

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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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, 2014, 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 consolidating 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, 2014, 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** 2013 consolidated financial statements and our report which was dated October 15, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sassetti LLC

October 15, 2014
Oak Park, Illinois

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014, WITH COMPARATIVE TOTALS FOR JUNE 30, 2013

	Volunteers of America Illinois	Hope Manor Apartments / West Side Veterans Housing LP	Eliminations	Totals	
				2014	2013
ASSETS					
Cash and cash equivalents	\$ 452,747	\$ 23,015	\$ -	\$ 475,762	\$ 645,007
Restricted cash	-	1,208,126	-	1,208,126	1,199,596
Accounts receivable	476,628	42,093	-	518,721	408,500
Prepaid expenses	96,048	-	-	96,048	11,074
Other assets	7,950	540,000	(540,000)	7,950	7,950
Deferred charges	-	254,967	-	254,967	272,338
Property and equipment, net	577,877	11,682,677	(492,078)	11,768,476	12,103,455
Investment in Westside Veterans Housing, LP	1,600,000	-	(1,600,000)	-	-
Due from Westside Veterans Housing, LP	1,076,160	-	(1,076,160)	-	-
Due from Hope Manor II	31,164	-	-	31,164	-
Total Assets	\$ 4,318,574	\$ 13,750,878	\$ (3,708,238)	\$ 14,361,214	\$ 14,647,920
LIABILITIES					
Accounts payable and accrued expenses	\$ 297,747	\$ 193,655	\$ (106,196)	\$ 385,206	\$ 347,455
Due to related parties	109,254	979,419	(969,964)	118,709	126,989
Due to DCFS	69,670	-	-	69,670	70,009
Deferred revenue	540,000	-	(540,000)	-	-
Advances	12,515	-	-	12,515	18,000
Notes payable - other	-	3,509,744	-	3,509,744	3,510,944
Total Liabilities	1,029,186	4,682,818	(1,616,160)	4,095,844	4,073,397
NET ASSETS AND EQUITY					
Net Assets					
Unrestricted	3,255,715	-	(492,078)	2,763,637	2,644,097
Temporarily restricted	33,673	-	-	33,673	80,508
Total Net Assets	3,289,388	-	(492,078)	2,797,310	2,724,605
Partnership equity	-	1,600,629	(1,600,000)	629	(4,447)
Limited partner	-	7,491,749	-	7,491,749	7,878,683
Capital due from limited partner	-	(24,318)	-	(24,318)	(24,318)
Total Net Assets and Equity	3,289,388	9,068,060	(2,092,078)	10,265,370	10,574,523
Total Liabilities, Net Assets and Equity	\$ 4,318,574	\$ 13,750,878	\$ (3,708,238)	\$ 14,361,214	\$ 14,647,920

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 2014, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30 2013

Volunteers of America of Illinois			
	Unrestricted	Temporarily Restricted	Total
REVENUES FROM OPERATIONS:			
Public Support:			
Contributions	\$ 449,837	\$ 25,000	\$ 474,837
Contributions - in-kind	5,033	-	5,033
Fees From Government Agencies:			
Foster Care - Cook	1,842,074	-	1,842,074
Grants:			
Homeless Veterans Reintergration	1,237,922	7,000	1,244,922
AmeriCorps	-	-	-
VA	596,049	-	596,049
Program Development Grant	8,000	-	8,000
Philanthropy	15,912	-	15,912
Veteran Services	1,693	-	1,693
Program and Other Revenue:			
Management fees	269,906	-	269,906
Rent revenue	-	-	-
Housing services reimbursement	1,239,208	-	1,239,208
Developer fees	131,678	-	131,678
Interest income	6,279	-	6,279
Miscellaneous	800	-	800
Net Assets released from Restriction	78,835	(78,835)	-
Total Revenues from Operations	5,883,226	(46,835)	5,836,391
OPERATING EXPENSES			
Program services	4,856,662	-	4,856,662
Administrative and general:			
National organization	142,041	-	142,041
General management	679,143	-	679,143
Fundraising	85,840	-	85,840
Total Operating Expenses	5,763,686	-	5,763,686
Income (Loss) from Operations	119,540	(46,835)	72,705
NON-OPERATING ACTIVITES			
Hope Manor II grant revenue	601,048	-	601,048
Hope Manor II bad debt expense	(601,048)	-	(601,048)
Total Non-Operating Expenses	-	-	-
Change in Net Assets	\$ 119,540	\$ (46,835)	\$ 72,705

