Heartland Alliance for Human Needs & Human Rights

Consolidated Financial Report
June 30, 2012

Contents

McGladrey

Independent Auditor's Report

To the Board of Directors
Heartland Alliance for Human Needs & Human Rights
Chicago, Illinois

We have audited the accompanying consolidated statement of financial position of Heartland Alliance for Human Needs & Human Rights (the Agency) as of June 30, 2012, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these consolidated 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 about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18 to the financial statements, the Agency has restated beginning net assets to correct for errors in the application of accounting principles. We audited the adjustments described in Note 18 that were applied to restate the July 1, 2011 financial statement balances. In our opinion, such adjustments are appropriate and have been properly applied.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as of and for the year ended June 30, 2012, as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information as of and for the year ended June 30, 2012 has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as of and for the year ended June 30, 2012 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McGladrey LLP

Chicago, Illinois
January 17, 2013

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Financial Position
June 30, 2012

Assets	
Cash	$ 7,214,914
Restricted cash	1,745,900
Investments	7,751,067
Accounts receivable:	
Program service grants and fees	13,271,122
Pledges receivable	3,801,020
Patient services	248,809
Other	200,255
Allowance for contractual adjustments, discounts and bad debts	(590,595)
Prepaid expenses and other current assets	1,827,402
Escrow and reserve accounts	6,243,986
Investment in limited partnerships	36,125
Investment in affiliates, equity method	485,365
Receivables due from limited partnerships	516,239
Notes receivable	8,278,151
Property and equipment, net	75,724,496
Deferred financing fees, net	1,300,579
Residual interest	6,068,116
Total assets	$ 134,122,951
Liabilities and Net Assets	
Liabilities	
Accounts payable and other accrued expenses	$ 9,347,741
Accrued payroll and related liabilities	3,079,045
Deferred revenue	8,833,735
Liability for self-insurance claims	1,125,000
Deferred rent liability	226,668
Deferred compensation plan liability	253,756
Accrued interest payable	874,181
Debt obligations	46,930,719
Total liabilities	70,670,845
Net Assets	
Unrestricted:	
Undesignated and controlling interests	41,481,592
Non-controlling interests	9,390,970
Board designated	1,212,579
Total unrestricted net assets	52,085,141
Temporarily restricted	11,178,930
Permanently restricted	188,035
Total net assets	63,452,106
Total liabilities and net assets	$ 134,122,951

The accompanying notes are an integral part of the consolidated financial statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Activities
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Contributions	$ 2,876,729	$ 7,480,322	$ -	$ 10,357,051
Program services:				
Grants, contracts, reimbursements and client fees	62,043,711	85,557	-	62,129,268
Allocation from United Way of Chicago	212,000	-	-	212,000
Contributed services and in-kind revenue	4,048,674	-	-	4,048,674
Patient services, net of contractual adjustments and discounts	1,058,936	-	-	1,058,936
Rental income	4,304,377	-	-	4,304,377
Housing development	820,209	-	-	820,209
Interest and investment income	856,362	-	-	856,362
Other income	1,221,341	-	-	1,221,341
Net assets released from restrictions	6,217,636	(6,217,636)	-	-
	83,659,975	1,348,243	-	85,008,218
Expenses:				
Program services	69,396,039	-	-	69,396,039
Supporting services:				
Management and general	9,910,632	-	-	9,910,632
Fundraising	788,182	-	-	788,182
	80,094,853	-	-	80,094,853
Increase in net assets before non-budgetary items	3,565,122	1,348,243	-	4,913,365
Non-budgetary items:				
Depreciation and amortization	(4,318,539)	-	-	(4,318,539)
Non-cash contribution - Vital Bridges NFP, Inc.	1,547,118	-	-	1,547,118
Increase in net assets before non-controlling interests and other items	793,701	1,348,243	-	2,141,944
Add back loss attributable to non-controlling interests included in above increase	3,111,132	-	-	3,111,132
Increase in net assets attributable to controlling interests	3,904,833	1,348,243	-	5,253,076
Less loss attributable to non-controlling interests	(3,111,132)	-	-	(3,111,132)
Increase in net assets before other items	793,701	1,348,243	-	2,141,944
Other items:				
Capital contributions in limited partnerships and other entities	2,559,886	-	-	2,559,886
Increase in net assets	3,353,587	1,348,243	-	4,701,830
Net assets, beginning of year, as originally stated	49,684,744	9,830,687	188,035	59,703,466
Prior period adjustments	(953,190)	-	-	(953,190)
Net assets, beginning of year, as restated	48,731,554	9,830,687	188,035	58,750,276
Net assets, end of year	$ 52,085,141	$ 11,178,930	$ 188,035	$ 63,452,106

The accompanying notes are an integral part of the consolidated financial statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services									
	National Immigrant Justice Center	Youth and Residential Services	International Programs	Primary Care Services	Housing Services	Employment and Economic Advancement	Mental Health Services	Prevention and Wellness	Social IMPACT	Cross Cultural Services
Salaries and wages	$ 1,913,690	$ 6,349,528	$ 4,671,410	$ 4,061,673	$ 3,071,122	$ 3,637,109	$ 4,194,534	$ 1,898,702	$ 488,308	$ 201,194
Payroll taxes and fringe benefits	443,367	1,709,200	602,920	915,875	954,811	989,518	1,123,340	546,541	125,623	67,320
Staff expenses	111,178	89,906	1,257,988	134,782	57,864	93,019	80,806	61,727	163,807	17,412
Professional expenses	60,532	113,465	677,903	492,591	157,493	125,767	246,020	45,446	50,250	611,590
Office services	64,301	192,326	359,270	269,075	141,677	193,634	159,455	54,034	21,352	18,274
Occupancy	217,461	1,180,193	472,353	498,536	433,503	648,433	359,501	161,168	51,035	36,709
Equipment	13,254	222,567	193,455	182,047	131,225	102,315	83,525	6,081	14,237	9,329
Client support and supplies	1,994	1,831,334	647,423	1,727,394	2,906,458	1,042,575	1,060,681	47,871	951	3,830
Subrecipients	5,000	-	2,575,685	848,535	142,461	290,677	-	29,105	-	-
Contributed services and in-kind expenses	61,907	195,899	-	303,398	-	674,715	135,000	-	-	-
Real estate development and	-	-	-	-	-	-	-	-	-	-
property management	-	-	1,161	490	-	100	352,272	300	-	11
Interest expense	-	-	-	9,097	-	-	12,028	-	-	1,459
Uncollectible accounts	7,408	-	87,267	(11,916)	-	3,397	(43,162)	-	40,156	(28,066)
	2,900,092	11,884,418	11,546,835	9,431,577	7,996,614	7,801,259	7,764,000	2,850,975	955,719	939,062
Depreciation and amortization	2,941	361,390	80,179	360,242	2,701	39,077	46,127	10,050	-	-
	$ 2,903,033	$ 12,245,808	$ 11,627,014	$ 9,791,819	$ 7,999,315	$ 7,840,336	$ 7,810,127	$ 2,861,025	$ 955,719	$ 939,062

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2012

	Program Services (Continued)						Supporting Services			
	Research and Policy	Refugee & Immigrant Community Services	Dental Services	Affordable and Supportive Housing	Other Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2012
Salaries and wages	$ 270,831	$ 143,344	$ 162,756	$ 1,097,884	$ 347,367	$ 32,509,452	$ 6,273,869	$ 264,844	$ 6,538,713	$ 39,048,165
Payroll taxes and fringe benefits	60,714	37,708	19,833	293,820	(1,938,745)	5,951,845	784,779	55,232	840,011	6,791,856
Staff expenses	26,063	5,138	11,186	4,849	43,905	2,159,630	383,196	216,056	599,252	2,758,882
Professional expenses	199,019	27,781	1,387	-	314,623	3,123,867	695,519	29,400	724,919	3,848,786
Office services	15,974	7,219	6,250	-	23,990	1,526,831	528,831	46,224	575,055	2,101,886
Occupancy	34,023	13,880	-	778,367	1,767	4,886,929	854,357	28	854,385	5,741,314
Equipment	7,079	9,817	2,586	-	6	977,523	218,011	2,078	220,089	1,197,612
Client support and supplies	-	7,241	-	-	2,343	9,280,095	(325,226)	14,275	(310,951)	8,969,144
Subrecipients	-	-	-	-	-	3,891,463	(59,565)	-	(59,565)	3,831,898
Contributed services and in-kind expenses	-	13	-	-	-	1,370,932	59,697	160,045	219,742	1,590,674
Real estate development and						-				
property management	-	5	-	1,916,648	110,522	2,381,509	10,343	-	10,343	2,391,852
Interest expense	5,000	417	253	1,211,197	-	1,239,451	86,568	-	86,568	1,326,019
Uncollectible accounts	-	-	-	19,815	21,613	96,512	400,253	-	400,253	496,765
	618,703	252,563	204,251	5,322,580	(1,072,609)	69,396,039	9,910,632	788,182	10,698,814	80,094,853
Depreciation and amortization	-	-	-	3,049,268	2,902	3,954,877	363,662	-	363,662	4,318,539
	$ 618,703	$ 252,563	$ 204,251	$ 8,371,848	$ (1,069,707)	$ 73,350,916	$ 10,274,294	$ 788,182	$ 11,062,476	$ 84,413,392

The accompanying notes are an integral part of the consolidated financial statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows from Operating Activities		
Increase in net assets	$	2,141,944
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization		4,184,878
Amortization of deferred financing fees		133,661
Provision for bad debts		298,537
Contributed land and building		(2,458,000)
Unrealized gains on investments		(110,268)
Allocated loss from equity method investment		8,351
Non-cash contribution recognized from Vital Bridges NFP, Inc. acquisition		(1,547,118)
Effects of changes in operating assets and liabilities:		
Restricted cash		(1,035,018)
Accounts receivable:		
Program service grants and fees		1,417,415
Patient services		90,468
Other		976,997
Pledges receivable		(1,050,053)
Prepaid expenses and other current assets		302,398
Accounts payable and other accrued expenses		550,514
Accrued payroll and related liabilities		396,244
Accrued interest payable		700,067
Liability for self-insurance claims		450,000
Deferred rent liability		(9,444)
Deferred compensation plan liability		6,833
Deferred revenue		190,907
Net cash provided by operating activities		5,639,313
Cash Flows from Investing Activities		
Additions to property and equipment		(8,446,439)
Purchases of investments		(1,368,682)
Proceeds from sale of investments		841,422
Issuance of note receivable		(5,472)
Proceeds from notes receivable		168,679
Payments to escrow accounts		(2,205,333)
Proceeds from escrow accounts		1,485,177
Cash acquired through Vital Bridges NFP, Inc. acquisition		431,371
Net cash used in investing activities		(9,099,277)

The accompanying notes are an integral part of the consolidated financial statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Cash Flows (Continued)
Year Ended June 30, 2012

Cash Flows from Financing Activities		
Capital contributions in limited partnerships and other entities	$	2,559,886
Repayments of borrowings		(2,089,676)
Proceeds from borrowings		1,964,307
Deferred financing fees		(145,658)
Net cash provided by financing activities		2,288,859
Decrease in cash		(1,171,105)
Cash:		
Beginning of year		8,386,019
End of year	$	7,214,914
Supplemental Disclosure of Cash Flow Information		
Interest paid	$	1,326,019
Supplemental Schedule of Noncash Investing and Financing Activities		
Acquisition of Vital Bridges NFP, Inc.:		
Fair value of assets acquired:		
Cash	$	431,371
Investments		101,628
Property and equipment, net		578,000
Other, primarily government receivables		616,927
Liabilities assumed, primarily accounts payable and deferred revenue		(180,808)
Non-cash contribution recognized	$	1,547,118

The accompanying notes are an integral part of the consolidated financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Heartland Alliance for Human Needs & Human Rights (the Agency, or Heartland Alliance) is a leading anti-poverty organization in the Midwestern United States and believes that all people deserve the opportunity to improve their lives. Each year, the Agency helps ensure this opportunity for more than one million people around the world who are homeless, living in poverty, or seeking safety. The Agency's policy efforts strengthen communities; its comprehensive services empower those it serves to rebuild and transform their lives.

The Agency, headquartered in Chicago, Illinois, operates both in the United States and around the world providing a wide array of services that equip people with the four essential tools they need to rebuild their lives – housing, health care, jobs, and justice.

The accompanying consolidated financial statements include the activities of the Agency and its affiliated organizations, Heartland Health Outreach, Inc. (HHO), Heartland Human Care Services, Inc. (HHCS), and Heartland Housing Inc. (HH), whose respective by-laws designate the Agency as their sole voting member. The Agency and these affiliated organizations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

HHO provides health care that addresses the physical, mental and social needs for those who are homeless or have serious disabling conditions. The Agency goes outside the walls of its clinics and into the community—like the streets and parks—to provide health care.

HHCS assists individuals and families living in poverty to meet their basic human needs and create opportunities for economic success. The Agency relentlessly works with people in harm's way to move them to places of stability and success.

HH develops quality, affordable housing with supportive services that help struggling low-income individuals live with stability and success. The Agency specializes in working with those others see as hard-to-house who'd likely live on the streets without the Agency.

HH is the sole voting member of several corporations which were formed to hold ownership interests in real estate projects. As a result of its level of control and economic interest in these corporations, HH consolidates their balances and activities. These affiliated corporations are as follows:

- Argyle Neighborhood Development Corporation (Argyle)
- Diversey Neighborhood Development Corporation (Diversey)
- Drexel Neighborhood Development Corporation (Drexel)
- Ellis Neighborhood Development Corporation (Ellis)
- Hollywood Sheridan Neighborhood Development Corporation (Hollywood)
- Leland Neighborhood Development Corporation (Leland)
- Mayfield Neighborhood Development Corporation (Mayfield)
- North Avenue Neighborhood Development Corporation (North Avenue)
- South Shore Neighborhood Development Corporation (South Shore)
- Sutherland Neighborhood Development Corporation (Sutherland)
- Heartland ABLA Rental NFP (ABLA)
- Heartland ABLA Rental NFP II (ABLA II)
- Heartland Housing Highland, LLC (HH Highland)
- 1218 W. Highland Avenue, LLC (1218 W. Highland)
- Fond du Lac MM, LLC (Fond du Lac MM)
- Viceroy GP, LLC (Viceroy)

Drexel, Hollywood, Leland, Mayfield, North Avenue, South Shore, HH Highland, and 1218 W. Highland are taxable as corporations under federal and state law. None of these entities paid taxes in fiscal year 2012. The other corporations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Several of the corporations each hold an ownership interest in a limited partnership or limited liability company, which own a real estate project. As a result of their controlling interest, the corporations consolidate the balances and activities of the following:

Drexel Jazz Limited Partnership (Drexel LP)
Hollywood House Limited Partnership (Hollywood LP)
Leland Limited Partnership (Leland LP)
Mayfield Limited Partnership (Mayfield LP)
North Avenue Limited Partnership (North Avenue LP)
1218 W. Highland Avenue, LLC (Prairie LLC)
Fond du Lac Apartments, LLC
Viceroy Limited Parnership (Viceroy LP)

Leland LP, North Avenue LP, and Drexel LP were existing and active organizations prior to 2012 but are being included in the consolidated financial statements for the first time, effective July 1, 2011 (Note 18). Viceroy LP is a new entity, formed in fiscal year 2012.

The Agency, as used in these consolidated financial statements, refers to Heartland Alliance for Human Needs & Human Rights individually or collectively with its affiliated organizations. Significant accounting policies followed by the Agency are as follows:

Basis of accounting: The consolidated financial statements have been prepared using the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of presentation: The Agency follows the accounting guidance for financial statements of nonprofit organizations which requires that net assets and related revenue, expenses, gains and losses be classified into three classes of net assets - unrestricted, temporarily restricted and permanently restricted, based upon the existence or absence of donor-imposed restrictions. These net asset classes are described as follows:

Unrestricted: Those resources with no legal or donor-imposed restrictions, including designated amounts the Agency's Board of Directors have set aside for discretionary purposes.

Temporarily restricted: Temporarily restricted net assets arise from contributions whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be fulfilled by actions of the Agency pursuant to those restrictions. When a donor restriction expires or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted: Permanently restricted net assets are subject to the restrictions of gift instruments requiring the principal to be maintained intact and the income to be used for the general operating purposes of the Agency.

