Heartland Alliance for Human Needs & Human Rights

Consolidated Financial Report
June 30, 2013

Contents

McGladrey

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Heartland Alliance for Human Needs & Human Rights (the Agency) which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Heartland Alliance for Human Needs & Human Rights as of June 30, 2013 and 2012, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 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 information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McGladrey LLP

Chicago, Illinois
November 27, 2013

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Cash	$ 10,605,800	$ 7,214,914
Restricted cash	1,918,348	1,745,900
Investments	8,506,170	7,751,067
Accounts receivable:		
Program service grants and fees	10,564,598	13,271,122
Pledges receivable	3,962,218	3,801,020
Patient services	404,004	248,809
Other	365,906	200,255
Allowance for contractual adjustments, discounts and bad debts	(582,087)	(590,595)
Prepaid expenses and other current assets	2,546,526	1,827,402
Investment in limited partnerships	36,125	36,125
Other investments	793,248	485,365
Notes receivable	7,978,609	8,278,151
Receivables due from limited partnerships	540,335	516,239
Property and equipment, net	91,577,508	75,724,496
Escrow and reserve accounts	10,062,007	6,243,986
Deferred fees, net	1,891,142	1,300,579
Residual interest	6,068,116	6,068,116
Total assets	$ 157,238,573	$ 134,122,951
Liabilities and Net Assets		
Liabilities		
Accounts payable and other accrued expenses	$ 5,440,057	$ 9,347,741
Accrued payroll and related liabilities	3,078,359	3,079,045
Deferred revenue	10,697,750	8,833,735
Liability for self-insurance claims	1,900,000	1,125,000
Deferred rent liability	207,779	226,668
Deferred compensation plan liability	380,482	253,756
Construction payable	1,455,843	-
Accrued interest payable	1,061,289	874,181
Debt obligations	52,758,391	46,930,719
Total liabilities	76,979,950	70,670,845
Net Assets		
Unrestricted:		
Undesignated and controlling interests	48,653,839	41,481,592
Non-controlling interests	18,054,595	9,390,970
Board designated	1,222,579	1,212,579
Total unrestricted net assets	67,931,013	52,085,141
Temporarily restricted	12,139,575	11,178,930
Permanently restricted	188,035	188,035
Total net assets	80,258,623	63,452,106
Total liabilities and net assets	$ 157,238,573	$ 134,122,951

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Activities
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Contributions	$ 2,996,542	$ 7,764,360	$ -	$ 10,760,902
Program services:				
Grants, contracts, reimbursements and client fees	68,855,927	-	-	68,855,927
Allocation from United Way of Chicago	177,000	100,000	-	277,000
Contributed services and non-cash contributions	5,398,528	-	-	5,398,528
Patient services, net of contractual adjustments and discounts	1,066,912	-	-	1,066,912
Rental income	5,639,411	-	-	5,639,411
Housing development	3,966,001	-	-	3,966,001
Interest and investment income	1,445,609	-	-	1,445,609
Other income	1,027,865	-	-	1,027,865
Net assets released from restrictions	6,903,715	(6,903,715)	-	-
	97,477,510	960,645	-	98,438,155
Expenses:				
Program services	75,260,586	-	-	75,260,586
Supporting services:				
Management and general	11,982,491	-	-	11,982,491
Fundraising	1,700,986	-	-	1,700,986
	88,944,063	-	-	88,944,063
Increase in net assets before non-budgetary items	8,533,447	960,645	-	9,494,092
Non-budgetary items:				
Depreciation and amortization	(4,017,712)	-	-	(4,017,712)
Increase in net assets before non-controlling interests and other items	4,515,735	960,645	-	5,476,380
Add back loss attributable to non-controlling interests included in above increase	2,666,512	-	-	2,666,512
Increase in net assets attributable to controlling interests	7,182,247	960,645	-	8,142,892
Less loss attributable to non-controlling interests	(2,666,512)	-	-	(2,666,512)
Increase in net assets before other items	4,515,735	960,645	-	5,476,380
Other items:				
Capital contributions in limited partnerships and other entities	11,330,137	-	-	11,330,137
Increase in net assets	15,845,872	960,645	-	16,806,517
Net assets, beginning of year	52,085,141	11,178,930	188,035	63,452,106
Net assets, end of year	$ 67,931,013	$ 12,139,575	$ 188,035	$ 80,258,623

See Notes to 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 non-cash contributions	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	68,789,610	-	-	68,789,610
Supporting services:				
Management and general	9,931,063	-	-	9,931,063
Fundraising	1,374,180	-	-	1,374,180
	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	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

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Functional Expenses
Year Ended June 30, 2013

	Program Services								
	Youth and Residential Services	Housing Development	International Programs	Integrated Health Care Services	Housing, Community & Specialized Services	Supportive Housing Services	Wellness and Prevention	Justice Services	Employment and Economic Advancement
Salaries and wages	$ 11,101,638	$ 1,091,551	$ 3,183,820	$ 3,466,791	$ 4,069,036	$ 2,532,079	$ 3,530,688	$ 3,026,883	$ 1,477,851
Payroll taxes and fringe benefits	2,586,519	316,931	454,793	761,021	1,108,870	699,685	974,366	706,926	388,324
Staff expenses	105,130	11,538	802,652	125,661	61,459	55,737	64,854	260,018	53,712
Other fundraising expenses	(253)	-	246,717	637	-	492	4,552	88,807	1,542
Professional expenses	870,640	114,956	562,155	523,358	61,088	198,732	164,719	208,048	79,672
Office services	247,108	-	213,396	244,855	118,209	122,584	116,307	138,378	71,249
Occupancy	1,871,004	720,128	380,027	335,170	321,318	370,952	356,089	397,592	304,450
Equipment	375,979	-	115,854	54,347	76,015	147,792	53,853	76,046	52,605
Client support and supplies	3,151,256	-	98,063	597,125	1,583,192	2,822,116	203,756	26,985	796,897
Subrecipients	16,100	-	2,585,602	428,835	-	98,876	94,689	99,512	908,630
Contributed services and in-kind	-	-	-	-	-	-	-	-	-
expenses	206,130	1,100	1,000	535,746	-	14,243	203,515	35,500	300,037
Real estate development and	-	-	-	-	-	-	-	-	-
property management	-	1,981,315	-	150	355,882	-	-	-	-
Interest expense	46,698	1,638,342	-	19,752	8,638	-	-	-	-
Uncollectible accounts	16	199,857	-	(29,636)	4,001	4,717	88,002	1,551	105,474
	20,577,965	6,075,718	8,644,079	7,063,812	7,767,708	7,068,005	5,855,390	5,066,246	4,540,443
Depreciation and amortization	396,613	3,164,610	41,980	350,994	44,430	3,074	24,034	2,941	23,309
	$ 20,974,578	$ 9,240,328	$ 8,686,059	$ 7,414,806	$ 7,812,138	$ 7,071,079	$ 5,879,424	$ 5,069,187	$ 4,563,752

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2013

	Program Services (Continued)					Supporting Services			
	Healthcare Quality, Research TA & Training Services	Health Promotion & Nutrition	Cross Cultural & Interpreting Services	Other	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2013
Salaries and wages	$ 664,231	$ 443,069	$ 195,432	$ 66,847	$ 34,849,916	$ 7,118,382	$ 560,255	$ 7,678,637	$ 42,528,553
Payroll taxes and fringe benefits	127,677	94,939	67,409	35,967	8,323,427	1,410,822	(210,758)	1,200,064	9,523,491
Staff expenses	59,034	5,871	12,752	15,559	1,633,977	321,857	132,799	454,656	2,088,633
Other fundraising expenses	-	1,250	132	(6)	343,870	55,781	282,034	337,815	681,685
Professional expenses	56,764	1,011	471,694	(286,149)	3,026,688	758,259	149,973	908,232	3,934,920
Office services	23,651	29,260	16,335	841	1,342,173	586,278	101,347	687,625	2,029,798
Occupancy	12,088	211,355	36,677	3,077	5,319,927	692,867	134,417	827,284	6,147,211
Equipment	4,086	29,357	5,292	54	991,280	203,240	66,710	269,950	1,261,230
Client support and supplies	27,942	308,812	169	(29,000)	9,587,313	(62,180)	66,553	4,373	9,591,686
Subrecipients	-	-	-	(135,998)	4,096,246	22,708	-	22,708	4,118,954
Contributed services and in-kind	-	-	-	-		-	-		
expenses	-	715	-	-	1,297,986	626,925	417,656	1,044,581	2,342,567
Real estate development and	-	-	-	-		-	-		
property management	7,031	-	-	-	2,344,378	13,466	-	13,466	2,357,844
Interest expense	182	300	1,048	(17,730)	1,697,230	55,596	-	55,596	1,752,826
Uncollectible accounts	9,728	5,384	17,081	-	406,175	178,490	-	178,490	584,665
	992,414	1,131,323	824,021	(346,538)	75,260,586	11,982,491	1,700,986	13,683,477	88,944,063
Depreciation and amortization	3,534	-	-	-	4,055,519	(61,656)	23,849	(37,807)	4,017,712
	$ 995,948	$ 1,131,323	$ 824,021	$ (346,538)	$ 79,316,105	$ 11,920,835	$ 1,724,835	$ 13,645,670	$ 92,961,775