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 2014, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30 2013

	Hope Manor Apartments / West Side Veterans Housing LP		Totals	
		Eliminations	2014	2013
REVENUES FROM OPERATIONS:				
Public Support:				
Contributions	\$ -	\$ -	\$ 474,837	\$ 423,232
Contributions - in-kind	-	-	5,033	27,494
Fees From Government Agencies:				
Foster Care - Cook	-	-	1,842,074	1,365,587
Grants:				
Homeless Veterans Reintegration	-	-	1,244,922	908,398
AmeriCorps	-	-	-	9,945
VA	-	-	596,049	587,999
Program Development Grant	-	-	8,000	22,000
Philanthropy	-	-	15,912	52,444
Veteran Services	-	-	1,693	1,645
Program and Other Revenue:				
Management fees	-	-	269,906	353,571
Rent revenue	554,578	(97,297)	457,281	475,368
Housing services reimbursement	-	-	1,239,208	1,142,417
Developer fees	-	-	131,678	22,750
Interest income	1,233	-	7,512	-
Miscellaneous	-	-	800	1,274
Net Assets released from Restriction	-	-	-	-
Total Revenues from Operations	555,811	(97,297)	6,294,905	5,394,124
OPERATING EXPENSES				
Program services	937,669	(97,297)	5,697,034	5,029,649
Administrative and general:				
National organization	-	-	142,041	121,989
General management	-	-	679,143	602,223
Fundraising	-	-	85,840	54,443
Total Operating Expenses	937,669	(97,297)	6,604,058	5,808,304
Income (Loss) from Operations	(381,858)	-	(309,153)	(414,180)
NON-OPERATING ACTIVITIES				
Hope Manor II grant revenue	-	-	601,048	-
Hope Manor II bad debt expense	-	-	(601,048)	-
Total Non-Operating Expenses	-	-	-	-
Change in Net Assets	\$ (381,858)	\$ -	\$ (309,153)	\$ (414,180)

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, 2014

Volunteers of America of Illinois

	Unrestricted	Temporarily Restricted	Total
Balance, June 30, 2013	\$ 3,136,175	\$ 80,508	\$ 3,216,683
Capital contributions	-	-	-
Partner payments	-	-	-
Change in net assets / net loss	119,540	(46,835)	72,705
Balance June 30, 2014	<u>\$ 3,255,715</u>	<u>\$ 33,673</u>	<u>\$ 3,289,388</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, 2014

	<u>Hope Manor Apartments / West Side Veterans Housing LP</u>					Total
	<u>Partnership equity</u>	<u>Limited partner</u>	<u>Capital due from limited partner</u>	<u>Total</u>	<u>Elimination</u>	
Balance, June 30, 2013	\$ 1,595,553	\$ 7,878,683	\$ (24,318)	\$ 9,449,918	\$ (2,092,078)	\$ 10,574,523
Capital contributions	-	-	-	-	-	-
Partner payments	-	-	-	-	-	-
Change in net assets / net loss	5,076	(386,934)	-	(381,858)	-	(309,153)
Balance June 30, 2014	<u>\$ 1,600,629</u>	<u>\$ 7,491,749</u>	<u>\$ (24,318)</u>	<u>\$ 9,068,060</u>	<u>\$ (2,092,078)</u>	<u>\$ 10,265,370</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 2014, WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30 2013

