Heartland Housing Inc.

Consolidated Financial Report
June 30, 2017

Contents

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RSM US LLP

Independent Auditor's Report

To the Board of Directors
Heartland Housing Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Heartland Housing Inc. and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities 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 Housing Inc. and its subsidiaries as of June 30, 2017 and 2016, and the change in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2017 consolidating 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 companies and is not a required part of the 2017 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 2017 consolidating information has been subjected to the auditing procedures applied in the audit of the 2017 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 2017 consolidated financial statements or to the 2017 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 2017 consolidated financial statements as a whole.

RSM US LLP

Chicago, Illinois
December 7, 2017

Heartland Housing Inc.

Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash	**$ 2,011,093**	$ 2,048,355
Accounts receivable:		
Program service grants and fees	**410,924**	195,207
Pledges receivable	**204,700**	364,350
Other	**1,250,015**	982,676
Allowance for discounts and bad debts	**(86,736)**	(39,024)
Prepaid expenses and other current assets	**601,930**	570,602
Escrow and reserve accounts	**9,819,069**	9,050,338
Investments in limited partnerships	**36,125**	36,225
Other investments	**31,500**	31,500
Note receivable	**4,996,202**	5,261,238
Receivables due from limited partnerships	**636,719**	612,623
Property and equipment, net	**113,723,128**	109,976,226
Deferred tax credit fees, net	**531,583**	502,535
Residual interest	**6,068,116**	6,068,116
Total assets	**$ 140,234,368**	$ 135,660,967
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other accrued expenses	**$ 4,266,556**	$ 2,924,656
Accrued payroll and related liabilities	**236,818**	211,182
Construction costs payable	**228,140**	2,488,313
Interagency subordinated debt	**2,528,786**	1,989,441
Deferred revenue	**11,834,283**	11,476,218
Accrued interest payable	**877,453**	781,725
Debt obligations	**52,288,123**	49,180,532
Total liabilities	**72,260,159**	69,052,067
Net assets:		
Unrestricted:		
Undesignated	**27,651,973**	27,708,622
Non-controlling interests	**39,972,736**	38,433,978
Total unrestricted net assets	**67,624,709**	66,142,600
Temporarily restricted	**349,500**	466,300
Total net assets	**67,974,209**	66,608,900
Total liabilities and net assets	**$ 140,234,368**	$ 135,660,967

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

Heartland Housing Inc.

Consolidated Statements of Activities
Years Ended June 30, 2017 and 2016

	2017	2016
Revenue:		
Contributions	**$ 217,216**	$ 510,248
Contributed services and noncash contributions, net	**108,502**	-
Rental income	**7,914,427**	7,039,011
Grant revenue	**488,112**	2,067,230
Housing development	**388,514**	326,451
Interest and investment income	**957,568**	1,379,581
Other income	**515,193**	678,314
Net assets released from restrictions and other activity	**116,800**	(333,280)
	10,706,332	11,667,555
Expenses:		
Salaries and wages	**2,623,301**	2,588,225
Payroll taxes and fringe benefits	**722,634**	662,575
Staff expenses	**87,445**	78,103
Professional services	**1,056,095**	1,331,095
Office services	**217,329**	45,502
Occupancy	**1,199,365**	1,063,396
Equipment	**6,806**	11,702
Client support and supplies	**7,725**	276
In-kind contributed services	**108,502**	-
Real estate development and property management	**2,232,605**	1,471,031
Interest	**1,932,483**	1,869,652
Uncollectible accounts	**137,191**	137,287
Management, general and administrative	**908,439**	755,402
	11,239,920	10,014,246
Increase (decrease) in unrestricted net assets before non-budgetary items, non-controlling interests and other items	**(533,588)**	1,653,309
Non-budgetary items:		
Depreciation and amortization	**(5,588,247)**	(5,014,569)
Organization expenses	**-**	(20,651)
Decrease in unrestricted net assets before other items	**(6,121,835)**	(3,381,911)
Other items:		
Capital contributions from limited partnerships and other entities	**7,609,170**	10,537,369
Capital distributions and other reductions from limited partnerships and other entities	**(5,226)**	(7,045)
Offering costs, non-controlling interests	**-**	(44,127)
	7,603,944	10,486,197
Increase in unrestricted net assets	**1,482,109**	7,104,286
Temporarily restricted net assets:		
Net assets released from restrictions and other activity	**(116,800)**	333,280
Increase in net assets	**1,365,309**	7,437,566
Net assets, beginning of year	**66,608,900**	59,171,334
Net assets, end of year	**$ 67,974,209**	$ 66,608,900

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

Heartland Housing Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	**$ 1,365,309**	$ 7,437,566
Depreciation, amortization and organization costs	**5,588,247**	5,035,220
Provision for (recovery of) bad debts	**137,191**	137,287
Developer fee amortization	**(285,772)**	(326,451)
Capital contributions to limited partnerships and other entities	**(7,609,170)**	(10,537,369)
Capital distributions and other reductions to limited partnerships and other entities	**5,226**	7,045
Offering costs, non-controlling interests	**-**	44,127
Effects of changes in operating assets and liabilities:		
Accounts receivable:		
Program service grants and fees	**(215,717)**	(34,774)
Pledges receivable	**159,650**	(238,600)
Other	**(356,818)**	(46,507)
Interagency	**539,345**	(18,562)
Prepaid expenses and other current assets	**(31,328)**	(31,822)
Receivables due from limited partnerships	**(24,096)**	(24,096)
Accounts payable and other accrued expenses	**2,182,556**	394,028
Accrued payroll and related liabilities	**25,636**	75,684
Accrued interest payable	**95,728**	126,891
Deferred revenue	**(4,521)**	(77,464)
Developer fees received	**648,358**	1,207,048
Net cash provided by operating activities	**2,219,824**	3,129,251
Cash flows from investing activities:		
Additions to property and equipment	**(11,533,546)**	(9,389,217)
Future project development costs	**-**	-
(Sales) purchases of investments	**100**	(100)
Proceeds and collections from notes receivable	**265,036**	33,766
Deposits to escrow accounts	**(1,946,316)**	(2,813,754)
Releases from escrow accounts	**1,177,585**	2,335,901
Net cash used in investing activities	**(12,037,141)**	(9,833,404)
Cash flows from financing activities:		
Capital contributions to limited partnerships and other entities	**7,609,170**	10,537,369
Capital distributions from limited partnerships and other entities	**(5,226)**	(7,045)
Offering costs, non-controlling interests	**-**	(44,127)
Developer fees paid from limited partnerships	**(902,232)**	(1,297,513)
Repayments of borrowings	**(5,673,214)**	(8,578,469)
Proceeds from borrowings	**8,706,722**	6,168,508
Deferred financing fees	**73,883**	(216,286)
Tax credit fees	**(29,048)**	(103,675)
Net cash provided by financing activities	**9,780,055**	6,458,762
Decrease in cash	**(37,262)**	(245,391)
Cash:		
Beginning of year	**2,048,355**	2,293,746
End of year	**$ 2,011,093**	$ 2,048,355
Supplemental disclosure of cash flow information:		
Interest paid	**$ 1,836,755**	$ 2,196,187
Noncash investing activity-accrued interest	**$ -**	$ 612,406

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

Note 1. Nature of Activities and Significant Accounting Policies

The accompanying consolidated financial statements include the activities of Heartland Housing Inc. (HH), which is an affiliated organization of Heartland Alliance for Human Needs & Human Rights (the Organization). The by-laws of HH designate the Organization as the sole voting member of HH. The Organization and HH are nonprofit corporations exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

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

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 whom others see as hard-to-house and whom would likely live on the streets without the Organization. HH operates in the states of Illinois and Wisconsin.