Principles of consolidation: Due to its control and economic interest, the Agency's consolidated financial statements include the accounts and activities of the various affiliated organizations as described above.

Non-controlling interests are ownership interests in real estate projects that are not attributable to the Agency, HH, or the various HH consolidated entities. The balances and activities of the real estate projects are fully included in the consolidated financial statements, and the non-controlling interests are reflected as a separate component of consolidated unrestricted net assets and changes in unrestricted net assets.

Significant transactions and balances between and among the Agency and its various consolidated affiliates have been eliminated in consolidation.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Revenue recognition: Contributions and promises to give are recorded in the period received as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. A conditional promise to give (such as a matching grant) is recognized when the condition is satisfied.

Bequests are recorded as revenue when the Agency has received notice of an unconditional beneficial interest and the amount can be reasonably estimated.

Contributed land and buildings are recorded as in-kind revenue at estimated fair value, based on appraisals.

Revenues derived from services (primarily through grants) are recorded in the period the services are provided.

Program activity revenue is recorded in the fiscal year the activity takes place. Amounts received as advance payment for these activities are deferred, and are recorded in the financial statements as deferred revenue. Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met.

Patient services revenue is reported at estimated net realizable amounts from patients, third-party payers and other payers for medical services rendered, including retroactive adjustments under reimbursement agreements with third-party payers, which are subject to audit by administrating agencies. These adjustments are considered in the recognition of revenue on an estimated basis and are adjusted in future periods, as final settlements are determined. The Agency provides care to certain patients under Medicare and Medicaid payment arrangements. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action.

Concentrations: The Agency and its affiliated organizations receive a substantial portion of its operating funds from grants and awards. These funds are reported as unrestricted revenues as the grants reimburse the Agency and its affiliated organizations for services provided. Grant funding from the federal government represents approximately 52 percent of total support and revenue for the year ended June 30, 2012. If this support were discontinued, it would have a material adverse effect on the Agency.

The Agency did not receive similar levels of funding in fiscal 2012 under the federal government's American Recovery and Reinvestment Act as it did in recent years. Funding under this or similar programs concluded in fiscal year 2011, as scheduled.

Cash: The Agency maintains its cash balances in bank and money market accounts which may exceed Federal Deposit Insurance Corporation limits from time to time. The Agency has not experienced any losses in such accounts and management believes that the Agency is not exposed to any significant credit risk on cash.

Restricted cash: Restricted cash represents funds that are segregated for contractual obligations and for participant pass-through accounts. This cash is available exclusively for designated purposes and not for general operations.

Investments: Investments in equity securities with readily determinable fair values and all debt securities are stated at fair value as of the reporting date, based on quoted market prices. Changes in fair value are recorded as unrealized gains and losses and are included in interest and investment income in the consolidated statement of activities.

Accounts receivable: Accounts receivable is comprised of amounts due from different funding sources, donors and other parties. Program service grants and fees primarily represent amounts owed under multiple government grants. Management closely monitors outstanding balances and allows for, as of year-end, any balances that are not expected to be fully collected.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Accounts receivable also include amounts due for patient services rendered. Patient services receivable where a third-party payer is responsible for the payment are carried at a net amount determined by the original charge for the service provided, less an estimate for contractual adjustments or discounts provided to third-party payers. Patient services receivable due directly from patients are carried at the original charge for the service provided, less amounts covered by third-party payers. An estimated allowance for doubtful accounts is also recorded. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. Patient accounts receivable are written-off when deemed uncollectible. Recoveries of accounts receivable previously written-off are recorded as a reduction of the provision for uncollectible accounts when received. The Agency determines when an account is past due based on payer classifications. The Agency does not charge interest on past due accounts. The allowance at June 30, 2012 totaled $104,944.

Pledges receivable are recorded for donors' unconditional promises to give to the Agency and represent future collections on promised amounts. Conditional promises to give are recognized in the consolidated financial statements when the applicable conditions are substantially met. Management reviews outstanding balances and determines an allowance for uncollectible amounts based on historical experience and an analysis of specific accounts. Uncollectible accounts are written-off in the year they are deemed to be worthless. As all balances are deemed fully collectible by management, no allowance has been recorded as of June 30, 2012.

Pledges receivable are also recorded net of a discount to present value applied to the long-term portion of any multi-year pledge. The discount rate used is an estimate made by management and represents a risk-adjusted rate of return. The amount of the computed discount is amortized over the term of the pledge and is recorded as contribution revenue.

Investments (equity method): Under the equity method of accounting, the Agency records its allocable share of income and losses in its investment in various unconsolidated entities.

The Agency has a 25 percent interest in Alliance of Chicago Community Health Services, L3C, totaling $453,865 at June 30, 2012. In addition, the Agency has a 20 percent interest in Lathrop Community Partners LLC, totaling $31,500 at June 30, 2012. These are reflected as investments in unconsolidated affiliates on the statement of financial position. Investments in limited partnerships which are not consolidated are recorded similarly.

Property and equipment: All acquisitions of property and equipment with a cost of $5,000 or more are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is being provided using the straight-line method over the estimated useful lives of the assets which range from 5 to 40 years for buildings and improvements and 3 to 7 years for furniture, equipment, and vehicles. Amortization of leasehold improvements is generally being provided over 5 to 10 years, representing the lesser of the estimated useful lives of the improvements or the term of the lease.

The Agency reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Deferred financing fees: Certain fees paid in connection with the Agency's debt are capitalized as deferred financing fees and are being amortized using the straight-line method over the term of the loans. Total amortization expense for the year ended June 30, 2012 was $133,661.

Liability for self-insurance claims: Under its self-insurance plan, the Agency accrues the estimated expense of health care claims costs based on claims filed subsequent to year-end and an additional amount for incurred but not yet reported claims based on prior experience. The accrued liability for self-insurance was $1,125,000 at June 30, 2012. Claims payments based on actual claims ultimately filed could differ from this estimate.

Deferred rent liability: Base rent under the lease for the Agency's administrative office is being recognized as rental expense on the straight-line basis over the lease term. The cumulative excess of rental expense recognized over rentals paid is recorded as a deferred rent liability.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Deferred revenue: Deferred revenue is recorded for government funds and other amounts received in advance and which will be recognized as revenue in the year when the related services are provided or expenses are incurred.

Contributed services and in-kind revenue: The Agency records the fair market value of contributed services if the contributed services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would need to be purchased if not provided by donation. The Agency uses the services of various professionals and other volunteers possessing specialized skills without charge for various program and administrative functions. During the year ended June 30, 2012, the Agency received approximately 50,000 hours of these contributed services and has recorded the value of such as revenue and expense in the consolidated statement of activities. The Agency also coordinated over 47,000 hours of donated legal services during the year ended June 30, 2012. However, the Agency acted merely as an intermediary between pro-bono attorneys and beneficiaries of those services, and considers these to be agency transactions. Therefore, the Agency does not recognize these services in its financial statements. Other volunteer services received during the year are also not reflected in the consolidated financial statements because they do not meet the criteria for recognition as contributed services.

Donated supplies are recorded at their fair market value on the date of donation. The Agency has recorded the value of such supplies received as revenue and expense in the consolidated statement of activities. The estimated value of these supplies was determined to be $469,174 for the year ended June 30, 2012.

Rental income: Real estate projects generate apartment rental income which is recognized as revenue when rentals become due. Rental payments received in advance are deferred until earned. All leases between the real estate projects and the tenants are operating leases.

Real estate taxes: The Agency accrues real estate taxes in connection with real estate projects for the period they are assessed; when final tax bills have not been issued for an assessment period, real estate taxes are estimated based on previous assessments and based on known changes to a property's assessed value.

Fair value of financial instruments: The fair value of the Agency's other assets and liabilities that qualify as financial instruments under the accounting guidance on measuring fair value of financial instruments approximates the carrying amounts presented in the consolidated statement of financial position due to the short-term maturity of these investments. The carrying amounts reflected in the consolidated statement of financial position for notes and pledges receivable and debt obligations approximate their respective fair values because discount and interest rates applied are consistent with current market rates. Management has estimated the fair values by discounting expected cash flows using interest rates that management believes are approximately equal to the interest rates currently available for similar financing arrangements.

Functional expenses: Operating expenses directly identified with a functional area are charged to that area and, where those expenses affect more than one area, they are allocated based on estimates made by management.

For grant reporting purposes, the Agency reflects property and equipment purchases as expenses. However, the Agency records these capital expenditures as additions to property and equipment, in accordance with generally accepted accounting principles for financial statement reporting purposes.

Income taxes: The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Agency may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency, and various positions related to the potential sources of unrelated business taxable income. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. Management has determined that there are no uncertain tax positions during the reporting periods covered by these financial statements.

The Agency's tax filings are generally no longer subject to examination by the Internal Revenue Service for tax years before 2009.

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates: The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

New accounting guidance: During the year ended June 30, 2012, HHO adopted the disclosure guidance contained in the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure - a consensus of the FASB Emerging Issues Task Force*. This ASU requires that the measurement of charity care by a health care entity for disclosure purposes be based on the direct and indirect costs of providing the charity care and that HHO provide disclosure regarding the method used to identify or determine such costs. The measurement and disclosure requirements in this guidance were required to be applied to all periods presented in the financial statements.

Pending pronouncements: In July 2011, the FASB issued ASU 2011-07, *Health Care Entities (Topic 954) – Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. ASU 2011-07 requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay, to change the presentation of their statement of operations by reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue (net of contractual allowances and discounts). Additionally, ASU 2011-07 requires those health care entities to provide enhanced disclosure about their policies for recognizing revenue and assessing bad debts, disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts.

For nonpublic entities such as HHO, the provisions of ASU 2011-07 are effective for the first annual period ending after December 15, 2012, and interim and annual periods thereafter. HHO is assessing the impact of the implementation of ASU 2011-07 on its financial statements.

Note 2. Investments

Investments consisted of the following at June 30, 2012:

Certificates of deposit	$ 449,880
Mutual funds:	
Domestic bond	2,756,670
International bond	443,752
Domestic equity	2,233,082
International equity	886,477
	6,769,861
Cash and equivalents	981,206
	$ 7,751,067

A portion of the investment balance totaling $253,756 is reserved for the Agency's deferred compensation plan.

For the year ended June 30, 2012, interest and dividends totaled $321,460, unrealized gains were $110,268 and investment management fees totaled $34,913. Interest and investment income as reflected on the statement of activities also includes amounts from other sources, including notes receivable.

Note 3. Fair Value Measurements

The Agency records its investments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Agency utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

Level 1. Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Agency has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2. Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3. Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Agency's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Agency assesses the levels of the investments at each measurement date. Transfers between levels are required to be recognized on the actual date of the event or change in circumstances that caused the transfer. For the year ended June 30, 2012, there were no such transfers.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments. Investments are exposed to various risks such as interest rate, market and credit risks. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported. Investments received as contributions are recorded at fair value, based upon quoted market prices.

At June 30, 2012, the Agency's investments are comprised primarily of mutual funds listed on a national securities exchange and stated at the last reported sales price on the day of valuation. These financial investments are classified as Level 1 in the fair value hierarchy.

Note 4. Pledges Receivable

Pledges receivable are as follows at June 30, 2012:

Expected collections in less than one year	$ 2,941,449
Expected collections in one to five years	891,500
	3,832,949
Less discount to present value	(31,929)
	$ 3,801,020

Note 5. Escrow and Reserve Accounts

In connection with the development of their properties, certain Agency affiliates are required to maintain various escrow and reserve accounts. Balances and activity in these accounts were as follows for June 30, 2012:

	July 1, 2011	Deposits (including interest income)	Withdrawals	June 30, 2012
Argyle				
Reserve for replacements	$ 100,872	$ 4,998	$ 20,551	$ 85,319
Diversey				
Reserve for replacements	109,799	14,700	13,808	110,691
Real estate tax and insurance escrow	41,898	39,815	35,660	46,053
Ellis				
Reserve for replacements	121,487	22,000	49,500	93,987
Mayfield LP				
Reserve for replacements	143,244	6,363	146,877	2,730
Real estate tax and insurance escrow	21,739	16,378	-	38,117
Reserve for operating deficit	456,835	-	-	456,835
Hollywood LP				
Construction escrows	1,604,545	150,868	454,478	1,300,935
Reserve for replacements	1,054,077	149,163	101,500	1,101,740
Real estate tax and insurance escrow	507,979	302,950	52,342	758,587
Negative arbitrage reserve	-	669,834	-	669,834
Prairie				
Real estate tax and insurance escrow	32,000	-	-	32,000
Reserve for operating deficit	141,800	7,635	9,000	140,435
Fond du Lac				
Reserve for replacements	-	29,671	20,000	9,671
Leland LP				
Reserve for replacements	471,813	80,552	69,027	483,338
Real estate tax and insurance escrow	28,393	73,137	84,527	17,003
North Avenue LP				
Reserve for replacements	121,682	34,316	18,648	137,350
Real estate tax and insurance escrow	423,660	402,621	366,353	459,928
Drexel LP				
Reserve for replacements	142,007	68,817	42,906	167,918
Viceroy LP				
Reserve for replacements	-	131,515	-	131,515
	$ 5,523,830	$ 2,205,333	$ 1,485,177	$ 6,243,986

Diversey and Ellis received $153,128 and $308,573, respectively, in rent subsidies during fiscal 2012, from the U.S. Department of Housing and Urban Development (HUD) under the Section 8 Housing Assistance Payments Program, pursuant to contracts with HUD expiring in fiscal 2012, renewed annually.

Note 6. Limited Partnerships and Other Entities

The several HH affiliate corporations hold general partner interests in various limited partnerships and member interests in various limited liability companies. The limited partnerships and other entities own and operate residential apartment buildings which qualify for low income housing tax credits. This is summarized as follows:

HH Affiliate Corporations	GP or Member Interest	Limited Partnerships and Other Entities	Year Formed	Number of Units
Drexel	0.01%	Drexel LP	2002	39
Hollywood	0.01%	Hollywood LP	2008	197
Leland	0.01%	Leland LP	2004	137
Mayfield	1.00%	Mayfield LP	1997	39
North Avenue	0.01%	North Avenue LP	2000	62
Sutherland	See below	Sutherland LP		
ABLA	0.0025%	Roosevelt Square I LP	2004	184
ABLA II	0.0025%	Rosevelt Square II LP	2008	177
HH Highland	0.007%	Highland MM, LLC	2008	197
1218 W. Highland	0.01%	Prairie LLC	2008	24
Fond du Lac MM	0.01%	Fond du Lac Apartments, LLC	2009	38

The Agency's consolidated financial statements include the balances and accounts of the entities listed above, including the residential real estate projects owned by the limited partnerships and other entities.

The limited partnerships have received an allocation of low income housing tax credits from a state or federal agency to assist in developing, operating, and managing affordable housing developments. Each property from these developments has qualified for and has been allocated low income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the development as to occupant eligibility and unit gross rent, among other requirements. Each property development must meet the provisions of these regulations during each of the first 15 years in order to remain qualified to receive the credits. If the development remains in compliance, the credits will be allocated over a 10-year period. The properties for several of these real estate projects are also subject to various other contractual limitations.

After the 15-year tax credit compliance periods lapse, the Agency generally has options to acquire the non-controlling interests in the real estate projects, at prices to be negotiated with the non-controlling interests, which should result in the Agency acquiring those interests without a material expenditure.

As to Leland, Mayfield, North Avenue, Drexel, HH Highland, and Hollywood, an HH entity is the sole general partner. Highland MM, LLC is jointly owned by HH Highland (70%) and an unrelated entity, Guest House Highland, LLC (30%).

In a prior year, HH acquired the remaining unrelated third party general and limited partner interests of Sutherland LP, effectively terminating the limited partnership.

The limited partnership and operating agreements include provisions which may result in annual income and loss allocations different from the ownership percentages presented above. In addition, the respective partnership agreements provide for various obligations of the general partners, including their obligation to provide funds for any development and operating deficits.

HH and Leland have provided a guarantee for Leland LP's repayment of a $700,000 junior mortgage loan which matures in 2026.

ABLA and ABLA II do not hold controlling interests in Roosevelt Square I LP and Roosevelt Square II LP (RS II), which are Illinois limited partnerships. Therefore, their ownership interests are included in investments in limited partnerships, as reflected on the consolidated statement of financial position.