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services								
	Youth and Residential Services	Housing Development	International Programs	Integrated Health Care Services	Housing, Community & Specialized Services	Supportive Housing Services	Wellness and Prevention	Justice Services	Employment and Economic Advancement
Salaries and wages	$ 6,349,528	$ 1,097,884	$ 3,721,206	$ 3,658,552	$ 4,166,779	$ 3,071,122	$ 3,757,939	$ 3,514,239	$ 1,876,259
Payroll taxes and fringe benefits	1,709,200	293,820	499,273	814,924	1,134,594	954,811	1,036,960	711,713	523,780
Staff expenses	89,653	4,849	825,740	152,107	60,291	55,643	80,076	275,717	73,434
Other fundraising expenses	-	-	-	-	-	-	-	-	-
Professional expenses	113,465	-	520,347	614,409	147,322	157,493	119,083	446,884	59,188
Office services	192,326	-	304,921	274,908	164,975	141,677	146,877	153,140	107,187
Occupancy	1,180,193	778,367	378,058	415,149	359,813	433,503	459,140	389,105	385,628
Equipment	222,567	-	176,117	136,711	75,102	131,225	62,000	51,148	47,749
Client support and supplies	1,831,334	-	630,176	724,312	1,656,303	2,906,458	142,276	13,742	954,764
Subrecipients	-	-	1,777,976	848,535	-	142,461	29,105	802,709	290,677
Contributed services and in-kind expenses	195,899	-	-	348,901	135,000	-	-	61,907	674,715
Real estate development and property management	-	1,916,648	582	832	351,963	-	300	578	100
Interest expense	-	1,211,197	-	27,845	12,550	-	-	-	-
Uncollectible accounts	-	19,815	87,267	(21,808)	(66,781)	-	-	47,564	3,397
	11,884,165	5,322,580	8,921,663	7,995,377	8,197,911	7,994,393	5,833,756	6,468,446	4,996,878
Depreciation and amortization	361,390	3,049,268	79,262	381,917	43,583	2,701	23,511	3,858	32,396
	$ 12,245,555	$ 8,371,848	$ 9,000,925	$ 8,377,294	$ 8,241,494	$ 7,997,094	$ 5,857,267	$ 6,472,304	$ 5,029,274

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

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

	Program Services (Continued)					Supporting Services			
	Healthcare Quality, Research TA & Training Services	Health Promotion & Nutrition	Cross Cultural & Interpreting Services	Other	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2012
Salaries and wages	$ 519,470	$ 523,582	$ 201,194	$ 108,791	$ 32,566,545	$ 6,216,776	$ 264,844	$ 6,481,620	$ 39,048,165
Payroll taxes and fringe benefits	96,786	120,910	67,320	(1,986,867)	5,977,224	759,400	55,232	814,632	6,791,856
Staff expenses	52,918	16,585	16,884	14,207	1,718,104	238,723	12,003	250,726	1,968,830
Other fundraising expenses	-	-	-	-	-	-	790,052	790,052	790,052
Professional expenses	42,116	30,351	611,590	(71,059)	2,791,189	1,028,198	29,399	1,057,597	3,848,786
Office services	13,060	27,294	18,274	2,834	1,547,473	508,189	46,224	554,413	2,101,886
Occupancy	83	170,226	36,709	1,012	4,986,986	754,300	28	754,328	5,741,314
Equipment	2,586	59,085	9,329	760	974,379	221,155	2,078	223,233	1,197,612
Client support and supplies	23,186	430,878	3,830	(40,701)	9,276,558	(321,689)	14,275	(307,414)	8,969,144
Subrecipients	-	-	-	(59,565)	3,831,898	-	-	-	3,831,898
Contributed services and in-kind expenses	-	13	-	-	1,416,435	14,194	160,045	174,239	1,590,674
Real estate development and property management	65	5	11	109,991	2,381,075	10,777	-	10,777	2,391,852
Interest expense	253	417	1,459	(22,004)	1,231,717	94,302	-	94,302	1,326,019
Uncollectible accounts	33,514	-	(28,066)	15,125	90,027	406,738	-	406,738	496,765
	784,037	1,379,346	938,534	(1,927,476)	68,789,610	9,931,063	1,374,180	11,305,243	80,094,853
Depreciation and amortization	3,989	-	-	-	3,981,875	336,664	-	336,664	4,318,539
	$ 788,026	$ 1,379,346	$ 938,534	$ (1,927,476)	$ 72,771,485	$ 10,267,727	$ 1,374,180	$ 11,641,907	$ 84,413,392

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Increase in net assets	**$ 5,476,380**	$ 2,141,944
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**4,017,712**	4,318,539
Contributed land and building	**(3,050,000)**	(2,458,000)
Gains on investments	**(65,505)**	(110,268)
Allocated gain from investment in affiliates	**(117,883)**	8,351
Non-cash contribution recognized from Vital Bridges NFP, Inc. acquisition	**-**	(1,547,118)
Non-cash contribution to Together4Health, LLC	**(250,000)**	-
Effects of changes in operating assets and liabilities:		
Restricted cash	**(172,448)**	(1,035,018)
Accounts receivable:		
Program service grants and fees	**2,706,524**	1,417,415
Patient services	**(155,195)**	90,468
Pledges receivable	**(169,706)**	(751,516)
Other	**(165,651)**	976,997
Prepaid expenses and other current assets	**(719,124)**	302,398
Receivables due from limited partnerships	**(24,096)**	-
Accounts payable and other accrued expenses	**(739,555)**	550,514
Accrued payroll and related liabilities	**(686)**	396,244
Accrued interest payable	**187,108**	700,067
Liability for self-insurance claims	**775,000**	450,000
Deferred rent liability	**(18,889)**	(9,444)
Deferred compensation plan liability	**126,726**	6,833
Deferred revenue	**1,864,015**	190,907
Net cash provided by operating activities	**9,504,727**	5,639,313
Cash Flows from Investing Activities		
Additions to property and equipment	**(15,950,286)**	(8,446,439)
Proceeds from sale of property and equipment	**287,328**	-
Purchases of investments	**(1,428,223)**	(1,368,682)
Proceeds from sale of investments	**738,625**	841,422
Issuance of note receivable	**-**	(5,472)
Proceeds from notes receivable	**374,541**	168,679
Deposits to escrow accounts	**(4,376,106)**	(2,205,333)
Releases from escrow accounts	**558,085**	1,485,177
Cash acquired through Vital Bridges NFP, Inc. acquisition	**-**	431,371
Net cash used in investing activities	**(19,796,036)**	(9,099,277)

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Financing Activities		
Capital contributions in limited partnerships and other entities	**$ 11,315,137**	$ 2,559,886
Repayments of borrowings	**(10,798,701)**	(2,089,676)
Proceeds from borrowings	**13,576,622**	1,964,307
Deferred financing fees	**(215,496)**	(145,658)
Tax credit fees	**(195,367)**	-
Net cash provided by financing activities	**13,682,195**	2,288,859
Increase (decrease) in cash	**3,390,886**	(1,171,105)
Cash:		
Beginning of year	**7,214,914**	8,386,019
End of year	**$ 10,605,800**	$ 7,214,914
Supplemental Disclosures of Cash Flow Information		
Interest paid	**$ 1,752,826**	$ 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

See Notes to 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 conducts its activities from its office headquarters in Chicago, Illinois. The Agency 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.

In fiscal year 2013, the Agency formed Heartland Alliance International, LLC (HAI) whose mission is to secure the rights and well-being of marginalized people and communities around the world. In fiscal 2013, HAI's operations were funded by the transfer of existing international funding contracts which were performed in the prior year by Heartland Alliance, its sole member. The formation of HAI resulted in the transfer of net assets to HAI previously recorded in the accounting records of Heartland Alliance totaling $2,846,115. HAI is a disregarded entity for federal tax purposes.

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.

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.

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

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 described below.

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.

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.

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

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 donor-imposed restrictions, including designated amounts the Agency's Board of Directors have set aside for discretionary purposes. Unrestricted net assets include a board designated fund of $1,222,579 at June 30, 2013 and 2012.

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 consolidated 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.

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 consolidated 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.

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

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 represented approximately 60 percent and 52 percent of total support and revenue for the years ended June 30, 2013 and 2012, respectively. If this support were discontinued, it would have a material adverse effect on the Agency.

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.

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

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.

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, 2013 and 2012 totaled $68,339 and $104,944, respectively.

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 provided for the years ended June 30, 2013 and 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.

