Heartland Alliance for Human Needs & Human Rights

Consolidated Financial Report
June 30, 2015

Contents

RSM US LLP

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 Organization) which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, changes in net assets, 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, 2015 and 2014, 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 consolidating and other supplementary information is presented for purposes of additional analysis rather than to present the financial position, change in net assets, and cash flows of the individual entities 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 consolidating and other supplementary 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.

RSM US LLP

Chicago, Illinois
November 25, 2015

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Financial Position
June 30, 2015 and 2014

	2015	2014
Assets		
Cash	**$ 12,546,682**	$ 12,081,379
Restricted cash	**2,713,265**	3,950,859
Investments	**10,492,168**	10,225,432
Accounts receivable:		
Program service grants and fees	**12,248,148**	11,368,389
Pledges receivable	**1,484,112**	3,493,387
Patient services	**1,009,932**	639,302
Other	**1,542,255**	209,713
Allowance for contractual adjustments, discounts and bad debts	**(997,739)**	(515,311)
Prepaid expenses and other assets	**2,475,215**	2,295,208
Investment in limited partnerships	**36,125**	36,125
Other investments	**1,021,149**	900,262
Notes receivable, net	**7,570,731**	8,159,732
Receivables due from limited partnerships	**588,527**	564,431
Property and equipment, net	**120,290,630**	123,100,617
Escrow and reserve accounts	**9,099,308**	7,447,515
Deferred fees, net	**1,478,407**	1,658,148
Residual interest	**6,068,116**	6,068,116
Total assets	**$ 189,667,031**	$ 191,683,304
Liabilities and Net Assets		
Liabilities		
Accounts payable and other accrued expenses	**$ 8,940,138**	$ 11,101,253
Accrued payroll and related liabilities	**4,227,516**	3,435,617
Construction costs payable	**50,914**	5,043,943
Deferred revenue	**12,396,198**	12,285,917
Liability for self-insurance claims	**1,500,000**	1,900,000
Deferred rent liability	**1,047,427**	654,604
Deferred compensation plan liability	**484,518**	483,174
Accrued interest payable	**1,267,240**	1,175,027
Debt obligations	**64,755,245**	73,629,280
Total liabilities	**94,669,196**	109,708,815
Net Assets		
Unrestricted:		
Undesignated	**49,536,342**	47,826,952
Board designated	**1,242,579**	1,242,579
Non-controlling interests	**32,704,124**	19,466,823
Total unrestricted net assets	**83,483,045**	68,536,354
Temporarily restricted	**11,326,755**	13,250,100
Permanently restricted	**188,035**	188,035
Total net assets	**94,997,835**	81,974,489
Total liabilities and net assets	**$ 189,667,031**	$ 191,683,304

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	$ 579,734	$ 9,351,353	$ -	$ 9,931,087
Program services:				
Grants, contracts, reimbursements and client fees	81,897,001	-	-	81,897,001
Allocation from United Way of Chicago	-	110,000	-	110,000
Contributed services and non-cash contributions	2,679,683	-	-	2,679,683
Patient services, net of contractual adjustments and discounts	4,489,609	-	-	4,489,609
Rental income	7,628,322	-	-	7,628,322
Housing development	228,264	-	-	228,264
Interest and investment income	470,079	-	-	470,079
Other income	1,666,424	-	-	1,666,424
Net assets released from restrictions	11,384,698	(11,384,698)	-	-
	111,023,814	(1,923,345)	-	109,100,469
Expenses:				
Program services	90,844,442	-	-	90,844,442
Supporting services:				
Management and general	16,462,016	-	-	16,462,016
Fundraising	2,026,082	-	-	2,026,082
	109,332,540	-	-	109,332,540
Revenue greater (less) than expenses before other items	1,691,274	(1,923,345)	-	(232,071)
Depreciation and amortization	(6,821,766)	-	-	(6,821,766)
Other non-operating income	1,118,452	-	-	1,118,452
	(5,703,314)	-	-	(5,703,314)
Revenue less than expenses	(4,012,040)	(1,923,345)	-	(5,935,385)

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues:				
Contributions	$ 1,889,384	$ 9,870,130	$ -	$ 11,759,514
Program services:				
Grants, contracts, reimbursements and client fees	76,973,110	-	-	76,973,110
Allocation from United Way of Chicago	13,642	243,000	-	256,642
Contributed services and non-cash contributions	3,285,284	-	-	3,285,284
Patient services, net of contractual adjustments and discounts	1,657,404	-	-	1,657,404
Rental income	6,183,547	-	-	6,183,547
Housing development	229,603	-	-	229,603
Interest and investment income	1,482,545	-	-	1,482,545
Other income	1,020,021	-	-	1,020,021
Net assets released from restrictions	9,002,605	(9,002,605)	-	-
	101,737,145	1,110,525	-	102,847,670
Expenses:				
Program services	82,998,746	-	-	82,998,746
Supporting services:				
Management and general	13,759,898	-	-	13,759,898
Fundraising	1,579,120	-	-	1,579,120
	98,337,764	-	-	98,337,764
Revenue less than expenses before other items	3,399,381	1,110,525	-	4,509,906
Depreciation and amortization	(5,688,468)	-	-	(5,688,468)
Other non-operating expense	(3,147,800)	-	-	(3,147,800)
	(8,836,268)	-	-	(8,836,268)
Revenue greater (less) than expenses	$ (5,436,887)	$ 1,110,525	$ -	$ (4,326,362)

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Changes in Net Assets
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue less than expenses	$ (4,012,040)	$ (1,923,345)	$ -	$ (5,935,385)
Loss attributable to non-controlling interest included above	5,721,330	-	-	5,721,330
Revenue greater (less) than expenses	1,709,290	(1,923,345)	-	(214,055)
Add back loss attributable from non-controlling interest	(5,721,330)	-	-	(5,721,330)
Capital contributions to limited partnerships and other entities	18,995,794	-	-	18,995,794
Capital distributions to limited partnerships and other entities	(5,131)	-	-	(5,131)
Offering costs, non-controlling interests	(31,932)	-	-	(31,932)
	13,237,401	-	-	13,237,401
Increase (decrease) in net assets	14,946,691	(1,923,345)	-	13,023,346
Net assets, beginning of year	68,536,354	13,250,100	188,035	81,974,489
Net assets, end of year	$ 83,483,045	$ 11,326,755	$ 188,035	$ 94,997,835

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Changes in Net Assets
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue greater (less) than expenses	$ (5,436,887)	$ 1,110,525	$ -	$ (4,326,362)
Loss attributable to non-controlling interest included above	4,630,000	-	-	4,630,000
Revenue greater (less) than expenses	(806,887)	1,110,525	-	303,638
Add back loss attributable to non-controlling interest	(4,630,000)	-	-	(4,630,000)
Capital contributions to limited partnerships and other entities	6,269,630	-	-	6,269,630
Capital distributions to limited partnerships and other entities	(187,402)	-	-	(187,402)
Offering costs, non-controlling interests	(40,000)	-	-	(40,000)
	1,412,228	-	-	1,412,228
Increase in net assets	605,341	1,110,525	-	1,715,866
Net assets, beginning of year	67,931,013	12,139,575	188,035	80,258,623
Net assets, end of year	$ 68,536,354	$ 13,250,100	$ 188,035	$ 81,974,489

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services								
	Youth and Residential Services	Supportive Housing Services	Wellness and Prevention	Employment and Economic Advancement	Housing, Community & Specialized Services	Integrated Health Care Services	Healthcare Quality, Research, TA & Training Services	Health Promotion & Nutrition	Cross Cultural & Interpreting Services
Salaries and wages	$ 13,953,599	$ 3,165,636	$ 4,310,788	$ 1,425,680	$ 3,800,927	$ 4,463,962	$ 909,486	$ 428,912	$ 134,663
Payroll taxes and fringe benefits	3,648,278	885,096	1,101,553	406,146	999,381	991,458	190,214	98,694	48,186
Staff expenses	274,360	72,960	87,093	55,792	62,117	140,423	55,688	6,621	12,006
Other fundraising expenses	-	-	7,823	39	864	546	9,566	503	196
Professional expenses	929,607	202,762	189,747	52,953	57,121	1,086,387	54,012	24,248	635,430
Office services	295,279	107,274	205,115	61,311	146,629	359,594	32,297	31,857	13,844
Occupancy	1,875,893	375,008	323,809	279,201	436,008	401,360	23,448	167,525	20,824
Equipment	328,737	137,107	101,434	45,185	100,132	61,473	25,923	36,883	3,408
Client support and supplies	2,420,210	2,965,987	182,607	806,616	1,580,007	600,330	21,673	422,300	-
Subrecipients	330,730	95,064	125,045	1,026,037	-	221,469	-	-	-
Contributed services and in-kind expenses	25,000	-	200,000	-	-	-	-	-	-
Real estate development and property management	86,760	-	400	(6,013)	374,697	3,844	10,545	25	16
Interest expense	538,257	-	-	-	-	1,563	-	-	-
Uncollectible accounts	-	-	(26,734)	(14,101)	299,916	13,915	9,786	-	74,148
	24,706,710	8,006,894	6,808,680	4,138,846	7,857,799	8,346,324	1,342,638	1,217,568	942,721
Depreciation and amortization	877,185	2,020	7,544	1,007	42,024	275,566	3,534	-	-
Other non-operating expense (income)	-	-	-	-	-	-	-	-	-
	877,185	2,020	7,544	1,007	42,024	275,566	3,534	-	-
	$ 25,583,895	$ 8,008,914	$ 6,816,224	$ 4,139,853	$ 7,899,823	$ 8,621,890	$ 1,346,172	$ 1,217,568	$ 942,721

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2015

	Program Services (Continued)					Supporting Services			
	Housing Development	International Programs	Justice Services	Other	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2015
Salaries and wages	$ 2,104,272	$ 3,679,645	$ 3,696,353	$ -	$ 42,073,923	$ 8,740,657	$ 738,585	$ 9,479,242	$ 51,553,165
Payroll taxes and fringe benefits	557,795	856,430	864,682	-	10,647,913	1,812,709	175,103	1,987,812	12,635,725
Staff expenses	58,431	834,938	441,840	41,374	2,143,643	451,886	42,239	494,125	2,637,768
Other fundraising expenses	156	700	107,528	-	127,921	36,862	231,350	268,212	396,133
Professional expenses	332,835	740,932	273,074	216,138	4,795,246	1,199,401	122,346	1,321,747	6,116,993
Office services	33,863	362,358	115,733	675	1,765,829	960,016	49,740	1,009,756	2,775,585
Occupancy	1,119,584	389,952	470,538	-	5,883,150	781,092	105,992	887,084	6,770,234
Equipment	8,588	298,276	72,091	4,507	1,223,744	339,744	9,355	349,099	1,572,843
Client support and supplies	818	964,498	103,550	421	10,069,017	41,005	13,663	54,668	10,123,685
Subrecipients	-	3,265,566	549,812	-	5,613,723	(44,676)	-	(44,676)	5,569,047
Contributed services and in-kind		-							
expenses	-	3,854	2,207	7,236	238,297	1,903,820	537,566	2,441,386	2,679,683
Real estate development and property management	2,537,964	-	794	-	3,009,032	12,607	69	12,676	3,021,708
Interest expense	2,031,145	-	-	-	2,570,965	10,752	-	10,752	2,581,717
Uncollectible accounts	166,359	-	158,750	-	682,039	216,141	74	216,215	898,254
	8,951,810	11,397,149	6,856,952	270,351	90,844,442	16,462,016	2,026,082	18,488,098	109,332,540
Depreciation and amortization	5,160,244	31,432	5,336	4,527	6,410,419	395,864	15,483	411,347	6,821,766
Other non-operating expense (income)	29,349	-	-	-	29,349	(1,147,801)	-	(1,147,801)	(1,118,452)
	5,189,593	31,432	5,336	4,527	6,439,768	(751,937)	15,483	(736,454)	5,703,314
	$ 14,141,403	$ 11,428,581	$ 6,862,288	$ 274,878	$ 97,284,210	$ 15,710,079	$ 2,041,565	$ 17,751,644	$ 115,035,854

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Functional Expenses
Year Ended June 30, 2014