Program Services - Volunteers of America of Illinois

	Encouraging Positive Development	Fostering Independence	Promoting Self - Sufficiency	Transitional Housing	Total Program
Salaries and wages	\$ 486,935	\$ 950,152	\$ 798,992	\$ 208,555	\$ 2,444,634
Other employee benefits	39,824	101,380	53,355	11,427	205,986
Payroll taxes	53,032	89,754	89,491	24,867	257,144
Consulting and counseling fees	195,232	-	1,755	-	196,987
Legal fees	340	450	4,950	-	5,740
Accounting fees	-	-	-	-	-
Other professional fees	15,825	320	42,561	-	58,706
Supplies and expenses	13,169	4,635	28,084	533	46,421
Program supplies	1,521	-	340	-	1,861
Occupancy costs	73,187	9,427	80,290	2,030	164,934
Insurance	8,465	13,861	14,093	516	36,935
Travel and transportation	87,873	17,342	24,909	523	130,647
Specific assistance	49,551	116	558,791	46	608,504
Foster family payments	589,890	-	-	-	589,890
Equipment rental and maintenance	5,675	1,938	10,673	293	18,579
Interest expense and bank fees	-	-	-	-	-
Telecommunications	10,515	3,013	16,043	636	30,207
Conference and meetings	5,169	3,172	19,072	247	27,660
Subscriptions and publications	103	37	204	29	373
Postage	2,861	1,186	2,936	695	7,678
Printing and publications	1,002	903	4,881	114	6,900
Membership dues	6,817	-	651	-	7,468
Miscellaneous	2,274	103	(566)	847	2,658
Total direct expense before depreciation and amortization	1,649,260	1,197,789	1,751,505	251,358	4,849,912
Depreciation and amortization	2,095	732	3,923	-	6,750
Total direct expenses	1,651,355	1,198,521	1,755,428	251,358	4,856,662
Administrative fees:					
National organization	-	74,769	-	-	74,769
General management allocation	286,375	30,564	234,097	-	551,036
Total expenses	<u>\$ 1,937,730</u>	<u>\$ 1,303,854</u>	<u>\$ 1,989,525</u>	<u>\$ 251,358</u>	<u>\$ 5,482,467</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		Eliminations	2014	2013
				Veterans Housing				
Salaries and wages	\$ -	\$ 363,615	\$ 2,808,249	\$ 129,884	\$ -	\$ 2,938,133	\$ 2,519,367	
Other employee benefits	(45)	24,795	230,736	11,485	-	242,221	226,951	
Payroll taxes	-	32,683	289,827	16,152	-	305,979	299,566	
Consulting and counseling fees	75	18,208	215,270	2,740	-	218,010	133,646	
Legal fees	-	830	6,570	5,477	-	12,047	7,479	
Accounting fees	-	93,899	93,899	26,674	-	120,573	123,040	
Other professional fees	26,102	15,844	100,652	196,534	-	297,186	274,894	
Supplies and expenses	2,084	29,917	78,422	16,300	-	94,722	64,098	
Program supplies	-	-	1,861	-	-	1,861	8,271	
Occupancy costs	5,365	40,178	210,477	97,297	(97,297)	210,477	211,825	
Insurance	-	4,035	40,970	28,502	-	69,472	81,363	
Travel and transportation	2,235	12,288	145,170	551	-	145,721	119,896	
Specific assistance	-	1,609	610,113	1,484	-	611,597	551,606	
Foster family payments	-	-	589,890	-	-	589,890	424,479	
Equipment rental and maintenance	1,496	6,132	26,207	22,249	-	48,456	64,542	
Interest expense	-	8,351	8,351	3,154	-	11,505	9,515	
Telecommunications	406	5,422	36,035	8,313	-	44,348	38,392	
Conference and meetings	9,704	7,470	44,834	1,385	-	46,219	11,016	
Subscriptions and publications	5,093	417	5,883	79	-	5,962	(1,115)	
Postage	380	1,737	9,795	391	-	10,186	9,239	
Printing and publications	8,743	719	16,362	626	-	16,988	14,844	
Membership dues	545	1,282	9,295	-	-	9,295	13,494	
Miscellaneous	23,652	8,166	34,476	323	-	34,799	5,794	
Total direct expense before depreciation and amortization	85,835	677,597	5,613,344	569,600	(97,297)	6,085,647	5,212,202	
Depreciation and amortization	5	1,546	8,301	368,069	-	376,370	474,113	
Total direct expenses	85,840	679,143	5,621,645	937,669	(97,297)	6,462,017	5,686,315	
Administrative fees:								
National organization	-	67,272	142,041	-	-	142,041	121,989	
General management allocation	23,193	(574,229)	-	-	-	-	-	
Total expenses	\$ 109,033	\$ 172,186	\$ 5,763,686	\$ 937,669	\$ (97,297)	\$ 6,604,058	\$ 5,808,304	