Note 6. Limited Partnerships and Other Entities (Continued)

Residual interest

In July 2007, HH entered into a subordinate note receivable due from RS II in the amount of $6,068,116. The note provides for interest at 5.15 percent compounded annually, and matures in July 2047. No principal or interest payments are due before maturity. At June 30, 2011, the Agency reported an outstanding balance for the note of $7,375,779 including accrued interest of $1,307,663.

The note was issued by RS II in exchange for a 99-year lease (the land leasehold) to certain land parcels, which lease had been donated to HH by the Chicago Housing Authority, and which HH then assigned to RS II. The donation was recorded as contribution revenue by HH in 2007 at its $6,068,116 estimated fair value on the contribution date.

In fiscal year 2012, the Agency determined that no interest should have been accrued on the note in previous years due to uncertainty about the collectability of that interest. Any interest or principal that HH might collect on the note will be recorded as income if and when collected in the future. Accumulated but unrecorded interest income on the note through June 30, 2012 totals $1,724,784, including $417,121 for fiscal year 2012.

Further, the asset reported by HH is described as a “residual interest”. Management expects that, at the conclusion of the 15-year housing credit compliance period for RS II, (a) HH will become the owner of the RS II property subject to then-existing obligations to lenders; (b) the note receivable with HH will be eliminated since it would then be both the debtor and the lender; and (c) RS II will continue to benefit from the land leasehold for its remaining term. Accordingly, HH’s actual asset is the residual interest in the note collateral (the land leasehold).

The Agency has restated and reclassified its notes receivable balance at July 1, 2011 to reverse accrued interest and to reflect its asset as a residual interest (Note 18).

Receivables due from limited partnerships

Two other subordinated notes due from RS II in the aggregate amount of $516,239 are included in the financial statements as receivables due from limited partnerships. These notes are reported net of an interest rate discount that was imputed when the loans were funded in 2007. HH is not presently accruing interest on the notes, since no present payments are required and they do not mature until 2047. At June 30, 2012, RS II has approximately $31,000,000 of mortgage debt outstanding, including $3,154,223 face amount of the two notes described above.

Other limited partnership matters

In fiscal 2012, HH received from the City of Chicago and recorded as in-kind revenue donated land and building with an estimated fair value of $2,458,000. This property is the site for a new development, Viceroy LP’s 89-unit permanent supportive housing project for single adults. Viceroy, which holds a general partner interest in Viceroy LP, is co-owned with an unrelated entity, First Baptist Congregational Church. The project is being developed for an estimated total cost of $22,300,000, including a $13,300,000 construction contract; financing sources include low income housing tax credits from Illinois Housing Development Authority (IHDA), Illinois affordable housing tax credits and tax increment financing. The donated land and building, the fair value of which has been recorded on the financial statements as unrestricted in-kind revenue, are subject to various contractual limitations.

HH is required through the tax credit, development, and operating agreements to provide a guarantee that ensures the project stays in compliance with the regulatory agency, construction of the project is completed, and the project operates within investor projections and continues to be financially sustainable over the course of the compliance period. Except for North Avenue LP and Leland LP, HH could be called upon to fund these guarantees in the future. The operating guarantee is calculated by making adjustments to changes in net assets for depreciation, accruals and reserves withdrawals.

Note 7. Notes Receivable

Notes receivable at June 30, 2012 are as follows:

Tax Increment Financing (TIF) note due from City of Chicago to Hollywood LP, in annual payments on March 1 of $575,824, including interest at a rate of 7.09 percent, through 2028.	$	5,651,348
Junior mortgage note due from Monteclare Senior Residences of Avalon Park Phase I, LLC to HHCS, bearing interest at 4.32 percent per annum; principal and any accrued unpaid interest are due in 2046; interest is payable beginning in 2030 from net cash flow in a manner set forth in LLC's operating agreement.		1,530,000
Accrued interest		257,002
Junior mortgage note due from Monteclare Senior Residences of Avalon Park Phase I, LLC to HHCS, bearing interest at 2.50 percent per annum; principal and interest are due in 2046.		688,431
Accrued interest		65,290
Unsecured promissory note due from Heartland International Health Center (an affiliated entity - Note 15) to Heartland Alliance, due in monthly installments of $4,932 including interest at a rate of 2.28 percent, through June 2013.		58,080
Related amount due from Heartland International Health Center to Heartland Alliance.		28,000
	$	8,278,151

A TIF note for $5,900,000 from the City of Chicago was issued December 18, 2008 and accrues interest annually effective April 1, 2011. Payments are made to the extent the tax increment is available from property taxes paid in the local real estate tax district as long as the developer is in compliance with the terms of the redevelopment agreement. The initial payment on March 1, 2011 was $287,912. If the tax increment is insufficient for the City to pay the debt service on the note, Hollywood LP established a tax increment deficiency fund in the amount of $1,229,552 to service Hollywood's obligation to the City of Chicago (Note 9). Due to the uncertainty of collection, Hollywood LP has recorded the TIF note as notes receivable with an offset account in deferred revenue. Interest and TIF revenue is recognized as TIF payments are received. The TIF note is closed to prepayment until March 1, 2018.

Scheduled future maturities of the TIF note are as follows:

2013	$	181,032
2014		194,290
2015		208,518
2016		223,789
2017		240,178
Thereafter		4,603,541
	$	5,651,348

Note 7. Notes Receivable (Continued)

As part of its expansion into supportive housing and social services to seniors, HHCS entered into a transaction with an unrelated real estate developer to assist in the acquisition of a property in the Woodlawn neighborhood of Chicago in return for a long-term service contract at the facility called Monteclare Senior Residences of Avalon Park Phase I, LLC (Monteclare). In October 2008, the City of Chicago deeded land in the Woodlawn neighborhood to HHCS with an appraised value of $1,530,000. The land was immediately transferred to Monteclare in exchange for a junior mortgage in the same amount. At the same time, the City of Chicago also transferred to HHCS a Donation Tax Credit in the amount of $688,431, which was sold to Bank of America. The proceeds from this sale were lent to Monteclare in return for a note receivable secured by a junior mortgage on the facility.

In July 2010, HHO received a program related investment (PRI) from the Washington Square Health Foundation (Foundation) in amounts totaling $100,000 in support of the Alliance of Chicago Community Health Services (the Alliance; an affiliated, equity-method investee; Note 1). The PRI includes HHO's obligation under promissory notes payable to the Foundation, secured by the assets of the Alliance. HHO then entered into a reciprocal agreement with the Alliance, which includes notes receivable from the Alliance with similar terms. HHO is a pass-through organization for the PRI to the Alliance due to its tax-exempt status. The purpose of the PRI was to support the Alliance's Health Information Technology Enhancement Project. HHO has recorded in its accounting records notes payable and notes receivable, respectively, but has netted their balances for financial reporting purposes. The respective notes are payable in annual installments of $23,097, including interest at a 5.0 percent annual rate, through October 2015, and the outstanding balance of each note was $80,000 at June 30, 2012.

Note 8. Property and Equipment

Property and equipment consisted of the following at June 30, 2012:

Land	$ 3,265,414
Building and improvements	78,904,872
Furniture, equipment and vehicles	5,630,276
Leasehold improvements	3,832,412
Construction in progress	7,230,551
	98,863,525
Less accumulated depreciation and amortization	23,139,029
	$ 75,724,496

The majority of property and equipment consists of HH rental properties, totaling $69,535,331 (net of accumulated depreciation) at June 30, 2012. Construction in progress consists primarily of $6,879,743 for building renovation costs incurred on the Viceroy LP development.

Depreciation and amortization expense on property and equipment was $4,184,878 for the year ended June 30, 2012.

Note 9. Debt Obligations

Notes payable, many of which are subject to certain requirements, including financial covenants, consisted of:

Heartland Alliance		
Note payable to the Ford Foundation for use by HH for the Roosevelt Square project; total available under the arrangement is $1,500,000, of which $500,000 was funded in June 2008 (subsequent fundings are subject to program performance). Annual interest is 1.00 percent and maturity is June 5, 2016.	$	500,000
Unsecured line of credit through Bank of America for general operations. Credit availability under the line is $3,000,000 and the related interest rate is either the Bank of America prime rate plus 1.00 percent or LIBOR plus 1.25 percent. A non-use fee of 0.20 percent is applicable. The line of credit expires on January 31, 2013.		507,375
HHCS		
Note payable to Citibank issued to refinance the 1620-24 W. Chase building. Payments are due in monthly installments of $10,867, including interest at 6.81 percent, maturing on November 26, 2016.		485,532
Non-interest bearing note payable to City of Chicago Department of Housing with principal due in 2036.		645,028
First mortgage loan payable to IFF (a nonprofit community development financial institution). Payments are due in monthly installments of $2,835, including interest of 4.17 percent. The loan matures in November 2019, when all unpaid principal and accrued interest becomes due.		216,704
Mortgage loan payable to IFF. Payments are due in monthly installments of $8,110, including interest of 6.00 percent, maturing on January 1, 2017.		386,242
Certain of the Agency's assets are pledged to secure these notes.		
HHO		
Five-year note payable to IFF with interest payable monthly at 5.00 percent and secured by certain property and equipment. The note payable matures on February 1, 2015.		315,982
HH		
Third mortgage loan payable to the City of Milwaukee. The proceeds come from the portion of federal stimulus Neighborhood Stabilization Program (NSP). Upon receipt of certain grant proceeds from the U.S. Department of Housing and Urban Development, HH is required to pay the capital portion of the proceeds ($400,000) as a mandatory prepayment of the NSP loan. The note will mature on August 19, 2030, at which time all remaining principal will become due. The note is secured by a mortgage on the property and an assignments of rents and leases.		441,188
Non-interest bearing note payable to Local Initiatives Support Corporation, due February 1, 2013. The proceeds from this loan were used for predevelopment expenses relating to a low income housing development project in Milwaukee, Wisconsin.		45,956
Note payable to Bank of America Community Development Corp. Interest payments are due monthly at a rate of 30-day LIBOR plus 2.25 percent and $1,800 of principal is paid monthly. Final payment is due May 31, 2015.		217,694

Note 9. Debt Obligations (Continued)

Argyle		
First mortgage loan payable to Community Investment Corporation, (a nonprofit mortgage lender) in the amount of $333,000, due in monthly installments of $2,120, including interest at 5.875 percent through January 1, 2030, at which time any unpaid principal and interest is due. The interest rate is adjusted every five years until the maturity date.	$	318,727
Non-interest bearing second mortgage loan payable to the City of Chicago Department of Housing in the amount of $2,162,013 due in monthly principal installments of $2,083 through June 14, 2033, at which time all principal comes due.		2,012,461
Non-interest bearing third mortgage loan payable to IHDA in the amount of $350,000, due in annual principal payments in the amount of $2,400 until June 14, 2033, at which time the remaining principal comes due.		326,483
Certain Argyle assets are pledged to secure the mortgage loans payable.		
Diversey		
First mortgage loan payable to U.S. Bank payable over 15 years in monthly installments of $7,578, including interest, through April 1, 2013, at which time the remaining principal and accrued interest come due. Payments on the loan, which bears interest (at 9.00 percent), are calculated on a 17 ½ year amortization schedule.		254,422
Junior mortgage loan payable to the City of Chicago Department of Housing. Interest accrues annually at 3.0 percent. The entire principal balance plus accrued interest is due on June 23, 2013 or upon repayment of the first mortgage, if earlier.		1,073,955
Non-interest bearing third mortgage loan payable to IHDA, due 2026.		494,483
Certain Diversey assets are pledged to secure the mortgage loans payable.		
Ellis		
Non-interest bearing first mortgage loan payable to the City of Chicago Department of Housing. Payable in monthly principal installments of $305 through 2036, at which time the remaining principal is due.		2,035,632
Non-interest bearing second mortgage loan payable to IHDA maturing in 2035, payable annually in amounts equivalent to 10 percent of annual surplus cash, as defined.		213,991
Certain Ellis assets are pledged to secure the mortgage loans payable.		
Mayfield LP		
Non-interest bearing mortgage note payable to IHDA in monthly installments of $500 through January 1, 2028, at which time the remaining unpaid balance is due. The note is collateralized by real estate held for lease and an assignment of rents and leases.		1,541,094

Note 9. Debt Obligations (Continued)

<u>Hollywood LP</u>		
First mortgage note insured by HUD is collateralized by a deed of trust on the rental property, and funded from proceeds of the City of Chicago Multi-Family Housing Revenue Bonds (Hollywood House Apartments), Series 2008A at a rate of 6.44 percent per annum. Monthly payments of principal and interest of $78,400 are due through December 2028. From January 2029 until August 2050, monthly payments of principal and interest are due in the amount of $32,627, at which time the remaining principal is due.	$	11,106,239
Mortgage note payable to the City of Chicago, Department of Finance. Principal and interest at 1.00 percent is due and payable in August 2050.		4,873,741
Mortgage note is held by IHDA, in the original amount of $1,250,000. The note is non-interest bearing. Principal payments are due annually, commencing after the 17-month construction period. Principal payments are equal to 9 percent of net cash, as defined in the loan agreement, and available surplus as defined by HUD. Any unpaid principal is due and payable on August 1, 2050.		1,250,000
Mortgage note is held by IHDA, in the original amount of $750,000. The note is non-interest bearing. Principal payments are due anually, commencing after the 17-month construction period. Principal payments are equal to 9 percent of net cash, as defined in the loan agreement, and available surplus as defined by HUD. Any unpaid principal is due and payable on August 1, 2050.		750,000
Certain Hollywood LP assets, namely real estate assignment of rents and leases, fixture filing, interest in building, and improvements thereof are pledged to secure the mortgage loans payable.		
<u>Fond du Lac Apartments, LLC</u>		
First construction loan payable to Citibank, N.A., in the original amount of $2,800,000. The note bears interest at an adjustable interest rate of one month LIBOR plus a 4.0 percent margin using a floor of 5.50 percent. Interest only payments are made through proceeds from the construction loan. The note matured and all remaining principal and interest due was paid in full on September 4, 2012.		2,349,840
Second mortgage loan payable to Wisconsin Housing Economic Development Authority Tax Credit Assistance Program (WHEDA TCAP), non-interest bearing. Commencing on the 16th anniversary of the mortgage loan date, principal is due based on 25 percent of the surplus cash flow for the previous 12 months. The note matures on August 19, 2030, at which time any remaining principal will become due.		1,700,000
Certain Fond du Lac Apartments, LLC assets, namely real estate assignment of rents and leases, fixture filing, interest in building, and improvements thereof are pledged to secure the construction and mortgage loans payable.		