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

Tax Exempt Entities	Taxable Entities	Disregarded Entities
Argyle Neighborhood Development Corporation (Argyle)	Drexel Neighborhood Development Corporation (Drexel)	Heartland Housing Highland, LLC (HH Highland)
Diversey Neighborhood Development Corporation (Diversey)	Hollywood Sheridan Neighborhood Development Corporation (Hollywood)	Heartland Hollywood, LLC (Heartland Hollywood)
Ellis Neighborhood Development Corporation (Ellis)	Leland Neighborhood Development Corporation (Leland)	Heartland Mae Suites, LLC (Mae Suites)
	Mayfield Neighborhood Development Corporation (Mayfield)	Fond du Lac MM, LLC (Fond du Lac MM)
	North Avenue Neighborhood Development Corporation (North Avenue)	Center Buffum MM, LLC (Center Buffum MM)
	Heartland ABLA Rental NFP (ABLA)	Rethke Washington MM, LLC (Rethke MM)
	Heartland ABLA Rental NFP II (ABLA II)	Tree Lane Apartments MM LLC
	Viceroy GP, LLC (Viceroy)	
	Halsted GP, LLC (Halsted)	
	Highland MM, LLC (Highland MM)	
	Diversey GP, LLC (Diversey)	
	Tree Lane Apartments LLC (Tree Lane)	

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

Entity	Date Formed	Date Operations Commenced
Mayfield Limited Partnership (Mayfield LP)	9/30/1996	12/1/1997
North Avenue Limited Partnership (North Avenue LP)	12/6/2000	9/1/2003
Leland Limited Partnership (Leland LP)	4/30/2001	1/1/2005
Drexel Jazz Limited Partnership (Drexel LP)	9/26/2002	11/1/2005
1218 W. Highland Avenue, LLC (1218 W. Highland LLC)	9/25/2007	2/13/2009
Hollywood House Limited Partnership (Hollywood LP)	3/5/2008	9/1/2010
Viceroy Limited Partnership (Viceroy LP)	4/1/2009	4/1/2013
Fond du Lac Apartments, LLC (Fond du Lac LLC)	11/18/2009	8/1/2011
Center Buffum, LLC (Center Buffum LLC)	5/16/2012	1/1/2014
Halsted Limited Partnership (Halsted LP)	11/13/2012	8/15/2014
Rethke Washington, LLC (Rethke Washington LLC)	6/19/2015	5/20/2016
Diversey Limited Partnership (Diversey LP)	12/22/2015	1/1/2017
Tree Lane Apartments LLC (Tree Lane)	5/10/2017	Under Construction

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

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

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

Unrestricted: Those resources with no legal or donor-imposed restrictions, including designated amounts the 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 HH pursuant to those restrictions. When a donor restriction expires or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction. As of June 30, 2017 and 2016, the temporarily restricted assets were $349,500 and $466,300, respectively.

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 HH. HH has no permanently restricted net assets as of June 30, 2017 and 2016.

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

Non-controlling interests are ownership interests in real estate projects that are not attributable to 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.

Significant transactions and balances between and among HH and its various consolidated entities have been eliminated in consolidation.

The consolidated financial statements do not include the accounts and activity of the Organization. As of June 30, 2017 and 2016, HH's outstanding subordinated debt payable to the Organization was $2,528,787 and $1,989,441, respectively.

Revenue recognition: Contributions and promises expected to be collected in one year 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.

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

Expense-driven grants are recognized as revenue when the qualifying expenses have been incurred and all other grant requirements have been met.

Real estate projects generate apartment rental income which is recognized as revenue when rentals become due. Rental payments received in advance are deferred until earned. All leases between the real estate projects and the tenants are operating leases. Leland LP had generated leasing income from Heartland Health Outreach Inc. (a subsidiary of the Organization) to operate a permanent housing urban development program at the project. Income is recognized as revenue when the leasing payments are due on a monthly basis. Total leasing income recognized from Heartland Health Outreach Inc. for the years ended June 30, 2017 and 2016, was $96,381 and $51,960, respectively.

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

Beginning in fiscal year 2016, certain collections from Heartland Health Outreach (a subsidiary of the Organization) relating to the payment of rent at Leland Apartments under the Master Lease and Use Agreement are recognized as an interest-accruing loan between Heartland Health Outreach and the Leland partnership. Due to the project formation predating the Housing & Economic Recovery Act of 2008, all government funding received from the property's supportive housing program (SHP) directly reduces the partnership's tax-credit eligible basis. Only collections funded from SHP proceeds are now recognized as a loan. As of June 30, 2017, HHO has confirmed an outstanding balance of $1,034,703 which was been recorded as the 7th position mortgage note.

Several HH entities receive rent subsidies from the U.S. Department of Housing and Urban Development (HUD) under Section 8 Housing Assistance Payments Programs, pursuant to contracts with HUD, certain of which expire in fiscal 2017, and have historically been renewed annually. During fiscal years 2017 and 2016, rent subsidies from HUD or HUD-sponsored programs totaled $4,067,207 and $3,962,663, respectively, and comprised 51 percent and 56 percent, respectively, of total rental revenue

During fiscal years 2017 and 2016, approximately $488,000 and $2,067,000, respectively, of revenue was derived from grants and donations related to real estate development projects.

During fiscal years 2017 and 2016, approximately $488,000 and $1,482,000, respectively, of grant and interest revenue was derived from affiliates which hold non-controlling interests.

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

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. Receivables are recorded at management's estimate of the amount that will ultimately be collected. During fiscal years 2017 and 2016, $86,736 and $39,024, respectively, of allowance was recorded related to accounts receivable.

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

HH has a 20 percent interest in Lathrop Community Partners LLC, totaling $31,500 at June 30, 2017 and 2016. This is reflected as other on the consolidated statements of financial position. Investments in limited partnerships which are not consolidated are recorded similarly.

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

HH 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 (none at June 30, 2017 and 2016) are reported at the lower of carrying amount or the fair value less costs to sell.

Deferred costs: Certain fees paid in connection with HH's debt are capitalized as deferred financing fees and are being amortized using the straight-line method over the term of the loans. Total expense for the years ended June 30, 2017 and 2016, was $106,656 and $291,324, respectively. The related accumulated amortization for the same periods was $643,428 and $554,918, respectively.

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

Deferred tax credit fees: Certain fees paid in connection with HH's tax credit awards are capitalized as deferred tax credit fees and are being amortized using the straight-line method over the compliance period. Total amortization expense for the years ended June 30, 2017 and 2016, was $61,776 and $56,802, respectively.

Deferred revenue: Deferred revenue is comprised of developer fees, rental property grant income and tax increment financing notes received. Income will be recognized as revenue over the expected useful life of the asset or in accordance with the expected payment schedule of the tax increment financing note. The developer fee and rental property grant income is recorded as housing development revenue on the consolidated statements of activities. The tax increment financing income is recorded as interest and investment income on the consolidated statements of activities.

Real estate taxes: HH 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 on known changes to a property's assessed value. The Hollywood LP property tax assessment status was changed from exempt to taxable in 2014. The property was billed for the 2014 and 2015 assessment years which were paid by the Partnership in full. According to Cook County tax law, the assessor is not allowed to go back further than three years for taxes not previously assessed; however, the Partnership had previously accrued for years 2012 and 2013. By statute, if the property is not assessed for those taxes by December 2017, the years are closed and the Partnership will remove the 2012 and 2013 accrual which totals $455,000.

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

Functional expenses: Operating expenses directly identified with a functional area are charged to that area and, where those expenses affect more than one area, they are allocated based on estimates made by management. For fiscal years 2017 and 2016, total expenses of $16,828,167 and $15,049,466, respectively, are comprised of program expenses of $14,403,032 and $12,748,590, respectively, and supporting service expenses (primarily of management and general expense) of $2,425,135 and $2,300,876, respectively.

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, HH 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 HH, 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.

HH's tax filings are generally no longer subject to examination by the Internal Revenue Service for tax years before fiscal 2012. The limited partnerships and LLCs are not subject to federal income tax because income and losses are includable in the tax returns of the respective partners and members.

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.

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

Reclassifications: Certain fiscal 2016 statement of financial position and statement of activities amounts have been reclassified to conform to the fiscal 2017 presentation, without affecting the previously reported fiscal 2016 net assets and increase in unrestricted net assets.

Recent accounting pronouncements: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for the Agency in the fiscal year ending June 30, 2019, and early adoption is allowed.

The Agency is currently evaluating the impact of the adoption of the new standard on its financial statements.

The FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by the new guidance. HH applied the new requirements in fiscal year 2017 and retrospectively reclassified unamortized debt issuance costs for 2016.