Other investments: The Agency's investments in various companies are accounted for using the cost or equity method of accounting, depending on the level of ownership interest. If management determined that the fair value of an investment was less than cost, the Agency would consider the investment to be impaired, and the balance recorded on the financial statements would be reduced by an impairment charge to fair value. Management believes its investments were not impaired at June 30, 2013.

Other investments includes the Agency's investment in Together4Health, LLC (T4H), comprised of capital contributions paid to T4H, and is accounted for at cost. At June 30, 2013, the Agency has an interest in T4H totaling $190,000, which is expected to represent a 20 percent interest. Other investments also includes interests in Alliance of Chicago Community Health Services, L3C, and Lathrop Community Partners LLC.

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.

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

Deferred fees: Certain fees paid in connection with the HH's debt are capitalized as financing fees and are amortized using the straight-line method over the term of the loans. Other fees paid in connection with obtaining tax credits are capitalized and amortized using the straight-line method over the tax credit award period. Amortization expense for the years ended June 30, 2013 and 2012 totaled $109,031 and $133,661, respectively.

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 $1,900,000 and $1,125,000 for the years ended June 30, 2013 and 2012, respectively. Claim 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.

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. Deferred revenue is also recorded for developer fee and tax increment financing notes received. Revenue will be recognized over the expected term of the asset or in accordance with the expected payment schedule of the tax increment financing note.

Contributed services and non-cash contributions: The Agency records the fair market value of contributed services if the contributed services create or enhance nonfinancial assets or 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 years ended June 30, 2013 and 2012, the Agency received approximately 60,000 and 50,000 hours of these contributed services and has recorded the value of such as revenue and expense in the consolidated statements of activities. The Agency also coordinated over 72,500 and 47,000 hours of donated legal services during the years ended June 30, 2013 and 2012, respectively. 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 consolidated 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 statements of activities. The estimated value of these supplies was valued at $571,465 and $469,174 for the years ended June 30, 2013 and 2012, respectively.

Donated rent is recorded at the approximate fair market value for the year under lease. The Agency has recorded the value of donated rent received as revenue and expense in the consolidated statements of activities. The estimated value of donated rent was valued at $200,000 for the year ended June 30, 2013.

The City of Chicago donated property to HH in each of the fiscal years 2013 and 2012 with appraised values of $2,970,000 and $2,458,000, respectively.

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. The Hollywood LP property has not been assessed for property taxes for the period January 1, 2009 through June 30, 2013. HH expects the entity to receive the first property tax bill covering the untaxed period during the second installment of 2014. As of June 30, 2013, Hollywood LP has accrued $900,000 to cover the untaxed period.

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 statements of financial position due to the short-term maturity of these investments. The carrying amounts reflected in the consolidated statements 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.

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

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.

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 consolidated financial statements.

The Agency's tax filings are generally no longer subject to examination by the Internal Revenue Service for tax years before 2010.

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.

Reclassifications: Certain amounts on the 2012 financial statements, including various program services categories on the consolidated statement of functional expenses, have been reclassified to conform to the current year presentation. These reclassifications have no effect on the 2012 net assets or changes in net assets.

Note 2. 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 years ended June 30, 2013 and 2012, there were no such transfers.

Note 2. Fair Value Measurements (Continued)

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, 2013 and 2012, the Agency's investments were 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 3. Investments

Investments consisted of the following at June 30, 2013 and 2012:

	2013	2012
Certificates of deposit	$ 1,586,260	$ 449,880
Mutual funds:		
Domestic bond	2,540,339	2,756,670
International bond	628,182	443,752
Domestic equity	2,815,046	2,233,082
International equity	803,674	886,477
	8,373,501	6,769,861
Cash and equivalents	132,669	981,206
	$ 8,506,170	$ 7,751,067

A portion of the investment balance totaling $380,482 and $253,756 is reserved for the Agency's deferred compensation plan at June 30, 2013 and 2012, respectively.

Investment management fees totaled $32,592 and $34,913 in fiscal years 2013 and 2012, respectively.

For fiscal years 2013 and 2012, interest and dividends totaled $296,515 and $321,460, respectively. Unrealized and realized gains on the investment portfolio for fiscal years 2013 and 2012 totaled $65,505 and $110,268, respectively.

Note 4. Pledges Receivable

Pledges receivable are as follows at June 30, 2013 and 2012:

	2013	2012
Expected collections in less than one year	$ 3,389,429	$ 2,941,449
Expected collections in one to five years	583,559	891,500
	3,972,988	3,832,949
Less discount to present value (rates of 1 to 2 percent)	(10,770)	(31,929)
	$ 3,962,218	$ 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 in these accounts were as follows at June 30, 2013 and 2012:

	2013	2012
Reserves for replacements	$ 2,607,937	$ 2,192,744
Real estate tax and insurance escrows	1,672,111	1,483,203
Construction escrows	2,827,637	-
Reserve, tax increment financing	1,674,524	1,300,935
Reserve for operating deficits	588,353	597,270
Negative arbitrage reserve	691,445	669,834
	$ 10,062,007	$ 6,243,986

Note 6. Limited Partnerships and Other Entities

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. The Agency's consolidated financial statements include the balances and accounts of the entities, 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. 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.

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.

Residual interest

In July 2007, HH entered into a subordinate note receivable due from one of the limited partnerships, Roosevelt Square II LP (RS II) in the amount of $6,068,116, in exchange for a 99-year lease to certain land parcels. The lease had been donated to HH by the Chicago Housing Authority, and HH then assigned it to RS II. 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. HH considers its asset to be the residual interest in the note collateral (the land leasehold).

Receivables due from limited partnerships

Two other subordinated notes due from RS II in the aggregate amount of $540,335 and $516,239 are included in the financial statements as receivables due from limited partnerships as of June 30, 2013 and 2012, respectively. 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. For years ended June 30, 2013 and 2012, RS II had 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 year 2013, HH received from city agencies and recorded as in-kind revenue donated land and building with an estimated fair value of $3,050,000. The donations were related to development projects for limited partnerships of which HH has controlling interests. The projects are being developed for an estimated total cost of $36,800,000. As of June 30, 2013, the committed debt and equity financing related to the construction project is approximately $28,080,000.

Note 7. Notes Receivable

Notes receivable at June 30, 2013 and 2012 are as follows:

	2013	2012
Tax Increment Financing (TIF) note due from City of Chicago to Hollywood House LP (one of the limited partnerships; Note 6), in annual payments on March 1 of $575,824, including interest at a rate of 7.09 percent, through 2028.	$ 5,470,316	$ 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	1,530,000
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	688,431
Unsecured promissory note due from Heartland International Health Center (an affiliated entity - Note 15) to Heartland Alliance, including interest at a rate of 2.28 percent, repaid in full as of June 2013.	-	58,080
Related amount due from Heartland International Health Center to Heartland Alliance, repaid in full as of June 2013.	-	28,000
Promissory note due from Together4Health, LLC to HHO bearing interest at 5.75 percent per annum, due on December 31, 2016.	75,000	-
Other	214,862	322,292
	$ 7,978,609	$ 8,278,151

The above TIF note in the original amount of $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 House LP established a tax increment deficiency fund in the amount of $1,229,552 to service Hollywood's debt obligation to the City of Chicago (included in interest bearing loans payable to city agencies; Note 9). Due to the uncertainty of collection, Hollywood House 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:

2014	$ 194,290
2015	208,518
2016	223,789
2017	240,178
2018	257,768
Thereafter	4,345,773
	$ 5,470,316

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 $60,000 and $80,000 at June 30, 2013 and 2012, respectively.

Note 8. Property and Equipment

Property and equipment consisted of the following at June 30, 2013 and 2012:

	2013	2012
Land	$ 6,392,235	$ 3,265,414
Building and improvements	96,818,510	78,904,872
Furniture, equipment and vehicles	5,323,998	5,630,276
Leasehold improvements	3,215,145	3,832,412
Construction in progress	5,745,632	7,230,551
	117,495,520	98,863,525
Less accumulated depreciation and amortization	25,918,012	23,139,029
	$ 91,577,508	$ 75,724,496

Construction in progress relates primarily to construction projects of HH totaling $5,426,795. In addition, HA has recorded construction in progress totaling $318,837 related to the build-out of the Heartland Alliance downtown Chicago office space expected to be completed in fiscal 2014.