	Program Services								
	Youth and Residential Services	Supportive Housing Services	Wellness and Prevention	Employment and Economic Advancement	Housing, Community & Specialized Services	Integrated Health Care Services	Healthcare Quality, Research, TA & Training Services	Health Promotion & Nutrition	Cross Cultural & Interpreting Services
Salaries and wages	$ 13,534,187	$ 3,132,378	$ 3,619,181	$ 1,351,323	$ 4,026,474	$ 3,887,863	$ 796,224	$ 439,471	$ 205,771
Payroll taxes and fringe benefits	3,088,408	793,766	905,220	336,147	1,038,120	806,971	156,621	93,375	64,855
Staff expenses	163,250	77,531	83,774	51,382	61,600	141,058	78,376	5,620	11,061
Other fundraising expenses	-	-	12,315	1,627	3,021	1,679	-	1,482	141
Professional expenses	841,337	237,429	136,514	32,113	105,365	774,961	580,581	17,297	518,293
Office services	246,884	93,118	160,738	62,189	121,890	345,436	33,456	31,140	16,993
Occupancy	1,721,435	403,442	327,879	265,469	268,736	441,799	25,502	159,624	23,059
Equipment	369,735	149,960	96,038	34,853	103,686	90,500	18,389	46,854	11,660
Client support and supplies	3,346,026	3,122,223	204,902	618,495	1,160,954	666,595	16,825	331,904	-
Subrecipients	-	8,973	209,811	545,462	-	48,306	-	-	-
Contributed services and in-kind expenses	357,384	34,068	325,978	324,707	524,578	256,083	-	-	-
Real estate development and property management	61,710	-	416	44	363,233	-	10,155	-	-
Interest expense	472,257	-	-	-	5,321	11,325	611	224	476
Uncollectible accounts	-	-	(29,997)	(99,529)	746	56,180	3,719	3,052	23,554
	24,202,613	8,052,888	6,052,769	3,524,282	7,783,724	7,528,756	1,720,459	1,130,043	875,863
Depreciation and amortization	781,357	2,864	16,158	1,007	44,075	288,427	3,534	-	-
Other non-operating expense	-	-	-	-	-	-	-	-	-
	781,357	2,864	16,158	1,007	44,075	288,427	3,534	-	-
	$ 24,983,970	$ 8,055,752	$ 6,068,927	$ 3,525,289	$ 7,827,799	$ 7,817,183	$ 1,723,993	$ 1,130,043	$ 875,863

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statement of Functional Expenses (Continued)
Year Ended June 30, 2014

	Program Services (Continued)					Supporting Services			
	Housing Development	International Programs	Justice Services	Other	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2014
Salaries and wages	$ 1,611,797	$ 2,749,335	$ 3,308,574	$ 28,363	$ 38,690,941	$ 7,436,334	$ 722,859	$ 8,159,193	$ 46,850,134
Payroll taxes and fringe benefits	432,553	541,221	779,134	8,495	9,044,886	1,529,644	165,962	1,695,606	10,740,492
Staff expenses	50,070	646,445	257,261	8,529	1,635,957	357,792	106,583	464,375	2,100,332
Other fundraising expenses	228	27,449	67,914	165	116,021	42,987	258,140	301,127	417,148
Professional expenses	28,720	491,714	239,507	62,027	4,065,858	1,393,085	28,612	1,421,697	5,487,555
Office services	11,575	209,748	122,812	693	1,456,672	717,649	68,091	785,740	2,242,412
Occupancy	989,188	282,140	439,710	135	5,348,118	658,064	70,845	728,909	6,077,027
Equipment	5,853	120,242	57,424	5,928	1,111,122	260,200	10,844	271,044	1,382,166
Client support and supplies	1,446	455,578	128,460	7,528	10,060,936	48,382	27,514	75,896	10,136,832
Subrecipients	-	2,947,255	234,953	-	3,994,760	26,465	-	26,465	4,021,225
Contributed services and in-kind expenses	-	80	115,913	-	1,938,791	1,242,079	101,165	1,343,244	3,282,035
Real estate development and property management	2,374,858	-	-	443	2,810,859	41,102	-	41,102	2,851,961
Interest expense	2,111,316	-	2,500	-	2,604,030	6,065	-	6,065	2,610,095
Uncollectible accounts	152,070	-	10,000	-	119,795	50	18,505	18,555	138,350
	7,769,674	8,471,207	5,764,162	122,306	82,998,746	13,759,898	1,579,120	15,339,018	98,337,764
Depreciation and amortization	4,165,294	17,126	3,181	4,527	5,327,550	345,435	15,483	360,918	5,688,468
Other non-operating expense	-	-	-	-	-	3,147,800	-	3,147,800	3,147,800
	4,165,294	17,126	3,181	4,527	5,327,550	3,493,235	15,483	3,508,718	8,836,268
	$ 11,934,968	$ 8,488,333	$ 5,767,343	$ 126,833	$ 88,326,296	$ 17,253,133	$ 1,594,603	$ 18,847,736	$ 107,174,032

See Notes to Consolidated Financial Statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Increase in net assets	$ 13,023,346	$ 1,715,866
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	6,851,115	5,688,468
Provision for bad debts	898,254	196,453
Loss on disposal of property and equipment	83,112	56,150
Loss (gain) on investments	526,281	(521,348)
Earnings from other investments	(100,887)	(73,681)
Developer fee amortization	(228,264)	(229,601)
Capital contributions to limited partnerships and other entities	(18,995,794)	(6,269,630)
Capital distributions to limited partnerships and other entities	5,131	187,402
Offering costs, noncontrolling interests	31,932	40,000
Effects of changes in operating assets and liabilities:		
Restricted cash	1,237,594	(2,032,511)
Accounts receivable:		
Program service grants and fees	(879,759)	(959,588)
Pledges receivable	2,009,275	468,831
Patient services	(370,630)	(235,298)
Other	(742,233)	156,193
Prepaid expenses and other assets	(180,007)	-
Receivables due from limited partnerships	83,334	263,032
Accounts payable and other accrued expenses	(1,162,221)	(24,096)
Accrued payroll and related liabilities	791,899	4,824,198
Liability for self-insurance claims	(400,000)	113,738
Accrued interest payable	92,213	357,258
Deferred rent liability	392,823	446,825
Deferred compensation plan liability	1,344	102,692
Deferred revenue	(558,803)	1,237,303
Developer fees received	1,072,660	957,516
Net cash provided by operating activities	3,481,715	6,466,172
Cash Flows from Investing Activities		
Additions to property and equipment	(8,535,028)	(31,810,034)
Future project development costs	(836,135)	(20,361)
Purchases of investments	(2,689,663)	(1,431,678)
Proceeds from sale of investments	1,896,646	233,764
Issuance of notes receivable	-	(344,136)
Collections of notes receivable	136,259	55,581
Deposits to escrow accounts	(3,613,244)	(1,711,963)
Releases from escrow accounts	1,961,451	4,326,455
Capital contributions - other investments	(20,000)	(23,333)
Net cash used in investing activities	(11,699,714)	(30,725,705)

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2015 and 2014

		2015		2014
Cash Flows from Financing Activities				
Capital contributions in limited partnerships and other entities	$	18,995,794	$	6,269,630
Capital distributions to limited partnerships and other entities		(5,131)		(197,402)
Offering costs, noncontrolling interests		(31,932)		(40,000)
Developer fees paid from limited partnerships		(1,216,979)		(1,133,428)
Repayments of borrowings		(17,057,581)		(8,069,090)
Proceeds from borrowings		8,183,546		28,939,979
Deferred financing fees		(109,915)		(18,268)
Tax credit fees		(74,500)		(16,309)
Net cash provided by financing activities		8,683,302		25,735,112
Increase in cash		465,303		1,475,579
Cash:				
Beginning of year		12,081,379		10,605,800
End of year	$	12,546,682	$	12,081,379
Supplemental Disclosure of Cash Flow Information				
Interest paid	$	2,581,717	$	2,610,095

See Notes to Consolidated Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Heartland Alliance for Human Needs & Human Rights (the Organization, 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 Organization helps ensure this opportunity for more than one million people around the world who are homeless, living in poverty, or seeking safety. The Organization's policy efforts strengthen communities; its comprehensive services empower those it serves to rebuild and transform their lives.

The Organization conducts its activities from its office headquarters in Chicago, Illinois. The Organization operates both in the United States (primarily Chicago area) 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 Heartland Alliance and its affiliated organizations, Heartland Alliance International, LLC (HAI), Heartland Health Outreach, Inc. (HHO), Heartland Human Care Services, Inc. (HHCS), and Heartland Housing Inc. (HH) (See HH audited financial statements issued under separate cover), whose respective by-laws designate the Organization as their sole voting member. Heartland Alliance and these affiliated organizations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

HAI was formed by the Organization in 2013 and works to secure the rights and well-being of marginalized people and communities around the world by administering programs in comprehensive health and social and economic justice through its model of engagement, integration and leadership.

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

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

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

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 consolidates the balances and activities of the limited partnership or limited liability company.

The Organization, 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 Organization are described below.

Principles of consolidation: Due to its control and economic interest, Heartland Alliance'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 Organization, 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 Organization and its various consolidated affiliates have been eliminated in consolidation.

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

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

Basis of presentation: The Organization 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, controlling and non-controlling, with no donor-imposed restrictions, including designated amounts the Organization's Board of Directors have set aside for discretionary purposes.

Temporarily restricted: Temporarily restricted net assets arise from contributions whose use is limited by donor-imposed restrictions that either expire with the passage of time or can be fulfilled by actions of the Organization 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 Organization.

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. Assets received with donor-imposed restrictions for which restrictions are met in the same reporting period are reported as unrestricted revenue.

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

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 Organization 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 Organization receives a substantial portion of its operating funds from grants and awards. These funds are reported as unrestricted revenues as the grants reimburse the Organization for services provided. Grant funding from the federal government represented approximately 65 percent and 62 percent of total revenue for the years ended June 30, 2015 and 2014, respectively. Federal grant funding from one specific contract with the U.S. Department of Health and Human Services represented approximately 24 percent of total revenue for the years ended June 30, 2015 and 2014. If this revenue were discontinued, it would have a material adverse effect on the Organization.

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

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

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

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

Accounts receivable: Accounts receivable is comprised of amounts due from different funding sources, donors and other parties. Program service grants and fees primarily represent amounts owed under multiple government grants. Management closely monitors outstanding balances and allows for, as of year-end, any balances that are not expected to be fully collected. The allowance pertaining to program service grants and fees at June 30, 2015 and 2014 totaled approximately $823,000 and $384,000, respectively.

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 Organization determines when an account is past due based on payer classifications. The Organization does not charge interest on past due accounts. The allowance at June 30, 2015 and 2014 totaled approximately $345,000 and $131,000, respectively.

Pledges receivable are recorded for donors' unconditional promises to give to the Organization 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, 2015 and 2014.

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 Organization's investments in various companies are accounted for using the cost or equity method of accounting. If management determined that the fair value of an investment was less than cost, the Organization 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, 2015 and 2014, respectively.

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.

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

The Organization 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.

Medicaid Electronic Health Records (EHR) Incentive Program: The American Recovery and Reinvestment Act of 2009 provides for a Medicaid Incentive Program beginning in federal fiscal year 2011 for eligible professionals that are meaningful users of certified EHR technology, as defined by the Federal Register. Certain HHO physicians implemented certified EHR technology that enabled them to demonstrate their meaningful use and to qualify for the incentive program. HHO recognized $182,750 and $140,250 of Medicaid EHR incentive, reported in grants, contracts, reimbursements and client fees revenue during the year ended June 30, 2015 and 2014, respectively. HHO accounts for EHR incentive funds using the contingency model. Under this model, HHO records EHR incentive revenue in the period in which the last remaining contingency associated with its recognition is resolved.

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, 2015 and 2014 totaled $364,156 and $267,572, respectively. The related accumulated amortization for the same periods was $1,016,282 and $652,126, respectively.

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. 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.

Liability for self-insurance claims: Under its self-insurance plan, the Organization 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 historical experience. The accrued liability for self-insurance was $1,500,000 and $1,900,000 for the years ended June 30, 2015 and 2014, respectively. Claim payments based on actual claims ultimately filed could differ from this estimate.