Note 2. Escrow and Reserve Accounts

In connection with the development of their properties, certain HH affiliates are required to maintain various escrow and reserve accounts. Balances and activity in these accounts were as follows for June 30, 2017:

	June 30, 2016	Deposits including (interest income)	Releases	June 30, 2017
Argyle				
Reserve for replacements	$ 46,076	$ 9,996	$ -	$ 56,072
Diversey				
Reserve for replacements	15,750	31,500	-	47,250
Real estate tax escrow	-	-	-	-
Ellis				
Reserve for replacements	127,040	24,000	(16,000)	135,040
Mayfield LP				
Reserve for replacements	93,029	8,116	(11,670)	89,475
Real estate tax and insurance escrow	14,599	27,249	(25,057)	16,791
Reserve for operating deficit	393,815	1,274	-	395,089
Hollywood LP				
Reserve for replacements	209,638	47,546	-	257,184
Reserve for MIP	38,797	45,412	(44,533)	39,676
Real estate tax and insurance escrow	539,065	219,921	(238,438)	520,548
Reserve for TIF	1,085,546	-	-	1,085,546
Reserve for operating deficit	785,106	-	-	785,106
Reserve for TIF #2	575,648	575,824	(576,000)	575,472
Negative arbitrage reserve	708,872	6,718		715,590
1218 W Highland LLC				
Reserve for replacements	50,871	8,705	-	59,576
Real estate tax and insurance escrow	1,191	-	-	1,191
Reserve for revenue deficit	90,000	-	-	90,000
Reserve for operating deficit	32,000	-	-	32,000
Fond du Lac				
Reserve for replacements	59,066	13,227	-	72,293
Real estate tax and insurance escrow	23,495	-	-	23,495
Reserve for operating deficit	355,038	-	-	355,038
Reserve for special purpose	103,972	-	-	103,972
Leland LP				
Reserve for replacements	139,213	34,471	(39,425)	134,259
Reserve for revenue deficit	113,535	170	-	113,705
Reserve for operating deficit	211,050	318	-	211,368
Insurance escrow	12,216	36,651	-	48,867
Real estate tax escrow	24,887	65,004	(45,969)	43,922

Note 2. Escrow and Reserve Accounts (Continued)

	June 30, 2016	Deposits including (interest income)	Releases	June 30, 2017
North Avenue LP				
Reserve for replacements	183,215	15,913	-	199,128
Real estate tax and insurance escrow	30,783	33,987	(37,365)	27,405
Reserve for special purposes	173,296	321	-	173,617
Drexel LP				
Reserve for Non-PHA replacement	8,131	2,840	-	10,971
Reserve for PHA replacement	49,407	9,464	-	58,871
Reserve for operating deficit	74,741	-	-	74,741
Viceroy LP				
Reserve for replacements	150,266	39,387	-	189,653
Reserve for operating deficit	912,154	-	-	912,154
Center Buffum				
Reserve for operating expenses	194,193	11,100	-	205,293
Reserve for expense coverage	38,000	-	-	38,000
Reserve for replacements	38,851	-	-	38,851
Halsted LP				
Real estate tax and insurance escrow	58,243	23,715	-	81,958
Reserve for replacements	67,516	166	-	67,682
Reserve for operating expenses	552,723	140,216	(143,128)	549,811
Reserve for revenue deficit	669,306	-	-	669,306
Rethke LP				
Real estate tax and insurance escrow	-	20,000	-	20,000
Reserve for replacements	-	31,500	-	31,500
Reserve for operating expenses	-	194,273		194,273
Heartland Housing				
Reserve for developer fee	-	267,330	-	267,330
	$ 9,050,338	$ 1,946,316	$ (1,177,585)	$ 9,819,069

Note 3. Limited Partnerships and Other Entities

Several HH affiliate corporations hold general partner or managing member interests in various limited partnerships and limited liability companies. The limited partnerships and other entities own and operate residential apartment buildings which qualify for allocations of low income housing tax credits. The credits were awarded by a city or state housing finance agency to assist in developing, operating and managing affordable housing developments. Each property listed below must meet the provisions of certain regulations under Internal Revenue Code 42 during each of the first 15 years of the compliance period in order to remain qualified to receive the credits. As long as the entity stays in compliance with all of the regulations, the credits will be allocated over a 10-year period. This is summarized as follows:

HH's consolidated financial statements include the balances and accounts of the entities listed above, including the residential real estate projects owned by the limited partnerships and other entities, except for Roosevelt Square I and II. ABLA and ABLA II do not hold controlling interests in Roosevelt Square I LP and Roosevelt Square II LP, which are Illinois limited partnerships. Therefore, their ownership interests are included in investments in limited partnerships, as reflected on the consolidated statements of financial position.

Highland MM, LLC is jointly owned by HH Highland (70 percent) and an unrelated entity, Guest House Highland, LLC (30 percent). Viceroy GP, LLC is jointly owned by HH (75 percent) and an unrelated entity, First Baptist Congregation Church (25 percent). Halsted GP, LLC is jointly owned by HH (75 percent) and an unrelated entity, Center on Halsted (25 percent).

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

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

Note 3. Limited Partnerships and Other Entities (Continued)

Residual interest

In July 2007, HH entered into a subordinate note receivable due from RS II in the amount of $6,068,116. The note provides for interest at 5.15 percent compounded annually, and matures in July 2047. No principal or interest payments are due before maturity.

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

In fiscal year 2012, HH determined that no interest should have been accrued on the note in previous years due to uncertainty about the collectability of that interest. Any interest or principal that HH might collect on the note will be recorded as income if and when collected in the future.

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 $636,719 and $612,623 as of June 30, 2017 and 2016, 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.

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. Except for North Avenue LP, Mayfield LP and Leland LP, HH could be called upon to fund these guarantees in the future. The operating guarantee is calculated by making adjustments to changes in net assets for depreciation, accruals and reserves withdrawals.

Capital contributed by limited partnership interests during fiscal years 2017 and 2016 in certain real estate projects is as follows:

	2017	2016
Diversey Limited Partnership	$ 5,152,823	$ 2,079,000
Center Buffum, LLC	-	48,984
Halsted Limited Partnership	-	481,427
Hollywood House Limited Partnership	-	184,974
Viceroy Limited Partnership	-	4,681,280
Rethke Washington, LLC	1,517,539	3,061,704
Tree Lane Apartments LLC	938,808	-
	$ 7,609,170	$ 10,537,369

Note 3. Limited Partnerships and Other Entities (Continued)

At June 30, 2017 and 2016, future unpaid capital commitments from non-controlling interests related to real estate projects are as follows:

	2017	2016
Diversey Limited Partnership	$ 3,161,178	$ 8,316,002
Drexel Jazz Limited Partnership	189,000	189,000
Rethke Washington, LLC	337,949	1,855,488
Tree Lane Apartments, LLC	6,351,566	-
	$ 10,039,693	$ 10,360,490

Note 4. Note Receivable

The TIF note in the original amount of $5,900,000 from the City of Chicago was issued December 18, 2008 and accrues interest at 7.1 percent 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 were delayed due to insufficient tax increment from the tax district, Hollywood House LP established a tax increment deficiency fund in the amount of $1,853,359 to service Hollywood's debt obligation. In 2014, the City informed the partnership that it could not make the annual TIF payment. Excess funds from the tax reserve were released to cover the City's obligation. Shortly after the release, 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 resumed meeting its obligation for the TIF payment due in fiscal year 2016. As of June 30, 2017 and 2016, the remaining balance on the TIF note was $4,996,202 and $5,261,238, respectively.

Scheduled future maturities of the TIF note are as follows:

2018	$ 267,387
2019	286,341
2020	306,639
2021	318,649
2022	328,375
Thereafter	3,488,811
	$ 4,996,202

Note 5. Property and Equipment

Property and equipment consisted of the following at June 30, 2017 and 2016, respectively:

	2017	2016
Land	$ 5,315,164	$ 5,198,760
Land improvements	1,728,448	1,728,448
Building and improvements	138,734,856	126,510,762
Furniture, equipment and vehicles	4,037,141	3,756,323
Construction in progress	1,298,934	4,647,113
	151,114,543	141,841,405
Less accumulated depreciation	37,391,415	31,865,179
Property and equipment, net	$ 113,723,128	$ 109,976,226

Note 5. Property and Equipment (Continued)

During fiscal year 2016, the Diversey property was transferred from an HH subsidiary to a newly-formed consolidated partnership which renovated the property. As of June 30, 2017, construction in progress consists primarily of $1,065,733 for building costs under an $8,258,579 construction contract incurred on the Tree Lane Apartment construction. Construction in progress at June 30, 2016 were building costs for Diversey.