Note 9. Debt Obligations (Continued)

North Avenue LP		
First mortgage loan payable to IHDA in the original amount of $2,300,000. The note is non-interest bearing. Monthly installments of principal only are due in the amount of $417. The note matures on May 1, 2023, at which time any remaining principal is due.	$	2,254,166
Second mortgage loan payable to Illinois Development Housing Authority in the original amount of $750,000. The note is non-interest bearing. Monthly installments of principal only are due in the amount of $100. The note matures on May 1, 2023, at which time any remaining principal is due.		738,800
Certain North Avenue LP assets, namely real estate assignment of rents and leases, fixture filing, interest in building, and improvements thereof are pledged to secure the mortgage loans payable.		
Leland LP		
First mortgage note payable to Bridgeview Bank Group in the original amount of $2,282,840. Monthly installments of $15,949 for principal and interest are due based on a 30-year amortization that began June 2006. The note matures May 2, 2026, at which time any remaining unpaid principal and interest is due.		2,094,945
Second mortgage note payable to the City of Chicago, Department of Housing in the original amount of $1,632,500. The note is interest free and matures on June 1, 2026, at which time the entire outstanding principal is due. The note is guaranteed by an affiliate of the general partner.		1,632,500
Third mortgage, non-interest bearing note payable to IHDA in the amount of $750,000. Commencing July 1, 2006, monthly installments of principal are payable in the amount of $100. The note matures on June 1, 2026, at which time the entire balance is due.		742,700
Fourth mortgage note payable to City of Chicago, LIHTF (low income housing trust fund) in the original amount of $700,000. The note bears no interest and matures on June 1, 2026 at which time the entire balance is due.		700,000
Certain Leland LP assets, namely real estate assignment of rents and leases, fixture filing, interest in building, and improvements thereof are pledged to secure the mortgage loans payable.		
Drexel LP		
First mortgage, non-interest bearing note payable to Chicago Housing Authority in the amount of $3,373,651, maturing on March 6, 2046, at which time the principal is due.		3,373,651
Second mortgage, non-interest bearing note payable to IHDA in the amount of $750,000. Monthly installments of principal only are due in the amount of $100. The loan matures on March 6, 2046, at which time the entire principal is due.		743,000
Third mortgage note payable to the City of Chicago, Department of Housing in the original amount of $558,188. The note bears interest at 5.36 percent per annum. The entire principal and accrued interest are payable at maturity, which is August 1, 2044.		588,188
Certain Drexel LP assets, namely real estate assignment of rents and leases, fixture filing, interest in building, and improvements thereof are pledged to secure the mortgage loans payable.		
	$	46,930,719

Note 9. Debt Obligations (Continued)

Future annual principal payments required under the above obligations are as follows:

2013	$	2,590,301
2014		733,055
2015		868,897
2016		715,538
2017		530,157
Thereafter		41,492,771
	$	46,930,719

Description of Series A Tax-Exempt Bonds

Included in long-term debt is $11,510,000 of Multi-Family Housing Revenue Bonds Series 2008A issued on December 18, 2008 and maturing serially from February 20, 2012 to August 20, 2050, backed by the full faith and credit of the United States of America through GNMA certificates. The bonds were issued pursuant to an ordinance adopted by the City of Chicago Council on September 10, 2008. The proceeds of the bonds were used to: (a) finance a portion of the costs of the acquisition, construction, rehabilitation and equipping of a multi-family mixed income rental development (Hollywood House), (b) establish a bond reserve and project fund in accordance with the trust agreement, and (c) pay costs incurred to issue the bonds. The coupon rates for the bonds range from 3.30 percent to 6.50 percent and interest is payable in February and August each year, starting August 2009. The bonds were discounted by $260,200 to the market interest rate when issued.

Certain bonds which total $7,260,000 are subject to mandatory redemption prior to maturity by lot at par. The bonds may be redeemed starting February 20, 2024 through August 20, 2050 through sinking fund installments. After December 2017, all bonds are optionally redeemable at 102 percent through December 2018, 101 percent from December 2018 to December 2019 and at par thereafter.

The proceeds of the bonds were used to purchase GNMA Securities from PNC Bank (the GNMA Issuer) which enabled the Bank to make the mortgage loan to HHLP. At June 30, 2012, the amount of the mortgage loan outstanding was $11,870,006 and the GNMA Securities purchased by the bond trustee were $11,870,006. These amounts are netted in long-term debt in the consolidated statement of financial position. The mortgage note bears interest at 6.44 percent and the GNMA Securities bear interest at 6.19 percent. Interest expense relating to the mortgage debt used to renovate and construct the building was capitalized during the construction period. Interest on the bonds is expensed net of the interest income relating to the Guaranteed Investment Contract (GIC) purchased with excess bond proceeds and the GNMA Securities.

The Bonds are secured by the GNMA Securities, the GIC investments and the TIF note in the current amount of $5,651,348, which is recorded as notes receivable on the Consolidated Statements of Financial Position (see Note 7). All payments scheduled to be made to PNC Bank under the Mortgage Note will be assigned to the bonds. No partner of HHLP has any personal liability with respect to the bonds.

Note 10. Operating Leases

The Agency occupies its headquarters under an amended lease agreement through 2017. The lease is a net lease which provides for monthly base rentals in amounts up to $24,000, plus the Agency's proportionate share of building expenses and real estate taxes. At June 30, 2012, a deferred rent liability of $226,668 represents the cumulative excess of rental expense recognized on a straight-line basis over the term of the lease and the actual cash outlay for base rentals.

Approximate future minimum rental payments at June 30, 2012 under the office and various other noncancelable leases are as follows:

2013	$ 3,513,000
2014	2,589,000
2015	1,690,000
2016	1,426,000
2017	1,254,000
Thereafter	2,301,000
	$ 12,773,000

Note 11. Changes in Consolidated Unrestricted Net Assets Attributable to Controlling Financial Interests and to Non-Controlling Interests

Changes in the Agency's controlling interests and the non-controlling interests attributable to its investments in consolidated limited partnerships and other entities are as follows:

	Total	Controlling Interest	Noncontrolling Interest
Balance, July 1, 2011, as previously reported	$ 49,684,744	$ 42,689,527	$ 6,995,217
Prior period adjustment	(953,190)	(3,900,189)	2,946,999
Balance, July 1, 2011, as restated	48,731,554	38,789,338	9,942,216
Change in net assets	793,701	3,904,833	(3,111,132)
Capital contributed by non-controlling interests	2,559,886	-	2,559,886
Balance, June 30, 2012	$ 52,085,141	$ 42,694,171	$ 9,390,970

Capital contributed by non-controlling interests represents member or limited partner cash investments received during fiscal year 2012 in certain real estate projects: Fond du Lac Apartments LLC, $303,847; and Viceroy Hotel Limited Partnership, $2,256,039. At June 30, 2012, an aggregate $16,510,760 is scheduled to be collected in the future from non-controlling interests, based on their unpaid capital commitments to the real estate projects.

Note 12. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes:

Care Coordinated Entity (CCE) Development	$	3,500
Chicago community oral health forum		61,803
Employment and economic advancement		176,037
GISHR		371,614
Heartland Center for System Change		45,000
IMPACT		500,889
International programs		1,937,612
Kovler Center		835,951
Mental health services		326,671
National Immigrant Justice Center		4,638,709
Primary health care services		311,266
Research and policy		650,923
Supportive housing and economic protection		525,585
Vital Bridges		9,500
Wellness and prevention		207,353
Youth Residential Services		1,378
Other		575,139
	$	11,178,930

Temporarily restricted net assets were released from restrictions for the following purposes:

Care Coordinated Entity (CCE) Development	$	241,500
Chicago community oral health forum		196,440
Employment and economic advancement		144,709
GISHR		288,386
Heartland Center for System Change		60,000
IMPACT		488,758
International programs		1,005,522
Mental health services		184,600
National Immigrant Justice Center		2,234,992
Primary health care services		47,237
Research and policy		481,983
Supportive housing and economic protection		327,485
Vital Bridges		111,865
Wellness and prevention		270,537
Youth Residential Services		48,622
Other		85,000
	$	6,217,636

Note 13. Acquisition of Vital Bridges NFP, Inc.

Pursuant to a June 22, 2011 agreement and plan of merger, Vital Bridges NFP, Inc., an Illinois not-for-profit corporation, merged with and into HHO effective July 1, 2011, principally for the purpose of establishing the "Vital Bridges Center on Chronic Care," operated as an unincorporated division of HHO (the separate existence of Vital Bridges ceased). Vital Bridges is an organization formed for the purpose of helping people impacted by HIV and AIDS to improve their health and build self-sufficiency by providing food, nutrition, housing, case management, and prevention services.

All assets and liabilities of Vital Bridges at the time of the merger were transferred to HHO and were recorded at their fair values, including estimated fair values for land and building based on appraisals. The excess of assets over liabilities of $1,547,118 is reflected on the Agency's consolidated statement of activities as a non-cash contribution revenue and results in an increase to unrestricted net assets. HHO provided no cash or equity consideration in the transaction.

The agreement and plan of merger includes various covenants, including one requiring HHO to provide the Vital Bridges services through fiscal year 2014.

Note 14. Employee 401(k) Plan

The Agency sponsors the Heartland Alliance 401(k) Plan, which is a defined contribution plan that provides retirement, disability or death benefits to eligible employees of the Agency. All money contributed to the 401(k) plan is held in a trust fund maintained by MG Trust, with a separate account maintained for each participant. Employees are eligible to participate in the 401(k) plan after completing six months of service with the Agency. The 401(k) plan is subject to the provisions of the Employee Retirement income Security Act of 1974 (ERISA), as amended.

The 401(k) plan is designed as a qualified cash deferral arrangement pursuant to the Internal Revenue Code and provides for both employee-directed and employer contributions. Employee-directed contributions are made by the Agency at the direction of the employee and deducted from the employee's direct compensation. The aggregate annual amount of each individual employee-directed contribution is limited to federal dollar limits. The Agency contributes a discretionary percentage of each participant's base compensation as specified in the 401(k) plan agreement. Participants must be 21 years of age and have one year of service to receive employer contributions. Participants are immediately vested in their employee-directed contributions and related earnings thereon. Employer contributions are vested 100 percent only after completion of three years of service. The Agency has the right to discontinue its contributions at any time and to terminate the 401(k) plan, subject to the provisions of ERISA. Agency discretionary contributions to the Plan for fiscal year 2012 totaled $742,792.

The Agency also maintains a deferred compensation plan for certain of its executives. Total expense relating to this plan in fiscal year 2012 was $41,000. The liability for deferred compensation at June 30, 2012 was $253,756.

Note 15. Transactions with Affiliates

The Agency has entered into an agreement with Heartland International Health Center (Health Center), an affiliated human services agency, to provide management and administrative services to the Health Center. These management and administrative services consist of fiscal management, accounting, human resources support, fund development, and insurance and facilities management. In addition, the Health Center's employees are eligible to participate in the Agency's 401(k) plan. The agreement with the Health Center is in effect through November 2013. Revenue recognized by the Agency under this agreement amounted to $526,373 for the year ended June 30, 2012.

The Health Center has also entered into an agreement with HHO which provides clinical management and administrative services to the Health Center. Although the agreement with HHO is in effect through November 2013, there are very little clinical or administrative services occurring between the two entities as the Health Center has moved towards providing its own staffing solution to its patients in recent years. The Health Center shares one clinical provider with HHO; the value of that service to the Health Center, paid to HHO, was $101,533 during fiscal year 2012.

As of June 30, 2012, the Health Center owed the Agency $69,645.

Note 15. Transactions with Affiliates (Continued)

During fiscal 2008, the Health Center and the Agency entered into an agreement that resulted in a reassessment of previous years' management and general expense charges and a forgiveness of certain other management and general expense charges. At the time of the agreement, $279,357 owed to the Agency by the Heath Center was converted into an unsecured promissory note. The note is payable in monthly installments of $4,931, including interest at a rate of 2.28 percent. The note is due in June 2013. At June 30, 2012, the outstanding balance on the note was $58,080. The agreement also includes a provision whereby $140,000 of the original amount owed will be reduced by $28,000 per year, over a five-year period, provided all management, general and administrative payments are made on time. The balance on this amount is $28,000 at June 30, 2012 and is included in notes receivable on the consolidated statement of financial position.

Note 16. Contingencies

In April 2010, HHCS negotiated and signed a fee for service contract with the State of Illinois, and the Illinois Department of Human Services (IDHS) to provide trainee workers with temporary employment during the contract period (April 2010 through September 2010). HHCS successfully employed approximately 27,000 workers during the contract period. The contract stipulated a fee-for-service arrangement and was billed by HHCS and paid by IDHS accordingly. Subsequently, IDHS asserted that, pursuant to the terms of an underlying federal grant, all fees paid by IDHS to HHCS under this contract are required to be matched to actual costs, the fee-for-service terms notwithstanding. HHCS has been cooperating with IDHS in this regard. Net revenues earned as a result of the fee-for-service contract was $10,800,000 and was available for tail costs and other administrative and related program costs.

The Agency does not believe that HHCS has a liability or obligation to return to IDHS any net revenues earned under the IDHS contract. State and federal grants received by the Agency, including the IDHS contract, are subject to audit, and the Agency could become liable for any expenditure or earned amount disallowed upon audit. Management believes, however, that such disallowance, if any, would not be material to the financial statements.

From time to time, the Agency is subject to claims that arise in the ordinary course of conducting its activities. In management’s opinion, the resolution of these matters would not have a material effect on the financial position of the Agency.

Note 17. Subsequent Events

The Agency has evaluated subsequent events through January 17, 2013, the date on which the financial statements were available to be issued.

In fiscal 2013, the Agency formed a new entity called Heartland Alliance International (HAI), a single member limited liability company, to conduct business under some of the existing international contracts previously performed under the contractual obligations of the Agency. HAI was funded by transferring assets held by Heartland Alliance to HAI in connection with the execution of the above referenced contracts.

HHO has partnered with more than 30 Chicago-area service providers, hospitals, other health care organizations and social service providers to form a new entity called Together4Health, LLC (T4H). T4H was formed as a result of a pilot program administered by the Illinois Department of Healthcare and Family Services (IDHFS) to coordinate a new system to improve the health and well-being of Chicago seniors and adults with disabilities on Medicaid. HHO was selected to be the managing member of the new organization and is expected to be the majority member of T4H because of its initial investment already contributed towards the formation of T4H.

The Agency has signed a new 15-year lease for its Chicago office space with its current landlord. Build-out of the new office space is expected to occur in fiscal 2013. Funding for the build-out will be made in part with a tenant allowance from the landlord and a new term loan from Bank of America. As of January 17, 2013, $1,300,000 has been borrowed under the term loan.

Note 18. Prior Period Adjustments

Developer fee: Prior to fiscal year 2012, HH had collected $3,356,485 in fees from the consolidated project partnerships, for the development of apartment rental units. These fees had been recorded as (a) income by HH as they were collected and (b) as depreciable rental property assets by the project partnerships. In fiscal year 2012, the Agency determined that these transactions should have been eliminated in the consolidation of HH and the project partnerships. Accordingly, a prior period adjustment of $2,352,457 was recorded in fiscal year 2012 to eliminate the non-depreciated portion of the fees previously recognized as consolidated income. The remaining non-depreciated portion of the fees at June 30, 2012 is $2,522,395

Consolidating entities: HH holds controlling interests in Drexel LP, Leland LP, and North Avenue LP. In fiscal 2012, the Agency determined that these limited partnerships should have been consolidated within the Agency's financial statements in past years.

Roosevelt Square II: As described in Note 6, in fiscal year 2012 the Agency determined that no interest should have been accrued on the note receivable due to uncertainty about its collectability.

The correction of the accounting for this transaction will have a negative non-cash impact on the results of the Agency going forward since no accrued interest income will be recorded.

The note principal sum of $6,068,116 has been reclassified as a residual interest asset.