Deferred rent liability: Base rent under the lease for the Organization 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.

Contributed services and non-cash contributions: The Organization 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 Organization 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, 2015 and 2014, the Organization received approximately 79,000 and 115,000 hours of these contributed services and has recorded the value of such as revenue and expense in the consolidated statements of activities. The Organization also coordinated over 52,000 and 80,000 hours of donated legal services during the years ended June 30, 2015 and 2014, respectively. However, the Organization acted merely as an intermediary between pro-bono attorneys and beneficiaries of those services, and considers these to be agency transactions. Therefore, the Organization 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 Organization 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 approximately $201,000 and $289,000 for the years ended June 30, 2015 and 2014, respectively.

Donated rent is recorded at the approximate fair market value for the year under lease. The Organization has recorded the value of donated rent received as revenue and expense in the consolidated statements of activities, totaling approximately $200,000 for the years ended June 30, 2015 and 2014.

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

Real estate taxes: The Organization 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. One project has not been billed for property taxes for the period January 1, 2009 through June 30, 2015. HH expects the entity to receive the first property tax bill covering the untaxed period during 2016. As of June 30, 2015 and 2014, HH has accrued $1,000,000 and $1,100,000, respectively, to cover the untaxed period.

Fair value of financial instruments: The fair value of the Organization's financial instruments, including accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short maturity of these instruments. The carrying amounts for notes and pledges receivable and debt obligations approximate their respective fair values because discount and interest rates applied are consistent with current market rates. Management has estimated the fair values by discounting expected cash flows using interest rates that management believes are approximately equal to the interest rates currently available for similar financing arrangements.

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

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 Organization 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 Organization, 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 Organization's tax filings are generally no longer subject to examination by the Internal Revenue Service for tax years before 2012.

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.

Recent accounting pronouncements: In January 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-01, *Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*. ASU 2015-01 eliminates the concept of an extraordinary item from GAAP. However, presentation and disclosure requirements for items that are unusual in nature and occur infrequently still apply. ASU 2015-01 is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted. The Organization has elected to early adopt ASU 2015-01 for all periods presented. There is no impact of adoption on the consolidated financial statements other than condensed reporting in the statement of financial activities pertaining to non-controlling interests.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will be effective for HHO's June 30, 2019 financial statements. HHO intends to evaluate the effect that the updated standard will have on its financial statements.

Reclassifications: Certain amounts on the 2014 financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on the 2014 net assets or changes in net assets as previously reported.

Note 2. Net Patient Services Revenue

HHO has agreements with third-party payors that provide for payments to HHO at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs principally represent the differences between HHO's billings at standard “list” prices and the amounts reimbursed by Medicare, Medicaid, and certain other third-party payors; they also include any differences between estimated retroactive third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the basis of reimbursement with major third-party payors follows:

Medicare: HHO is paid for services rendered to Medicare program beneficiaries under prospectively determined rates. The rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. HHO's classification of patients under the prospective payment systems is subject to validation reviews by the Medicare peer review center, which is under contract with HHO to perform such reviews. Reimbursement rates are based on HHO's annual cost report and Medicare Economic Index (MEl).

Medicaid: HHO is paid for services rendered to Medicaid program beneficiaries based on a fee schedule. The prospectively determined rates are not subject to retroactive adjustment. HHO also receives Medicaid reimbursement for specific programs and services at the discretion of the State of Illinois Medicaid program. Medicaid reimbursement may be subject to periodic adjustment, as well as to changes in annual reimbursement rates which are based on MEl and annual cost reports.

Patient services revenue was derived from the following payors for the year ended June 30:

	2015	2014
County Care	32 %	30 %
Medicaid (including Medicaid managed care)	47	48
Medicare	2	1
Self Pay	18	20
Other	1	1
	100 %	100 %

HHO grants credit to its patients, most being local residents and insured under third-party payor agreements. The mix of receivables from patients and third-party payors, before allowances for uncollectible accounts, is as follows at June 30:

	2015	2014
Medicare	4 %	13 %
Medicaid (including Medicaid managed care)	78	39
County Care	16	43
Self pay	2	5
	100 %	100 %

Note 3. Charity Care

HHO treat patients in need of medical services without regard to their ability to pay. HHO maintains records to identify and monitor the level of charity care they provide. These records include the amount of charges forgone for services and supplies furnished, as well as the estimated costs incurred for charity care services. During fiscal year 2015 and 2014, the following levels of charity care were provided:

	2015	2014
Revenue forgone for charity care	$ 1,400,000	$ 1,862,000
Estimated costs incurred for charity care	3,283,000	4,088,500

Note 4. Fair Value Measurements

The Organization 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 Organization 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 Organization 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 Organization'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 Organization 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, 2015 and 2014, there were no such transfers.

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

At June 30, 2015 and 2014, the Organization's investments required to be reported at fair value, totaling $10,492,168, were comprised 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 5. Investments

Investments consisted of the following at June 30, 2015 and 2014:

	2015	2014
Certificates of deposit	$ 2,341,622	$ 2,116,277
Mutual funds:		
Domestic bond	2,234,714	2,679,010
International bond	1,217,217	922,661
Domestic equity	4,124,434	3,941,582
International equity	574,181	565,902
	$ 10,492,168	$ 10,225,432

A portion of the investment balance totaling $484,518 and $483,174 is reserved for the Organization's deferred compensation plan at June 30, 2015 and 2014, respectively.

Note 5. Investments (Continued)

Investment management fees totaled $61,268 and $46,106 in fiscal years 2015 and 2014, respectively.

For fiscal years 2015 and 2014, interest and dividend income totaled $331,153 and $275,315, respectively. Unrealized and realized (losses) and gains on the investment portfolio for fiscal years 2015 and 2014 totaled ($545,496) and $521,348, respectively. Interest and investment income on the statement of activities also includes interest on notes receivable, as well as investment income on other investments.

Note 6. Pledges Receivable

Pledges receivable are as follows at June 30, 2015 and 2014:

	2015	2014
Expected collections in less than one year	$ 1,420,412	$ 2,979,203
Expected collections in one to five years	65,000	525,000
	1,485,412	3,504,203
Less discount to present value (rates of 1 to 2 percent)	(1,300)	(10,816)
	$ 1,484,112	$ 3,493,387

Note 7. Investments in 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, such as Roosevelt Square II LP (RS II). The Organization'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 Organization 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 Organization 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. 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 RS II in the amount of $6,068,116. The note provides for interest at 5.15 percent compounded annually, and matures in July 2047. No principal or interest payments are due before maturity.

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

HH determined that no interest should be accrued on the note due to uncertainty about the collectability of that interest. Any interest or principal that HH might collect on the note will be recorded as income if and when collected in the future. Accumulated but unrecorded interest income on the note through June 30, 2015 and 2014 totals $2,991,858 and $2,548,122, respectively.

Note 7. Investments in Limited Partnerships and Other Entities (Continued)

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

Receivables due from limited partnerships

Two other subordinated notes due from RS II in the aggregate amount of $588,527 and $564,431 as of June 30, 2015 and 2014, respectively, are included in the consolidated financial statements as receivables due from limited partnerships. These notes are reported net of an interest rate discount that was imputed when the loans were funded in 2007. No payments are due on the notes until maturity in 2047. At June 30, 2015 and 2014, RS II has approximately $36,600,000 and $35,100,000, respectively, of mortgage debt outstanding, including $3,154,223 face amount of the two notes described above

HH commitments

In fiscal year 2013, HH received from the City of Chicago and recorded as in-kind revenue donated land and building with an estimated fair value of $2,970,000. This property is the site for a redevelopment of an 81-unit affordable senior rental community. Construction for the project began in fiscal year 2013 and was substantially completed in August 2014. The project is being redeveloped for an estimated total cost of $26,700,000, including a $17,700,000 construction contract; financing sources include low income housing tax credits from the Illinois Housing Development Authority (IHDA), Illinois state affordable housing tax credits and a Citibank construction loan. The donated land and building, the fair value of which has been recorded on the consolidated financial statements as unrestricted in-kind revenue, are subject to various contractual limitations. As of June 30, 2015 and 2014, the outstanding commitment related to the construction project is approximately $450,000 and $6,120,000, respectively.

HH is required under tax credit, development, and operating agreements to provide guarantees that ensure the projects stay in compliance with the regulatory Organization, construction of the project is completed, and the project operates within investor projections and continues to be financially sustainable over the course of the compliance period. HH could be called upon to fund these guarantees in the future. The operating guarantee is calculated by making adjustments to changes in net assets for depreciation, accruals and reserves withdrawals.

Note 8. Other Investments

The Organization’s other investments are as follows at June 30, 2015 and 2014:

	2015	2014
Alliance of Chicago Community Health Services, L3C	$ 789,649	$ 668,762
Together4Health, LLC	200,000	200,000
Lathrop Community Partners LLC	31,500	31,500
	$ 1,021,149	$ 900,262

During the year ending June 30, 2015, the Organization’s investment in Alliance of Chicago Community Health Services, L3C increased in value by $100,887. In addition, the Organization made capital contributions of $20,000.

Note 9. Notes Receivable

Notes receivable at June 30, 2015 and 2014 are as follows:

	2015	2014
Tax Increment Financing (TIF) note due from City of Chicago to HH, in annual payments on March 1 of $576,845, including interest at a rate of 7.09 percent, through 2028. No payment was received from the City of Chicago in fiscal 2014 (see below).	$ 5,295,004	$ 5,470,316
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 the 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
Promissory note due from Together4Health, LLC to HHO bearing interest at 5.75 percent per annum, due on November 15, 2016.	75,000	75,000
Promissory note due from Together4Health, LLC to HHO bearing interest at 3.00 percent per annum, due on August 1, 2016.	152,296	288,555
Other	-	107,430
	7,740,731	8,159,732
Less: Allowance for doubtful notes	(170,000)	-
	$ 7,570,731	$ 8,159,732

The 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. Annual payments in the amount of $575,824 are made to the extent that tax increment is available from property taxes paid in the local real estate tax district and as long as the developer is in compliance with the terms of the redevelopment agreement. In the event that a payment is delayed due to insufficient tax increment from the tax district, HH established a tax increment deficiency fund, included in escrow and reserve accounts on the statement of financial position, to service the debt obligation. At June 30, 2015 and 2014, the tax reserve fund totaled $1,085,552. In 2014, the City informed the partnership that they could not make their annual TIF payment. Excess funds from the tax reserve were withdrawn to cover the City's obligation. Shortly after the withdrawal was made, the County issued the property's first assessment for the 2014 assessment year. After confirmation that the first tax bill would be issued in the second installment of 2015, the City moved forward with meeting their obligation for the TIF payment due in fiscal year 2016. As of now, HH and the City are negotiating on the remaining obligation. A final determination was not made before the issuance date of these financial statements. As of June 30, 2015 and 2014, the remaining balance on the TIF note was $5,295,004 and $5,470,316, respectively.

Scheduled future maturities of the TIF note are as follows:

2015	$ 223,789
2016	240,178
2017	257,768
2018	276,645
2019	296,905
Thereafter	3,999,719
	$ 5,295,004

Note 9. 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). 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 $20,000 and $40,000 at June 30, 2015 and 2014, respectively.

In February 2014, HHO converted a portion of management fees earned, in addition to other costs incurred by HHO for the benefit of Together4Health, LLC into two unsecured notes receivables from Together4Health, LLC, in face amounts of $75,000 and $344,136. Subsequent to June 30, 2015, Together4Health, LLC notified its investors that it would cease operations due to the State of Illinois' budget constraints. As a result, the Organization reserved $170,000 ($75,000 and $95,000) against the outstanding balances of the notes receivable as it believes the remainder is collectible. The reserve is reported as an offset to notes receivable on the statement of financial position at June 30, 2015.

Note 10. Property and Equipment

Property and equipment consisted of the following at June 30, 2015 and 2014:

	2015	2014
Land	$ 6,784,693	$ 6,730,799
Land improvements	1,794,335	1,566,698
Building and improvements	135,635,808	114,267,171
Furniture, equipment and vehicles	7,548,806	7,849,931
Leasehold improvements	4,125,248	3,982,437
Construction in progress	1,007,456	19,739,324
	156,896,346	154,136,360
Less accumulated depreciation and amortization	36,605,716	31,024,029
	$ 120,290,630	$ 123,112,331

HHCS is the sole member of a single purpose entity, 3500 South Giles, LLC, which purchased a property located in Chicago in July 2013. The purchase was from the previous landlord of building, with the purchase price being $11,552,300. The allocation of the purchase price for the purchase of the property was comprised of the building and related building improvements totaling $10,252,300, and $1,300,000 in land.