Depreciation expense on property and equipment was $5,526,236 and $4,935,088 for the years ended June 30, 2017 and 2016, respectively.

Note 6. Deferred Revenue

Deferred revenue consisted of the following at June 30, 2017 and 2016, respectively:

	2017	2016
Developer fee revenue	$ 6,771,890	$ 6,141,974
Grant revenue	66,191	73,006
City of Chicago TIF revenue	4,996,202	5,261,238
	$ 11,834,283	$ 11,476,218

Note 7. Developer Fees

During fiscal years 2017 and 2016, Heartland Housing, Inc. received $648,358 and $1,207,048, respectively, in developer fee proceeds. Cash from developer fees is included in deferred revenue on the consolidated statement of financial position when received, and is amortized into Housing development revenue on the consolidated statement of activities using a straight-line rate over the useful life of the property. Total developer fee revenue recognized during 2017 and 2016 was $285,772 and $310,794, respectively.

Developer Fee Proceeds

	2017	2016
Hollywood House Limited Partnership	$ -	$ 184,972
Tree Lane Apartments LLC	350,000	-
Halsted Limited Partnership	-	382,500
Viceroy Hotel Limited Partnership	-	72,406
Rethke Washington, LLC	-	218,085
Diversey Limited Partnership	298,358	349,085
	$ 648,358	$ 1,207,048

Note 7. Developer Fees (Continued)

Total developer fees payable at of June 30, 2017 and 2016, were $2,196,090 and $1,471,504, respectively, and are included in accounts payable and other accrued expenses. The chart below reports the payment source for the outstanding fees as of June 30, 2017. Developer fees from equity are sourced by a limited partner (non-controlling interest) and are projected to be paid within a 24-month period. Outstanding fees from cash flow surplus are payable only when there is sufficient surplus cash available from the property on an annual basis. These latter fees are usually paid over a longer period of time that could extend to the end of the tax credit compliance period.

Developer Fees Outstanding	2017			
	Equity	Surplus	Total	2016
Leland Limited Partnership	$ -	$ 140,398	$ 140,398	$ 140,398
North Ave Limited Partnership	-	80,590	80,590	76,331
Drexel Jazz Limited Partnership	-	330,438	330,438	330,438
Hollywood House Limited Partnership	-	313,435	313,435	313,435
1218 W. Highland, LLC	-	108,072	108,072	108,072
Tree Lane Apartments LLC	-	-	-	-
Diversey Limited Partnership	334,327	386,000	720,327	-
Rethke Washington, LLC	267,330	235,500	502,830	502,830
	$ 601,657	$ 1,594,433	$ 2,196,090	$ 1,471,504

Note 8. Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses consisted of the following at June 30, 2017 and 2016, respectively:

	2017	2016
Trade payables	$ 782,513	$ 249,812
Accrued real estate taxes	766,603	767,883
Security deposits	352,200	308,752
Accrued asset management fees	129,267	106,152
Accrued service provider fees	24,109	7,725
Deferred CHA rents	15,774	12,828
Accrued developer fees	2,196,090	1,471,504
Total accounts payable and accrued expenses	$ 4,266,556	$ 2,924,656

Note 9. Debt Obligations

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

	2017	2016
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 will mature 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 assignments of rents and leases.	$ 441,188	$ 441,188
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 Enterprise Community Partners, Inc., a Maryland nonstock nonprofit corporation, in the amount of $400,000. The note will bear interest at a simple rate of 3% 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	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 was repaid in October 2017 with capital from the St. Anthony project's closing.	35,000	35,000
Non-interest bearing working capital loan payable to Enterprise Community Partners, Inc., a Maryland nonstock nonprofit corporation, in the amount of $107,713. 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 in May 2019.	107,713	107,713
Pre-development loan payable to the City of Madison in the original amount of $115,000. The note is non-interest bearing and forgivable under certain conditions. The proceeds from this note will be used to fund pre-development costs related to the Tree Lane housing project. The note balance was recorded as grant revenue in May 2017 after the closing on the project.	-	71,123
Pre-development loan payable to the City of Madison with a maximum amount of $155,000. The note is non-interest bearing and forgivable under certain conditions. The proceeds from this note will be used to fund pre-development costs related to the Park Street housing project. Since development of the project has not started, the proceeds are recorded as a note payable.	83,242	-
Argyle		
First mortgage loan payable to Community Investment Corporation, (a nonprofit mortgage lender) in the original amount of $333,000, due in monthly installments of $2,120, including interest at 4.25 percent through January 1, 2030 at which time any unpaid principal and interest is due. The interest rate is adjusted every five years until the maturity date.	289,193	295,100
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.	1,893,712	1,918,712
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.	314,483	316,883
Certain Argyle assets are pledged to secure the mortgage loans payable.		
Ellis		
Non-interest bearing first mortgage loan payable to the City of Chicago Department of Housing. Payable in monthly principal installments of $305 through 2036, at which time the remaining principal is due.	2,017,332	2,020,992
Non-interest bearing second mortgage loan payable to IHDA annually in amounts equivalent to 10 percent of annual surplus cash, as defined.	212,616	212,616
Certain Ellis assets are pledged to secure the mortgage loans payable.		

Note 9. Debt Obligations (Continued)

	2017	2016
Mayfield LP		
Non-interest bearing mortgage note payable to IHDA in monthly installments of $500 through January 1, 2028, at which time the remaining unpaid balance is due. The note is collateralized by real estate held for lease and an assignment of rents and leases.	$ 1,512,060	$ 1,518,060
Hollywood LP		
First mortgage note insured by HUD is collateralized by a deed of trust on the rental property, and funded from proceeds of the City of Chicago Multi-Family Housing Revenue Bonds (Hollywood House Apartments), Series 2008A at a rate of 6.44 percent per annum. Monthly payments of principal and interest of $78,400 are due through December 2028. From January 2029 until August 2050, monthly payments of principal and interest are due in the amount of $32,627, at which time the remaining principal is due.	9,808,091	10,106,213
Mortgage note payable to the City of Chicago, Department of Finance. Principal and interest at 1.00 percent is due and payable in August 2050.	4,873,741	4,873,741
Mortgage note is held by IHDA, in the original amount of $1,250,000. The note is non-interest bearing. Principal payments are due annually, commencing after the 17-month construction period. Principal payments are equal to 9 percent of project net cash, as defined in the loan agreement, and available surplus as defined by HUD. Any unpaid principal is due and payable on August 1, 2050.	1,250,000	1,250,000
Mortgage note held by IHDA, in the original amount of $750,000. The note is non-interest bearing. Principal payments are due annually, from surplus cash commencing after the 17-month construction period. Principal is defined in the loan agreement, and available surplus cash is as defined by HUD. Any unpaid principal is due and payable on August 1, 2050.	750,000	750,000
Certain Hollywood LP assets, namely real estate assignment of rents and leases, fixture filing, interest in building, and improvements thereof are pledged to secure the mortgage loans payable.		
Fond du Lac Apartments, LLC		
Second mortgage loan payable to Wisconsin Housing Economic Development Authority Tax Credit Assistance Program (WHEDA TCAP), non-interest bearing. Commencing on the 16th anniversary of the mortgage loan date, principal is due based on 25 percent of the project surplus cash flow for the previous 12 months. The note matures on August 19, 2030, at which time any remaining principal will become due.	1,700,000	1,700,000
Certain Fond du Lac Apartments, LLC assets, namely real estate assignment of rents and leases, fixture filing, interest in building, and improvements there of are pledged to secure the mortgage loans payable.		
Leland LP		
First Mortgage, dated June 1, 2014, was originally held by Bridgeview Bank Group in the amount of $2,282,840. The note was purchased at par by Mercy Loan Fund on November 23, 2015, in the amount of $2,050,000. Immediately following the close, the annual interest rate was adjusted down from 7.74% to 5.75%. Commencing on December 1, 2016, new monthly installments of principal and interest are due in the amount of $11,963. The note matures on May 20, 2026, at which time any remaining unpaid principal and interest will become due. The note is collateralized by real estate held for lease and an assignment of rents and leases.	2,007,532	2,034,801
Second mortgage note payable to the City of Chicago, Department of Housing in the original amount of $1,632,500. The note is interest free and matures on June 1, 2026, at which time the entire outstanding principal is due. The note is guaranteed by an affiliate of the general partner.	1,632,400	1,632,400
Third mortgage, non-interest bearing note payable to IHDA in the amount of $750,000. Commencing July 1, 2006, monthly installments of principal are payable in the amount of $100. The note matures on June 1, 2026, at which time the entire balance is due.	736,800	738,100
Fourth mortgage note payable to City of Chicago, LIHTF (low income housing trust fund) in the original amount of $700,000. The note bears no interest and matures on June 1, 2026, at which time the entire balance is due.	700,000	700,000
Seventh mortgage note, dated November 23, 2015, is held by Heartland Health Outreach, Inc., an Illinois not-for-profit corporation, in an original amount not to exceed $2,078,538. The note bears compounding interest at the long-term applicable federal rate on an annual basis. Annual payments shall be made from available cash flow and net cash from sales and refinancings in accordance with the Amended and Restated Agreement of Limited Partnership, as amended. The loan matures on May 31, 2026, at which time any remaining principal and interest will become due. The note is collateralized by real estate held for lease and an assignment of rents and leases.	1,034,703	723,072
Certain Leland LP assets, namely real estate assignment of rents and leases, fixture filing, interest in building, and improvements thereof are pledged to secure the mortgage loans payable.		