A summary of the July 1, 2011 statement of financial position balances impacted by these adjustments for: (1) developer fees to be eliminated; (2) consolidation of controlled project partnerships; and (3) land leasehold note and accrued interest, is as follows:

	Amount as Previously Reported	Prior Period Adjustments			Amount as Restated
	June 30, 2011	(1)	(2)	(3)	July 1, 2011
Assets					
Cash	$ 9,061,980	$ -	$ 34,921	$ -	$ 9,096,901
Accounts receivable other	1,127,252	-	221,469	-	1,348,721
Escrow and reserve accounts	4,336,275	-	1,187,555	-	5,523,830
Investment in limited partnerships	693,504	-	(637,956)	-	55,548
Notes receivable	8,441,357	-	-	(7,375,779)	1,065,578
Receivables due from limited partnership	12,459,851	-	(1,582,510)	-	10,877,341
Property and equipment, net	48,004,702	-	20,473,736	-	68,478,438
Deferred financing fees	892,805	-	282,979	-	1,175,784
Residual interest	-	-	-	6,068,116	6,068,116
Liabilities and Net Assets					
Accounts payable and accrued expenses	8,602,582	-	841,207	240,069	9,683,858
Deferred revenue	6,168,561	2,352,457	4,736	-	8,525,754
Debt obligations	14,771,143	-	16,187,252	-	30,958,395
Net assets-undesignated and controlling interests	41,476,948	(2,352,457)	-	(1,547,732)	37,576,759
Net assets-non-controlling interests	6,995,217	-	2,946,999	-	9,942,216

Supplementary Information

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Financial Position
June 30, 2012

	Heartland Alliance for Human Needs & Human Rights	Heartland Human Care Services, Inc.	Heartland Health Outreach Inc.	Heartland Housing Inc.	Eliminations	Total
Assets						
Cash	$ 4,679,316	$ 535,964	$ 1,168,082	$ 831,552	$ -	$ 7,214,914
Restricted cash	1,650,034	95,866	-	-		1,745,900
Investments	4,396,596	3,043,194	311,277	-	-	7,751,067
Accounts receivable:						
Program service grants and fees	1,625,159	7,610,806	3,702,461	339,396	(6,700)	13,271,122
Pledges receivable	2,538,247	419,154	613,023	230,596	-	3,801,020
Patient services	-	-	248,809	-	-	248,809
Other	81,343	62,100	(57,747)	114,559	-	200,255
Inter-agency	3,594,190	(1,212,105)	(263,328)	(2,118,757)	-	-
Allowance for contractual adjustments, discounts and bad debts	-	(315,757)	(187,991)	(86,847)	-	(590,595)
Prepaid expenses and other current assets	509,103	687,291	211,622	419,386	-	1,827,402
Escrow and reserve accounts	-	-	-	6,243,986	-	6,243,986
Investment in limited partnerships	1,753,485	-	-	36,125	(1,753,485)	36,125
Investment in affiliates, equity method	-	-	453,865	31,500	-	485,365
Receivables due from limited partnerships	-	-	-	516,239	-	516,239
Notes receivable	1,176,875	2,540,723	-	5,651,348	(1,090,795)	8,278,151
Property and equipment, net	848,220	3,183,833	2,157,112	69,535,331	-	75,724,496
Deferred financing fees, net	-	-	-	1,300,579	-	1,300,579
Residual interest	-	-	-	6,068,116	-	6,068,116
Total assets	$ 22,852,568	$ 16,651,069	$ 8,357,185	$ 89,113,109	$ (2,850,980)	$ 134,122,951
Liabilities and Net Assets						
Liabilities						
Accounts payable and other accrued expenses	$ 445,115	$ 876,514	$ 702,034	$ 7,330,778	$ (6,700)	$ 9,347,741
Accrued payroll and related liabilities	1,235,253	1,062,896	698,086	82,810	-	3,079,045
Deferred revenue	124,335	87,961	47,429	8,574,010	-	8,833,735
Liability for self-insurance claims	1,125,000	-	-	-	-	1,125,000
Deferred rent liability	226,668	-	-	-	-	226,668
Deferred compensation plan liability	253,756	-	-	-	-	253,756
Accrued interest payable	-	-	-	874,181	-	874,181
Debt obligations	1,007,375	1,733,506	1,406,777	43,873,856	(1,090,795)	46,930,719
Total liabilities	4,417,502	3,760,877	2,854,326	60,735,635	(1,097,495)	70,670,845
Net Assets						
Unrestricted:						
Undesignated and controlling interests	7,671,114	12,150,339	4,660,120	18,753,504	(1,753,485)	41,481,592
Non-controlling interests	-	-	-	9,390,970	-	9,390,970
Board designated	1,212,579	-	-	-	-	1,212,579
Total unrestricted net assets	8,883,693	12,150,339	4,660,120	28,144,474	(1,753,485)	52,085,141
Temporarily restricted	9,363,338	739,853	842,739	233,000	-	11,178,930
Permanently restricted	188,035	-	-	-	-	188,035
Total net assets	18,435,066	12,890,192	5,502,859	28,377,474	(1,753,485)	63,452,106
Total liabilities and net assets	$ 22,852,568	$ 16,651,069	$ 8,357,185	$ 89,113,109	$ (2,850,980)	$ 134,122,951

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Activities
Year Ended June 30, 2012

	Heartland Alliance for Human Needs & Human Rights	Heartland Human Care Services, Inc.	Heartland Health Outreach Inc.	Heartland Housing Inc.	Eliminations	Total
Revenue:						
Contributions	$ 7,563,119	$ 704,640	$ 1,685,900	$ 403,392	$ -	$ 10,357,051
Program services:						
Grants, contracts, reimbursements and client fees	12,455,704	29,076,420	18,718,295	1,878,849	-	62,129,268
Allocation from United Way of Chicago	-	212,000	-	-	-	212,000
Contributed services and in-kind revenue	221,952	874,594	494,128	2,458,000	-	4,048,674
Patient services, net of contractual adjustments and discounts	-	2,435	1,056,501	-	-	1,058,936
Rental income	-	-	-	4,684,582	(380,205)	4,304,377
Housing development	-	-	-	820,209	-	820,209
Interest and investment income	56,431	140,779	79,651	601,509	(22,008)	856,362
Other income	124,729	194,207	457,863	209,359	235,183	1,221,341
Total revenue	20,421,935	31,205,075	22,492,338	11,055,900	(167,030)	85,008,218
Expenses:						
Salaries and wages	12,588,483	15,566,827	9,303,964	1,588,891	-	39,048,165
Payroll taxes and fringe benefits	1,764,063	2,326,411	2,302,478	398,904	-	6,791,856
Staff expenses	1,912,480	359,119	442,045	45,238	-	2,758,882
Professional services	1,691,565	659,483	1,476,489	105,734	(84,485)	3,848,786
Office services	941,891	632,038	510,950	17,007	-	2,101,886
Occupancy	1,286,158	2,550,860	997,378	913,618	(6,700)	5,741,314
Equipment	399,902	489,254	302,768	5,688	-	1,197,612
Client support and supplies	668,196	5,509,217	2,838,508	375	(47,152)	8,969,144
Subrecipients	2,580,686	462,243	848,535	-	(59,566)	3,831,898
Contributed services and in-kind expenses	221,952	874,594	494,128	-	-	1,590,674
Real estate development and property management	8,775	1,658	352,992	2,401,932	(373,505)	2,391,852
Interest expense	9,269	65,690	48,314	1,224,754	(22,008)	1,326,019
Uncollectible accounts	163,068	350,755	(83,141)	66,083	-	496,765
	24,236,488	29,848,149	19,835,408	6,768,224	(593,416)	80,094,853
Allocation of shared services costs	(5,278,732)	2,655,615	1,945,186	151,558	526,373	-
Total expenses	18,957,756	32,503,764	21,780,594	6,919,782	(67,043)	80,094,853
Increase (decrease) in net assets before non-budgetary items	1,464,179	(1,298,689)	711,744	4,136,118	(99,987)	4,913,365
Non-budgetary items:						
Depreciation and amortization	(346,954)	(432,594)	(430,939)	(3,108,052)	-	(4,318,539)
	-	-	-	-	-	-
Non-cash contribution - Vital Bridges NFP, Inc.	-	-	1,547,118	-	-	1,547,118
Increase (decrease) in net assets before non-controlling interests	1,117,225	(1,731,283)	1,827,923	1,028,066	(99,987)	2,141,944
Non-controlling interests:						
Capital contributions in limited partnerships and other entities	-	-	-	2,559,886	-	2,559,886
Increase (decrease) in net assets	1,117,225	(1,731,283)	1,827,923	3,587,952	(99,987)	4,701,830
Net assets, beginning of year, as originally stated	17,317,841	14,621,475	3,674,936	25,742,712	(1,653,498)	59,703,466
Prior period adjustments	-	-	-	(953,190)	-	(953,190)
Net assets, beginning of year, as restated	17,317,841	14,621,475	3,674,936	24,789,522	(1,653,498)	58,750,276
Net assets, end of year	$ 18,435,066	$ 12,890,192	$ 5,502,859	$ 28,377,474	$ (1,753,485)	$ 63,452,106

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Cash Flows
Year Ended June 30, 2012

	Heartland Alliance for Human Needs & Human Rights	Heartland Human Care Services, Inc.	Heartland Health Outreach Inc.	Heartland Housing Inc.	Eliminations	Total
Cash Flows from Operating Activities						
Increase (decrease) in net assets	$ 1,117,225	$ (1,731,283)	$ 1,827,923	$ 1,028,066	$ (99,987)	$ 2,141,944
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:						
Depreciation and amortization	346,954	432,594	430,939	3,108,052	-	4,318,539
Provision for (recoveries of) bad debts	163,068	350,755	(83,141)	(132,145)	-	298,537
Contributed land and building	-	-	-	(2,458,000)	-	(2,458,000)
Unrealized gains on investments	-	(110,267)	-	-	(1)	(110,268)
Allocated loss from equity method investment	-	-	8,351	-	-	8,351
Non-cash contribution recognized from Vital Bridges NFP, Inc. acquisition	-	-	(1,547,118)	-	-	(1,547,118)
Effects of changes in operating assets and liabilities:						
Restricted cash	(1,013,580)	(21,438)	-	-	-	(1,035,018)
Accounts receivable:						
Program service grants and fees	1,083,148	(492,587)	295,600	537,954	(6,700)	1,417,415
Patient services	-	-	90,468	-	-	90,468
Other	77,966	776,147	206,185	(83,301)	-	976,997
Inter-agency	(143,476)	(524,627)	389,199	278,898	6	-
Pledges receivable	(664,936)	27,000	(181,521)	(230,596)	-	(1,050,053)
Prepaid expenses and other current assets	458,150	(355,087)	8,082	191,253	-	302,398
Accounts payable and other accrued expenses	(1,054,530)	(803,832)	(171,755)	2,573,931	6,700	550,514
Accrued payroll and related liabilities	332,202	67,177	-	(3,135)	-	396,244
Accrued interest payable	-	-	-	700,067	-	700,067
Liability for self-insurance claims	450,000	-	-	-	-	450,000
Deferred rent liability	(9,444)	-	-	-	-	(9,444)
Deferred compensation plan liability	6,833	-	-	-	-	6,833
Deferred revenue	(16,129)	(105,086)	(84,668)	396,790	-	190,907
Net cash provided by (used in) operating activities	1,133,451	(2,490,534)	1,188,544	5,907,834	(99,982)	5,639,313
Cash Flows from Investing Activities						
Additions to property and equipment	(40,490)	(353,997)	(169,059)	(7,882,893)	-	(8,446,439)
Purchases of investments	(992,941)	(160,592)	(193,649)	(21,500)	-	(1,368,682)
Proceeds from sale of investments	-	239,964	-	601,458	-	841,422
Issuance of notes receivable	851,663	(92,384)	-	-	(764,751)	(5,472)
Proceeds from notes receivable	-	-	-	168,679	-	168,679
Payments to escrow accounts	-	-	-	(2,205,333)	-	(2,205,333)
Proceeds from escrow accounts	-	-	-	1,485,177	-	1,485,177
Cash acquired through Vital Bridges NFP, Inc. acquisition	-	-	431,371	-	-	431,371
Net cash provided by (used in) investing activities	(181,768)	(367,009)	68,663	(7,854,412)	(764,751)	(9,099,277)
Cash Flows from Financing Activities						
Capital contributions in limited partnerships and other entities	-	-	-	2,559,886	-	2,559,886
Repayments of borrowings	-	(186,352)	(972,812)	(1,795,245)	864,733	(2,089,676)
Proceeds from borrowings	507,375	-	-	1,456,932	-	1,964,307
Deferred financing fees	-	-	-	(145,658)	-	(145,658)
Net cash provided by (used in) financing activities	507,375	(186,352)	(972,812)	2,075,915	864,733	2,288,859
Net increase (decrease) in cash	1,459,058	(3,043,895)	284,395	129,337	-	(1,171,105)
Cash:						
Beginning of year	3,220,258	3,579,859	883,687	702,215	-	8,386,019
End of year	$ 4,679,316	$ 535,964	$ 1,168,082	$ 831,552	$ -	$ 7,214,914

Heartland Alliance for Human Needs & Human Rights

Heartland Housing, Inc.
Consolidating Statement of Financial Position
June 30, 2012

	Heartland Housing, Inc.	Argyle Neighborhood Development Corporation	Diversey Neighborhood Development Corporation	Ellis Neighborhood Development Corporation	Leland Neighborhood Development Corporation	Mayfield Neighborhood Development Corporation	North Avenue Neighborhood Development Corporation	Heartland ABLA Rental NFP	Heartland ABLA Rental NFP II
Assets									
Cash	$ 93,178	$ 86,568	$ 68,939	$ 2,823	$ -	$ -	$ -	$ -	$ -
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable:									
Program service grants and fees	6,700	53,436	89,877	10,818	-	-	-	-	-
Pledges receivable	230,596	-	-	-	-	-	-	-	-
Other	(11,719)	-	-	-	-	-	-	-	-
Inter-agency balances	248,637	357,342	393,628	(266,679)	(672,517)	(279,307)	(508,665)	-	-
Allowance for doubtful accounts	-	(19,369)	(31,639)	(2,106)	-	-	-	-	-
Prepaid expenses and other current assets	-	47,624	47,513	26,088	-	-	-	-	-
Escrow and reserve accounts	-	85,319	156,744	93,987	-	-	-	-	-
Investment in affiliates and limited partnerships	620,706	-	-	-	137,999	496,758	499,957	(68)	23,134
Investment in affiliates, equity method	31,500	-	-	-	-	-	-	-	-
Receivables due from limited partnerships	15,956,736	-	-	-	667,000	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	-	-
Property and equipment, net	341,249	1,924,037	1,797,616	1,443,307	-	-	-	-	-
Deferred financing fees	-	26,831	2,593	-	-	-	-	-	-
Residual interest	6,068,116	-	-	-	-	-	-	-	-
Total assets	$ 23,585,699	$ 2,561,788	$ 2,525,271	$ 1,308,238	$ 132,482	$ 217,451	$ (8,708)	$ (68)	$ 23,134
Liabilities and Net Assets									
Liabilities									
Accounts payable and other accrued expenses	$ 376,747	$ 60,145	$ 103,460	$ 22,187	$ -	$ -	$ -	$ -	$ 23,212
Accounts payable, inter-agency	-	-	-	-	-	-	-	-	-
Accrued payroll and related liabilities	82,690	-	-	-	-	-	-	-	-
Deferred revenue	281,678	52,782	67,447	55,950	-	-	-	-	-
Accrued interest payable	-	-	483,589	-	-	-	-	-	-
Debt obligations	704,838	2,657,671	1,822,860	2,249,623	-	-	-	-	-
Total liabilities	1,445,953	2,770,598	2,477,356	2,327,760	-	-	-	-	23,212
Net Assets									
Unrestricted:									
Undesignated and controlling interests	21,906,746	(208,810)	47,915	(1,019,522)	132,482	217,451	(8,708)	(68)	(78)
Non-controlling interests	-	-	-	-	-	-	-	-	-
Total unrestricted net assets	21,906,746	(208,810)	47,915	(1,019,522)	132,482	217,451	(8,708)	(68)	(78)
Temporarily restricted	233,000	-	-	-	-	-	-	-	-
Total net assets	22,139,746	(208,810)	47,915	(1,019,522)	132,482	217,451	(8,708)	(68)	(78)
Total liabilities and net assets	$ 23,585,699	$ 2,561,788	$ 2,525,271	$ 1,308,238	$ 132,482	$ 217,451	$ (8,708)	$ (68)	$ 23,134

Heartland Alliance for Human Needs & Human Rights

Heartland Housing, Inc.
Consolidating Statement of Financial Position (Continued)
June 30, 2012