VOLUNTEERS OF AMERICA OF ILLINOIS
AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (309,153)	\$ (414,180)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	376,370	474,113
Changes in:		
Accounts receivable	(110,221)	119,912
Prepaid expenses	(84,974)	48,756
Deferred charges	17,371	107,017
Accounts payable and accrued expenses	37,751	35,835
Due to related parties	(8,280)	(103,956)
Due from Hope Manor II	(31,164)	
Advances	(5,485)	(9,000)
	<u>(117,785)</u>	<u>258,497</u>
Net cash (used in) provided by operating activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(41,391)</u>	<u>(132,671)</u>
Net cash used in investing activities	<u>(41,391)</u>	<u>(132,671)</u>
Cash Flows from Financing Activities		
Proceeds from capital due from limited partner	-	1,049,418
Repayments of notes payable	<u>(1,200)</u>	<u>(1,100)</u>
Net cash (used in) provided by financing activities	<u>(1,539)</u>	<u>1,048,318</u>
(Decrease) increase in cash and cash equivalents	(160,715)	1,174,144
Cash and cash equivalents		
Beginning of year	<u>1,844,603</u>	<u>670,459</u>
End of year	<u>\$ 1,683,888</u>	<u>\$ 1,844,603</u>
Cash and cash equivalents are classified on the consolidated statement of financial position as:		
Cash and cash equivalents	\$ 475,762	\$ 645,007
Restricted cash	1,208,126	1,199,596
	<u>\$ 1,683,888</u>	<u>\$ 1,844,603</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, 2014

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, 2014

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, 2014

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

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, 2014

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 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 project was placed in service in February 2012 and is eligible for low-income housing tax credits pursuant to Internal Revenue Service Code Section 42. 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.

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.

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, 2014.

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.

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.

VOLUNTEERS OF AMERICA OF ILLINOIS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2014. The Corporation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2011, 2012 and 2013 are subject to examination by the IRS, 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. No amounts were paid for income taxes or interest during the year ended June 30, 2014.

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. No allowance was deemed necessary for accounts receivable as of June 30, 2014.

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

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.

The Illinois Department of Children and Family Services ("DCFS") is a major source of the Corporation's operating revenues. Revenues from DCFS accounted for 29% of total revenue for the year ended June 30, 2014.

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JUNE 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 October 15, 2014, the date which the financial statements were available to be issued.

3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2014 consists of the following on a consolidated basis:

Land	\$ 639,886
Buildings and improvements	11,681,112
Furniture and equipment	963,202
	<hr/>
	13,284,200
Accumulated depreciation	<hr/>
	(1,515,724)
	<hr/>
	\$ 11,768,476
	<hr/>

Depreciation expense for the year ended June 30, 2014 totaled \$358,999.

VOLUNTEERS OF AMERICA OF ILLINOIS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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. Deferred charges in the accompanying consolidated statement of financial position are summarized as follows at June 30, 2013:

Cost	\$	305,441
Less: Accumulated amortization		(50,474)
Net Capitalized Costs	\$	254,967

Amortization expense for the year ended June 30, 2014 was \$17,371. Estimated amortization expense for each of the next five years is as follows:

Year Ended June 30,	Amount
2015	\$ 17,371
2016	17,371
2017	17,371
2018	17,371
2019	17,371
Thereafter	168,112

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 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, 2014 is included in deferred charges in the accompanying consolidating statement of financial position and will be amortized over 15 years.