Note 9. Debt Obligations (Continued)

	2017	2016
North Avenue LP		
First mortgage loan payable to IHDA in the original amount of $2,300,000. The note is non-interest bearing. Monthly installments of principal only are due in the amount of $417. The note matures on May 1, 2023, at which time any remaining principal is due.	$ 2,229,583	$ 2,234,585
Second mortgage loan payable to IHDA in the original amount of $750,000. The note is non-interest bearing. Monthly installments of principal only are due in the amount of $100. The note matures on May 1, 2023, at which time any remaining principal is due.	732,998	734,196
Certain North Avenue LP assets, namely real estate assignment of rents and leases, fixture filing, interest in building, and improvements thereof are pledged to secure the mortgage loans payable.		
Drexel LP		
First mortgage, non-interest bearing note payable to Chicago Housing Authority in the amount of $3,373,651, maturing on March 6, 2046, at which time the principal is due.	3,373,651	3,373,651
Second mortgage, non-interest bearing note payable to IHDA in the amount of $750,000. Monthly installments of principal only are due in the amount of $100. The loan matures on March 6, 2046, at which time the entire principal is due.	737,200	738,400
Third mortgage note payable to the City of Chicago, Department of Housing in the original amount of $588,188. The note bears interest at 5.36 percent per annum. The entire principal and accrued interest are payable at maturity, which is August 1, 2044.	588,188	588,188
Certain Drexel LP assets, namely real estate assignment of rents and leases, fixture filing, interest in building, and improvements thereof are pledged to secure the mortgage loans payable.		
Halsted LP		
Non-interest bearing mortgage loan in the amount of $4,900,582 payable to the City of Chicago, Department of Housing and Economic Development. The entire principal outstanding is due on the earlier of (i) the date on which the construction loan payable to Citibank N.A. is due upon acceleration, as defined, or (ii) March 15, 2045.	4,501,008	4,501,008
Construction note payable dated April 29, 2013, is held by Citibank N.A. in an amount not to exceed $11,700,000. The note bears interest at a rate of 3.02%, compounded annually. Monthly payments of interest only are advanced by the lender on a designated date every month through an increase in loan proceeds. The note was converted to permanent status on April 30, 2015. The note was reduced to $2,475,000 through an installment in capital contributions from the limited partner. The mortgage note bears interest at a rate of 5.45% per annum. Unpaid principal and interest will become due on May 31, 2031. The note is secured by a mortgage on real estate.	2,422,972	2,448,686
Diversey LP		
Construction loan payable in the amount of $10,435,000 payable to Citibank N.A. The note accrues annual interest at 3.98%. Interest-only payments are made on a monthly basis through an increase in loan proceeds. The note will mature on January 1, 2018, at which time the balance will be reduced down to $2,165,000 for permanent conversion through the second installment of capital contributions.	5,721,234	1,996,098
Fourth mortgage loan payable to Citibank N.A. in the original amount of $1,080,000. The note accrues simple interest at 1.0% per annum. Annual payments are made commencing on June 1, 2017, and shall be equal to the lesser of accrued but unpaid interest and 75% of the residual receipts of the project as set forth in the audit. Any unpaid principal and interest shall become due in full on January 1, 2046.	1,073,955	1,686,361
	53,430,595	50,396,887
Less deferred financing fees	(1,142,472)	(1,216,355)
Total	$ 52,288,123	$ 49,180,532

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

2018	$ 1,521,370	$ 837,792
2019	449,969	425,635
2020	475,888	449,969
2021	503,498	475,888
2022	526,984	503,498
Thereafter	49,952,886	47,704,105
	$ 53,430,595	$ 50,396,887

Note 9. Debt Obligations (Continued)

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.

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, 2017, the amount of the mortgage loan outstanding and the GNMA Securities purchased by the bond trustee were $9,808,091. As of June 30, 2016, the mortgage loan outstanding and the GNMA Securities purchased by the bond trustee were $10,106,342. 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 and eliminated from the consolidating 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 $4,996,202, which is recorded as notes receivable on the consolidated statements of financial position (see Note 4). 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 10. Subsequent Events

During October 2017, Lathrop Homes 1A, LP closed on a transaction related to the planned development and construction of an affordable housing complex in Chicago, Illinois. Heartland Housing Inc. owns Heartland Lathrop, LLC which in turn owns a 20% interest in Lathrop Homes 1A GP, LLC which in turn owns .01% of Lathrop Homes 1A, LP. While Heartland Housing Inc. has a small continued role in the project, it is not the manager and does not control the project. As a result, Heartland Lathrop 1A, LP will not be consolidated with Heartland Housing Inc. for fiscal year 2018. Heartland Housing Inc. received a developer fee of approximately $329,000 at the closing related to its efforts in the project to date.

Also during October 2017, St. Anthony's Apartments LLC closed on a transaction related to the planned development and construction of a supportive housing complex in Milwaukee, Wisconsin. Heartland Housing Inc. owns St. Anthony's Apartments MM LLC which in turn owns .01% of St. Anthony's Apartments LLC. Since St. Anthony's Apartments MM LLC is the general partner and manages the project, St. Anthony's Apartment's LLC will be consolidated with Heartland Housing Inc. for fiscal year 2018. Heartland Housing Inc. received a developer fee of approximately $100,000 at the closing related to its efforts in the project to date.

HH has evaluated subsequent events through December 7, 2017, the date on which the consolidated financial statements were available to be issued.