	Drexel Neighborhood Development Corporation	Hollywood Sheridan Neighborhood Development Corporation	Heartland Housing Highland, LLC	Highland MM, LLC	Viceroy GP, LLC	Total Before Limited Partnerships 2012	Mayfield Limited Partnership	Hollywood House Limited Partnership	1218 W. Highland Avenue, LLC
Assets									
Cash	$ -	$ -	$ -	$ -	$ -	$ 251,508	$ 3,966	$ 350,774	$ 13,385
Investments	-	-	-	-	-	-	-	11,870,006	-
Accounts receivable:					-	-			
Program service grants and fees	-	-	-	-	-	160,831	19,255	32,436	8,868
Pledges receivable	-	-	-	-	-	230,596	-	-	-
Other	-	-	-	-	-	(11,719)	6,005	-	-
Inter-agency balances	-	-	-	-	-	(727,561)	(27,520)	(26,267)	(29,246)
Allowance for doubtful accounts	-	-	-	-	-	(53,114)	(2,543)	(19,698)	(1,955)
Prepaid expenses and other current assets	-	-	-	-	-	121,225	13,490	144,895	13,218
Escrow and reserve accounts	-	-	-	-	-	336,050	497,682	3,161,262	172,435
Investment in affiliates and limited partnerships	42,496	100	607,544	50,100	122,900	2,601,626	-	-	-
Investment in affiliates, equity method	-	-	-	-	-	31,500	-	-	-
Receivables due from limited partnerships	-	-	-	1,200,360	-	17,824,096	-	-	-
Notes receivable	-	-	-	-	-	-	-	5,651,348	-
Property and equipment, net	-	-	-	-	-	5,506,209	1,131,143	24,203,778	4,058,510
Deferred financing fees	-	-	-	-	-	29,424	5,167	786,922	-
Residual interest	-	-	-	-	-	6,068,116	-	-	-
Total assets	$ 42,496	$ 100	$ 607,544	$ 1,250,460	$ 122,900	$ 32,368,787	$ 1,646,645	$ 46,155,456	$ 4,235,215
Liabilities and Net Assets									
Liabilities									
Accounts payable and other accrued expenses	$ -	$ -	$ -	$ -	$ -	$ 585,751	$ 19,918	$ 1,801,722	$ 140,554
Accounts payable, inter-agency	-	-	-	-	-	-	-	-	-
Accrued payroll and related liabilities	-	-	-	-	-	82,690	-	120	-
Deferred revenue	-	-	-	-	-	457,857	43,145	5,660,907	-
Accrued interest payable	-	-	-	-	-	483,589	-	918,795	13,354
Debt obligations	-	-	-	-	-	7,434,992	1,541,094	35,446,782	1,187,006
Total liabilities	-	-	-	-	-	9,044,879	1,604,157	43,828,326	1,340,914
Net Assets									
Unrestricted:									
Undesignated and controlling interests	42,496	100	607,544	1,250,460	122,900	23,090,908	243,353	(331)	50,024
Non-controlling interests	-	-	-	-	-	-	(200,865)	2,327,461	2,844,277
Total unrestricted net assets	42,496	100	607,544	1,250,460	122,900	23,090,908	42,488	2,327,130	2,894,301
Temporarily restricted	-	-	-	-	-	233,000	-	-	-
Total net assets	42,496	100	607,544	1,250,460	122,900	23,323,908	42,488	2,327,130	2,894,301
Total liabilities and net assets	$ 42,496	$ 100	$ 607,544	$ 1,250,460	$ 122,900	$ 32,368,787	$ 1,646,645	$ 46,155,456	$ 4,235,215

Heartland Alliance for Human Needs & Human Rights

Heartland Housing, Inc.
Consolidating Statement of Financial Position (Continued)
Year Ended June 30, 2012

	Fond du Lac Apartments, LLC	Leland Limited Partnership	North Avenue Limited Partnership	Drexel Jazz Limited Partnership	Viceroy Limited Partnership	Total Limited Partnerships 2012	Eliminations	Total
Assets								
Cash	$ 100,017	$ 87,577	$ 8,055	$ 16,269	$ 1	$ 580,044	$ -	$ 831,552
Investments	-	-	-	-	-	11,870,006	(11,870,006)	-
Accounts receivable:						-		
Program service grants and fees	3,218	31,152	22,333	61,303	-	178,565	-	339,396
Pledges receivable	-	-	-	-	-	-	-	230,596
Other	3,941	25,253	-	-	91,079	126,278	-	114,559
Inter-agency balances	(5,732)	(574,933)	(591,191)	(136,307)	-	(1,391,196)	-	(2,118,757)
Allowance for doubtful accounts	(517)	(3,011)	(5,035)	(974)	-	(33,733)	-	(86,847)
Prepaid expenses and other current assets	22,390	53,885	26,562	23,721	-	298,161	-	419,386
Escrow and reserve accounts	9,671	500,341	597,278	167,918	131,515	5,238,102	669,834	6,243,986
Investment in affiliates and limited partnerships	-	-	-	-	-	-	(2,565,501)	36,125
Investment in affiliates, equity method	-	-	-	-	-	-	-	31,500
Receivables due from limited partnerships	-	-	-	-	-	-	(17,307,857)	516,239
Notes receivable	-	-	-	-	-	5,651,348	-	5,651,348
Property and equipment, net	6,181,846	10,323,754	3,162,356	6,021,778	9,478,485	64,561,650	(532,528)	69,535,331
Deferred financing fees, net	7,354	31,034	11,167	210,159	219,352	1,271,155	-	1,300,579
Residual interest	-	-	-	-	-	-	-	6,068,116
Total assets	$ 6,322,188	$ 10,475,052	$ 3,231,525	$ 6,363,867	$ 9,920,432	$ 88,350,380	$ (31,606,058)	$ 89,113,109
Liabilities and Net Assets								
Liabilities								
Accounts payable and other accrued expenses	$ 472,434	$ 283,043	$ 104,008	$ 404,349	$ 3,514,993	$ 6,741,021	$ 4,006	$ 7,330,778
Accounts payable, inter-agency	-	-	-	-	-	-	-	-
Accrued payroll and related liabilities	-	-	-	-	-	120	-	82,810
Deferred revenue	-	42,034	17,610	-	-	5,763,696	2,352,457	8,574,010
Accrued interest payable	22,759	67,265	-	260,160	54,350	1,336,683	(946,091)	874,181
Debt obligations	5,286,903	8,813,364	2,994,775	4,704,839	4,096,486	64,071,249	(27,632,385)	43,873,856
Total liabilities	5,782,096	9,205,706	3,116,393	5,369,348	7,665,829	77,912,769	(26,222,013)	60,735,635
Net Assets								
Unrestricted:								
Undesignated and controlling interests	(40)	131,046	499,739	(51)	122,902	1,046,641	(5,384,045)	18,753,504
Non-controlling interests	540,132	1,138,300	(384,607)	994,570	2,131,701	9,390,970	-	9,390,970
Total unrestricted net assets	540,092	1,269,346	115,132	994,519	2,254,603	10,437,611	(5,384,045)	28,144,474
Temporarily restricted	-	-	-	-	-	-	-	233,000
Total net assets	540,092	1,269,346	115,132	994,519	2,254,603	10,437,611	(5,384,045)	28,377,474
Total liabilities and net assets	$ 6,322,188	$ 10,475,052	$ 3,231,525	$ 6,363,867	$ 9,920,432	$ 88,350,380	$ (31,606,058)	$ 89,113,109

Heartland Alliance for Human Needs & Human Rights

Heartland Housing, Inc.
Consolidating Statement of Activities
Year Ended June 30, 2012

	Heartland Housing, Inc.	Argyle Neighborhood Development Corporation	Diversey Neighborhood Development Corporation	Ellis Neighborhood Development Corporation	Leland Neighborhood Development Corporation	Mayfield Neighborhood Development Corporation	North Avenue Neighborhood Development Corporation	South Shore Neighborhood Development Corporation	Sutherland Neighborhood Development Corporation
Revenue:									
Contributions	$ 403,392	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Grants, contracts, reimbursements and client fees	1,870,877	-	-	-	-	-	-	-	-
Contributed services and in-kind revenue	2,458,000	-	-	-	-	-	-	-	-
Rental income	8,781	452,454	657,257	432,332	-	-	-	-	-
Housing development	446,704	-	-	-	-	-	-	-	-
Interest and investment income	306,157	-	-	8	-	-	-	-	-
Other income	10,765	-	-	-	-	38	5	1,053	-
	5,504,676	452,454	657,257	432,340	-	38	5	1,053	-
Expenses:									
Salaries and wages	491,091	69,000	76,924	112,500	-	-	-	-	-
Payroll taxes and fringe benefits	104,651	19,104	22,933	31,230	-	-	-	-	-
Staff expenses	40,390	455	283	1,954	-	-	-	-	-
Professional services	105,734	-	-	-	-	-	-	-	-
Office services	17,007	-	-	-	-	-	-	-	-
Occupancy	135,250	52,160	74,826	73,297	-	-	-	-	-
Equipment	5,688	-	-	-	-	-	-	-	-
Client support and supplies	375	-	-	-	-	-	-	-	-
Real estate development and property management	1,786	243,030	333,861	217,455	-	-	-	-	6
Interest expense	13,554	19,535	60,414	-	-	-	-	-	-
Uncollectible accounts	23,134	18,023	11,262	392	-	-	-	-	2,000
Management, general and administration	113,558	14,000	14,000	10,000	-	-	-	-	-
Contributed services and in-kind expenses	-	-	-	-	-	-	-	-	-
	1,052,218	435,307	594,503	446,828	-	-	-	-	2,006
Increase (decrease) in net assets before non-budgetary items	4,452,458	17,147	62,754	(14,488)	-	38	5	1,053	(2,006)
Non-budgetary items:									
Depreciation and amortization	(58,785)	(150,529)	(123,080)	(141,313)	-	-	-	-	-
Gain/(Loss) from investment in limited partnerships	-	-	-	-	-	-	-	-	-
Other non-budgetary items	-	-	-	-	-	-	-	-	-
Increase (decrease) in net assets before non-controlling interests	4,393,673	(133,382)	(60,326)	(155,801)	-	38	5	1,053	(2,006)
Non-controlling interests:									
Capital contributions in limited partnerships and other entities	-	-	-	-	-	-	-	-	-
Increase (decrease) in net assets	4,393,673	(133,382)	(60,326)	(155,801)	-	38	5	1,053	(2,006)
Net assets (deficit), beginning of year, as originally stated	19,293,805	(75,428)	108,241	(863,721)	132,482	217,413	(8,713)	(1,053)	2,006
Prior period adjustments	(1,547,732)	-	-	-	-	-	-	-	-
Net assets (deficit), beginning of year, as restated	17,746,073	(75,428)	108,241	(863,721)	132,482	217,413	(8,713)	(1,053)	2,006
Net assets (deficit), end of year	$ 22,139,746	$ (208,810)	$ 47,915	$ (1,019,522)	$ 132,482	$ 217,451	$ (8,708)	$ -	$ -

Heartland Alliance for Human Needs & Human Rights

Heartland Housing, Inc.
Consolidating Statement of Activities (Continued)
Year Ended June 30, 2012

	Heartland ABLA Rental NFP	Heartland ABLA Rental NFP II	Drexel Neighborhood Development Corporation	Hollywood Sheridan Neighborhood Development Corporation	Heartland Housing Highland, LLC	Highland MM, LLC	Viceroy GP, LLC	Total Before Limited Partnerships 2012	Mayfield Limited Partnership
Revenue:									
Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 403,392	$ -
Grants, contracts, reimbursements and client fees	-	-	-	-	-	-	-	1,870,877	-
Contributed services and in-kind revenue	-	-	-	-	-	-	-	2,458,000	-
Rental income	-	-	-	-	-	-	-	1,550,824	214,195
Housing development	-	-	-	-	-	-	-	446,704	-
Interest and investment income	-	-	-	-	-	62,970	-	369,135	15
Other income	-	-	42,499	-	-	-	-	54,360	-
	-	-	42,499	-	-	62,970	-	7,153,292	214,210
Expenses:									
Salaries and wages	-	-	-	-	-	-	-	749,515	38,419
Payroll taxes and fringe benefits	-	-	-	-	-	-	-	177,918	11,418
Staff expenses	-	-	-	-	-	-	-	43,082	178
Professional services	-	-	-	-	-	-	-	105,734	-
Office services	-	-	-	-	-	-	-	17,007	-
Occupancy	-	-	-	-	-	-	-	335,533	39,147
Equipment	-	-	-	-	-	-	-	5,688	-
Client support and supplies	-	-	-	-	-	-	-	375	-
Real estate development and property management	-	-	-	-	-	-	-	796,138	244,102
Interest expense	-	-	-	-	-	-	-	93,503	-
Uncollectible accounts	-	-	-	-	-	-	-	54,811	6,753
Management, general and administration	-	-	-	-	-	-	-	151,558	-
Contributed services and in-kind expenses	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	2,530,862	340,017
Increase (decrease) in net assets before non-budgetary items	-	-	42,499	-	-	62,970	-	4,622,430	(125,807)
Non-budgetary items:									
Depreciation and amortization	-	-	-	-	-	-	-	(473,707)	(112,829)
Gain/(Loss) from investment in limited partnerships	-	-	-	-	-	-	-	-	-
Other non-budgetary items	-	-	-	-	-	-	-	-	-
Increase (decrease) in net assets before non-controlling interests	-	-	42,499	-	-	62,970	-	4,148,723	(238,636)
Non-controlling interests:									
Capital contributions in limited partnerships and other entities	-	-	-	-	-	-	122,900	122,900	-
Increase (decrease) in net assets	-	-	42,499	-	-	62,970	122,900	4,271,623	(238,636)
Net assets (deficit), beginning of year, as originally stated	(68)	(78)	(3)	100	607,544	1,187,490	-	20,600,017	281,124
Prior period adjustments	-	-	-	-	-	-	-	(1,547,732)	-
Net assets (deficit), beginning of year, as restated	(68)	(78)	(3)	100	607,544	1,187,490	-	19,052,285	281,124
Net assets (deficit), end of year	$ (68)	$ (78)	$ 42,496	$ 100	$ 607,544	$ 1,250,460	$ 122,900	$ 23,323,908	$ 42,488

Heartland Alliance for Human Needs & Human Rights

Heartland Housing, Inc.
Consolidating Statement of Activities (Continued)
Year Ended June 30, 2012

	Hollywood House Limited Partnership	1218 W. Highland Avenue, LLC	Fond du Lac Apartments, LLC	Leland Limited Partnership	North Avenue Limited Partnership	Drexel Jazz Limited Partnership	Viceroy Limited Partnership	Total Limited Partnerships 2012	Eliminations	Total
Revenue:										
Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 403,392
Grants, contracts, reimbursements and client fees	4,206	-	-	-	-	-	-	4,206	3,766	1,878,849
Contributed services and in-kind revenue	-	-	-	-	-	-	-	-	-	2,458,000
Rental income	1,640,369	161,273	229,969	534,309	374,404	365,176	-	3,519,695	(385,937)	4,684,582
Housing development	-	-	-	373,505	-	-	-	373,505	-	820,209
Interest and investment income	407,463	-	-	1,695	23	502	15	409,713	(177,339)	601,509
Other income	168,679	-	-	-	-	-	-	168,679	(13,680)	209,359
	2,220,717	161,273	229,969	909,509	374,427	365,678	15	4,475,798	(573,190)	11,055,900
Expenses:										
Salaries and wages	302,692	31,620	35,330	226,944	146,610	57,761	-	839,376	-	1,588,891
Payroll taxes and fringe benefits	72,994	7,127	7,154	60,728	43,873	17,692	-	220,986	-	398,904
Staff expenses	177	457	391	104	326	523	-	2,156	-	45,238
Professional services	-	-	-	-	-	-	-	-	-	105,734
Office services	-	-	-	-	-	-	-	-	-	17,007
Occupancy	195,106	29,595	34,010	116,839	49,690	113,698	-	578,085	-	913,618
Equipment	-	-	-	-	-	-	-	-	-	5,688
Client support and supplies	-	-	-	-	-	-	-	-	-	375
Real estate development and property management	814,318	85,241	87,478	396,312	186,805	177,475	-	1,991,731	(385,937)	2,401,932
Interest expense	880,795	60,532	135,859	182,799	3,569	44,175	-	1,307,729	(176,478)	1,224,754
Uncollectible accounts	(19,147)	1,109	3,179	17,196	4,434	(2,252)	-	11,272	-	66,083
Management, general and administration	-	-	-	-	-	-	-	-	-	151,558
Contributed services and in-kind expenses	-	-	-	-	-	-	-	-	-	-
	2,246,935	215,681	303,401	1,000,922	435,307	409,072	-	4,951,335	(562,415)	6,919,782
Increase (decrease) in net assets before non-budgetary items	(26,218)	(54,408)	(73,432)	(91,413)	(60,880)	(43,394)	15	(475,537)	(10,775)	4,136,118
Non-budgetary items:										
Depreciation and amortization	(1,020,290)	(166,301)	(323,203)	(519,723)	(180,726)	(309,822)	(1,451)	(2,634,345)	-	(3,108,052)
Gain/(Loss) from investment in limited partnerships	-	-	-	-	-	-	-	-	-	-
Other non-budgetary items	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in net assets before non-controlling interests	(1,046,508)	(220,709)	(396,635)	(611,136)	(241,606)	(353,216)	(1,436)	(3,109,882)	(10,775)	1,028,066
Non-controlling interests:										
Capital contributions in limited partnerships and other entities	-	-	303,847	-	-	-	2,256,039	2,559,886	(122,900)	2,559,886
Increase (decrease) in net assets	(1,046,508)	(220,709)	(92,788)	(611,136)	(241,606)	(353,216)	2,254,603	(549,996)	(133,675)	3,587,952
Net assets (deficit), beginning of year, as originally stated	3,373,638	3,115,010	632,880	-	-	-	-	7,402,652	(2,259,957)	25,742,712
Prior period adjustments	-	-	-	1,880,482	356,738	1,347,735	-	3,584,955	(2,990,413)	(953,190)
Net assets (deficit), beginning of year, as restated	3,373,638	3,115,010	632,880	1,880,482	356,738	1,347,735	-	10,987,607	(5,250,370)	24,789,522
Net assets (deficit), end of year	$ 2,327,130	$ 2,894,301	$ 540,092	$ 1,269,346	$ 115,132	$ 994,519	$ 2,254,603	$ 10,437,611	$ (5,384,045)	$ 28,377,474

