



Heartland Alliance for Human Needs & Human Rights

Consolidated Financial Statements
For the Years Ended June 30, 2019 and 2018
(As Revised)

Heartland Alliance for Human Needs & Human Rights

Consolidated Financial Statements
For the Years Ended June 30, 2019 and 2018 (As Revised)

Heartland Alliance for Human Needs & Human Rights

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Independent Auditor's Report

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

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 statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consolidated financial position of Heartland Alliance for Human Needs & Human Rights as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The 2018 consolidated financial statements of Heartland Alliance for Human Needs & Human Rights were audited by other auditors, whose report dated December 21, 2018 expressed an unmodified opinion on those statements.

Our audit was 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 and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BDO USA, LLP

Chicago, Illinois
December 27, 2019

Consolidated Financial Statements

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Financial Position

<i>June 30,</i>	2019	2018 As Revised
Assets		
Cash	\$ 14,566,295	\$ 13,283,786
Restricted cash	9,739,334	6,385,180
Investments	24,839,581	24,329,046
Accounts receivable:		
Program service grants and fees	13,710,966	13,208,207
Pledges receivable	5,693,938	4,422,237
Patient services	1,194,171	1,723,373
Other	3,603,504	2,019,020
Allowance for contractual adjustments, discounts and bad debts	(1,169,960)	(650,178)
Prepaid expenses and other assets	3,391,045	3,126,007
Investment in limited partnerships	67,625	67,625
Other investments	5,179,872	5,071,085
Notes receivable, net	9,332,367	9,590,135
Receivables due from limited partnerships	1,042,422	1,018,325
Property and equipment, net	140,091,914	135,606,171
Escrow and reserve accounts	10,341,653	10,598,171
Deferred tax credit fees and lease costs, net	847,911	613,360
Residual interest	6,068,117	6,068,116
Total Assets	\$ 248,540,755	\$ 236,479,666
Liabilities and Net Assets		
Liabilities		
Accounts payable and other accrued expenses	\$ 7,113,799	\$ 6,223,878
Accrued payroll and related liabilities	7,977,095	7,861,157
Construction costs payable	186,191	5,335,620
Deferred revenue	7,553,708	10,774,338
Liability for self-insurance claims	2,248,655	2,251,001
Deferred rent liability	1,501,317	1,240,955
Deferred compensation plan liability	194,490	201,027
Accrued interest payable	1,952,271	1,935,474
Debt obligations, net	85,757,422	81,545,397
Total Liabilities	114,484,948	117,368,847
Net Assets		
Without donor restrictions		
Undesignated	73,915,512	64,594,043
Non-controlling interest	40,090,742	39,271,903
Total without donor restriction	114,006,254	103,865,946
With donor restrictions	20,049,553	15,244,873
Total Net Assets	134,055,807	119,110,819
Total Liabilities and Net Assets	\$ 248,540,755	\$ 236,479,666

See accompanying notes to consolidated financial statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 2,621,301	\$ 31,367,688	\$ 33,988,989
Grants, contracts, reimbursements	110,892,565	-	110,892,565
Program services	6,596,647	-	6,596,647
Contributed services and non-cash contributions	6,094,165	-	6,094,165
Patient services, net of contractual adjustments and discounts	5,541,838	-	5,541,838
Rental income	9,741,991	-	9,741,991
Housing development	86,756	-	86,756
Interest and investment income	1,763,252	-	1,763,252
Other income	1,204,653	-	1,204,653
Net assets released from restrictions	26,563,008	(26,563,008)	-
Total Revenues	171,106,176	4,804,680	175,910,856
Expenses			
Program services			
Heartland Human Care Services	58,010,570	-	58,010,570
Heartland Alliance Health	25,305,785	-	25,305,785
Heartland Housing	10,865,116	-	10,865,116
Heartland Alliance International	22,290,492	-	22,290,492
Heartland Alliance	22,260,457	-	22,260,457
Total program services	138,732,420	-	138,732,420
Supporting services:			
Management and general	21,704,001	-	21,704,001
Fundraising	1,485,168	-	1,485,168
Total supporting services	23,189,169	-	23,189,169
Total Expenses	161,921,589	-	161,921,589
Revenue Greater than Expenses before Depreciation and Amortization	9,184,587	4,804,680	13,989,267
Depreciation and amortization	(7,543,245)	-	(7,543,245)
Revenue (Less) Greater than Expenses	\$ 1,641,342	\$ 4,804,680	\$ 6,446,022