Supplementary Information

Heartland Housing, Inc.
Consolidating Statement of Financial Position
June 30, 2017

	Heartland Housing, Inc.	Argyle Neighborhood Development Corporation	Diversey Neighborhood Development Corporation	Ellis Neighborhood Development Corporation	Leland Neighborhood Development Corporation	Mayfield Neighborhood Development Corporation	North Avenue Neighborhood Development Corporation	Heartland ABLA Rental NFP	Heartland ABLA Rental NFP II	Drexel Neighborhood Development Corporation
Assets										
Cash	$ 707,399	$ 15,748		$ 16,452	$ -	$ -	$ -	$ -	$ -	$ -
Investments	-	-	-	-	-	-	-	-	-	-
Accounts receivable:										
Program service grants and fees	-	7,770	-	1,291	-	-	-	-	-	-
Pledges receivable	204,700	-	-	-	-	-	-	-	-	-
Other	1,192,762	-	-	-	-	-	-	-	-	-
Allowance for doubtful accounts	-	(1,877)	-	(1,337)	-	-	-	-	-	-
Prepaid expenses and other current assets	-	53,931	-	19,433	-	-	-	-	-	-
Escrow and reserve accounts	267,330	56,072	-	135,040	-	-	-	-	-	-
Investment in affiliates and limited partnerships	657,606	-	-	-	137,999	481,034	499,957	(68)	23,134	42,496
Investment in affiliates, equity method	-	-	-	-	-	-	-	-	-	-
Receivables due from limited partnership	31,227,748	-	-	-	667,000	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-	-	-	-
Property and equipment, net	-	1,535,190	-	960,180	-	-	-	-	-	-
Deferred tax credit fees, net	-	-	-	-	-	-	-	-	-	-
Residual interest	6,068,116	-	-	-	-	-	-	-	-	-
Total assets	$ 40,325,661	$ 1,666,834	$ -	$ 1,131,059	$ 804,999	$ 481,034	$ 499,957	$ (68)	$ 23,134	$ 42,496
Liabilities and Net Assets										
Liabilities:										
Accounts payable and other accrued expenses	$ 240,832	$ 55,553	$ -	$ 45,139	$ -	$ -	$ -	$ -	$ 23,212	$ -
Accrued payroll and related liabilities	236,562	-	-	-	-	-	-	-	-	-
Construction costs payable	-	-	-	-	-	-	-	-	-	-
Interagency subordinated debt	(1,017,736)	15,625	-	237,607	672,517	263,583	508,665	-	-	-
Deferred revenue	-	-	-	-	-	-	-	- h		-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Debt obligations	1,317,143	2,478,185	-	2,229,949	-	-	-	-	-	-
Total liabilities	776,801	2,549,363	-	2,512,695	672,517	263,583	508,665	-	23,212	-
Net assets:										
Unrestricted:										
Undesignated	39,199,360	(882,529)	-	(1,381,636)	132,482	217,451	(8,708)	(68)	(78)	42,496
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
Total unrestricted net assets	39,199,360	(882,529)	-	(1,381,636)	132,482	217,451	(8,708)	(68)	(78)	42,496
Temporarily restricted	349,500	-	-	-	-	-	-	-	-	-
Total net assets	39,548,860	(882,529)	-	(1,381,636)	132,482	217,451	(8,708)	(68)	(78)	42,496
Total liabilities and net assets	$ 40,325,661	$ 1,666,834	$ -	$ 1,131,059	$ 804,999	$ 481,034	$ 499,957	$ (68)	$ 23,134	$ 42,496

Heartland Housing, Inc.
Consolidating Statement of Financial Position (Continued)
June 30, 2017

	Hollywood Sheridan Neighborhood Development Corporation	Heartland Housing Highland, LLC	Highland MM, LLC	Viceroy GP, LLC	Center Buffum MM, LLC	Halsted GP, LLC	Rethke Washington MM, LLC	Diversey GP, LLC	Tree Lane MM, LLC	Total Before Limited Partnerships 2017	Mayfield Limited Partnership	Hollywood House Limited Partnership	1218 W. Highland Avenue, LLC
Assets													
Cash	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 739,599	$ (444)	$ 15,818	$ 12,846
Investments	-	-	-	-	-	-	-	-	-	-	-	10,551,511	-
Accounts receivable:													
Program service grants and fees	-	-	-	-	-	-	-	-	-	9,061	10,845	58,546	(2,364)
Pledges receivable	-	-	-	-	-	-	-	-	-	204,700	-	-	-
Other	-	-	-	-	-	-	-	-	-	1,192,762	-	171,627	-
Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-	(3,214)	(6,099)	(2,244)	(4,019)
Prepaid expenses and other current assets	-	-	-	-	-	-	-	-	-	73,364	14,324	160,717	10,395
Escrow and reserve accounts	-	-	-	-	-	-	-	-	-	458,442	501,356	3,263,527	182,767
Investment in affiliates and limited partnerships	100	607,544	50,100	122,900	5,100	100	100	100	100	2,628,302	-	-	-
Investment in affiliates, equity method	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables due from limited partnership	-	-	1,494,938	-	-	-	-	-	-	33,389,686	-	-	-
Notes receivable	-	-	-	-	-	-	-	-	-	-	-	4,996,202	-
Property and equipment, net	-	-	-	-	-	-	-	-	-	2,495,370	733,405	19,427,787	3,271,962
Deferred tax credit fees, net	-	-	-	-	-	-	-	-	-	-	-	14,880	6,687
Residual interest	-	-	-	-	-	-	-	-	-	6,068,116	-	-	-
Total assets	$ 100	$ 607,544	$ 1,545,038	$ 122,900	$ 5,100	$ 100	$ 100	$ 100	$ 100	$ 47,256,188	$ 1,253,387	$ 38,658,371	$ 3,478,274
Liabilities and Net Assets													
Liabilities:													
Accounts payable and other accrued expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 364,736	$ 46,247	$ 1,119,280	$ 140,908
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	236,562	-	256	-
Construction costs payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Interagency subordinated debt	-	-	-	-	-	-	-	-	-	680,261	24,020	209,619	72,419
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	4,996,202	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-	1,659,064	79,412
Debt obligations	-	-	-	-	-	-	-	-	-	6,025,277	1,508,560	32,204,458	1,415,527
Total liabilities	-	-	-	-	-	-	-	-	-	7,306,836	1,578,827	40,188,879	1,708,266
Net assets:													
Unrestricted:													
Undesignated	100	607,544	1,545,038	122,900	5,100	100	100	100	100	39,599,852	(325,440)	(780)	49,913
Non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,529,728)	1,720,095
Total unrestricted net assets	100	607,544	1,545,038	122,900	5,100	100	100	100	100	39,599,852	(325,440)	(1,530,508)	1,770,008
Temporarily restricted	-	-	-	-	-	-	-	-	-	349,500	-	-	-
Total net assets	100	607,544	1,545,038	122,900	5,100	100	100	100	100	39,949,352	(325,440)	(1,530,508)	1,770,008
Total liabilities and net assets	$ 100	$ 607,544	$ 1,545,038	$ 122,900	$ 5,100	$ 100	$ 100	$ 100	$ 100	$ 47,256,188	$ 1,253,387	$ 38,658,371	$ 3,478,274

Heartland Housing, Inc.
Consolidating Statement of Financial Position (Continued)
June 30, 2017