Depreciation and amortization expense on property and equipment was $3,908,681 and $4,184,878 for the years ended June 30, 2013 and 2012, respectively

Note 9. Debt Obligations

Debt obligations of the Agency and its wholly-owned subsidiaries are comprised of notes payable, many of which are subject to certain requirements, including financial covenants, consisted of:

	2013	2012
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	$ 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.	232,000	507,375
Term loan through Bank of America used for the construction renovation project for the new offices at the Agency's Chicago headquarters. Total term loan is for $300,000 broken down into two separate notes for $200,000 and $100,000. Both portions of the loan have an interest rate of 1.69 percent and are due on September 30, 2015.	300,000	-
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.	391,790	485,532
Non-interest bearing note payable to City of Chicago Department of Housing with principal due in 2036.	645,028	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.	191,238	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.	305,198	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.	202,387	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 matures 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	441,188
Non-interest bearing note payable to Local Initiatives Support Corporation, for a low income housing development project in Milwaukee, Wisconsin, repaid in full as of February 2013.	-	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.	196,094	217,694

Note 9. Debt Obligations (Continued)

	2013	2012
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.	$ 312,821	$ 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.	1,993,711	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.	324,083	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, 2016, 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.	188,732	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, 2016 or upon repayment of the first mortgage, if earlier.	1,073,955	1,073,955
Non-interest bearing third mortgage loan payable to IHDA, due 2026.	494,483	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.	2,031,972	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	213,991
Certain Ellis assets are pledged to secure the mortgage loans payable.		
Limited Partnerships and Limited Liability Companies		
Debt obligations also consist of interest and non-interest bearing notes payable of various limited partnerships and limited liability companies in which HH affiliate corporations hold general partner interests. These obligations are all mortgage obligations secured by the respective properties, with various maturity dates through 2050, and can readily be categorized by those that provide for fixed monthly debt service payments, others with no debt service payments prior to maturity, construction loans, and obligations that require debt service payments only if the secured property produces cash flow as defined. These obligations typically provide for operating restrictions related to the incomes earned by, and the rents charged to, the property tenants. Construction obligations are retired at maturity from the capital contributions of the respective noncontrolling interest. Accordingly, the details of these obligations (and the range of interest rates) as of June 30, 2013 and 2012 have been summarized as follows:		
Non-interest loans payable to IHDA	7,255,784	7,269,760
Non-interest loans payable to city agencies	7,406,151	7,406,151
Non-interest cash flow loans	750,000	750,000
Interest bearing loans payable to city agencies (1.00 percent to 6.44 percent)	16,356,185	16,568,168
Interest bearing first mortgage loans (2.25 percent to 9.00 percent; requiring monthly fixed debt service payments, based on amortization from note issuance through maturity)	2,067,068	2,094,945
Interest bearing construction loans (2.65 percent to 5.50 percent)	8,884,532	2,349,840
	$ 52,758,391	$ 46,930,719

Note 9. Debt Obligations (Continued)

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

2014	$ 6,576,529
2015	3,613,362
2016	2,095,850
2017	1,252,009
2018	577,946
Thereafter	38,642,695
	$ 52,758,391

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, 2013 and 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 statements 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 $5,470,316, 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 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. For the years ended June 30, 2013 and 2012, a deferred rent liability of $207,779 and $226,668, respectively, 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.

In fiscal year 2013, the Agency signed a fifteen-year lease for new office space with its current landlord. The landlord has provided certain rental incentives, including a tenant allowance for build-out of the new space. A term loan from Bank of America will provide funds for the build-out as well. The Agency moved into its new space in October 2013 and recognition of rental expense for the new lease will begin in fiscal 2014.

Note 10. Operating Leases (Continued)

Approximate future minimum rental payments at June 30, 2013 under the new office lease and various other noncancelable leases are as follows:

2014	$ 2,720,000
2015	1,859,000
2016	1,576,000
2017	1,445,000
2018	634,000
Thereafter	1,316,000
	$ 9,550,000

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	$ 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
Change in net assets	4,515,735	7,182,247	(2,666,512)
Capital contributed by non-controlling interests	11,330,137	-	11,330,137
Balance, June 30, 2013	$ 67,931,013	$ 49,876,418	$ 18,054,595

Capital contributed by non-controlling interests represents member or limited partner cash investments received during fiscal years 2013 and 2012 in certain real estate projects:

	2013	2012
Center Buffum MM, LLC	$ 5,100	$ -
Center Buffum, LLC	2,363,475	-
Fond du Lac Apartments LLC	3,349,005	303,847
Halsted Limited Partnership	3,826,637	-
Hollywood House Limited Partnership	300,000	-
Viceroy Limited Partnership	1,485,920	2,256,039
	$ 11,330,137	$ 2,559,886

At June 30, 2013, an aggregate $29,647,623 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:

	2013	2012
Affordable and Supportive Housing Services	$ 575,026	$ 355,085
Employment and Economic Advancement	162,342	247,084
Fundraising	792,436	570,139
Health Care Quality, Research, TA, and Training	226,339	322,959
Health Promotion and Nutrition	29,691	-
Housing Development	78,387	100,000
Housing, Community and Specialized Services	238,655	225,171
Integrated Health Care Services	95,582	101,949
Justice Services	7,102,520	7,252,691
Management and General	420,072	183,160
Wellness and Prevention	799,217	136,306
Youth Residential Services	1,495	1,378
Other Services	1,617,813	1,683,008
	$ 12,139,575	$ 11,178,930

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

	2013	2012
Affordable and Supportive Housing Services	$ 277,964	$ 264,988
Employment and Economic Advancement	248,162	144,709
Fundraising	239,849	-
Health Care Quality, Research, TA, and Training	414,498	256,439
Health Promotion and Nutrition	5,309	-
Housing Development	21,614	-
Housing, Community and Specialized Services	258,932	169,599
Integrated Health Care Services	178,367	103,755
International Programs	456,114	803,167
Justice Services	3,913,329	3,503,674
Management and General	665,742	459,347
Wellness and Prevention	195,402	270,537
Youth Residential Services	-	48,622
Other Services	28,433	192,799
	$ 6,903,715	$ 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.

Note 13. Acquisition of Vital Bridges NFP, Inc. (Continued)

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 statements 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 years 2013 and 2012 totaled $763,859 and $742,792, respectively.

The Agency also maintains a deferred compensation plan for certain of its executives. Total expense relating to this plan for fiscal years 2013 and 2012 totaled $45,500 and $41,000, respectively. The liability for deferred compensation at June 30, 2013 and 2012 was $380,482 and $253,756, respectively.

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, insurance and courier services. 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 June 30, 2018. Revenue recognized by the Agency under this agreement amounted to $553,882 and $526,373 for fiscal years ended June 30, 2013 and 2012, respectively.

The Health Center shares one clinical provider with HHO; the value of that service to the Health Center, paid to HHO, was $101,324 and $121,640 for fiscal years ended June 30, 2013 and 2012, respectively.

As of June 30, 2013 and 2012, the Health Center owed the Agency $32,378 and $69,645, respectively.

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, due in June 2013. The note is payable in monthly installments of $4,931, including interest at a rate of 2.28 percent. The agreement also included a provision whereby $140,000 of the original amount owed would be reduced by $28,000 per year, over a five-year period, provided all management, general and administrative payments were made on time. During fiscal 2013, the outstanding note balance of $58,080 was paid in full by the Health Center to the Agency, and the remaining $28,000 was forgiven by the Agency for the benefit of the Health Center.

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 totaled $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. Management has no reason to believe that any of the claims are not fully covered by the Agency's insurance and 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 November 27, 2013, the date on which the consolidated financial statements were available to be issued.

HHCS is the sole member of a single purpose entity, 3500 South Giles, LLC, which acquired a property located in Chicago in July 2013. The purchase price was $11,552,300, which was the amount of the outstanding HUD-insured mortgage. The mortgage was refinanced for 30 years at a fixed interest rate of 4.0 percent per annum.

Supplementary Information

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Financial Position
June 30, 2013