As of June 30, 2015, construction in progress consists primarily of $885,081 for building costs incurred on the Rethke Washington, LLC development. As of June 30, 2014, construction in progress consists primarily of $19,491,812 for building costs incurred on the Halsted LP development.

In addition, HA recorded construction in progress of $122,375 and $318,937 related to the build-out of the Heartland Alliance downtown Chicago office space at June 30, 2015 and 2014, respectively.

Depreciation and amortization expense on property and equipment was $6,457,610 and $5,420,896 for the years ended June 30, 2015 and 2014, respectively.

Note 11. Escrow and Reserve Accounts

In connection with the development of their properties, certain Organization affiliates are required to maintain various escrow and reserve accounts. Balances in these accounts were as follows at June 30, 2015 and 2014:

	2015	2014
Reserves for replacements	$ 1,663,948	$ 1,384,568
Real estate tax and insurance escrows	2,236,491	1,517,977
Construction escrows	61,105	61,105
Reserve, tax increment financing	1,085,552	1,085,552
Reserve for operating deficits	2,973,684	2,219,254
Negative arbitrage reserve	714,797	703,679
Reserve for special purposes	363,731	475,380
	$ 9,099,308	$ 7,447,515

Note 12. Deferred Revenue

Deferred Revenue at June 30, 2015 and 2014 consists of the following:

	2015	2014
Developer fee revenue	$ 5,245,717	$ 4,401,320
City of Chicago TIF revenue	5,295,004	5,470,316
Grant revenue	2,232,528	2,901,613
	$ 12,396,198	$ 12,285,917

Note 13. Debt Obligations

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

	2015	2014
Heartland Alliance		
Term loan through U.S. Bank used for the construction renovation project for the new offices at the Organization's Chicago headquarters. Total term loan is for $1,500,000. Payments are due in monthly installments of $9,583, including interest at one-month LIBOR plus 0.75 percent. This loan matures on March 21, 2017 when all unpaid principal becomes due.	$ 284,689	$ 966,687
Certain of the Agency's assets are pledged to secure this note.		
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.	183,788	291,368
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.	136,520	164,689
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.	137,769	222,387
Non-interest bearing note payable to City of Chicago Department of Housing with principal due in 2036.	645,028	645,028
Mortgage loan payable to Lancaster Pollard Mortgage to finance the 3500 South Giles property and building. Payments are due in monthly installments of $55,152, including interest of 4.00 percent. The loan matures on August 1, 2043.	11,173,009	11,383,333

Subsequent to June 30, 2015, the first three of HHCS debt obligations were refinanced with new debt obligations with IFF. In addition, HHCS entered into a one-year, $3,000,000 secured line of credit with U.S. Bank for general operations.

Note 13. Debt Obligations (Continued)

		2015		2014
HHO				
Five-year note payable to IFF with interest at 5.00 percent and secured by certain property and equipment. Payments are due in monthly installments of $10,568. The note matured on February 1, 2015.	$	-	$	82,980
HH				
Non-interest bearing third mortgage loan payable to the City of Milwaukee. The proceeds come from the federal stimulus Neighborhood Stabilization Program (NSP). 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 Center Buffum property and an assignments of rents and leases.		441,188		441,188
Note payable to Bank of America Community Development Corp. Interest payments were due monthly at a rate of 30-day LIBOR plus 2.25 percent and $1800 of principal was paid monthly. The remaining loan balance was paid in full on May 7, 2015.		-		176,294
Non-interest bearing federal forgivable loan grant in the amount of $250,000 due to BMO Harris Bank, N.A. (BMO) on July 31, 2044. Proceeds are received via BMO from the Federal Home Loan Bank of Chicago, pursuant to its Affordable Housing Program. HH has agreed to lend the proceeds to Center Buffum, LLC in connection with the development and construction of Maskani Place.		250,000		250,000
Pre-development loan payable to IFF in the amount of $250,000. The note will bear interest at the applicable interest rate of 5 percent per annum, payable on a monthly basis, commencing in the following month after the initial disbursement of loan proceeds. The proceeds from this note will be used to fund costs in connection with pre-development tasks related to the rehabilitation and construction of 93 units of housing and commercial space at a project known as Parkway Apartments. The entire principal balance of this note plus all accrued and unpaid interest thereon shall become due and payable on the earlier to occur of (i) the date of the closing on any portion of the construction financing for the Project or (ii) March 26, 2016 ("Maturity Date"). The note repayment is expected to be fundedt hrough capital from the closing of the Parkway Project.		159,439		8,676
Non-interest bearing working capital loan payable to Enterprise Community Partners, Inc., a Maryland nonstock nonprofit corporation, in the amount of $250,000. The proceeds are required to be used towards Heartland Housing working capital needs and pre-development expenses on future affordable housing projects. The entire unpaid principal balance of this Note will become due and payable on December 31, 2018.		250,000		-
Pre-development loan payable to Enterprise Community Partners, Inc. in the amount of $400,000. The note will bear interest at a simple rate of 3 percent per annum, due and payable on a quarterly basis, commencing with the first payment on January 1, 2015. The proceeds from the note will be used to fund costs in connection with pre-development tasks related to the rehabilitation and construction of 497 units of housing, commercial space, and a community center at a project known as Lathrop Homes. The entire principal balance of this note, together with all accrued and unpaid interest, will become due on October 27, 2016. The payoff will be funded through capital from the project closing. Also, the pre-development costs paid by Heartland Housing, Inc. will be converted into a sponsor note receivable due from Lathrop Community Partners, LLC.		400,000		-
Non-interest bearing pre-development loan payable to Local Initiatives Support Corp. in the amount of $35,000. The proceeds should be used to pay for pre-development costs associated with the application to access Low Income Housing Tax Credits from Wisconsin Housing and Economic Development Authority to obtain financing in the redevelopment of the former Milwaukee County Correctional Center into affordable permanent supportive housing for low income residents. The entire balance will become due and payable on the earlier to occur of the close of construction financing or August 31, 2015. However, if best efforts have been satisfied by the borrower to move the project forward to development completion, but the borrower is not successful, repayment shall not be required.		26,696		-

Note 13. Debt Obligations (Continued)

	2015	2014
HH Continued		
First mortgage loans payable through 2030, bearing interest at rates ranging from 5.875 percent to 9.00 percent, with required monthly installments of $9,698.	$ 356,884	$ 429,618
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.	2,024,652	2,028,313
Junior mortgage loan payable to the City of Chicago Department of Housing. Interest accrues annually at 3.00 percent. The entire principal is due on June 23, 2016 or upon repayment of the first mortgage, if earlier.	1,073,955	1,073,955
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.	1,943,711	1,968,711
Non-interest bearing second mortgage loan payable to IHDA, payable annually in amounts equivalent to 10 percent of annual surplus cash, as defined	212,616	212,616
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.	319,283	321,683
Non-interest bearing third mortgage loan payable to IHDA, due 2026.	494,483	494,483

Note 13. Debt Obligations (Continued)

HH Continued

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, 2015 and 2014 have been summarized as follows:

	2015	2014
Non-interest loans payable to IHDA	$ 5,977,841	$ 5,991,643
Non-interest loans payable to city agencies	5,706,151	5,706,151
Non-interest cash flow loans	8,392,181	6,381,117
Interest bearing loans payable to city agencies (1.00 percent to 5.36 percent)	5,461,929	5,461,929
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)	12,387,782	12,682,865
Interest bearing construction loans (2.65 percent to 5.00 percent)	6,315,651	16,243,566
	$ 64,755,245	$ 73,629,280

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

2016	$ 5,041,440
2017	1,362,644
2018	707,588
2019	994,139
2020	763,121
Thereafter	55,886,313
	$ 64,755,245

Description of Series A Tax-Exempt Bonds

Included in long-term debt before consolidation 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.

Note 13. Debt Obligations (Continued)

Certain bonds which total $7,260,000 are subject to periodic 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 Hollywood, LP. As of June 30, 2015, the amount of the mortgage loan outstanding and the GNMA Securities purchased by the bond trustee were $10,386,028. As of June 30, 2014, the mortgage loan outstanding and the GNMA Securities purchased by the bond trustee were $10,648,305 and $10,754,134, respectively. The amount for the mortgage loan is included in long-term debt in the consolidated statements of financial position. The amount for the GNMA Securities is netted together with the bonds and the accrued interest in the elimination column of the consolidated statements of financial position. The net amount of this elimination is shown as an addition to the escrow and reserve accounts.

The Bonds are secured by the GNMA Securities, the GIC investments and the TIF note in the current amount of $5,295,004, which is recorded as notes receivable on the consolidated statements of financial position (Note 9). All payments scheduled to be made to PNC Bank under the Mortgage Note will be assigned to the bonds. No partner of HH has any personal liability with respect to the bonds.

Note 14. Operating Leases

Effective March 17, 2015, the Organization amended its Chicago headquarters lease to occupy and build-out additional space. The lease provides for monthly base rents ranging from $90,000 to $118,000, plus the Organization’s proportionate share of building expenses and real estate taxes. The lease also provided for certain rental incentives, including a tenant allowance for build-out of the new space. A term loan from Bank of America provided funds for the build-out of the office space.

For the years ended June 30, 2015 and 2014, a deferred rent liability of $1,047,427 and $654,604, 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, for the current and previous lease (same landlord).

Approximate future minimum rental payments at June 30, 2015 under the office and various other non-cancelable leases are as follows:

2016	$ 3,300,173
2017	2,965,298
2018	2,825,285
2019	2,519,528
2020	2,144,398
Thereafter	11,499,569
	$ 25,254,251

Note 15. Changes in Consolidated Unrestricted Net Assets Attributable to Controlling Financial Interest and to Non-Controlling Interests

Changes in the Organization's unrestricted net assets attributable to controlling interest and the non-controlling interests attributable to its investments in consolidated limited partnerships and other entities are as follows:

	Total	Controlling Interest	Non-controlling Interests
Balance, July 1, 2013	$ 67,931,013	$ 49,876,418	$ 18,054,595
Change in net assets before other items	(5,436,887)	(806,887)	(4,630,000)
Capital contributed by non-controlling interests	6,269,630	-	6,269,630
Capital distributions and other reductions	(227,402)	-	(227,402)
Balance, June 30, 2014	68,536,354	49,069,531	19,466,823
Change in net assets before other items	(4,012,040)	1,709,290	(5,721,330)
Capital contributed by non-controlling interests	18,995,794	100	18,995,694
Capital distributions and other reductions	(37,063)	-	(37,063)
Balance, June 30, 2015	$ 83,483,045	$ 50,778,921	$ 32,704,124

Capital contributed by non-controlling interests represents member or limited partner cash investments received during fiscal years 2015 and 2014 in certain real estate projects.

At June 30, 2015 and 2014, future unpaid capital commitments from non-controlling interests related to real estate projects totaled $10,157,477 and $23,516,135, respectively.