Heartland Alliance for Human Needs & Human Rights

Heartland Housing, Inc.
Consolidating Statement of Cash Flows
Year Ended June 30, 2012

	Heartland Housing, Inc.	Argyle Neighborhood Development Corporation	Diversey Neighborhood Development Corporation	Ellis Neighborhood Development Corporation	Leland Neighborhood Development Corporation	Mayfield Neighborhood Development Corporation	North Avenue Neighborhood Development Corporation	South Shore Neighborhood Development Corporation	Sutherland Neighborhood Development Corporation
Cash Flows from Operating Activities									
Increase (decrease) in net assets	$ 4,393,673	$ (133,382)	$ (60,326)	$ (155,801)	$ -	$ 38	$ 5	$ 1,053	$ (2,006)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:									
Depreciation and amortization	58,785	150,529	123,080	141,313	-	-	-	-	-
Provision for (recoveries of) bad debts	-	3,989	(16,459)	(15,596)	-	-	-	-	-
Contributed land and building	(2,458,000)	-	-	-	-	-	-	-	-
Effects of changes in operating assets and liabilities:									
Accounts receivable:									
Program service grants and fees, net	520,549	(30,212)	25,765	19,035	-	-	-	-	-
Other	11,719	-	-	-	-	-	-	-	-
Inter-agency balances	(1,176,872)	(28,656)	(72,567)	(9,648)	-	250,000	-	(1,053)	2,000
Pledges receivable	(230,596)	-	-	-	-	-	-	-	-
Prepaid expenses and other current assets	7,500	26,233	39,298	9,354	-	-	-	-	-
Receivables due from limited partnerships	(1,218,942)	-	-	-	-	-	-	-	-
Accounts payable and other accrued expenses	(161,861)	7,773	(27,997)	(26,888)	-	(38)	(5)	-	6
Accrued payroll and related liabilities	(1,876)	-	-	-	-	-	-	-	-
Accrued interest payable	-	-	32,219	-	-	-	-	-	-
Deferred revenue	281,678	52,782	67,447	55,950	-	-	-	-	-
Net cash provided by operating activities	25,757	49,056	110,460	17,719	-	250,000	-	-	-
Cash Flows from Investing Activities									
Additions to property and equipment	284,811	(4,226)	(10,829)	(45,000)	-	-	-	-	-
Purchases of investments	(21,500)	-	-	-	-	(250,000)	-	-	-
Proceeds from sale of investments	294,533	-	-	-	-	-	-	-	-
Proceeds from notes receivable	-	-	-	-	-	-	-	-	-
Payments to escrow accounts	-	(4,998)	(54,515)	(22,000)	-	-	-	-	-
Payments from escrow accounts	-	20,551	49,469	49,500	-	-	-	-	-
Net cash provided by (used in) investing activities	557,844	11,327	(15,875)	(17,500)	-	(250,000)	-	-	-
Cash Flows from Financing Activities	-	-	-	-	-	-	-	-	-
Capital contributions in limited partnerships and other entities	-	-	-	-	-	-	-	-	-
Repayments of borrowings	(723,349)	(29,142)	(70,319)	(3,966)	-	-	-	-	-
Proceeds from borrowings	-	-	-	-	-	-	-	-	-
Deferred financing fees	-	(8,323)	3,804	-	-	-	-	-	-
Net cash used in financing activities	(723,349)	(37,465)	(66,515)	(3,966)	-	-	-	-	-
Net increase (decrease) in cash	(139,748)	22,918	28,070	(3,747)	-	-	-	-	-
Cash:									
Beginning of year	232,926	63,650	40,869	6,570	-	-	-	-	-
End of year	$ 93,178	$ 86,568	$ 68,939	$ 2,823	$ -	$ -	$ -	$ -	$ -

Heartland Alliance for Human Needs & Human Rights

Heartland Housing, Inc.
Consolidating Statement of Cash Flows (Continued)
Year Ended June 30, 2012

	Heartland ABLA Rental NFP	Heartland ABLA Rental NFP II	Drexel Neighborhood Development Corporation	Hollywood Sheridan Neighborhood Development Corporation	Heartland Housing Highland, LLC	Highland MM, LLC	Viceroy GP, LLC	Total Before Limited Partnerships 2012	Mayfield Limited Partnership
Cash Flows from Operating Activities									
Increase (decrease) in net assets	$ -	$ -	$ 42,499	$ -	$ -	$ 62,970	$ 122,900	$ 4,271,623	$ (238,636)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:									
Depreciation and amortization	-	-	-	-	-	-	-	473,707	112,829
Provision for (recoveries of) bad debts	-	-	-	-	-	-	-	(28,066)	(39,349)
Contributed land and building	-	-	-	-	-	-	-	(2,458,000)	-
Effects of changes in operating assets and liabilities:									
Accounts receivable:									
Program service grants and fees, net	-	-	-	-	-	-	-	535,137	36,560
Other	-	-	-	-	-	-	-	11,719	-
Inter-agency balances	-	-	-	-	-	-	-	(1,036,796)	(2,114)
Pledges receivable	-	-	-	-	-	-	-	(230,596)	-
Prepaid expenses and other current assets	-	-	-	-	-	-	-	82,385	8,369
Receivables due from limited partnerships	-	-	-	-	-	(62,970)	-	(1,281,912)	-
Accounts payable and other accrued expenses	-	-	-	-	-	-	-	(209,010)	(28,684)
Accrued payroll and related liabilities	-	-	-	-	-	-	-	(1,876)	-
Accrued interest payable	-	-	-	-	-	-	-	32,219	-
Deferred revenue	-	-	-	-	-	-	-	457,857	43,145
Net cash provided by operating activities	-	-	42,499	-	-	-	122,900	618,391	(107,880)
Cash Flows from Investing Activities									
Additions to property and equipment	-	-	-	-	-	-	-	224,756	(35,069)
Purchases of investments	-	-	(42,499)	-	-	-	(122,900)	(436,899)	-
Proceeds from sale of investments	-	-	-	-	-	-	-	294,533	-
Proceeds from notes receivable	-	-	-	-	-	-	-	-	-
Payments to escrow accounts	-	-	-	-	-	-	-	(81,513)	(22,741)
Payments from escrow accounts	-	-	-	-	-	-	-	119,520	146,876
Net cash provided by (used in) investing activities	-	-	(42,499)	-	-	-	(122,900)	120,397	89,066
Cash Flows from Financing Activities									
Capital contributions in limited partnerships and other entities	-	-	-	-	-	-	-	-	-
Repayments of borrowings	-	-	-	-	-	-	-	(826,776)	(6,499)
Proceeds from borrowings	-	-	-	-	-	-	-	-	-
Deferred financing fees	-	-	-	-	-	-	-	(4,519)	1,135
Net cash used in financing activities	-	-	-	-	-	-	-	(831,295)	(5,364)
Net increase (decrease) in cash	-	-	-	-	-	-	-	(92,507)	(24,178)
Cash:									
Beginning of year	-	-	-	-	-	-	-	344,015	28,144
End of year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 251,508	$ 3,966

Heartland Alliance for Human Needs & Human Rights

Heartland Housing, Inc.
Consolidating Statement of Cash Flows (Continued)
Year Ended June 30, 2012
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	Hollywood House Limited Partnership	1218 W. Highland Avenue, LLC	Fond du Lac Apartments, LLC	Leland Limited Partnership	North Avenue Limited Partnership	Drexel Jazz Limited Partnership	Viceroy Limited Partnership	Total Limited Partnerships 2012	Eliminations	Total
Cash Flows from Operating Activities										
Increase (decrease) in net assets	$ (1,046,508)	$ (220,709)	$ (396,635)	$ (611,136)	$ (241,606)	$ (353,216)	$ (1,436)	$ (3,109,882)	$ (133,675)	$ 1,028,066
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:										
Depreciation and amortization	1,020,290	166,301	323,203	519,723	180,726	309,822	1,451	2,634,345	-	3,108,052
Provision for (recoveries of) bad debts	(55,392)	1,393	517	(7,599)	(1,396)	(2,253)	-	(104,079)	-	(132,145)
Contributed land and building	-	-	-	-	-	-	-	-	-	(2,458,000)
Effects of changes in operating assets and liabilities:										
Accounts receivable:										
Program service grants and fees, net	30,020	(7,231)	(3,218)	(4,311)	8,360	(57,363)	-	2,817	-	537,954
Other	-	-	(3,941)	-	-	-	(91,079)	(95,020)	-	(83,301)
Inter-agency balances	(4,123)	13,767	5,732	163,575	144,318	79,027	-	400,182	915,512	278,898
Pledges receivable	-	-	-	-	-	-	-	-	-	(230,596)
Prepaid expenses and other current assets	69,642	2,406	(22,390)	48,832	(11,190)	13,199	-	108,868	-	191,253
Receivables due from limited partnerships	-	-	-	-	-	-	-	-	1,281,912	-
Accounts payable and other accrued expenses	159,485	(23,381)	(790,181)	(10,245)	(35,430)	(4,132)	3,514,993	2,782,425	516	2,573,931
Accrued payroll and related liabilities	(1,259)	-	-	-	-	-	-	(1,259)	-	(3,135)
Accrued interest payable	565,697	13,354	15,990	(25,719)	-	44,176	54,350	667,848	-	700,067
Deferred revenue	(159,120)	-	-	39,958	14,950	-	-	(61,067)	-	396,790
Net cash provided by (used in) operating activities	578,732	(54,100)	(870,923)	113,078	58,732	29,260	3,478,279	3,225,178	2,064,265	5,907,834
Cash Flows from Investing Activities										
Additions to property and equipment	(39,717)	(175)	(1,047,021)	(16,288)	(998)	(6,273)	(7,021,936)	(8,167,477)	59,828	(7,882,893)
Purchases of investments	-	-	-	-	-	-	-	-	415,399	(21,500)
Proceeds from sale of investments	306,925	-	-	-	-	-	-	306,925	-	601,458
Proceeds from notes receivable	168,679	-	-	-	-	-	-	168,679	-	168,679
Payments to escrow accounts	(602,981)	(7,635)	(29,671)	(153,689)	(436,937)	(68,817)	(131,515)	(1,453,986)	(669,834)	(2,205,333)
Payments from escrow accounts	608,320	9,000	20,000	153,554	385,001	42,906	-	1,365,657	-	1,485,177
Net cash provided by (used in) investing activities	441,226	1,190	(1,056,692)	(16,423)	(52,934)	(32,184)	(7,153,451)	(7,780,202)	(194,607)	(7,854,412)
Cash Flows from Financing Activities										
Capital contributions in limited partnerships and other entities	-	-	303,847	-	-	-	2,256,039	2,559,886	-	2,559,886
Repayments of borrowings	(929,665)	-	-	(24,751)	(6,258)	(1,296)	-	(968,469)	-	(1,795,245)
Proceeds from borrowings	-	49,617	1,638,487	-	-	-	1,638,486	3,326,590	(1,869,658)	1,456,932
Deferred financing fees	2,024	-	65,298	2,483	1,000	6,273	(219,352)	(141,139)	-	(145,658)
Net cash provided by (used in) financing activities	(927,641)	49,617	2,007,632	(22,268)	(5,258)	4,977	3,675,173	4,776,868	(1,869,658)	2,075,915
Net increase (decrease) in cash	92,317	(3,293)	80,017	74,387	540	2,053	1	221,844	-	129,337
Cash:										
Beginning of year	258,457	16,678	20,000	13,190	7,515	14,216	-	358,200	-	702,215
End of year	$ 350,774	$ 13,385	$ 100,017	$ 87,577	$ 8,055	$ 16,269	$ 1	$ 580,044	$ -	$ 831,552

Heartland Alliance for Human Needs & Human Rights
Statement of Financial Position
June 30, 2012

	Heartland Alliance for Human Needs & Human Rights	Eliminations	Total *
Assets			
Cash	$ 4,679,316	$ -	$ 4,679,316
Restricted cash	1,650,034	-	1,650,034
Investments	4,396,596	-	4,396,596
Accounts receivable:			
Program service grants and fees	1,625,159	-	1,625,159
Pledges receivable	2,538,247	-	2,538,247
Other	81,343	-	81,343
Inter-agency	3,594,190	-	3,594,190
Prepaid expenses and other current assets	509,103	-	509,103
Investment in affiliates and limited partnerships	1,753,485	(1,753,485)	-
Notes receivable	1,176,875	(1,090,795)	86,080
Property and equipment, net	848,220	-	848,220
Total assets	$ 22,852,568	$ (2,844,280)	$ 20,008,288
Liabilities			
Accounts payable and other accrued expenses	445,115	-	445,115
Accrued payroll and related liabilities	1,235,253	-	1,235,253
Deferred revenue	124,335	-	124,335
Liability for self-insurance claims	1,125,000	-	1,125,000
Deferred rent liability	226,668	-	226,668
Deferred compensation plan liability	253,756	-	253,756
Debt obligations	1,007,375	-	1,007,375
Total liabilities	4,417,502	-	4,417,502
Net Assets			
Unrestricted:			
Undesignated and controlling interests	7,671,114	(2,844,280)	4,826,834
Board designated	1,212,579	-	1,212,579
Total unrestricted net assets	8,883,693	(2,844,280)	6,039,413
Temporarily restricted	9,363,338	-	9,363,338
Permanently restricted	188,035	-	188,035
Total net assets	18,435,066	(2,844,280)	15,590,786
Total liabilities and net assets	$ 22,852,568	$ (2,844,280)	$ 20,008,288

* For purposes of this supplementary information statement, the Agency's management has assigned applicable eliminations from the financial statement consolidation of Heartland Alliance for Human Needs & Human Rights and its affiliated entities to this stand-alone entity. The total after elimination is a memorandum-only total, to demonstrate the effect of eliminations on the entity's reported account balances.

Heartland Alliance for Human Needs & Human Rights
Statement of Activities
Year Ended June 30, 2012

	Program	Administration	Total *
Revenue:			
Contributions	$ 7,563,119	$ -	$ 7,563,119
Program services:			
Grants, contracts, reimbursements and client fees	5,246,254	7,209,450	12,455,704
Contributed services and in-kind revenue	221,952	-	221,952
Interest and investment income	(19,379)	53,802	34,423
Other income	343,404	16,508	359,912
Total revenue	13,355,350	7,279,760	20,635,110
Expenses:			
Salaries and wages	7,609,083	4,979,400	12,588,483
Payroll taxes and fringe benefits	1,287,855	476,208	1,764,063
Staff expenses	1,775,095	137,385	1,912,480
Professional services	1,017,104	589,976	1,607,080
Office services	507,121	434,770	941,891
Occupancy	800,866	485,292	1,286,158
Equipment	230,100	169,802	399,902
Client support and supplies	664,019	(42,975)	621,044
Subrecipients	2,581,309	(60,189)	2,521,120
Contributed services and in-kind expenses	221,952	-	221,952
Real estate development and property management	1,161	7,615	8,776
Interest expense	5,000	(17,740)	(12,740)
Uncollectible accounts	134,831	28,237	163,068
	16,835,496	7,187,781	24,023,277
Allocation of shared services costs	-	(4,752,359)	(4,752,359)
Total expense	16,835,496	2,435,422	19,270,918
Increase in net assets before non-budgetary items	$ (3,480,146)	$ 4,844,338	1,364,192
Non-budgetary items:			
Depreciation and amortization			(346,954)
Increase in net assets			1,017,238
Net assets, beginning of year			14,573,548
Net assets, end of year			$ 15,590,786

* For purposes of this supplementary information statement, the Agency's management has assigned applicable eliminations from the financial statement consolidation of Heartland Alliance for Human Needs & Human Rights and its affiliated entities to this stand-alone entity. The balances in the total column above are after these eliminations and are considered to be memorandum-only totals.