	Heartland Alliance for Human Needs & Human Rights	Heartland Alliance International, LLC	Heartland Human Care Services, Inc.	Heartland Health Outreach, Inc.	Heartland Housing Inc.	Eliminations	Total
Assets							
Cash	$ 4,232,462	$ 931,247	$ 2,704,535	$ 1,753,410	$ 984,146	$ -	$ 10,605,800
Restricted cash	1,718,544	-	148,397	51,407	-	-	1,918,348
Investments	5,296,488	-	3,209,682	-	-	-	8,506,170
Accounts receivable:							-
Program service grants and fees	354,101	1,255,892	5,672,174	2,986,833	295,598	-	10,564,598
Pledges receivable	1,884,208	245,520	1,093,585	666,655	72,250	-	3,962,218
Patient services	-	-	-	404,004	-	-	404,004
Other	81,786	-	9,213	7,965	266,942	-	365,906
Inter-agency	2,561,931	(44,948)	(277,722)	(227,612)	(2,011,649)	-	-
Allowance for contractual adjustments, discounts and bad debts	(91,038)	-	(349,180)	(89,528)	(52,341)	-	(582,087)
Prepaid expenses and other current assets	601,915	514,632	789,144	116,576	524,259	-	2,546,526
Investment in limited partnerships	1,754,485	-	-	-	36,125	(1,754,485)	36,125
Other investments	-	-	15,000	746,748	31,500	-	793,248
Notes receivable	908,116	-	2,433,293	75,000	5,470,316	(908,116)	7,978,609
Receivables due from limited partnerships	-	-	-	-	540,335	-	540,335
Property and equipment, net	804,700	429,440	3,333,060	1,757,610	85,252,698	-	91,577,508
Escrow and reserve accounts	-	-	-	-	10,062,007	-	10,062,007
Deferred fees, net	-	-	-	-	1,891,142	-	1,891,142
Residual interest	-	-	-	-	6,068,116	-	6,068,116
Total assets	$ 20,107,698	$ 3,331,783	$ 18,781,181	$ 8,249,068	$ 109,431,444	$ (2,662,601)	$ 157,238,573
Liabilities and Net Assets							
Liabilities							
Accounts payable and other accrued expenses	$ 235,052	$ 96,323	$ 781,682	$ 513,194	$ 3,813,806	$ -	$ 5,440,057
Accrued payroll and related liabilities	793,727	236,978	1,225,761	727,539	94,354	-	3,078,359
Deferred revenue	315,248	202,115	364,293	257,110	9,558,984	-	10,697,750
Liability for self-insurance claims	1,900,000	-	-	-	-	-	1,900,000
Deferred rent liability	207,779	-	-	-	-	-	207,779
Deferred compensation plan liability	380,482	-	-	-	-	-	380,482
Construction payable	-	-	-	-	1,455,843	-	1,455,843
Accrued interest payable	-	-	-	-	1,061,289	-	1,061,289
Debt obligations	1,032,000	134,315	1,533,254	976,188	49,990,750	(908,116)	52,758,391
Total liabilities	4,864,288	669,731	3,904,990	2,474,031	65,975,026	(908,116)	76,979,950
Net Assets							
Unrestricted:							
Undesignated and controlling interests	5,117,216	2,011,341	13,336,844	4,696,737	25,256,186	(1,754,485)	48,663,839
Non-controlling interests	-	-	-	-	18,054,595	-	18,054,595
Board designated	1,212,579	-	-	-	-	-	1,212,579
Total unrestricted net assets	6,329,795	2,011,341	13,336,844	4,696,737	43,310,781	(1,754,485)	67,931,013
Temporarily restricted	8,725,580	650,711	1,539,347	1,078,300	145,637	-	12,139,575
Permanently restricted	188,035	-	-	-	-	-	188,035
Total net assets	15,243,410	2,662,052	14,876,191	5,775,037	43,456,418	(1,754,485)	80,258,623
Total liabilities and net assets	$ 20,107,698	$ 3,331,783	$ 18,781,181	$ 8,249,068	$ 109,431,444	$ (2,662,601)	$ 157,238,573

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
Investment in limited partnerships	1,753,485	-	-	36,125	(1,753,485)	36,125
Other investments	-	-	453,865	31,500	-	485,365
Notes receivable	1,176,875	2,540,723	-	5,651,348	(1,090,795)	8,278,151
Receivables due from limited partnerships	-	-	-	516,239	-	516,239
Property and equipment, net	848,220	3,183,833	2,157,112	69,535,331	-	75,724,496
Escrow and reserve accounts	-	-	-	6,243,986	-	6,243,986
Deferred 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, 2013

	Heartland Alliance for Human Needs & Human Rights	Heartland Alliance International, LLC	Heartland Human Care Services, Inc.	Heartland Health Outreach, Inc.	Heartland Housing Inc.	Eliminations	Total
Revenue:							
Contributions	$ 5,698,826	$ 1,032,230	$ 1,604,273	$ 2,201,400	$ 224,173	$ -	$ 10,760,902
Program services:							
Grants, contracts, reimbursements and client fees	1,770,210	9,081,789	40,596,852	17,534,576	-	(127,500)	68,855,927
Allocation from United Way of Chicago	-	-	277,000	-	-	-	277,000
Contributed services and non-cash contributions	238,427	22,098	1,269,344	817,559	3,051,100	-	5,398,528
Patient services, net of contractual adjustments and discounts	-	-	-	1,066,912	-	-	1,066,912
Rental income	-	-	-	-	5,639,411	-	5,639,411
Housing development	-	-	-	-	3,966,001	-	3,966,001
Interest and investment income	196,327	50	77,048	83,719	1,106,195	(17,730)	1,445,609
Other income	754,284	49,549	92,253	188,505	286,163	(342,889)	1,027,865
Total revenue	8,658,074	10,185,716	43,916,770	21,892,671	14,273,043	(488,119)	98,438,155
Expenses:							
Salaries and wages	8,531,368	3,809,965	19,014,807	9,481,795	1,690,618	-	42,528,553
Payroll taxes and fringe benefits	1,513,222	562,073	4,695,181	2,333,080	419,935	-	9,523,491
Staff expenses	582,863	882,713	290,250	289,741	44,066	(1,000)	2,088,633
Fundraising expenses	259,115	277,770	7,640	135,553	1,607	-	681,685
Professional services	915,380	632,082	1,601,120	913,487	175,217	(302,366)	3,934,920
Office services	692,954	237,868	579,403	499,621	19,952	-	2,029,798
Occupancy	843,014	412,926	2,964,128	1,064,138	863,005	-	6,147,211
Equipment	238,931	125,090	641,967	245,662	9,580	-	1,261,230
Client support and supplies	48,818	110,213	6,884,582	2,577,128	(55)	(29,000)	9,591,686
Subrecipients	101,536	2,608,311	1,118,295	428,835	-	(138,023)	4,118,954
Contributed services and in-kind expenses	233,464	21,100	1,269,344	817,559	1,100	-	2,342,567
Real estate development and property management	4,243	-	-	363,248	1,990,353	-	2,357,844
Interest expense	8,501	1,030	46,698	73,841	1,640,486	(17,730)	1,752,826
Uncollectible accounts	158,128	-	198,287	8,264	219,986	-	584,665
	14,131,537	9,681,141	39,311,702	19,231,952	7,075,850	(488,119)	88,944,063
Allocation of shared services costs	(6,728,963)	618,522	3,559,518	1,965,735	585,188	-	-
Total expenses	7,402,574	10,299,663	42,871,220	21,197,687	7,661,038	(488,119)	88,944,063
Increase (decrease) in net assets before non-budgetary items	1,255,500	(113,947)	1,045,550	694,984	6,612,005	-	9,494,092
Non-budgetary items:							
Depreciation and amortization	(185,318)	(71,116)	(475,274)	(422,806)	(2,863,198)		(4,017,712)
Other transfers of net assets*	(4,261,838)	2,847,115	1,415,723	-	-	(1,000)	-
Total non-budgetary expenses	(4,447,156)	2,775,999	940,449	(422,806)	(2,863,198)	(1,000)	(4,017,712)
Increase (decrease) in net assets before non-controlling interests	(3,191,656)	2,662,052	1,985,999	272,178	3,748,807	(1,000)	5,476,380
Non-controlling interests:							
Capital contributions in limited partnerships and other entities	-	-	-	-	11,330,137	-	11,330,137
Increase (decrease) in net assets	(3,191,656)	2,662,052	1,985,999	272,178	15,078,944	(1,000)	16,806,517
Net assets, beginning of year	18,435,066	-	12,890,192	5,502,859	28,377,474	(1,753,485)	63,452,106
Net assets, end of year	$ 15,243,410	$ 2,662,052	$ 14,876,191	$ 5,775,037	$ 43,456,418	$ (1,754,485)	$ 80,258,623

* Other transfers of net assets include amounts transferred from Heartland Alliance for Human Needs & Human Rights (Heartland Alliance) to Heartland Alliance International LLC (HAI), in connection with formation of HAI in fiscal year 2013, and adjustments to balances between Heartland Alliance and Heartland Human Care Services, Inc.