Note 16. Temporarily Restricted Net Assets

Temporarily restricted net assets balances and activities by category are as follows:

	Balance June 30, 2014	Contributions Received	Released Amounts	Balance June 30, 2015
Youth and Residential Services	$ 5,259	$ 7,993	$ 126	$ 18,385
Supportive Housing Services	289,532	172,100	366,137	95,495
Wellness and Prevention	615,017	274,921	562,888	327,050
Employment and Economic Advancement	148,284	374,661	227,063	295,882
Housing, Community and Specialized Services	242,447	105,000	256,391	91,056
Integrated Health Care Services	46,921	145,050	70,382	121,589
Health Care Quality, Research, TA, and Training Services	315,177	1,007,915	960,992	362,100
Health Promotion and Nutrition	40,000	717,907	427,520	330,387
Housing Development	74,421	193,550	134,951	133,020
International Programs	234,636	1,366,683	595,454	1,005,865
Justice Services	8,246,494	4,408,037	4,932,237	7,722,294
Other Services	2,000,720	658,736	1,830,565	828,891
Management and General	778,644	28,800	807,444	-
Fundraising	212,548	-	212,548	-
	$ 13,250,100	$ 9,461,353	$ 11,384,698	$ 11,332,014

	Balance July 1, 2013	Contributions Received	Released Amounts	Balance June 30, 2014
Youth and Residential Services	$ 1,495	$ 3,825	$ 61	$ 5,259
Supportive Housing Services	575,026	34,441	319,935	289,532
Wellness and Prevention	799,217	217,060	401,260	615,017
Employment and Economic Advancement	162,342	320,662	334,720	148,284
Housing, Community and Specialized Services	238,655	162,500	158,708	242,447
Integrated Health Care Services	95,582	69,350	118,011	46,921
Health Care Quality, Research, TA, and Training Services	226,339	618,572	529,734	315,177
Health Promotion and Nutrition	29,691	40,000	29,691	40,000
Housing Development	145,637	-	71,216	74,421
International Programs	472,536	375,590	613,490	234,636
Justice Services	6,202,450	6,353,000	4,308,956	8,246,494
Other Services	1,614,460	663,519	277,259	2,000,720
Management and General	817,384	965,913	1,004,653	778,644
Fundraising	758,761	288,698	834,911	212,548
	$ 12,139,575	$ 10,113,130	$ 9,002,605	$ 13,250,100

Management and general represents program funding specified from donors to cover general and administrative expenses not otherwise provided for through other program revenue sources.

Note 17. Employee 401(k) Plan

The Organization 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 Organization. Employees are eligible to participate in the 401(k) plan after completing six months of service with the Organization. The 401(k) plan is subject to the provisions of the Employee Retirement income Security Act of 1974 (ERISA), as amended. The Organization 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. Employer contributions are vested 100 percent only after completion of three years of service. The Organization has the right to discontinue its contributions at any time and to terminate the 401(k) plan, subject to the provisions of ERISA. Organization discretionary contributions to the Plan for fiscal years 2015 and 2014 totaled $1,180,562 and $1,053,485, respectively.

The Organization also maintains a deferred compensation plan for certain of its executives. Total expense relating to this plan for fiscal years 2015 and 2014 totaled $40,000 and $46,000, respectively. The liability for deferred compensation at June 30, 2015 and 2014 was $484,518 and $483,174, respectively.

Note 18. Transactions with Affiliates

The Organization has entered into an agreement with Heartland International Health Center (Health Center), an affiliated human services Organization, 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 Organization’s 401(k) plan. The agreement with the Health Center is in effect through June 30, 2018. Revenue recognized by the Organization under this agreement amounted to $595,000 and $589,524 for fiscal years ended June 30, 2015 and 2014, respectively.

The Health Center shared one clinical provider with HHO; the value of that service to the Health Center, paid to HHO, was $81,640 and $84,237 in fiscal years 2015 and 2014, respectively.

As of June 30, 2015 and 2014, the Health Center owed the Organization $124,547 and $60,862, respectively.

HHO has an ownership interest in and provided certain management services to Together4Health, LLC in exchange for a management fee as well as potential incentive compensation pursuant to the terms of a management agreement (which ended May 31, 2015). Certain executive employees of the Organization have similar roles for Together4Health, LLC. Total management fees earned by HHO from Together4Health, LLC totaled $438,758 and $395,387 for 2015 and 2014, respectively. A portion of management fees earned, in addition to other costs incurred by HHO for the benefit of Together4Health, LLC, were converted into unsecured notes receivable from Together4Health, LLC.

Note 19. Commitments and 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.

In 2014, IDHS performed an audit of the program and determined in their view that there was $3,147,800 in extrapolated questioned costs. The Organization contested IDHS's audit position. For purposes of financial reporting, management reserved for the full amount of the extrapolated questioned costs for the year ended June 30, 2014. The amount was reported as an non-operating expense on the consolidated statement of activities.

In January 2015, the Organization reached an agreement with IDHS and agreed to remit $2,000,000 of the aforementioned questioned costs to IDHS over a two-year period of which $500,000 was paid prior to year-end. At June 30, 2015, $1,500,000 of the questioned costs is reported as a liability on the consolidated statement of financial position, while the $1,147,800 remaining reserve from 2014 has been reversed and is included as non-operating income on the consolidated statement of activities for the year ended June 30, 2015.

Payments from the State of Illinois: A significant portion of the Organization's revenue is reimbursed through the State of Illinois. Extended delays in payments by the State could severely disrupt cash flow and negatively impact the Organization's activities.

Regulatory Environment Including Fraud and Abuse Matters: The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that HHO is in compliance with fraud and abuse, as well as other applicable government laws and regulations. While no regulatory inquiries that are expected to have a material adverse effect on HHO have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

From time-to-time, the Organization 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 Organization's insurance and in Management's opinion the resolution of these matters would not have a material effect on the financial position of the Organization.

Professional Liability Insurance: The Federally Supported Health Centers Assistance Act of 1992 and 1995 granted medical malpractice liability protection through the Federal Tort Claims Act (FTCA) to Federally Qualified Health Centers. Under this legislation, HHO employees, and eligible contractors are considered Federal employees immune from suit with the Federal government acting as their primary insurer.

Note 20. Subsequent Events

The Organization has evaluated subsequent events through November 25, 2015, the date on which the consolidated financial statements were available to be issued.

Supplementary Information

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Financial Position
June 30, 2015

	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	$ 5,037,249	$ 2,049,617	$ 2,126,332	$ 1,039,738	$ 2,293,746	$ -	$ 12,546,682
Restricted cash	2,582,480	-	46,508	84,277	-	-	2,713,265
Investments	7,049,993	-	3,442,175	-	-	-	10,492,168
Accounts receivable:							
Program service grants and fees	879,065	1,139,243	7,442,354	2,627,053	160,433	-	12,248,148
Pledges receivable	846,442	62,750	106,750	342,420	125,750	-	1,484,112
Patient services	-	-	-	1,009,932	-	-	1,009,932
Other	244,356	1,843	140,423	74,548	1,081,085	-	1,542,255
Inter-agency	2,184,874	415,889	(474,480)	(118,268)	(2,008,015)	-	-
Allowance for contractual adjustments, discounts and bad debts	(158,750)	-	(294,710)	(497,626)	(46,653)	-	(997,739)
Prepaid expenses and other current assets	632,897	360,470	703,077	219,340	559,431	-	2,475,215
Investment in limited partnerships	1,754,486	-	-	-	36,125	(1,754,486)	36,125
Other investments	-	-	25,000	964,649	31,500	-	1,021,149
Notes receivable, net	76,627	-	2,218,431	57,296	5,295,004	(76,627)	7,570,731
Receivables due from limited partnerships	-	-	-	-	588,527	-	588,527
Property and equipment, net	1,432,723	689,246	13,929,233	1,154,727	103,084,701	-	120,290,630
Escrow and reserve accounts	-	-	526,823	-	8,572,485	-	9,099,308
Deferred fees, net	-	-	-	-	1,478,407	-	1,478,407
Residual interest	-	-	-	-	6,068,116	-	6,068,116
Total assets	$ 22,562,442	$ 4,719,058	$ 29,937,916	$ 6,958,086	$ 127,320,642	$ (1,831,113)	$ 189,667,031
Liabilities and Net Assets							
Liabilities							
Accounts payable and other accrued expenses	$ 1,364,510	$ 147,384	$ 2,944,949	$ 655,166	$ 3,828,129	$ -	$ 8,940,138
Accrued payroll and related liabilities	1,252,374	309,316	1,716,743	813,585	135,498	-	4,227,516
Construction costs payable	-	-	-	-	50,914	-	50,914
Deferred revenue	129,541	1,023,775	446,763	123,034	10,673,085	-	12,396,198
Liability for self-insurance claims	1,500,000	-	-	-	-	-	1,500,000
Deferred rent liability	1,030,240	-	-	17,187	-	-	1,047,427
Deferred compensation plan liability	484,518	-	-	-	-	-	484,518
Accrued interest payable	-	-	-	-	1,267,240	-	1,267,240
Debt obligations	284,689	8,212	12,276,114	68,415	52,194,442	(76,627)	64,755,245
Total liabilities	6,045,872	1,488,687	17,384,569	1,677,387	68,149,308	(76,627)	94,669,196
Net Assets							
Unrestricted:							
Undesignated	6,554,769	2,204,506	11,821,793	4,375,570	26,334,190	(1,754,486)	49,536,342
Board designated	1,222,579	20,000	-	-	-	-	1,242,579
Non-controlling interests	-	-	-	-	32,704,124	-	32,704,124
Total unrestricted net assets	7,777,348	2,224,506	11,821,793	4,375,570	59,038,314	(1,754,486)	83,483,045
Temporarily restricted	8,551,187	1,005,865	731,554	905,129	133,020	-	11,326,755
Permanently restricted	188,035	-	-	-	-	-	188,035
Total net assets	16,516,570	3,230,371	12,553,347	5,280,699	59,171,334	(1,754,486)	94,997,835
Total liabilities and net assets	$ 22,562,442	$ 4,719,058	$ 29,937,916	$ 6,958,086	$ 127,320,642	$ (1,831,113)	$ 189,667,031

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Financial Position
June 30, 2014

	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	$ 3,661,989	$ 1,996,479	$ 3,215,279	$ 1,435,171	$ 1,772,461	$ -	$ 12,081,379
Restricted cash	3,362,864	-	505,500	82,495	-	-	3,950,859
Investments	6,635,113	-	3,590,319	-	-	-	10,225,432
Accounts receivable:							
Program service grants and fees	539,104	881,485	6,295,897	3,388,180	263,723	-	11,368,389
Pledges receivable	2,255,289	374,840	535,314	325,394	2,550	-	3,493,387
Patient services	-	-	-	639,302	-	-	639,302
Other	69,875	3,627	5,175	6,310	124,726	-	209,713
Inter-agency	2,712,911	(3,995)	(429,187)	(192,965)	(2,086,764)	-	-
Allowance for contractual adjustments, discounts and bad debts	(58,332)	-	(226,089)	(200,946)	(29,944)	-	(515,311)
Prepaid expenses and other current assets	618,999	452,207	646,761	100,798	476,443	-	2,295,208
Investment in limited partnerships	1,754,485	-	-	-	36,125	(1,754,485)	36,125
Other investments	-	-	25,000	843,762	31,500	-	900,262
Notes receivable	711,851	-	2,325,861	363,555	5,470,316	(711,851)	8,159,732
Receivables due from limited partnerships	-	-	-	-	564,431	-	564,431
Property and equipment, net	1,736,094	460,254	14,364,437	1,422,640	105,117,192	-	123,100,617
Escrow and reserve accounts	-	-	556,020	-	6,891,495	-	7,447,515
Deferred fees, net	-	-	-	-	1,658,148	-	1,658,148
Residual interest	-	-	-	-	6,068,116	-	6,068,116
Total assets	$ 24,000,242	$ 4,164,897	$ 31,410,287	$ 8,213,696	$ 126,360,518	$ (2,466,336)	$ 191,683,304
Liabilities and Net Assets							
Liabilities							
Accounts payable and other accrued expenses	$ 831,777	$ 141,750	$ 4,737,164	$ 753,404	$ 4,637,158	$ -	$ 11,101,253
Accrued payroll and related liabilities	830,638	206,069	1,537,273	760,048	101,589	-	3,435,617
Construction costs payable	-	-	-	-	5,043,943	-	5,043,943
Deferred revenue	284,846	1,061,444	446,335	209,070	10,284,222	-	12,285,917
Liability for self-insurance claims	1,900,000	-	-	-	-	-	1,900,000
Deferred rent liability	654,604	-	-	-	-	-	654,604
Deferred compensation plan liability	483,174	-	-	-	-	-	483,174
Accrued interest payable	-	-	-	-	1,175,027	-	1,175,027
Debt obligations	966,687	22,098	12,706,805	772,733	59,872,808	(711,851)	73,629,280
Total liabilities	5,951,726	1,431,361	19,427,577	2,495,255	81,114,747	(711,851)	109,708,815
Net Assets							
Unrestricted:							
Undesignated	6,154,012	2,013,316	10,873,941	4,835,641	25,704,527	(1,754,485)	47,826,952
Board designated	1,222,579	20,000	-	-	-	-	1,242,579
Non-controlling interests	-	-	-	-	19,466,823	-	19,466,823
Total unrestricted net assets	7,376,591	2,033,316	10,873,941	4,835,641	45,171,350	(1,754,485)	68,536,354
Temporarily restricted	10,483,890	700,220	1,108,769	882,800	74,421	-	13,250,100
Permanently restricted	188,035	-	-	-	-	-	188,035
Total net assets	18,048,516	2,733,536	11,982,710	5,718,441	45,245,771	(1,754,485)	81,974,489
Total liabilities and net assets	$ 24,000,242	$ 4,164,897	$ 31,410,287	$ 8,213,696	$ 126,360,518	$ (2,466,336)	$ 191,683,304