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, 2014 is \$69,670.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

6. LONG-TERM LIABILITIES

Notes and mortgages payable are summarized as follows as of June 30, 2014:

West Side Veterans Housing, LP

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 Illinois Housing Development Authority (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 Apartments") 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, 2013 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.

1,355,973

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

6. LONG-TERM LIABILITIES - (CONTINUED)

The Authority provided an additional loan to Westside Housing Veterans, LP to be used for construction of Hope Manor Apartments. The loan totaling \$656,404 is recorded as a mortgage payable as of June 30, 2012 and 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.

	\$ 654,204
Total West Side Veterans Housing, LP	\$ 3,509,744

Aggregate maturities of long-term debt are as follows:

Years ended June 30,	Amount
2015	\$ 1,200
2016	1,200
2017	1,200
2018	1,200
2019	1,200
Thereafter	3,503,744
	\$ 3,509,744

West Side Veterans Housing, LP - Related Party Notes

The "Junior Loan" is made up of two related party loans from Volunteers of America of Illinois in the total principal amount of \$705,425. The loan is secured by real estate but subordinate to the Senior Loan. The loan balances are eliminated in consolidation in the due to related parties line. The balances as of June 30, 2014 are as follows:

The first junior loan, dated October 1, 2010, in the original amount of \$405,400, is a non-interest bearing note. The entire unpaid principal and accrued but unpaid interest is due at maturity. The loan matures on November 1, 2042.

The second junior loan, dated October 1, 2010, in the original amount of \$300,000, is a non-interest bearing note. The entire unpaid principal and accrued but unpaid interest is due at maturity. The loan matures on November 1, 2042.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, there were no advances owed on the line of credit.

8. RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2014 consists of the following:

Vet Services	\$	6,173
Other		27,500
		27,500
	\$	33,673

9. RELATED PARTY TRANSACTIONS

Hope Manor II VOA Veterans Housing LLC

Hope Manor II Veterans Housing L.P. (Hope Manor II) was formed as a limited partnership pursuant to a Certificate of Limited Partnership dated December 27, 2012 and filed with the State of Illinois Secretary of State on December 28, 2012. Hope Manor II has one General Partner, Hope Manor II VOA Veterans Housing LLC. (which as a .01% interest). The Corporation is not required to consolidate Hope Manor II as it does not have a controlling interest in the general partnership.

The Corporation issued two junior loans to Hope Manor II. The balances as of June 30, 2014 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	\$	-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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9. RELATED PARTY TRANSACTIONS - CONTINUED

The Corporation paid for various construction and utility expenses on behalf of Hope Manor II totaling \$149,824 during the year ended June 30, 2014, of which \$117,680 was repaid. The remaining \$31,164 is shown as Due from Hope Manor II on the statement on financial position.

Hope Manor I

The Corporation has also sponsored certain loans to the Limited Partnership as described in Note 6.

National

The Corporation received grant funding titled "Helping Hands" from National in the amount of \$1,600 for the period of February 1, 2014 to January 31, 2015. The amount expended was \$1,600 for the year ended June 30, 2014.

During the year ended June 30, 2014, the Corporation received \$1,239,208 from National in order to fund salaries and fringe benefits paid to the Corporation's employees who work in the housing service program.

As a chartered affiliate of National, The Corporation received supporting services from National for a fee. The total fee charged by National during 2014 was \$142,041. The amounts that comprise the additional balances due to National at June 30, 2014 are summarized below:

Volunteers of America of Illinois	
Affiliate fees	\$ 6,789
Risk pool fees	3,022
Developer fees	<u>99,443</u>
	109,254
West Side Veterans Housing, LP:	
Building costs	<u>9,455</u>
Total consolidated balances due	<u>\$ 118,709</u>

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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11. LEASED FACILITIES

The Corporation leases facilities used for program services under operating leases, which expire on April 30, 2017. Lease expense for the year ended June 30, 2014 was \$182,769.

Future minimum rental payments are as follows:

Year ended June 30,	Amount
2015	\$ 184,304
2016	189,344
2017	161,370
	<u>\$ 535,018</u>

12. CONCENTRATION OF CREDIT RISK

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

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, 2014. 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 or 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.

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.