	44,881	42,899
Subscriptions and publications	15	447	961	-	-	961	854
Postage	511	2,269	10,807	176	-	10,983	11,531
Printing and publications	8,639	1,140	17,067	-	-	17,067	16,571
Membership dues	-	2,102	11,602	1,224	-	12,826	13,171
In-kind advertising	-	-	-	-	-	-	250,000
Bad debt	-	25,948	25,948	13,573	-	39,521	-
Miscellaneous	83	10,773	17,648	13,350	-	30,998	14,735
Total direct expense before depreciation and amortization	55,824	934,339	7,583,513	591,299	(286,330)	7,888,482	7,341,476
Depreciation and amortization	734	2,329	18,325	368,070	-	386,395	384,128
Amortization of deferred reimbursement	-	-	-	(33,900)	-	(33,900)	(33,900)
	734	2,329	18,325	334,170	-	352,495	350,228
Total direct expenses	56,558	936,668	7,601,838	925,469	(286,330)	8,240,977	7,691,704
Administrative fees: National organization	-	134,566	207,522	-	-	207,522	152,252
General management allocation	23,688	(835,077)	-	-	-	-	-
Total expenses	\$ 80,246	\$ 236,157	\$ 7,809,360	\$ 925,469	\$ (286,330)	\$ 8,448,499	\$ 7,843,956

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (332,288)	\$ (276,801)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	352,495	350,228
Changes in:		
Accounts receivable	(38,442)	128,624
Prepaid expenses	(31,285)	9,512
Other assets	(31,331)	-
Accounts payable and accrued expenses	(126,341)	132,733
Due to related parties	22,443	(19,266)
Due from other related parties, net	(60,214)	(61,714)
Deferred revenue	6,978	-
Advances	-	(12,515)
	<u>(237,985)</u>	<u>250,801</u>
Net cash (used in) provided by operating activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	-	(22,936)
	<u>-</u>	<u>(22,936)</u>
Net cash used in investing activities		
Cash Flows from Financing Activities		
Repayments of notes payable	(1,200)	(1,200)
	<u>(1,200)</u>	<u>(1,200)</u>
Net cash used in financing activities		
(Decrease) increase in cash and cash equivalents	(239,185)	226,665
Cash and cash equivalents		
Beginning of year	1,910,553	1,683,888
End of year	<u>\$ 1,671,368</u>	<u>\$ 1,910,553</u>
Cash and cash equivalents are classified on the consolidated statement of financial position as:		
Cash and cash equivalents	\$ 422,210	\$ 697,207
Restricted cash	1,249,158	1,213,346
	<u>\$ 1,671,368</u>	<u>\$ 1,910,553</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, 2016

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, 2016

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, 2016

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.

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

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 \$1,355,973 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. For both 2016 and 2015, \$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 2016, amortization is \$33,900 and the unamortized deferred reimbursement is \$169,500.

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, 2016.

The Corporation reports contributions and grants with donor-imposed restrictions that are met in the same year as temporarily restricted revenues, and reflects their satisfaction of restrictions as a transfer to unrestricted net assets on the Statement of Activities.

Reclassification - Certain reclassifications have been made to the June 30, 2015 financial statements in order to conform to the current presentation.

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016. 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 a maturity date at purchase 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, 2016.

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, 2016. Bad debt expense for the year ended June 30, 2016 was \$39,521 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

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

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 January 23, 2017, the date which the financial statements were available to be issued.

3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 consists of the following on a consolidated basis:

Land	\$ 639,886
Buildings and improvements	11,681,203
Furniture and equipment	986,346
	<hr/>
	13,307,435
Accumulated depreciation	<hr/>
	(2,251,803)
	<hr/>
	\$ 11,055,632

Depreciation expense for the year ended June 30, 2016 totaled \$369,023.

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

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, 2016 is included in deferred charges and will be amortized over 15 years.

Deferred charges in the accompanying consolidated statement of financial position are summarized as follows at June 30, 2016:

Cost	\$ 305,441
Less: Accumulated amortization	<u>(85,217)</u>
Net Capitalized Costs	<u><u>\$ 220,224</u></u>

Amortization expense for the year ended June 30, 2016 was \$17,372. Estimated amortization expense for each of the next five years is as follows:

Year Ended June 30,	Amount
2017	\$ 17,371
2018	17,371
2019	17,371
2020	17,371
2021	17,371
Thereafter	133,369
	<u><u>\$ 220,224</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, 2016 is \$69,670.

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

6. LONG-TERM LIABILITIES

Notes and mortgages payable are summarized as follows as of June 30, 2016:

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, 2015 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.

1,084,773

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2016

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.

\$ 651,804

Total West Side Veterans Housing, LP

\$ 3,236,144

Aggregate maturities of long-term debt are as follows:

<u>Years ended June 30,</u>	<u>Amount</u>
2017	\$ 1,200
2018	1,200
2019	1,200
2020	1,200
2021	1,200
Thereafter	<u>3,230,144</u>
	<u>\$ 3,236,144</u>

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, 2016, there were no advances owed on the line of credit.

8. RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 consists of the following:

Hope Manor Joliet	\$ 50,000
Other	<u>32,883</u>
	<u>\$ 82,883</u>

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016. 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, 2016 are summarized as follows:

	Hope Manor II	Hope Manor Joliet	National
Revenues Earned by the Corporation			
Developer fees, management fees and payroll reimbursements	\$ 486,172	\$ 120,000	\$ 1,259,273
Expenses Incurred by the Corporation			
Supporting services	-	-	207,522
Land contribution (i)	-	150,000	-

(i) During the year ended June 30, 2016, the Corporation contributed land valued at \$150,000 to Hope Manor Joliet VOA Veterans Housing LLC, which in turn, made a capital contribution of the Property to Hope Manor Joliet.

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

9. RELATED PARTY TRANSACTIONS - CONTINUED

Amounts due from/(due to) related parties for the year ended June 30, 2016 are summarized as follows:

	Hope Manor II	Hope Manor Joliet		National
<u>Corporation</u>				
Developer fees, management fees and payroll reimbursements	\$ 72,012	(ii) \$ -		\$ 81,080
Supporting services	-	-		(22,051)
<u>Partnership</u>				
Deferred developer fees and other liabilities	-	-		(99,835)

(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. The balances as of June 30, 2016 are as follows:

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.	\$ 500,000
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.	101,048
Less: Allowance for doubtful loans	(601,048)
Total loans receivable	\$ -

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

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.

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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
2017	\$ 305,527
2018	133,929
2019	122,656
2020	436,667
	\$ 998,779

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, 2016.

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, 2016. 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.

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016

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.