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Activities
Year Ended June 30, 2015

	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	$ 4,570,610	$ 1,666,552	$ 997,504	$ 2,332,002	$ 364,419	$ -	$ 9,931,087
Program services:							
Grants, contracts, reimbursements and client fees	2,710,158	12,530,879	48,424,325	16,955,978	1,275,661	-	81,897,001
Allocation from United Way of Chicago	-	-	110,000	-	-	-	110,000
Contributed services and non-cash contributions	108,708	472,282	1,306,070	792,623	-	-	2,679,683
Patient services, net of contractual adjustments and discounts	-	-	-	4,489,609	-	-	4,489,609
Rental income	-	-	246,319	-	7,382,003	-	7,628,322
Housing development	-	-	-	-	228,264	-	228,264
Interest and investment income	(93,109)	659	(224,464)	115,227	677,333	(5,567)	470,079
Other income	1,825,688	(44,268)	65,642	135,591	267,865	(584,094)	1,666,424
Total revenue	9,122,055	14,626,104	50,925,396	24,821,030	10,195,545	(589,661)	109,100,469
Expenses:							
Salaries and wages	10,296,373	4,439,639	23,422,032	11,127,957	2,267,164	-	51,553,165
Payroll taxes and fringe benefits	2,226,150	1,024,667	6,178,303	2,608,656	597,949	-	12,635,725
Staff expenses	722,565	967,657	530,902	336,842	79,802	-	2,637,768
Fundraising expenses	274,390	13,127	8,494	99,940	182	-	396,133
Professional services	1,617,897	953,803	1,607,464	1,945,685	462,415	(470,271)	6,116,993
Office services	999,346	402,257	703,407	632,894	37,681	-	2,775,585
Occupancy	1,074,904	475,063	2,922,350	1,147,024	1,150,893	-	6,770,234
Equipment	380,911	316,974	627,198	238,903	8,857	-	1,572,843
Client support and supplies	104,921	1,034,059	6,388,795	2,629,239	818	(34,147)	10,123,685
Subrecipients	549,812	3,300,566	1,576,876	221,469	-	(79,676)	5,569,047
Contributed services and in-kind expenses	108,708	472,282	1,306,070	792,623	-	-	2,679,683
Real estate development and property management	4,900	-	87,185	389,494	2,540,129	-	3,021,708
Interest expense	6,098	276	539,426	6,855	2,034,629	(5,567)	2,581,717
Uncollectible accounts	120,883	-	19,165	591,847	166,359	-	898,254
	18,487,858	13,400,370	45,917,667	22,769,428	9,346,878	(589,661)	109,332,540
Allocation of shared services costs	(8,328,720)	666,480	4,666,383	2,303,615	692,242	-	-
Total expenses	10,159,138	14,066,850	50,584,050	25,073,043	10,039,120	(589,661)	109,332,540
Increase (decrease) in net assets before non-budgetary and other items	(1,037,083)	559,254	341,346	(252,013)	156,425	-	(232,071)
Non-budgetary items:							
Depreciation and amortization	(343,987)	(62,419)	(918,509)	(336,607)	(5,160,244)	-	(6,821,766)
Other non-operating income (expense)	(150,877)	-	1,147,800	150,878	(29,349)	-	1,118,452
Total non-budgetary expenses	(494,864)	(62,419)	229,291	(185,729)	(5,189,593)	-	(5,703,314)
Increase (decrease) in net assets before other items	(1,531,947)	496,835	570,637	(437,742)	(5,033,168)	-	(5,935,385)
Other items:							
Capital contributions to limited partnerships and other entities	-	-	-	-	18,995,794	-	18,995,794
Capital distributions to limited partnerships and other entities	-	-	-	-	(5,131)	-	(5,131)
Offering costs, non-controlling interests	-	-	-	-	(31,932)	-	(31,932)
Total other items	-	-	-	-	18,958,731	-	18,958,731
Increase (decrease) in net assets	(1,531,947)	496,835	570,637	(437,742)	13,925,563	-	13,023,346
Net assets, beginning of year	18,048,517	2,733,536	11,982,710	5,718,441	45,245,771	(1,754,486)	81,974,489
Net assets, end of year	$ 16,516,570	$ 3,230,371	$ 12,553,347	$ 5,280,699	$ 59,171,334	$ (1,754,486)	$ 94,997,835

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Activities
Year Ended June 30, 2014

	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	$ 8,499,060	$ 1,216,068	$ 649,395	$ 1,733,382	$ 147,699	$ (486,090)	$ 11,759,514
Program services:							
Grants, contracts, reimbursements and client fees	1,793,517	8,928,088	45,995,551	19,086,354	1,169,600	-	76,973,110
Allocation from United Way of Chicago	43,617	83,000	130,000	25	-	-	256,642
Contributed services and non-cash contributions	240,611	537,509	1,661,704	845,460	-	-	3,285,284
Patient services, net of contractual adjustments and discounts	-	-	-	1,657,404	-	-	1,657,404
Rental income	-	-	250,486	-	6,306,449	(373,388)	6,183,547
Housing development	-	-	-	-	229,603	-	229,603
Interest and investment income	426,339	317	296,219	78,020	693,384	(11,734)	1,482,545
Other income	823,358	62,470	48,106	143,517	157,305	(214,735)	1,020,021
Total revenue	11,826,502	10,827,452	49,031,461	23,544,162	8,704,040	(1,085,947)	102,847,670
Expenses:							
Salaries and wages	9,501,516	3,331,629	22,195,728	10,080,121	1,741,140	-	46,850,134
Payroll taxes and fringe benefits	2,061,675	694,767	5,190,502	2,323,809	469,739	-	10,740,492
Staff expenses	531,628	761,493	411,882	326,950	68,679	(300)	2,100,332
Fundraising expenses	237,394	59,044	15,799	102,911	2,000	-	417,148
Professional services	1,244,924	594,092	1,575,322	2,403,543	183,376	(513,702)	5,487,555
Office services	771,694	230,931	585,439	634,260	20,088	-	2,242,412
Occupancy	960,932	333,718	2,781,656	980,455	1,020,266	-	6,077,027
Equipment	314,662	116,242	661,156	284,003	6,103	-	1,382,166
Client support and supplies	144,090	466,951	7,326,169	2,602,147	1,446	(403,971)	10,136,832
Subrecipients	234,953	2,949,340	920,486	72,686	-	(156,240)	4,021,225
Contributed services and in-kind expenses	239,536	537,509	1,656,000	845,460	3,530	-	3,282,035
Real estate development and property management	18,177	-	62,223	373,388	2,398,173	-	2,851,961
Interest expense	14,822	1,485	472,257	17,386	2,115,879	(11,734)	2,610,095
Uncollectible accounts	3,513	-	(139,486)	122,252	152,071	-	138,350
	16,279,516	10,077,201	43,715,133	21,169,371	8,182,490	(1,085,947)	98,337,764
Allocation of shared services costs	(7,549,751)	641,200	4,219,552	2,079,868	609,131	-	-
Total expenses	8,729,765	10,718,401	47,934,685	23,249,239	8,791,621	(1,085,947)	98,337,764
Increase (decrease) in net assets before non-budgetary and other items	3,096,737	109,051	1,096,776	294,923	(87,581)	-	4,509,906
Non-budgetary items:							
Depreciation and amortization	(291,631)	(37,567)	(842,457)	(351,519)	(4,165,294)	-	(5,688,468)
Other non-operating expense	-	-	(3,147,800)	-	-	-	(3,147,800)
Total non-budgetary expenses	(291,631)	(37,567)	(3,990,257)	(351,519)	(4,165,294)	-	(8,836,268)
Increase (decrease) in net assets before other items	2,805,106	71,484	(2,893,481)	(56,596)	(4,252,875)	-	(4,326,362)
Other items:							
Capital contributions to limited partnerships and other entities	-	-	-	-	6,269,630	-	6,269,630
Capital distributions to limited partnerships and other entities	-	-	-	-	(187,402)	-	(187,402)
Offering costs, non-controlling interests	-	-	-	-	(40,000)	-	(40,000)
Total other items	-	-	-	-	6,042,228	-	6,042,228
Increase (decrease) in net assets	2,805,106	71,484	(2,893,481)	(56,596)	1,789,353	-	1,715,866
Net assets, beginning of year	15,243,410	2,662,052	14,876,191	5,775,037	43,456,418	(1,754,485)	80,258,623
Net assets, end of year	$ 18,048,516	$ 2,733,536	$ 11,982,710	$ 5,718,441	$ 45,245,771	$ (1,754,485)	$ 81,974,489

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Cash Flows
Year Ended June 30, 2015

	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	$ (1,531,947)	$ 496,835	$ 570,637	$ (437,742)	$ 13,925,563	$ -	$ 13,023,346
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:							
Depreciation and amortization	343,987	62,419	918,509	336,607	5,189,593	-	6,851,115
Provision for bad debts	120,883	-	19,165	591,847	166,359	-	898,254
Loss on disposal of property and equipment	81,760	1,352	-	-	-	-	83,112
Loss on investments	263,091	-	263,190	-	-	-	526,281
Earnings from other investments	-	-	-	(100,887)	-	-	(100,887)
Developer fee amortization					(228,264)		(228,264)
Capital contributions to limited partnerships and other entities	-	-	-	-	(18,995,794)	-	(18,995,794)
Capital distributions and other reductions to limited partnerships and other entities	-	-	-	-	5,131	-	5,131
Offering costs, noncontrolling interests	-	-	-	-	31,932	-	31,932
Effects of changes in operating assets and liabilities:							-
Restricted cash	780,384	-	458,992	(1,782)	-	-	1,237,594
Accounts receivable:							-
Program service grants and fees	(339,961)	(257,758)	(1,146,457)	761,127	103,290	-	(879,759)
Pledges receivable	1,408,847	312,090	428,564	(17,026)	(123,200)	-	2,009,275
Patient services	-	-	-	(370,630)	-	-	(370,630)
Other	(194,946)	1,784	(85,792)	(193,405)	(269,874)	-	(742,233)
Inter-agency	528,037	(419,884)	45,293	(74,697)	(78,749)	-	-
Prepaid expenses and other current assets	(13,898)	91,737	(56,316)	(118,542)	(82,988)	-	(180,007)
Receivables due from limited partnerships	-	-	107,430	-	(24,096)	-	83,334
Accounts payable and other accrued expenses	532,733	5,634	(1,792,215)	(98,238)	189,865	-	(1,162,221)
Accrued payroll and related liabilities	421,736	103,247	179,470	53,537	33,909	-	791,899
Accrued interest payable	-	-	-	-	92,213	-	92,213
Liability for self-insurance claims	(400,000)	-	-	-	-	-	(400,000)
Deferred rent liability	375,636	-	-	17,187	-	-	392,823
Deferred compensation plan liability	1,344	-	-	-	-	-	1,344
Deferred revenue	(155,305)	(37,669)	428	(86,036)	(280,221)	-	(558,803)
Developer fees received	-	-	-	-	1,072,660	-	1,072,660
Net cash provided by operating activities	2,222,381	359,787	(89,102)	261,320	727,329	-	3,481,715
Cash Flows from Investing Activities							
Additions to property and equipment	(122,376)	(292,763)	(483,305)	(68,694)	(7,567,890)	-	(8,535,028)
Future project development costs	-	-	-	-	(836,135)		(836,135)
Purchases of investments	(2,451,184)	-	(238,479)	-	-	-	(2,689,663)
Proceeds from sale of investments	1,773,213	-	123,433	-	-	-	1,896,646
Proceeds and collections from notes receivable	635,224	-	-	136,259	-	(635,224)	136,259
Deposits to escrow accounts	-	-	(206,760)	-	(3,406,484)	-	(3,613,244)
Releases from escrow accounts	-	-	235,957	-	1,725,494	-	1,961,451
Capital contributions - other investments	-	-	-	(20,000)	-	-	(20,000)
Net cash provided by (used in) investing activities	(165,123)	(292,763)	(569,154)	47,565	(10,085,015)	(635,224)	(11,699,714)
Cash Flows from Financing Activities							
Capital contributions to limited partnerships and other entities	-	-	-	-	18,995,794	-	18,995,794
Capital distributions to limited partnerships and other entities	-	-	-	-	(5,131)	-	(5,131)
Offering costs, noncontrolling interests	-	-	-	-	(31,932)	-	(31,932)
Developer fees paid from limited partnerships	-	-	-	-	(1,216,979)		(1,216,979)
Repayments of borrowings	(681,998)	(13,886)	(430,691)	(704,318)	(15,861,912)	635,224	(17,057,581)
Proceeds from borrowings	-	-	-	-	8,183,546	-	8,183,546
Deferred financing fees	-	-	-	-	(109,915)	-	(109,915)
Tax credit fees	-	-	-	-	(74,500)	-	(74,500)
Net cash provided by (used in) financing activities	(681,998)	(13,886)	(430,691)	(704,318)	9,878,971	635,224	8,683,302
Net increase (decrease) in cash	1,375,260	53,138	(1,088,947)	(395,433)	521,285	-	465,303
Cash:							
Beginning of year	3,661,989	1,996,479	3,215,279	1,435,171	1,772,461	-	12,081,379
End of year	$ 5,037,249	$ 2,049,617	$ 2,126,332	$ 1,039,738	$ 2,293,746	$ -	$ 12,546,682