Heartland Alliance for Human Needs & Human Rights
Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows from Operating Activities	
Increase in net assets	$ 1,017,238
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	346,954
Provision for bad debts	163,068
Change in carrying value of investment in HHCS	99,987
Effects of changes in operating assets and liabilities:	
Restricted cash	(1,013,580)
Accounts receivable:	
Program service grants and fees	1,083,148
Affiliates and limited partnerships	
Other	77,966
Inter-agency	(143,476)
Pledges receivable	(664,936)
Prepaid expenses and other current assets	458,150
Accounts payable and other accrued expenses	(1,054,530)
Accrued payroll and related liabilities	332,202
Liability for self-insurance claims	450,000
Deferred rent liability	(9,444)
Deferred compensation plan liability	6,833
Deferred revenue	(16,129)
Net cash provided by operating activities	1,133,451
Cash Flows from Investing Activities	
Additions to property and equipment	(40,490)
Purchases of investments	(992,941)
Issuance of notes receivable	851,663
Net cash used in investing activities	(181,768)
Cash Flows from Financing Activities	
Proceeds from borrowings	507,375
Net cash provided by financing activities	507,375
Increase in cash	1,459,058
Cash:	
Beginning of year	3,220,258
End of year	$ 4,679,316

* For purposes of this supplementary information statement, the Agency's management has assigned applicable eliminations from the financial statement consolidation of Heartland Alliance for Human Needs & Human Rights and its affiliated entities to this stand-alone entity. The balances in the statement above are after these eliminations and are considered to be memorandum-only totals.

Heartland Human Care Services, Inc.
Statement of Financial Position
June 30, 2012

	Heartland Human Care Services, Inc.	Eliminations	Total *
Assets			
Cash	$ 535,964	$ -	$ 535,964
Restricted cash	95,866	-	95,866
Investments	3,043,194	-	3,043,194
Accounts receivable:			
Program service grants and fees	7,610,806	-	7,610,806
Pledges receivable	419,154	-	419,154
Other	62,100	-	62,100
Inter-agency	(1,212,105)	-	(1,212,105)
Allowance for contractual adjustments, discounts and bad debts	(315,757)	-	(315,757)
Prepaid expenses and other current assets	687,291	-	687,291
Notes receivable	2,540,723	-	2,540,723
Property and equipment, net	3,183,833	-	3,183,833
Total assets	$ 16,651,069	$ -	$ 16,651,069
Liabilities			
Accounts payable and other accrued expenses	876,514	-	876,514
Accrued payroll and related liabilities	1,062,896	-	1,062,896
Deferred revenue	87,961	-	87,961
Debt obligations	1,733,506	-	1,733,506
Total liabilities	3,760,877	-	3,760,877
Net Assets			
Unrestricted:			
Undesignated and controlling interests	12,150,339	-	12,150,339
Total unrestricted net assets	12,150,339	-	12,150,339
Temporarily restricted	739,853	-	739,853
Total net assets	12,890,192	-	12,890,192
Total liabilities and net assets	$ 16,651,069	$ -	$ 16,651,069

* For purposes of this supplementary information statement, the Agency's management has assigned applicable eliminations from the financial statement consolidation of Heartland Alliance for Human Needs & Human Rights and its affiliated entities to this stand-alone entity. The total after elimination is a memorandum-only total, to demonstrate the effect of eliminations on the entity's reported account balances.

Heartland Human Care Services, Inc.
Statement of Activities
Year Ended June 30, 2012

	Program	Administration	Total *
Revenue:			
Contributions	$ 544,506	$ 160,134	$ 704,640
Program services:			
Grants, contracts, reimbursements and client fees	29,092,290	(15,870)	29,076,420
Allocation from United Way of Chicago	212,000	-	212,000
Contributed services and in-kind revenue	870,614	3,980	874,594
Patient services, net of contractual adjustments and discounts	-	2,435	2,435
Interest and investment income	1	140,778	140,779
Other income	161,023	33,184	194,207
Total revenue	30,880,434	324,641	31,205,075
Expenses:			
Salaries and wages	15,165,394	401,433	15,566,827
Payroll taxes and fringe benefits	2,224,879	101,532	2,326,411
Staff expenses	303,287	55,832	359,119
Professional services	497,961	161,522	659,483
Office services	602,381	29,657	632,038
Occupancy	2,424,982	125,878	2,550,860
Equipment	462,196	27,058	489,254
Client support and supplies	5,830,582	(321,365)	5,509,217
Subrecipients	462,243	-	462,243
Contributed services and in-kind expenses	870,614	3,980	874,594
Real estate development and property management	869	789	1,658
Interest expense	-	65,690	65,690
Uncollectible accounts	1,874	348,881	350,755
	28,847,262	1,000,887	29,848,149
Allocation of shared services costs	-	2,655,615	2,655,615
Total expense	28,847,262	3,656,502	32,503,764
Decrease in net assets before non-budgetary items	$ 2,033,172	$ (3,331,861)	(1,298,689)
Non-budgetary items:			
Depreciation and amortization			(432,594)
Decrease in net assets			(1,731,283)
Net assets, beginning of year			14,621,475
Net assets, end of year			$ 12,890,192

* For purposes of this supplementary information statement, the Agency's management has assigned applicable eliminations from the financial statement consolidation of Heartland Alliance for Human Needs & Human Rights and its affiliated entities to this stand-alone entity. The balances in the total column above are after these eliminations and are considered to be memorandum-only totals.

Heartland Human Care Services, Inc.
Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows from Operating Activities	
Decrease in net assets	$ (1,731,283)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation and amortization	432,594
Provision for bad debts	350,755
Unrealized gain on investments	(110,267)
Effects of changes in operating assets and liabilities:	
Accounts receivable:	
Restricted cash	(21,438)
Program service grants and fees	(492,587)
Other	776,147
Inter-agency	(524,627)
Pledges receivable	27,000
Prepaid expenses and other current assets	(355,087)
Accounts payable and other accrued expenses	(803,832)
Accrued payroll and related liabilities	67,177
Deferred revenue	(105,086)
Net cash used in operating activities	(2,490,534)
Cash Flows from Investing Activities	
Additions to property and equipment	(353,997)
Purchases of investments	(160,592)
Proceeds from sale of investments	239,964
Issuance of notes receivable	(92,384)
Net cash used in investing activities	(367,009)
Cash Flows from Financing Activities	
Repayments of borrowings	(186,352)
Net cash used in financing activities	(186,352)
Decrease in cash	(3,043,895)
Cash:	
Beginning of year	3,579,859
End of year	$ 535,964

Heartland Health Outreach, Inc.
Statement of Financial Position
June 30, 2012

	Heartland Health Outreach, Inc.	Eliminations	Total *
Assets			
Cash	$ 1,168,082	$ -	$ 1,168,082
Investments	311,277	-	311,277
Accounts receivable:			
Program service grants and fees	3,702,461	-	3,702,461
Pledges receivable	613,023	-	613,023
Patient services	248,809	-	248,809
Other	(57,747)	-	(57,747)
Inter-agency	(263,328)	-	(263,328)
Allowance for contractual adjustments, discounts and bad debts	(187,991)	-	(187,991)
Prepaid expenses and other current assets	211,622	-	211,622
Investment in affiliates and limited partnerships	453,865	-	453,865
Property and equipment, net	2,157,112	-	2,157,112
Total assets	$ 8,357,185	$ -	$ 8,357,185
Liabilities			
Accounts payable and other accrued expenses	702,034	-	702,034
Accrued payroll and related liabilities	698,086	-	698,086
Deferred revenue	47,429	-	47,429
Debt obligations	1,406,777	(1,090,795)	315,982
Total liabilities	2,854,326	(1,090,795)	1,763,531
Net Assets			
Unrestricted:			
Undesignated and controlling interests	4,660,120	1,090,795	5,750,915
Total unrestricted net assets	4,660,120	1,090,795	5,750,915
Temporarily restricted	842,739	-	842,739
Total net assets	5,502,859	1,090,795	6,593,654
Total liabilities and net assets	$ 8,357,185	$ -	$ 8,357,185

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Heartland Health Outreach, Inc.
Statement of Activities
Year Ended June 30, 2012

	Program	Administration	Total *
Revenue:			
Contributions	$ 887,810	$ 798,090	$ 1,685,900
Program services:			
Grants, contracts, reimbursements and client fees	18,733,754	(15,459)	18,718,295
Contributed services and in-kind revenue	438,411	55,717	494,128
Patient services, net of contractual adjustments and discounts	1,056,501	-	1,056,501
Interest and investment income	72,867	6,784	79,651
Other income	444,777	13,086	457,863
Total revenue	21,634,120	858,218	22,492,338
Expenses:			
Salaries and wages	8,901,933	402,031	9,303,964
Payroll taxes and fringe benefits	2,200,522	101,956	2,302,478
Staff expenses	292,457	149,588	442,045
Professional services	1,638,197	(161,708)	1,476,489
Office services	463,552	47,398	510,950
Occupancy	889,441	107,937	997,378
Equipment	287,306	15,462	302,768
Client support and supplies	2,799,146	39,362	2,838,508
Subrecipients	848,535	-	848,535
Contributed services and in-kind expenses	438,411	55,717	494,128
Real estate development and property management	352,843	149	352,992
Interest expense	42,525	5,789	48,314
Uncollectible accounts	(83,141)	-	(83,141)
	19,071,727	763,681	19,835,408
Allocation of shared services costs	-	1,945,186	1,945,186
Total expense	19,071,727	2,708,867	21,780,594
Increase in net assets before non-budgetary items	$ 2,562,393	$ (1,850,649)	711,744
Non-budgetary items:			
Depreciation and amortization			(430,939)
Non-cash contribution - Vital Bridges NFP, Inc.			1,547,118
Increase in net assets			1,827,923
Net assets, beginning of year			4,765,731
Net assets, end of year			$ 6,593,654

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Heartland Health Outreach, Inc.
Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows from Operating Activities	
Increase in net assets	$ 1,827,923
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	430,939
Provision for bad debts	(83,141)
Allocated loss from equity method investment	8,351
Non-cash contribution recognized from Vital Bridges NFP, Inc. acquisition	(1,547,118)
Effects of changes in operating assets and liabilities:	
Accounts receivable:	
Program service grants and fees	295,600
Patient services	90,468
Other	206,185
Inter-agency	389,199
Pledges receivable	(181,521)
Prepaid expenses and other current assets	8,082
Accounts payable and other accrued expenses	(313,153)
Accrued payroll and related liabilities	141,398
Deferred revenue	(84,668)
Net cash provided by operating activities	1,188,544
Cash Flows from Investing Activities	
Additions to property and equipment	(169,059)
Purchases of investments	(193,649)
Cash acquired through Vital Bridges NFP, Inc. acquisition	431,371
Net cash provided by investing activities	68,663
Cash Flows from Financing Activities	
Repayments of borrowings	(972,812)
Net cash used in financing activities	(972,812)
Increase in cash	284,395
Cash:	
Beginning of year	883,687
End of year	$ 1,168,082

Heartland Housing Inc.
Statement of Financial Position
June 30, 2012

	Heartland Housing Inc.	Eliminations	Total *
Assets			
Cash	$ 831,552	$ -	$ 831,552
Accounts receivable:			
Program service grants and fees	339,396	(6,700)	332,696
Pledges receivable	230,596	-	230,596
Other	114,559	-	114,559
Inter-agency	(2,118,757)	-	(2,118,757)
Allowance for contractual adjustments, discounts and bad debts	(86,847)	-	(86,847)
Prepaid expenses and other current assets	419,386	-	419,386
Escrow and reserve accounts	6,243,986	-	6,243,986
Investment in affiliates and limited partnerships	67,625	-	67,625
Receivables due from limited partnerships	516,239	-	516,239
Notes receivable	5,651,348	-	5,651,348
Property and equipment, net	69,535,331	-	69,535,331
Deferred financing fees	1,300,579	-	1,300,579
Residual interest	6,068,116	-	6,068,116
Total assets	$ 89,113,109	$ (6,700)	$ 89,106,409
Liabilities			
Accounts payable and other accrued expenses	7,330,778	(6,700)	7,324,078
Accrued payroll and related liabilities	82,810	-	82,810
Deferred revenue	8,574,010	-	8,574,010
Accrued interest payable	874,181	-	874,181
Debt obligations	43,873,856	-	43,873,856
Total liabilities	60,735,635	(6,700)	60,728,935
Net Assets			
Unrestricted:			
Undesignated and controlling interests	18,753,504	-	18,753,504
Non-controlling interests	9,390,970	-	9,390,970
Total unrestricted net assets	28,144,474	-	28,144,474
Temporarily restricted	233,000	-	233,000
Total net assets	28,377,474	-	28,377,474
Total liabilities and net assets	$ 89,113,109	$ (6,700)	$ 89,106,409

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Heartland Housing Inc.
Statement of Activities
Year Ended June 30, 2012

	Program	Administration	Total *
Revenue:			
Contributions	$ -	$ 403,392	$ 403,392
Program services:			
Grants, contracts, reimbursements and client fees	7,972	1,870,877	1,878,849
Contributed services and in-kind revenue	-	2,458,000	2,458,000
Rental income	4,304,377	-	4,304,377
Housing development	206,023	614,186	820,209
Interest and investment income	295,353	306,156	601,509
Other income	204,523	4,836	209,359
Total revenue	5,018,248	5,657,447	10,675,695
Expenses:			
Salaries and wages	1,097,883	491,008	1,588,891
Payroll taxes and fringe benefits	293,822	105,082	398,904
Staff expenses	4,848	40,390	45,238
Professional services	(2)	105,736	105,734
Office services	1	17,006	17,007
Occupancy	771,669	135,249	906,918
Equipment	-	5,688	5,688
Client support and supplies	-	375	375
Real estate development and property management	2,026,641	1,786	2,028,427
Interest expense	1,191,926	32,828	1,224,754
Uncollectible accounts	42,948	23,135	66,083
	5,429,736	958,283	6,388,019
Allocation of shared services costs	-	151,558	151,558
Total expense	5,429,736	1,109,841	6,539,577
Increase in net assets before non-budgetary items	$ (411,488)	$ 4,547,606	4,136,118
Non-budgetary items:			
Depreciation and amortization			(3,108,052)
Increase in net assets before other items			1,028,066
Other items:			
Capital contributions in limited partnerships and other entities			2,559,886
Increase in net assets			3,587,952
Net assets, beginning of year, as originally stated			25,742,712
Prior period adjustments			(953,190)
Net assets, beginning of year, as restated			24,789,522
Net assets, end of year			$ 28,377,474

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Heartland Housing Inc.
Statement of Cash Flows
Year Ended June 30, 2012

Cash Flows from Operating Activities	
Increase in net assets	$ 1,028,066
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	2,974,391
Amortization of deferred financing fees and residual interest	133,661
Recovery of bad debts	(132,145)
Contributed land and building	(2,458,000)
Effects of changes in operating assets and liabilities:	
Accounts receivable:	
Program service grants and fees	537,954
Other	(83,301)
Inter-agency	278,898
Pledges receivable	(230,596)
Prepaid expenses and other current assets	191,253
Accounts payable and other accrued expenses	2,573,931
Accrued payroll and related liabilities	(3,135)
Accrued interest payable	700,067
Deferred revenue	396,790
Net cash provided by operating activities	5,907,834
Cash Flows from Investing Activities	
Additions to property and equipment	(7,882,893)
Purchases of investments	(21,500)
Proceeds from sale of investments	601,458
Proceeds from note receivable	168,679
Payments to escrow accounts	(2,205,333)
Proceeds from escrow accounts	1,485,177
Net cash used in investing activities	(7,854,412)
Cash Flows from Financing Activities	
Capital contributions in limited partnerships and other entities	2,559,886
Repayments of borrowings	(1,795,245)
Proceeds from borrowings	1,456,932
Deferred financing fees	(145,658)
Net cash provided by financing activities	2,075,915
Increase in cash	129,337
Cash:	
Beginning of year	702,215
End of year	$ 831,552