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	1,259,810	347,767	316,944	44,309	-	1,968,830
Fundraising	652,670	11,352	125,101	929		790,052
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	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, 2013

	Heartland Alliance for Human Needs & Human Rights	Heartland Alliance International, LLC	Heartland Human Care Services, Inc.	Heartland Health Outreach, Inc.	Heartland Housing Inc.	Eliminations	Total
Cash Flows from Operating Activities							
Increase (decrease) in net assets	$ (3,191,656)	$ 2,662,052	$ 1,985,999	$ 272,178	$ 3,748,807	$ (1,000)	$ 5,476,380
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	185,318	71,116	475,274	422,806	2,863,198	-	4,017,712
Contributed land and building	-	-	-	-	(3,050,000)	-	(3,050,000)
Gain on investments	(28,092)	-	(37,413)	-	-	-	(65,505)
Allocated gain from other investments	-	-	-	(117,883)	-	-	(117,883)
Non-cash contribution and equity credit from Together4Health, LLC	-	-	-	(250,000)	-	-	(250,000)
Effects of changes in operating assets and liabilities:					-	-	-
Restricted cash	(68,510)	-	(52,531)	(51,407)	-	-	(172,448)
Accounts receivable:					-	-	-
Program service grants and fees	1,271,058	(1,255,892)	1,938,632	715,628	43,798	(6,700)	2,706,524
Patient services	-	-	-	(155,195)	-	-	(155,195)
Pledges receivable	745,077	(245,520)	(641,008)	(152,095)	123,840	-	(169,706)
Other	(443)	-	52,887	(65,712)	(152,383)	-	(165,651)
Inter-agency	1,032,259	44,948	(934,383)	(35,716)	(107,108)	-	-
Prepaid expenses and other current assets	(92,812)	(514,632)	(101,853)	95,046	(104,873)	-	(719,124)
Receivables due from limited partnerships	-	-	-	-	(24,096)	-	(24,096)
Accounts payable and other accrued expenses	(210,063)	96,323	(94,832)	(188,840)	(348,593)	6,450	(739,555)
Accrued payroll and related liabilities	(441,526)	236,978	162,865	29,453	11,544	-	(686)
Accrued interest payable	-		-	-	187,108	-	187,108
Self insurance liability	775,000	-					775,000
Deferred rent liability	(18,889)		-	-	-	-	(18,889)
Deferred compensation plan liability	126,726		-	-	-	-	126,726
Deferred revenue	190,913	202,115	276,332	209,681	984,974	-	1,864,015
Net cash provided by (used in) operating activities	274,360	1,297,488	3,029,969	727,944	4,176,216	(1,250)	9,504,727
Cash Flows from Investing Activities							
Additions to property and equipment	(341,626)	(588,056)	(624,501)	(23,304)	(14,372,799)	-	(15,950,286)
Proceeds from sale of property and equipment	199,828	87,500	-	-	-		287,328
Purchases of investments	(1,299,148)	-	(129,075)	-	-	-	(1,428,223)
Proceeds from sale of investments	427,348	-	-	311,277	-	-	738,625
Issuance of notes receivable	-	-	-	-	-	-	-
Proceeds from notes receivable	268,759	-	107,430	-	181,032	(182,680)	374,541
Deposits to escrow accounts	-	-	-	-	(4,376,106)	-	(4,376,106)
Releases from escrow accounts	-	-	-	-	558,085	-	558,085
Net cash provided by (used in) investing activities	(744,839)	(500,556)	(646,146)	287,973	(18,009,788)	(182,680)	(19,796,036)
Cash Flows from Financing Activities							
Capital contributions in limited partnerships and other entities	(1,000)	-	(15,000)	-	11,330,137	1,000	11,315,137
Repayments of borrowings	(275,375)	(11,685)	(200,252)	(430,589)	(10,063,730)	182,930	(10,798,701)
Proceeds from borrowings	300,000	146,000	-	-	13,130,622	-	13,576,622
Deferred financing fees	-	-	-	-	(215,496)	-	(215,496)
Tax credit fees	-	-	-	-	(195,367)	-	(195,367)
Net cash provided by (used in) financing activities	23,625	134,315	(215,252)	(430,589)	13,986,166	183,930	13,682,195
Net increase (decrease) in cash	(446,854)	931,247	2,168,571	585,328	152,594	-	3,390,886
Cash:							
Beginning of year	4,679,316	-	535,964	1,168,082	831,552	-	7,214,914
End of year	$ 4,232,462	$ 931,247	$ 2,704,535	$ 1,753,410	$ 984,146	$ -	$ 10,605,800

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
Contributed land and building	-	-	-	(2,458,000)	-	(2,458,000)
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
Pledges receivable	(501,868)	377,755	(264,662)	(362,741)	-	(751,516)
Other	77,966	776,147	206,185	(83,301)	-	976,997
Inter-agency	(143,476)	(524,627)	389,199	278,898	6	-
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

Statement of Financial Position
June 30, 2013

	Heartland Alliance for Human Needs & Human Rights	Eliminations	Total *
Assets			
Cash	$ 4,232,462	$ -	$ 4,232,462
Restricted cash	1,718,544	-	1,718,544
Investments	5,296,488	-	5,296,488
Accounts receivable:			-
Program service grants and fees	354,101	-	354,101
Pledges receivable	1,884,208	-	1,884,208
Other	81,786	-	81,786
Inter-agency	2,561,931	-	2,561,931
Allowance for contractual adjustments, discounts and bad debts	(91,038)	-	(91,038)
Prepaid expenses and other current assets	601,915	-	601,915
Investment in affiliates and limited partnerships	1,754,485	(1,754,485)	-
Notes receivable	908,116	(908,116)	-
Property and equipment, net	804,700	-	804,700
Total assets	$ 20,107,698	$ (2,662,601)	$ 17,445,097
Liabilities and Net Assets			
Liabilities			
Accounts payable and other accrued expenses	$ 235,052	$ -	$ 235,052
Accrued payroll and related liabilities	793,727	-	793,727
Deferred revenue	315,248	-	315,248
Liability for self-insurance claims	1,900,000	-	1,900,000
Deferred rent liability	207,779	-	207,779
Deferred compensation plan liability	380,482	-	380,482
Debt obligations	1,032,000	-	1,032,000
Total liabilities	4,864,288	-	4,864,288
Net Assets			
Unrestricted:			
Undesignated and controlling interests	5,117,216	(2,662,601)	2,454,615
Board designated	1,212,579	-	1,212,579
Total unrestricted net assets	6,329,795	(2,662,601)	3,667,194
Temporarily restricted	8,725,580	-	8,725,580
Permanently restricted	188,035	-	188,035
Total net assets	15,243,410	(2,662,601)	12,580,809
Total liabilities and net assets	$ 20,107,698	$ (2,662,601)	$ 17,445,097

* 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, 2013

	Program	Administration	Total
Revenue:			
Contributions	$ 5,698,826	$ -	$ 5,698,826
Program services:			
Grants, contracts, reimbursements and client fees	1,770,210	-	1,770,210
Contributed services and non-cash contributions	238,427	-	238,427
Interest and investment income	196,327	-	196,327
Other income	754,284	-	754,284
Total revenue	8,658,074	-	8,658,074
Expenses:			
Salaries and wages	3,093,730	5,437,638	8,531,368
Payroll taxes and fringe benefits	742,894	770,328	1,513,222
Staff expenses	276,578	306,285	582,863
Fundraising	88,801	170,314	259,115
Professional services	339,222	576,158	915,380
Office services	139,219	553,735	692,954
Occupancy	400,669	442,345	843,014
Equipment	75,101	163,830	238,931
Client support and supplies	26,985	21,833	48,818
Subrecipients	101,536	-	101,536
Contributed services and in-kind expenses	35,500	197,964	233,464
Real estate development and property management	-	4,243	4,243
Interest expense	2,500	6,001	8,501
Uncollectible accounts	1,551	156,577	158,128
	5,324,286	8,807,251	14,131,537
Allocation of shared services costs	-	(6,728,963)	(6,728,963)
Total expenses	5,324,286	2,078,288	7,402,574
Increase (decrease) in net assets before non-budgetary items	3,333,788	(2,078,288)	1,255,500
Non-budgetary items:			
Depreciation and amortization			(185,318)
Other transfers of net assets			(4,261,838)
Total non-budgetary items			(4,447,156)
Decrease in net assets			(3,191,656)
Net assets, beginning of year			18,435,066
Net assets, end of year			$ 15,243,410

Heartland Alliance for Human Needs & Human Rights

Statement of Cash Flows
Year Ended June 30, 2013

Cash Flows from Operating Activities		
Decrease in net assets	$	(3,191,656)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization		185,318
Unrealized gain on investments		(28,092)
Effects of changes in operating assets and liabilities:		
Restricted cash		(68,510)
Accounts receivable:		
Program service grants and fees		1,271,058
Pledges receivable		745,077
Other		(443)
Inter-agency		1,032,259
Prepaid expenses and other current assets		(92,812)
Accounts payable and other accrued expenses		(210,063)
Accrued payroll and related liabilities		(441,526)
Self insurance liability		775,000
Deferred rent liability		(18,889)
Deferred compensation plan liability		126,726
Deferred revenue		190,913
Net cash provided by operating activities		274,360
Cash Flows from Investing Activities		
Additions to property and equipment		(341,626)
Proceeds from sale of property and equipment		199,828
Purchases of investments		(1,299,148)
Proceeds from sale of investments		427,348
Proceeds from notes receivable		268,759
Net cash used in investing activities		(744,839)
Cash Flows from Financing Activities		
Capital contribution into Heartland Alliance International, LLC		(1,000)
Repayments of borrowings		(275,375)
Proceeds from borrowings		300,000
Net cash provided by financing activities		23,625
Decrease in cash		(446,854)
Cash:		
Beginning of year		4,679,316
End of year	$	4,232,462