	Fond du Lac Apartments, LLC	Leland Limited Partnership	North Avenue Limited Partnership	Drexel Jazz Limited Partnership	Viceroy Limited Partnership	Center Buffum, LLC	Halsted Limited Partnership	Rethke Washington, LLC	Diversey Limited Partnership	Tree Lane Limited Partnership	Total Limited Partnerships 2017	Eliminations	Total
Assets													
Cash	$ 7,884	$ 34,812	$ 6,187	$ 11,578	$ 179,843	$ 35,133	$ 709,911	$ 117,249	$ 140,677	$ -	$ 1,271,494	$ -	$ 2,011,093
Investments	-	-	-	-	-	-	-	-	-	-	10,551,511	(10,551,511)	-
Accounts receivable:													
Program service grants and fees	24,886	(214)	7,801	(15,759)	11,501	(6,313)	(9,955)	7,409	315,480	-	401,863	-	410,924
Pledges receivable	-	-	-	-	-	-	-	-	-	-	-	-	204,700
Other	-	-	-	-	-	2,520	-	178	118,428	-	292,753	(235,500)	1,250,015
Allowance for doubtful accounts	(21,403)	(6,136)	(5,712)	-	(5,241)	(2,128)	(143)	(16,060)	(14,337)	-	(83,522)	-	(86,736)
Prepaid expenses and other current assets	21,641	52,356	23,743	35,158	33,231	18,391	47,891	21,589	89,130	-	528,566	-	601,930
Escrow and reserve accounts	554,798	552,121	400,153	144,583	1,101,807	282,144	1,368,757	245,774	47,250	-	8,645,037	715,590	9,819,069
Investment in affiliates and limited partnerships	-	-	-	-	-	-	-	-	-	-	-	(2,560,677)	67,625
Investment in affiliates, equity method	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables due from limited partnership	-	-	-	-	-	-	-	-	-	-	-	(32,752,967)	636,719
Notes receivable	-	-	-	-	-	-	-	-	-	-	4,996,202	-	4,996,202
Property and equipment, net	4,917,585	7,937,858	2,286,309	4,551,515	16,598,416	7,975,546	22,128,219	7,592,291	13,642,788	1,065,733	112,129,414	(901,656)	113,723,128
Deferred tax credit fees, net	28,844	5,095	-	-	86,394	67,944	71,665	66,812	88,124	95,138	531,583	-	531,583
Residual interest	-	-	-	-	-	-	-	-	-	-	-	-	6,068,116
Total assets	$ 5,534,235	$ 8,575,892	$ 2,718,481	$ 4,727,075	$ 18,005,951	$ 8,373,237	$ 24,316,345	$ 8,035,242	$ 14,427,540	$ 1,160,871	$ 139,264,901	$ (46,286,721)	$ 140,234,368
Liabilities and Net Assets													
Liabilities:													
Accounts payable and other accrued expenses	$ 36,906	$ 251,782	$ 116,170	$ 418,387	$ 84,559	$ 51,793	$ 139,899	$ 538,493	$ 961,943	$ -	3,906,367	$ (4,547)	$ 4,266,556
Accrued payroll and related liabilities	-	-	-	-	-	-	-	-	-	-	256	-	236,818
Construction costs payable	-	-	-	-	-	-	-	40,807	-	187,333	228,140	-	228,140
Interagency subordinated debt	8,507	728,606	494,242	161,419	27,791	49,626	35,170	9,300	(205,182)	-	1,615,537	232,988	2,528,786
Deferred revenue	-	6,404	-	-	5,893	53,894	-	-	-	-	5,062,393	6,771,890	11,834,283
Accrued interest payable	24,442	258,930	6,389	481,041	636,777	63,029	851,862	197,609	91,297	-	4,349,852	(3,472,399)	877,453
Debt obligations	2,969,699	9,670,499	2,956,414	4,520,247	7,374,764	457,598	11,269,135	2,491,000	9,036,997	34,630	85,909,528	(39,646,682)	52,288,123
Total liabilities	3,039,554	10,916,221	3,573,215	5,581,094	8,129,784	675,940	12,296,066	3,277,209	9,885,055	221,963	101,072,073	(36,118,750)	72,260,159
Net assets:													
Unrestricted:													
Undesignated	(187)	137,387	499,636	(235)	122,410	4,912	(189)	50	(2,267,485)	100	(1,779,908)	(10,167,971)	27,651,973
Non-controlling interests	2,494,868	(2,477,716)	(1,354,370)	(853,784)	9,753,757	7,692,385	12,020,468	4,757,983	6,809,970	938,808	39,972,736	-	39,972,736
Total unrestricted net assets	2,494,681	(2,340,329)	(854,734)	(854,019)	9,876,167	7,697,297	12,020,279	4,758,033	4,542,485	938,908	38,192,828	(10,167,971)	67,624,709
Temporarily restricted	-	-	-	-	-	-	-	-	-	-	-	-	349,500
Total net assets	2,494,681	(2,340,329)	(854,734)	(854,019)	9,876,167	7,697,297	12,020,279	4,758,033	4,542,485	938,908	38,192,828	(10,167,971)	67,974,209
Total liabilities and net assets	$ 5,534,235	$ 8,575,892	$ 2,718,481	$ 4,727,075	$ 18,005,951	$ 8,373,237	$ 24,316,345	$ 8,035,242	$ 14,427,540	$ 1,160,871	$ 139,264,901	$ (46,286,721)	$ 140,234,368

Heartland Housing, Inc.
Consolidating Statement of Activities
June 30, 2017

	Heartland Housing, Inc.	Argyle Neighborhood Development Corporation	Diversey Neighborhood Development Corporation	Ellis Neighborhood Development Corporation	Leland Neighborhood Development Corporation	Mayfield Neighborhood Development Corporation	North Avenue Neighborhood Development Corporation	Heartland ABLA Rental NFP	Heartland ABLA Rental NFP II	Drexel Neighborhood Development Corporation
Revenue:										
Contributions	$ 217,216	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributed services and noncash contributions	108,502	-	-	-	-	-	-	-	-	-
Rental income	-	497,745	-	469,096	-	-	-	-	-	-
Grant revenue	481,296	-	-	-	-	-	-	-	-	-
Housing development	1,332,322	-	-	-	-	-	-	-	-	-
Interest and investment income	794,360	-	-	-	-	-	-	-	-	-
Other income	129,162	4,402	-	2,428	-	-	-	-	-	-
Increase in net assets held for restriction	116,800	-	-	-	-	-	-	-	-	-
	3,179,658	502,147	-	471,524	-	-	-	-	-	-
Expenses:										
Salaries and wages	953,208	96,713	-	89,299	-	-	-	-	-	-
Payroll taxes and fringe benefits	219,832	23,477	-	30,979	-	-	-	-	-	-
Staff expenses	81,690	206	-	134	-	-	-	-	-	-
Professional services	438,661	57,325	-	50,171	-	-	-	-	-	-
Office services	36,124	14,948	-	12,686	-	-	-	-	-	-
Occupancy	80,594	75,594	-	82,619	-	-	-	-	-	-
Equipment	6,806	-	-	-	-	-	-	-	-	-
Client support and supplies	7,725	-	-	-	-	-	-	-	-	-
In-kind contributed services	108,502	-	-	-	-	-	-	-	-	-
Real estate development and property management	(746)	120,597	-	143,524	-	-	-	-	-	-
Interest	4,490	21,061	-	-	-	-	-	-	-	-
Uncollectible accounts	-	18,103	-	11,934	-	-	-	-	-	-
Management, general and administrative	800,339	58,000	-	35,100	-	-	-	-	-	-
	2,737,225	486,024	-	456,446	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets before non-budgetary item and other items	442,433	16,123	-	15,078	-	-	-	-	-	-
Non-budgetary item:										
Depreciation and amortization	-	(85,495)	-	(94,470)	-	-	-	-	-	-
Organization expenses	-	-	-	-	-	-	-	-	-	-
Gain/(loss) on sale	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets before other items	442,433	(69,372)	-	(79,392)	-	-	-	-	-	-
Other items:										
Capital contributions in limited partnerships and other entities	-	-	-	-	-	-	-	-	-	-
Capital distributions and other reductions from limited partnerships and other entities	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	442,433	(69,372)	-	(79,392)	-	-	-	-	-	-
Temporarily restricted net assets:										
Increase in net assets held for restriction	(116,800)	-	-	-	-	-	-	-	-	-
Increase (decrease) in net assets	325,633	(69,372)	-	(79,392)	-	-	-	-	-	-
Net assets (deficit), beginning of year	39,223,227	(813,157)	-	(1,302,244)	132,482	217,451	(8,708)	(68)	(78)	42,496
Net assets (deficit), end of year	$ 39,548,860	$ (882,529)	$ -	$ (1,381,636)	$ 132,482	$ 217,451	$ (8,708)	$ (68)	$ (78)	$ 42,496

Heartland Housing, Inc.
Consolidating Statement of Activities (Continued)
June 30, 2017