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Cash Flows
Year Ended June 30, 2014

	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	$ 2,805,106	$ 71,484	$ (2,893,481)	$ (56,596)	$ 1,789,353	$ -	$ 1,715,866
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:							
Depreciation and amortization	291,631	37,567	842,457	351,519	4,165,294	-	5,688,468
Provision for (recovery of) bad debts	-	-	107,432	111,418	(22,397)	-	196,453
Developer fee amortization	-	-	-	-	(229,601)		(229,601)
Loss on disposal of property and equipment	56,150	-	-	-	-	-	56,150
Gain on investments	(251,829)	-	(269,519)	-	-	-	(521,348)
Earnings from other investments	-	-	-	(73,681)	-	-	(73,681)
Capital contributions to limited partnerships and other entities	-	-	-	-	(6,269,630)	-	(6,269,630)
Capital distributions to limited partnerships and other entities	-	-	-	-	187,402	-	187,402
Offering costs, noncontrolling interests	-	-	-	-	40,000	-	40,000
Effects of changes in operating assets and liabilities:							
Restricted cash	(1,644,320)	-	(357,103)	(31,088)	-	-	(2,032,511)
Accounts receivable:							
Program service grants and fees	(217,709)	374,407	(746,814)	(401,347)	31,875	-	(959,588)
Pledges receivable	(371,081)	(129,320)	558,271	341,261	69,700	-	468,831
Patient services	-	-	-	(235,298)	-	-	(235,298)
Other	11,911	(3,627)	4,038	1,655	142,216	-	156,193
Inter-agency	(150,980)	(40,953)	151,465	(34,647)	75,115	-	-
Prepaid expenses and other current assets	(5,370)	62,425	142,383	15,778	47,816	-	263,032
Receivables due from limited partnerships	-	-	-	-	(24,096)	-	(24,096)
Accounts payable and other accrued expenses	591,166	14,388	3,718,603	136,636	363,405	-	4,824,198
Accrued payroll and related liabilities	36,911	(30,909)	311,512	32,509	7,235	-	357,258
Accrued interest payable	-	-	-	-	113,738	-	113,738
Deferred rent liability	446,825	-	-	-	-	-	446,825
Deferred compensation plan liability	102,692	-	-	-	-	-	102,692
Deferred revenue	(24,843)	890,368	318,921	55,534	(2,677)	-	1,237,303
Developer fees received	-	-	-	-	957,516	-	957,516
Net cash provided by operating activities	1,676,260	1,245,830	1,888,165	213,653	1,442,264	-	6,466,172
Cash Flows from Investing Activities							
Additions to property and equipment	(1,290,889)	(68,381)	(11,873,834)	(16,549)	(18,560,381)	-	(31,810,034)
Future project development costs	-	-	-	-	(20,361)		(20,361)
Purchases of investments	(1,203,678)	-	(228,000)	-	-	-	(1,431,678)
Proceeds from sale of investments	116,882	-	116,882	-	-	-	233,764
Issuance of notes receivable	-	-	-	(344,136)	-	-	(344,136)
Proceeds and collections from notes receivable	196,265	-	-	55,581	-	(196,265)	55,581
Deposits to escrow accounts	-	-	(556,020)	-	(1,155,943)	-	(1,711,963)
Releases from escrow accounts	-	-	-	-	4,326,455	-	4,326,455
Capital contributions - other investments	-	-	-	(23,333)	-	-	(23,333)
Net cash used in investing activities	(2,181,420)	(68,381)	(12,540,972)	(328,437)	(15,410,230)	(196,265)	(30,725,705)
Cash Flows from Financing Activities							
Capital contributions to limited partnerships and other entities	-	-	-	-	6,269,630	-	6,269,630
Capital distributions to limited partnerships and other entities	-	-	(10,000)	-	(187,402)	-	(197,402)
Offering costs, noncontrolling interests	-	-	-	-	(40,000)	-	(40,000)
Developer fees paid from limited partnerships	-	-	-	-	(1,133,428)		(1,133,428)
Repayments of borrowings	(1,032,000)	(112,217)	(378,749)	(203,455)	(6,538,934)	196,265	(8,069,090)
Proceeds from borrowings	966,687	-	11,552,300	-	16,420,992	-	28,939,979
Deferred financing fees	-	-	-	-	(18,268)	-	(18,268)
Tax credit fees	-	-	-	-	(16,309)	-	(16,309)
Net cash provided by (used in) financing activities	(65,313)	(112,217)	11,163,551	(203,455)	14,756,281	196,265	25,735,112
Net increase (decrease) in cash	(570,473)	1,065,232	510,744	(318,239)	788,315	-	1,475,579
Cash:							
Beginning of year	4,232,462	931,247	2,704,535	1,753,410	984,146	-	10,605,800
End of year	$ 3,661,989	$ 1,996,479	$ 3,215,279	$ 1,435,171	$ 1,772,461	$ -	$ 12,081,379

Heartland Alliance for Human Needs & Human Rights

Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services			Supporting Services			
	Justice Services	Other	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2015
Salaries and wages	$ 3,696,353	$ -	$ 3,696,353	$ 6,031,991	$ 568,029	$ 6,600,020	$ 10,296,373
Payroll taxes and fringe benefits	864,682	-	864,682	1,228,999	132,469	1,361,468	2,226,150
Staff expenses	441,840	41,374	483,214	207,530	31,821	239,351	722,565
Other fundraising expenses	107,528	-	107,528	22,312	144,550	166,862	274,390
Professional expenses	273,074	216,138	489,212	1,035,684	93,001	1,128,685	1,617,897
Office services	115,733	675	116,408	846,431	36,507	882,938	999,346
Occupancy	470,538	-	470,538	564,343	40,023	604,366	1,074,904
Equipment	72,091	4,507	76,598	302,649	1,664	304,313	380,911
Client support and supplies	103,550	421	103,971	-	950	950	104,921
Subrecipients	549,812	-	549,812	-	-	-	549,812
Contributed services and in-kind expenses	2,207	7,236	9,443	52,479	46,786	99,265	108,708
Real estate development and property management	794	-	794	4,106	-	4,106	4,900
Interest expense	-	-	-	6,098	-	6,098	6,098
Uncollectible accounts	158,750	-	158,750	(37,859)	(8)	(37,867)	120,883
	6,856,952	270,351	7,127,303	10,264,763	1,095,792	11,360,555	18,487,858
Allocation of shared services costs	-	-	-	(8,328,720)	-	(8,328,720)	(8,328,720)
	6,856,952	270,351	7,127,303	1,936,043	1,095,792	3,031,835	10,159,138
Depreciation and amortization	5,336	4,527	9,863	334,124	-	334,124	343,987
Other non-operating expense	-	-	-	150,877	-	150,877	150,877
	$ 6,862,288	$ 274,878	$ 7,137,166	$ 2,421,044	$ 1,095,792	$ 3,516,836	$ 10,654,002

Heartland Alliance International, LLC

Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services		Supporting Services			
	International Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2015
Salaries and wages	$ 3,679,645	$ 3,679,645	$ 759,994	$ -	$ 759,994	$ 4,439,639
Payroll taxes and fringe benefits	856,430	856,430	168,237	-	168,237	1,024,667
Staff expenses	834,938	834,938	132,719	-	132,719	967,657
Other fundraising expenses	700	700	12,427	-	12,427	13,127
Professional expenses	740,932	740,932	212,871	-	212,871	953,803
Office services	362,358	362,358	39,899	-	39,899	402,257
Occupancy	389,952	389,952	85,111	-	85,111	475,063
Equipment	298,276	298,276	18,698	-	18,698	316,974
Client support and supplies	964,498	964,498	69,561	-	69,561	1,034,059
Subrecipients	3,265,566	3,265,566	35,000	-	35,000	3,300,566
Contributed services and in-kind expenses	3,854	3,854	468,428	-	468,428	472,282
Interest expense	-	-	276	-	276	276
	11,397,149	11,397,149	2,003,221	-	2,003,221	13,400,370
Allocation of shared services costs	-	-	666,480	-	666,480	666,480
	11,397,149	11,397,149	2,669,701	-	2,669,701	14,066,850
Depreciation and amortization	31,432	31,432	30,987	-	30,987	62,419
	$ 11,428,581	$ 11,428,581	$ 2,700,688	$ -	$ 2,700,688	$ 14,129,269

Heartland Human Care Services, Inc.

Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services					Supporting Services			
	Youth and Residential Services	Supportive Housing Services	Wellness and Prevention	Employment and Economic Advancement	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2015
Salaries and wages	$ 13,953,599	$ 3,165,636	$ 4,310,788	$ 1,425,680	$ 22,855,703	$ 566,329	$ -	$ 566,329	$ 23,422,032
Payroll taxes and fringe benefits	3,648,278	885,096	1,101,553	406,146	6,041,073	137,230	-	137,230	6,178,303
Staff expenses	274,360	72,960	87,093	55,792	490,205	40,697	-	40,697	530,902
Other fundraising expenses	-	-	7,823	39	7,862	632	-	632	8,494
Professional expenses	929,607	202,762	189,747	52,953	1,375,069	232,395	-	232,395	1,607,464
Office services	295,279	107,274	205,115	61,311	668,979	34,428	-	34,428	703,407
Occupancy	1,875,893	375,008	323,809	279,201	2,853,911	68,439	-	68,439	2,922,350
Equipment	328,737	137,107	101,434	45,185	612,463	14,735	-	14,735	627,198
Client support and supplies	2,420,210	2,965,987	182,607	806,616	6,375,420	13,375	-	13,375	6,388,795
Subrecipients	330,730	95,064	125,045	1,026,037	1,576,876	-	-	-	1,576,876
Contributed services and in-kind expenses	25,000	-	200,000	-	225,000	1,081,070	-	1,081,070	1,306,070
Real estate development and property management	86,760	-	400	(6,013)	81,147	6,038	-	6,038	87,185
Interest expense	538,257	-	-	-	538,257	1,169	-	1,169	539,426
Uncollectible accounts	-	-	(26,734)	(14,101)	(40,835)	60,000	-	60,000	19,165
	24,706,710	8,006,894	6,808,680	4,138,846	43,661,130	2,256,537	-	2,256,537	45,917,667
Allocation of shared services costs	-	-	-	-	-	4,666,383	-	4,666,383	4,666,383
	24,706,710	8,006,894	6,808,680	4,138,846	43,661,130	6,922,920	-	6,922,920	50,584,050
Depreciation and amortization	877,185	2,020	7,544	1,007	887,756	30,753	-	30,753	918,509
Other non-operating expense	-	-	-	-	-	(1,147,800)	-	(1,147,800)	(1,147,800)
	$ 25,583,895	$ 8,008,914	$ 6,816,224	$ 4,139,853	$ 44,548,886	$ 5,805,873	$ -	$ 5,805,873	$ 50,354,759

Heartland Health Outreach, Inc.

Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services						Supporting Services			
	Housing, Community & Specialized Services	Integrated Health Care Services	Healthcare Quality, Research, TA & Training Services	Health Promotion & Nutrition	Cross Cultural & Interpreting Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2015
Salaries and wages	$ 3,800,927	$ 4,463,962	$ 909,486	$ 428,912	$ 134,663	$ 9,737,950	$ 1,219,451	$ 170,556	$ 1,390,007	$ 11,127,957
Payroll taxes and fringe benefits	999,381	991,458	190,214	98,694	48,186	2,327,933	238,089	42,634	280,723	2,608,656
Staff expenses	62,117	140,423	55,688	6,621	12,006	276,855	49,569	10,418	59,987	336,842
Other fundraising expenses	864	546	9,566	503	196	11,675	1,465	86,800	88,265	99,940
Professional expenses	57,121	1,086,387	54,012	24,248	635,430	1,857,198	59,142	29,345	88,487	1,945,685
Office services	146,629	359,594	32,297	31,857	13,844	584,221	35,440	13,233	48,673	632,894
Occupancy	436,008	401,360	23,448	167,525	20,824	1,049,165	31,890	65,969	97,859	1,147,024
Equipment	100,132	61,473	25,923	36,883	3,408	227,819	3,393	7,691	11,084	238,903
Client support and supplies	1,580,007	600,330	21,673	422,300	-	2,624,310	(7,784)	12,713	4,929	2,629,239
Subrecipients	-	221,469	-	-	-	221,469	-	-	-	221,469
Contributed services and in-kind expenses	-	-	-	-	-	-	301,843	490,780	792,623	792,623
Real estate development and property management	374,697	3,844	10,545	25	16	389,127	298	69	367	389,494
Interest expense	-	1,563	-	-	-	1,563	5,292	-	5,292	6,855
Uncollectible accounts	299,916	13,915	9,786	-	74,148	397,765	194,000	82	194,082	591,847
	7,857,799	8,346,324	1,342,638	1,217,568	942,721	19,707,050	2,132,088	930,290	3,062,378	22,769,428
Allocation of shared services costs	-	-	-	-	-	-	2,303,615	-	2,303,615	2,303,615
	7,857,799	8,346,324	1,342,638	1,217,568	942,721	19,707,050	4,435,703	930,290	5,365,993	25,073,043
Depreciation and amortization	42,024	275,566	3,534	-	-	321,124	-	15,483	15,483	336,607
Other non-operating expense	-	-	-	-	-	-	(150,878)	-	(150,878)	(150,878)
	$ 7,899,823	$ 8,621,890	$ 1,346,172	$ 1,217,568	$ 942,721	$ 20,028,174	$ 4,284,825	$ 945,773	$ 5,230,598	$ 25,258,772

Heartland Housing, Inc.

Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services		Supporting Services			
	Housing Development	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2015
Salaries and wages	$ 2,104,272	$ 2,104,272	$ 162,892	$ -	$ 162,892	$ 2,267,164
Payroll taxes and fringe benefits	557,795	557,795	40,154	-	40,154	597,949
Staff expenses	58,431	58,431	21,371	-	21,371	79,802
Other fundraising expenses	156	156	26	-	26	182
Professional expenses	332,835	332,835	129,580	-	129,580	462,415
Office services	33,863	33,863	3,818	-	3,818	37,681
Occupancy	1,119,584	1,119,584	31,309	-	31,309	1,150,893
Equipment	8,588	8,588	269	-	269	8,857
Client support and supplies	818	818	-	-	-	818
Real estate development and property management	2,537,964	2,537,964	2,165	-	2,165	2,540,129
Interest expense	2,031,145	2,031,145	3,484	-	3,484	2,034,629
Uncollectible accounts	166,359	166,359	-	-	-	166,359
	8,951,810	8,951,810	395,068	-	395,068	9,346,878
Allocation of shared services costs	-	-	692,242	-	692,242	692,242
	8,951,810	8,951,810	1,087,310	-	1,087,310	10,039,120
Depreciation and amortization	5,160,244	5,160,244	-	-	-	5,160,244
Other non-operating expense	29,349	29,349	-	-	-	29,349
	$ 14,141,403	$ 14,141,403	$ 1,087,310	$ -	$ 1,087,310	$ 15,228,713

Heartland Human Care Services, Inc.

Consolidating Statement of Financial Position
June 30, 2015

	Heartland Human Care Services, Inc.	3500 South Giles, LLC	Total 2015	Total 2014
Assets				
Cash	$ 2,057,920	$ 68,412	$ 2,126,332	$ 3,215,279
Restricted cash	46,508	-	46,508	505,500
Investments	3,442,175	-	3,442,175	3,590,319
Accounts receivable:				
Program service grants and fees	7,442,354	-	7,442,354	6,295,897
Pledges receivable	106,750	-	106,750	535,314
Other	1,968	138,455	140,423	5,175
Inter-agency	(445,337)	(29,143)	(474,480)	(429,187)
Allowance for contractual adjustments, discounts and bad debts	(294,710)	-	(294,710)	(226,089)
Prepaid expenses and other current assets	773,077	(70,000)	703,077	646,761
Other investments	25,000	-	25,000	25,000
Notes receivable	2,218,431	-	2,218,431	2,325,861
Property and equipment, net	3,184,259	10,744,974	13,929,233	14,364,437
Escrow and reserve accounts	-	526,823	526,823	556,020
Total assets	$ 18,558,395	$ 11,379,521	$ 29,937,916	$ 31,410,287
Liabilities and Net Assets				
Liabilities				
Accounts payable and other accrued expenses	$ 2,776,589	$ 168,360	2,944,949	$ 4,500,285
Accrued payroll and related liabilities	1,716,743	-	1,716,743	1,537,273
Deferred revenue	446,763	-	446,763	683,214
Debt obligations	1,103,105	11,173,009	12,276,114	12,706,805
Total liabilities	6,043,200	11,341,369	17,384,569	19,427,577
Net Assets				
Unrestricted:				
Undesignated and controlling interests	11,783,641	38,152	11,821,793	10,873,941
Total unrestricted net assets	11,783,641	38,152	11,821,793	10,873,941
Temporarily restricted	731,554	-	731,554	1,108,769
Total net assets	12,515,195	38,152	12,553,347	11,982,710
Total liabilities and net assets	$ 18,558,395	$ 11,379,521	$ 29,937,916	$ 31,410,287

Heartland Human Care Services, Inc.

Consolidating Statement of Activities
Year Ended June 30, 2015

	Heartland Human Care Services, Inc.	3500 South Giles, LLC	Eliminations	Total 2015	Total 2014
Revenue:					
Contributions	$ 997,504	$ -	$ -	$ 997,504	$ 649,395
Program services:					
Grants, contracts, reimbursements and client fees	48,424,325	-	-	48,424,325	45,995,551
Allocation from United Way of Chicago	110,000	-	-	110,000	130,000
Contributed services and non-cash contributions	1,306,070	-	-	1,306,070	1,661,704
Rental income	246,319	929,390	(929,390)	246,319	250,486
Interest and investment income	(224,897)	433	-	(224,464)	296,219
Other income	43,812	21,830	-	65,642	48,106
Total revenue	50,903,133	951,653	(929,390)	50,925,396	49,031,461
Expenses:					
Salaries and wages	23,422,032	-	-	23,422,032	22,195,728
Payroll taxes and fringe benefits	6,178,303	-	-	6,178,303	5,190,502
Staff expenses	530,902	-	-	530,902	411,882
Fundraising expenses	8,494	-	-	8,494	15,799
Professional services	1,605,864	1,600	-	1,607,464	1,575,322
Office services	703,407	-	-	703,407	585,439
Occupancy	3,843,588	8,152	(929,390)	2,922,350	2,781,656
Equipment	627,198	-	-	627,198	661,156
Client support and medical supplies	6,388,795	-	-	6,388,795	7,326,169
Subrecipients	1,576,876	-	-	1,576,876	920,486
Contributed services and in-kind expenses	1,306,070	-	-	1,306,070	1,656,000
Real estate development and property management	425	86,760	-	87,185	62,223
Interest expense	27,121	512,305	-	539,426	472,257
Uncollectible accounts	19,165	-	-	19,165	(139,486)
	46,238,240	608,817	(929,390)	45,917,667	43,715,133
Allocation of shared services costs	4,666,383	-	-	4,666,383	4,219,552
Total expenses	50,904,623	608,817	(929,390)	50,584,050	47,934,685
Increase (decrease) in net assets before non-budgetary items	(1,490)	342,836	-	341,346	1,096,776
Non-budgetary items:					
Depreciation and amortization	(576,685)	(341,824)	-	(918,509)	(842,457)
Other non-operating income (expense)	1,147,800	-	-	1,147,800	(3,147,800)
	571,115	(341,824)	-	229,291	(3,990,257)
Increase (decrease) in net assets	569,625	1,012	-	570,637	(2,893,481)
Net assets, beginning of year	11,945,570	37,140	-	11,982,710	14,876,191
Net assets, end of year	$ 12,515,195	$ 38,152	$ -	$ 12,553,347	$ 11,982,710

Heartland Human Care Services, Inc.

Consolidating Statement of Cash Flows
Year Ended June 30, 2015

	Heartland Human Care Services, Inc.	3500 South Giles, LLC	Eliminations	Total 2015	Total 2014
Cash Flows from Operating Activities					
Increase (decrease) in net assets	$ 569,625	$ 1,012	$ -	$ 570,637	$ (2,893,481)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:					
Depreciation and amortization	576,685	341,824	-	918,509	842,457
Provision for (recovery of) bad debts	19,165	-	-	19,165	107,432
Loss on investments	263,190	-	-	263,190	(269,519)
Effects of changes in operating assets and liabilities:					
Restricted cash	458,992	-	-	458,992	(357,103)
Accounts receivable:					
Program service grants and fees	(1,008,002)	(138,455)	-	(1,146,457)	(746,814)
Pledges receivable	428,564	-	-	428,564	558,271
Other	(85,792)			(85,792)	4,038
Inter-agency	45,293	44,051	(44,051)	45,293	151,465
Prepaid expenses and other current assets	(73,816)	17,500	-	(56,316)	142,383
Receivables due from limited partnerships	107,430	-	-	107,430	-
Accounts payable and other accrued expenses	(1,846,611)	10,345	44,051	(1,792,215)	3,718,603
Accrued payroll and related liabilities	179,470	-	-	179,470	311,512
Deferred revenue	428	-	-	428	318,921
Net cash provided by operating activities	(365,379)	276,277	-	(89,102)	1,888,165
Cash Flows from Investing Activities					
Additions to property and equipment	(353,000)	(130,305)	-	(483,305)	(11,873,834)
Purchases of investments	(238,479)	-	-	(238,479)	(228,000)
Proceeds from sale of investments	123,433	-	-	123,433	116,882
Deposits to escrow accounts	6,360	(213,120)	-	(206,760)	(556,020)
Releases from escrow accounts	(6,360)	242,317	-	235,957	-
Net cash used in investing activities	(468,046)	(101,108)	-	(569,154)	(12,540,972)
Cash Flows from Financing Activities					
Capital distributions to limited partnerships and other entities	-	-	-	-	(10,000)
Repayments of borrowings	(220,367)	(210,324)	-	(430,691)	(378,749)
Proceeds from borrowings	-	-	-	-	11,552,300
Net cash provided by (used in) financing activities	(220,367)	(210,324)	-	(430,691)	11,163,551
Net increase (decrease) in cash	(1,053,792)	(35,155)	-	(1,088,947)	510,744
Cash:					
Beginning of year	3,111,712	103,567	-	3,215,279	2,704,535
End of year	$ 2,057,920	$ 68,412	$ -	$ 2,126,332	$ 3,215,279