Heartland Alliance International, LLC

Statement of Financial Position
June 30, 2013

	Heartland Alliance International, LLC	Eliminations	Total *
Assets			
Cash	$ 931,247	$ -	$ 931,247
Restricted cash	-	-	-
Investments	-	-	-
Accounts receivable:			
Program service grants and fees	1,255,892	-	1,255,892
Pledges receivable	245,520	-	245,520
Inter-agency	(44,948)	-	(44,948)
Prepaid expenses and other current assets	514,632	-	514,632
Property and equipment, net	429,440	-	429,440
Total assets	$ 3,331,783	$ -	$ 3,331,783
Liabilities and Net Assets			
Liabilities			
Accounts payable and other accrued expenses	$ 96,323	$ -	$ 96,323
Accrued payroll and related liabilities	236,978	-	236,978
Deferred revenue	202,115	-	202,115
Debt obligations	134,315	(134,315)	-
Total liabilities	669,731	(134,315)	535,416
Net Assets			
Unrestricted:			
Undesignated and controlling interests	2,011,341	134,315	2,145,656
Total unrestricted net assets	2,011,341	134,315	2,145,656
Temporarily restricted	650,711	-	650,711
Total net assets	2,662,052	134,315	2,796,367
Total liabilities and net assets	$ 3,331,783	$ -	$ 3,331,783

* 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 International, LLC

Statement of Activities
Year Ended June 30, 2013

	Program	Administration	Total
Revenue:			
Contributions	$ 1,032,230	$ -	$ 1,032,230
Program services:			
Grants, contracts, reimbursements and client fees	9,081,789	-	9,081,789
Contributed services and non-cash contributions	22,098	-	22,098
Interest and investment income	50	-	50
Other income	49,549	-	49,549
Total revenue	10,185,716	-	10,185,716
Expenses:			
Salaries and wages	3,183,820	626,145	3,809,965
Payroll taxes and fringe benefits	454,793	107,280	562,073
Staff expenses	802,652	80,061	882,713
Fundraising expenses	246,717	31,053	277,770
Professional services	562,155	69,927	632,082
Office services	213,396	24,472	237,868
Occupancy	380,027	32,899	412,926
Equipment	115,854	9,236	125,090
Client support and supplies	98,063	12,150	110,213
Subrecipients	2,585,602	22,709	2,608,311
Contributed services and in-kind expenses	1,000	20,100	21,100
Interest expense	-	1,030	1,030
	8,644,079	1,037,062	9,681,141
Allocation of shared services costs	-	618,522	618,522
Total expenses	8,644,079	1,655,584	10,299,663
Increase (decrease) in net assets before non-budgetary items	1,541,637	(1,655,584)	(113,947)
Non-budgetary items:			
Depreciation and amortization			(71,116)
Other transfers of net assets			2,847,115
Total non-budgetary expenses			2,775,999
Increase in net assets			2,662,052
Net assets, beginning of year			-
Net assets, end of year			$ 2,662,052

Heartland Alliance International, LLC

Statement of Cash Flows
Year Ended June 30, 2013

Cash Flows from Operating Activities		
Increase in net assets	$	2,662,052
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization		71,116
Effects of changes in operating assets and liabilities:		
Accounts receivable:		
Program service grants and fees		(1,255,892)
Pledges receivable		(245,520)
Inter-agency		44,948
Prepaid expenses and other current assets		(514,632)
Accounts payable and other accrued expenses		96,323
Accrued payroll and related liabilities		236,978
Deferred revenue		202,115
Net cash provided by operating activities		1,297,488
Cash Flows from Investing Activities		
Additions to property and equipment		(588,056)
Proceeds from sale of property and equipment		87,500
Net cash used in investing activities		(500,556)
Cash Flows from Financing Activities		
Repayments of borrowings		(11,685)
Proceeds from borrowings		146,000
Net cash provided by financing activities		134,315
Increase in cash		931,247
Cash:		
Beginning of year		-
End of year	$	931,247

Heartland Human Care Services, Inc.

Statement of Financial Position
June 30, 2013

	Heartland Human Care Services, Inc.	Eliminations	Total *
Assets			
Cash	$ 2,704,535	$ -	$ 2,704,535
Restricted cash	148,397	-	148,397
Investments	3,209,682	-	3,209,682
Accounts receivable:			
Program service grants and fees	5,672,174	-	5,672,174
Pledges receivable	1,093,585	-	1,093,585
Other	9,213	-	9,213
Inter-agency	(277,722)	-	(277,722)
Allowance for contractual adjustments, discounts and bad debts	(349,180)	-	(349,180)
Prepaid expenses and other current assets	789,144	-	789,144
Investment in affiliates - equity method	15,000	-	15,000
Notes receivable	2,433,293	-	2,433,293
Property and equipment, net	3,333,060	-	3,333,060
Total assets	$ 18,781,181	$ -	$ 18,781,181
Liabilities and Net Assets			
Liabilities			
Accounts payable and other accrued expenses	$ 781,682	$ -	$ 781,682
Accrued payroll and related liabilities	1,225,761	-	1,225,761
Deferred revenue	364,293	-	364,293
Debt obligations	1,533,254	-	1,533,254
Total liabilities	3,904,990	-	3,904,990
Net Assets			
Unrestricted:			
Undesignated and controlling interests	13,336,844	-	13,336,844
Total unrestricted net assets	13,336,844	-	13,336,844
Temporarily restricted	1,539,347	-	1,539,347
Total net assets	14,876,191	-	14,876,191
Total liabilities and net assets	$ 18,781,181	$ -	$ 18,781,181

* 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, 2013

	Program	Administration	Total
Revenue:			
Contributions	$ 1,604,273	$ -	$ 1,604,273
Program services:			
Grants, contracts, reimbursements and client fees	40,596,852	-	40,596,852
Allocation from United Way of Chicago	277,000	-	277,000
Contributed services and non-cash contributions	1,269,344	-	1,269,344
Patient services, net of contractual adjustments and discounts	-	-	-
Interest and investment income	77,048	-	77,048
Other income	92,253	-	92,253
Total revenue	43,916,770	-	43,916,770
Expenses:			
Salaries and wages	18,642,255	372,552	19,014,807
Payroll taxes and fringe benefits	4,648,894	46,287	4,695,181
Staff expenses	279,432	10,818	290,250
Fundraising expenses	6,333	1,307	7,640
Professional services	1,313,763	287,357	1,601,120
Office services	557,248	22,155	579,403
Occupancy	2,902,496	61,632	2,964,128
Equipment	630,229	11,738	641,967
Client support and supplies	6,974,026	(89,444)	6,884,582
Subrecipients	1,118,295	-	1,118,295
Contributed services and in-kind expenses	723,925	545,419	1,269,344
Interest expense	46,698	-	46,698
Uncollectible accounts	198,210	77	198,287
	38,041,804	1,269,898	39,311,702
Allocation of shared services costs	-	3,559,518	3,559,518
Total expenses	38,041,804	4,829,416	42,871,220
Increase (decrease) in net assets before non-budgetary items	5,874,966	(4,829,416)	1,045,550
Non-budgetary items:			
Depreciation and amortization			(475,274)
Other transfers of net assets			1,415,723
			940,449
Increase in net assets			1,985,999
Net assets, beginning of year			12,890,192
Net assets, end of year			$ 14,876,191

Heartland Human Care Services, Inc.

Statement of Cash Flows
Year Ended June 30, 2013

Cash Flows from Operating Activities	
Increase in net assets	$ 1,985,999
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	475,274
Unrealized gain on investments	(37,413)
Effects of changes in operating assets and liabilities:	
Restricted cash	(52,531)
Accounts receivable:	
Program service grants and fees	1,938,632
Pledges receivable	(641,008)
Other	52,887
Inter-agency	(934,383)
Prepaid expenses and other current assets	(101,853)
Accounts payable and other accrued expenses	(94,832)
Accrued payroll and related liabilities	162,865
Deferred revenue	276,332
Net cash provided by operating activities	3,029,969
Cash Flows from Investing Activities	
Additions to property and equipment	(624,501)
Purchases of investments	(129,075)
Proceeds from notes receivable	107,430
Net cash used in investing activities	(646,146)
Cash Flows from Financing Activities	
Capital contributions in limited partnerships and other entities	(15,000)
Repayments of borrowings	(200,252)
Net cash used in financing activities	(215,252)
Increase in cash	2,168,571
Cash:	
Beginning of year	535,964
End of year	$ 2,704,535

Heartland Health Outreach, Inc.