	Hollywood Sheridan Neighborhood Development Corporation	Heartland Housing Highland, LLC	Highland MM, LLC	Viceroy GP, LLC	Center Buffum MM, LLC	Halsted GP, LLC	Rethke Washington MM, LLC	Diversey GP, LLC	Tree Lane MM, LLC	Total Before Limited Partnerships 2017	Mayfield Limited Partnership	Hollywood House Limited Partnership
Revenue:												
Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 217,216	$ -	$ -
Contributed services and noncash contributions	-	-	-	-	-	-	-	-	-	108,502	-	-
Rental income	-	-	-	-	-	-	-	-	-	966,841	268,832	1,573,948
Grant revenue	-	-	-	-	-	-	-	-	-	481,296	-	-
Housing development	-	-	-	-	-	-	-	-	-	1,332,322	-	-
Interest and investment income	-	-	64,173	-	-	-	-	-	-	858,533	1,613	930,108
Other income	-	-	-	-	-	-	-	-	-	135,992	1,881	307,578
Increase in net assets held for restriction	-	-	-	-	-	-	-	-	-	116,800	-	-
	-	-	64,173	-	-	-	-	-	-	4,217,502	272,326	2,811,634
Expenses:												
Salaries and wages	-	-	-	-	-	-	-	-	-	1,139,220	85,762	307,238
Payroll taxes and fringe benefits	-	-	-	-	-	-	-	-	-	274,288	26,751	88,523
Staff expenses	-	-	-	-	-	-	-	-	-	82,030	144	251
Professional services	-	-	-	-	-	-	-	-	-	546,157	31,553	161,495
Office services	-	-	-	-	-	-	-	-	-	63,758	11,795	25,026
Occupancy	-	-	-	-	-	-	-	-	-	238,807	46,420	214,672
Equipment	-	-	-	-	-	-	-	-	-	6,806	-	-
Client support and supplies	-	-	-	-	-	-	-	-	-	7,725	-	-
In-kind contributed services	-	-	-	-	-	-	-	-	-	108,502	-	-
Real estate development and property management	-	-	-	-	-	-	-	-	-	263,375	85,448	472,439
Interest	-	-	-	-	-	-	-	-	-	25,551	333	1,428,762
Uncollectible accounts	-	-	-	-	-	-	-	-	-	30,037	9,613	7,497
Management, general and administrative	-	-	-	-	-	-	-	-	-	893,439	15,000	-
	-	-	-	-	-	-	-	-	-	3,679,695	312,819	2,705,903
Increase (decrease) in unrestricted net assets before non-budgetary item and other items	-	-	64,173	-	-	-	-	-	-	537,807	(40,493)	105,731
Non-budgetary item:												
Depreciation and amortization	-	-	-	-	-	-	-	-	-	(179,965)	(93,226)	(1,025,033)
Organization expenses	-	-	-	-	-	-	-	-	-	-	-	-
Gain/(loss) on sale	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets before other items	-	-	64,173	-	-	-	-	-	-	357,842	(133,719)	(919,302)
Other items:												
Capital contributions in limited partnerships and other entities	-	-	-	-	-	100	-	-	100	200	-	-
Capital distributions and other reductions from limited partnerships and other entities	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	-	-	64,173	-	-	100	-	-	100	358,042	(133,719)	(919,302)
Temporarily restricted net assets:												
Increase in net assets held for restriction	-	-	-	-	-	-	-	-	-	(116,800)	-	-
Increase (decrease) in net assets	-	-	64,173	-	-	100	-	-	100	241,242	(133,719)	(919,302)
Net assets (deficit), beginning of year	100	607,544	1,480,865	122,900	5,100	-	100	100	-	39,708,110	(191,721)	(611,206)
Net assets (deficit), end of year	$ 100	$ 607,544	$ 1,545,038	$ 122,900	$ 5,100	$ 100	$ 100	$ 100	$ 100	$ 39,949,352	$ (325,440)	$ (1,530,508)

Heartland Housing, Inc.
Consolidating Statement of Activities (Continued)
June 30, 2017

	Fond du Lac Apartments, LLC	Leland Limited Partnership	North Avenue Limited Partnership	Drexel Jazz Limited Partnership	Viceroy Limited Partnership	Center Buffum, LLC	Halsted Limited Partnership	Rethke Washington, LLC	Diversey Limited Partnership	Tree Lane Limited Partnership	Total Limited Partnerships 2017	Eliminations	Total
Revenue:													
Contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-	$ -	$ 217,216
Contributed services and noncash contributions	-	-	-	-	-	-	-	-	-	-	-	-	108,502
Rental income	250,184	685,373	379,740	277,087	649,011	328,037	1,137,191	445,927	811,027	-	6,947,586	-	7,914,427
Grant revenue	-	4,673	-	-	2,143	-	-	-	-	-	6,816	-	488,112
Housing development	-	-	-	-	-	-	-	-	-	-	-	(943,808)	388,514
Interest and investment income	-	734	744	-	-	-	272	-	-	-	933,471	(834,436)	957,568
Other income	7,086	24,359	2,019	35	6,191	1,185	8,887	7,859	9,188	-	379,201	-	515,193
Increase in net assets held for restriction	-	-	-	-	-	-	-	-	-	-	-	-	116,800
	257,270	715,139	382,503	277,122	657,345	329,222	1,146,350	453,786	820,215	-	8,267,074	(1,778,244)	10,706,332
Expenses:													
Salaries and wages	57,069	210,855	118,020	35,910	175,736	78,412	197,510	91,979	107,474	-	1,484,081	-	2,623,301
Payroll taxes and fringe benefits	8,251	79,217	37,329	10,073	63,624	20,176	63,175	25,044	23,663	-	448,346	-	722,634
Staff expenses	391	18	472	1,178	586	687	287	1,005	385	-	5,415	-	87,445
Professional services	45,038	184,604	66,002	53,121	78,131	59,753	120,327	127,087	131,749	-	1,091,159	(581,221)	1,056,095
Office services	12,553	14,298	21,610	7,084	10,744	19,187	13,248	2,559	6,335	-	153,571	-	217,329
Occupancy	33,760	118,251	51,902	20,866	97,034	47,875	132,214	60,923	98,303	-	960,558	-	1,199,365
Equipment	-	-	-	-	-	-	-	-	-	-	-	-	6,806
Client support and supplies	-	-	-	-	-	-	-	-	-	-	-	-	7,725
In-kind contributed services	-	-	-	-	-	-	-	-	-	-	-	-	108,502
Real estate development and property management	64,780	246,240	123,219	185,383	164,601	132,567	246,702	29,520	160,959	-	1,969,230	-	2,232,605
Interest	55,603	163,133	5,484	50,448	185,969	28,228	383,022	171,559	287,082	-	2,823,796	(916,864)	1,932,483
Uncollectible accounts	30,599	11,457	7,261	-	8,690	4,965	355	18,337	7,377	-	107,154	-	137,191
Management, general and administrative	-	-	-	-	-	-	-	-	-	-	15,000	-	908,439
	308,044	1,028,073	431,299	364,063	785,115	391,850	1,156,840	528,013	823,327	-	9,058,310	(1,498,085)	11,239,920
Increase (decrease) in unrestricted net assets before non-budgetary item and other items	(50,774)	(312,934)	(48,796)	(86,941)	(127,770)	(62,628)	(10,490)	(74,227)	(3,112)	-	(791,236)	(280,159)	(533,588)
Non-budgetary item:													
Depreciation and amortization	(240,012)	(529,290)	(175,067)	(308,807)	(841,040)	(447,286)	(888,844)	(343,028)	(366,381)	-	(5,408,282)	-	(5,588,247)
Organization expenses	-	-	-	-	-	-	-	-			-	-	-
Gain/(loss) on sale	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets before other items	(290,786)	(842,224)	(223,863)	(395,748)	(968,810)	(509,914)	(899,334)	(417,255)	(369,493)	-	(6,199,518)	(280,159)	(6,121,835)
											-		
Other items:											-		
Capital contributions in limited partnerships and other entities	-	-	-	-	-	-	-	1,517,539	5,152,823	938,908	7,609,270	(300)	7,609,170
Capital distributions and other reductions from limited partnerships and other entities	(5,226)	-	-	-	-	-	-	-	-	-	- (5,226)	-	(5,226)
Increase (decrease) in unrestricted net assets	(296,012)	(842,224)	(223,863)	(395,748)	(968,810)	(509,914)	(899,334)	1,100,284	4,783,330	938,908	1,404,526	(280,459)	1,482,109
Temporarily restricted net assets:													
Increase in net assets held for restriction	-	-	-	-	-	-	-	-	-	-	-	-	(116,800)
Increase (decrease) in net assets	(296,012)	(842,224)	(223,863)	(395,748)	(968,810)	(509,914)	(899,334)	1,100,284	4,783,330	938,908	1,404,526	(280,459)	1,365,309
Net assets (deficit), beginning of year	2,790,693	(1,498,105)	(630,871)	(458,271)	10,844,977	8,207,211	12,919,613	3,657,749	(240,845)	-	36,788,302	(9,887,512)	66,608,900
Net assets (deficit), end of year	$ 2,494,681	$ (2,340,329)	$ (854,734)	$ (854,019)	$ 9,876,167	$ 7,697,297	$ 12,020,279	$ 4,758,033	$ 4,542,485	$ 938,908	$ 38,192,828	$ (10,167,971)	$ 67,974,209