Statement of Financial Position
June 30, 2013

	Heartland Health Outreach, Inc.	Eliminations	Total *
Assets			
Cash	$ 1,753,410	$ -	$ 1,753,410
Restricted cash	51,407	-	51,407
Accounts receivable:			
Program service grants and fees	2,986,833	-	2,986,833
Pledges receivable	666,655	-	666,655
Patient services	404,004	-	404,004
Other	7,965	-	7,965
Inter-agency	(227,612)	-	(227,612)
Allowance for contractual adjustments, discounts and bad debts	(89,528)	-	(89,528)
Prepaid expenses and other current assets	116,576	-	116,576
Investment in affiliates - equity method	746,748	-	746,748
Notes receivable	75,000	-	75,000
Property and equipment, net	1,757,610	-	1,757,610
Total assets	$ 8,249,068	$ -	$ 8,249,068
Liabilities and Net Assets			
Liabilities			
Accounts payable and other accrued expenses	$ 513,194	$ -	$ 513,194
Accrued payroll and related liabilities	727,539	-	727,539
Deferred revenue	257,110	-	257,110
Debt obligations	976,188	(773,801)	202,387
Total liabilities	2,474,031	(773,801)	1,700,230
Net Assets			
Unrestricted:			
Undesignated and controlling interests	4,696,737	773,801	5,470,538
Total unrestricted net assets	4,696,737	773,801	5,470,538
Temporarily restricted	1,078,300	-	1,078,300
Total net assets	5,775,037	773,801	6,548,838
Total liabilities and net assets	$ 8,249,068	$ -	$ 8,249,068

* 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 Health Outreach, Inc.

Statement of Activities
Year Ended June 30, 2013

	Program	Administration	Total
Revenue:			
Contributions	$ 2,201,400	$ -	$ 2,201,400
Program services:			
Grants, contracts, reimbursements and client fees	17,534,576	-	17,534,576
Contributed services and non-cash contributions	817,559	-	817,559
Patient services, net of contractual adjustments and discounts	1,066,912	-	1,066,912
Interest and investment income	83,719	-	83,719
Other income	188,505	-	188,505
Total revenue	21,892,671	-	21,892,671
Expenses:			
Salaries and wages	8,838,559	643,236	9,481,795
Payroll taxes and fringe benefits	2,159,917	173,163	2,333,080
Staff expenses	264,777	24,964	289,741
Fundraising expenses	2,019	133,534	135,553
Professional services	1,113,915	(200,428)	913,487
Office services	432,310	67,311	499,621
Occupancy	916,607	147,531	1,064,138
Equipment	170,097	75,565	245,662
Client support and supplies	2,517,240	59,888	2,577,128
Subrecipients	428,835	-	428,835
Contributed services and in-kind expenses	536,460	281,099	817,559
Real estate development and property management	363,062	186	363,248
Interest expense	29,919	43,922	73,841
Uncollectible accounts	6,559	1,705	8,264
	17,780,276	1,451,676	19,231,952
Allocation of shared services costs	-	1,965,735	1,965,735
Total expenses	17,780,276	3,417,411	21,197,687
Increase (decrease) in net assets before non-budgetary items	4,112,395	(3,417,411)	694,984
Non-budgetary items:			
Depreciation and amortization			(422,806)
Increase in net assets			272,178
Net assets, beginning of year			5,502,859
Net assets, end of year			$ 5,775,037

Heartland Health Outreach, Inc.

Statement of Cash Flows
Year Ended June 30, 2013

Cash Flows from Operating Activities	
Increase in net assets	$ 272,178
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	422,806
Allocated gain on equity method investment	(117,883)
Non-cash contribution and equity credit from Together4Health, LLC	(250,000)
Effects of changes in operating assets and liabilities:	
Restricted cash	(51,407)
Accounts receivable:	
Program service grants and fees	715,628
Pledges receivable	(152,095)
Patient services	(155,195)
Other	(65,712)
Inter-agency	(35,716)
Prepaid expenses and other current assets	95,046
Accounts payable and other accrued expenses	(188,840)
Accrued payroll and related liabilities	29,453
Deferred revenue	209,681
Net cash provided by operating activities	727,944
Cash Flows from Investing Activities	
Additions to property and equipment	(23,304)
Proceeds from sale of investments	311,277
Net cash provided by investing activities	287,973
Cash Flows from Financing Activities	
Repayments of borrowings	(430,589)
Net cash used in financing activities	(430,589)
Increase in cash	585,328
Cash:	
Beginning of year	1,168,082
End of year	$ 1,753,410

Heartland Housing Inc.

Statement of Financial Position
June 30, 2013

	Heartland Housing Inc.	Eliminations	Total *
Assets			
Cash	$ 984,146	$ -	$ 984,146
Accounts receivable:			
Program service grants and fees	295,598	-	295,598
Pledges receivable	72,250	-	72,250
Other	266,942	-	266,942
Inter-agency	(2,011,649)	-	(2,011,649)
Allowance for contractual adjustments, discounts and bad debts	(52,341)	-	(52,341)
Prepaid expenses and other current assets	524,259	-	524,259
Investment in limited partnerships	36,125	-	36,125
Other investments	31,500	-	31,500
Notes receivable	5,470,316	-	5,470,316
Receivables due from limited partnerships	540,335	-	540,335
Property and equipment, net	85,252,698	-	85,252,698
Escrow and reserve accounts	10,062,007	-	10,062,007
Deferred fees, net	1,891,142	-	1,891,142
Residual interest	6,068,116	-	6,068,116
Total assets	$ 109,431,444	$ -	$ 109,431,444
Liabilities and Net Assets			
Liabilities			
Accounts payable and other accrued expenses	$ 3,813,806	$ -	$ 3,813,806
Accrued payroll and related liabilities	94,354	-	94,354
Deferred revenue	9,558,984	-	9,558,984
Construction payable	1,455,843	-	1,455,843
Accrued interest payable	1,061,289	-	1,061,289
Debt obligations	49,990,750	-	49,990,750
Total liabilities	65,975,026	-	65,975,026
Net Assets			
Unrestricted:			
Undesignated and controlling interests	25,256,186	-	25,256,186
Non-controlling interests	18,054,595	-	18,054,595
Total unrestricted net assets	43,310,781	-	43,310,781
Temporarily restricted	145,637	-	145,637
Total net assets	43,456,418	-	43,456,418
Total liabilities and net assets	$ 109,431,444	$ -	$ 109,431,444

* 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 Housing Inc.

Statement of Activities
Year Ended June 30, 2013

	Program	Administration	Total
Revenue:			
Contributions	$ 224,173	$ -	$ 224,173
Contributed services and non-cash contributions	3,051,100	-	3,051,100
Rental income	5,639,411	-	5,639,411
Housing development	3,966,001	-	3,966,001
Interest and investment income	1,106,195	-	1,106,195
Other income	286,163	-	286,163
Total revenue	14,273,043	-	14,273,043
Expenses:			
Salaries and wages	1,091,551	599,067	1,690,618
Payroll taxes and fringe benefits	316,931	103,004	419,935
Staff expenses	11,538	32,528	44,066
Fundraising services	-	1,607	1,607
Professional services	-	175,217	175,217
Office services	-	19,952	19,952
Occupancy	720,128	142,877	863,005
Equipment	-	9,580	9,580
Client support and supplies	-	(55)	(55)
Contributed services and in-kind expenses	1,100	-	1,100
Real estate development and property management	1,981,315	9,038	1,990,353
Interest expense	1,635,842	4,644	1,640,486
Uncollectible accounts	199,857	20,129	219,986
	5,958,262	1,117,588	7,075,850
Allocation of shared services costs	-	585,188	585,188
Total expenses	5,958,262	1,702,776	7,661,038
Increase (decrease) in net assets before non-budgetary items	8,314,781	(1,702,776)	6,612,005
Non-budgetary items:			
Depreciation and amortization			(2,863,198)
Increase in net assets before other items			3,748,807
Other items:			
Capital contributions in limited partnerships and other entities			11,330,137
Increase in net assets			15,078,944
Net assets, beginning of year			28,377,474
Net assets, end of year			$ 43,456,418

Heartland Housing Inc.

Statement of Cash Flows
Year Ended June 30, 2013

Cash Flows from Operating Activities		
Increase in net assets	$	3,748,807
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization		2,863,198
Contributed land and building		(3,050,000)
Effects of changes in operating assets and liabilities:		
Accounts receivable:		
Program service grants and fees		43,798
Pledges receivable		123,840
Other		(152,383)
Inter-agency		(107,108)
Prepaid expenses and other current assets		(104,873)
Receivables due from limited partnerships		(24,096)
Accounts payable and other accrued expenses		(348,593)
Accrued payroll and related liabilities		11,544
Accrued interest payable		187,108
Deferred revenue		984,974
Net cash provided by operating activities		4,176,216
Cash Flows from Investing Activities		
Additions to property and equipment		(14,372,799)
Proceeds from note receivable		181,032
Deposits to escrow accounts		(4,376,106)
Releases from escrow accounts		558,085
Net cash used in investing activities		(18,009,788)
Cash Flows from Financing Activities		
Capital contributions in limited partnerships and other entities		11,330,137
Repayments of borrowings		(10,063,730)
Proceeds from borrowings		13,130,622
Deferred financing fees		(215,496)
Tax credit fees		(195,367)
Net cash provided by financing activities		13,986,166
Increase in cash		152,594
Cash:		
Beginning of year		831,552
End of year	$	984,146