Heartland Alliance for Human Needs & Human Rights
Consolidated Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenue (less) greater than expenses	\$ 1,641,342	\$ 4,804,680	\$ 6,446,022
Add back loss attributable to non-controlling interest included above	7,723,721	-	7,723,721
Revenue greater than expenses	9,365,063	4,804,680	14,169,743
Loss attributable to non-controlling interest	(7,723,721)	-	(7,723,721)
Capital contributions to limited partnerships and other entities	8,547,575	-	8,547,575
Capital distributions to limited partnerships and other entities	(48,609)	-	(48,609)
Offering costs, non-controlling interests	-	-	-
	775,245	-	775,245
Increase in net assets	10,140,308	4,804,680	14,944,988
Net Assets, beginning of year	103,865,946	15,244,873	119,110,819
Net Assets, end of year	\$ 114,006,254	\$ 20,049,553	\$ 134,055,807

See accompanying notes to consolidated financial statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total As Revised
Revenues			
Contributions	\$ 2,043,786	\$ 18,370,923	\$ 20,414,709
Grants, contracts, reimbursements and client fees	105,206,691	-	105,206,691
Program services	5,794,047	-	5,794,047
Contributed services and non-cash contributions	2,752,184	-	2,752,184
Patient services, net of contractual adjustments and discounts	5,561,959	-	5,561,959
Rental income	8,163,599	-	8,163,599
Housing development	107,022	-	107,022
Interest and investment income	1,919,137	-	1,919,137
Other income	1,274,798	-	1,274,798
Net assets released from restrictions	17,110,494	(17,110,494)	-
Total Revenues	149,933,717	1,260,429	151,194,146
Expenses			
Program services			
Heartland Human Care Services	51,142,622	-	51,142,622
Heartland Alliance Health	24,176,427	-	24,176,427
Heartland Housing	10,103,784	-	10,103,784
Heartland Alliance International	21,033,867	-	21,033,867
Heartland Alliance	15,323,986	-	15,323,986
Total program services	121,780,686	-	121,780,686
Supporting services:			
Management and general	20,205,133	-	20,205,133
Fundraising	2,199,615	-	2,199,615
Total supporting services	22,404,748	-	22,404,748
Total Expenses	144,185,434	-	144,185,434
Revenue Greater than Expenses Before			
Depreciation and Amortization	5,748,283	1,260,429	7,008,712
Depreciation and amortization	(6,943,246)	-	(6,943,246)
Revenue (less) Greater than Expenses	\$ (1,194,963)	\$ 1,260,429	\$ 65,466

Heartland Alliance for Human Needs & Human Rights
Consolidated Statements of Activities and Changes in Net Assets

<i>Year ended June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total As Revised
Revenue (less) greater than expenses	\$ (1,194,963)	\$ 1,260,429	\$ 65,466
Add back loss attributable to non-controlling interest included above	6,338,507	-	6,338,507
Revenue greater than expenses	5,143,544	1,260,429	6,403,973
Loss attributable to non-controlling interest	(6,338,507)	-	(6,338,507)
Capital contributions to limited partnerships and other entities	5,858,005	-	5,858,005
Capital distributions to limited partnerships and other entities	(5,346)	-	(5,346)
Offering costs, non-controlling interests	(40,000)	-	(40,000)
	(525,848)	-	(525,848)
Increase in Net Assets	4,617,696	1,260,429	5,878,125
Net Assets, beginning of year	99,248,250	13,984,444	113,232,694
Net Assets, end of year	\$ 103,865,946	\$ 15,244,873	\$ 119,110,819

See accompanying notes to consolidated financial statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Functional Expenses For the Year Ended June 30, 2019

Year ended June 30,	Program Services										
	HHCS			HAH						HAI	
	SAFEty	Pathways to Success	Housing & Health	Housing, Community & Specialized Services	Healthcare Quality, Research, TA & Training Services	Health Promotion & Nutrition	Integrated Healthcare Services	Cross Cultural & Interpreting Services	Middle East and Northern Africa	Latin America and Caribbean	
Salaries and wages	\$ 23,110,338	\$ 4,533,870	\$ 3,824,244	\$ 4,256,705	\$ 751,527	\$ 473,167	\$ 5,285,673	\$ 132,962	\$ 3,291,049	\$ 909,075	
Payroll taxes and fringe benefits	6,167,009	1,174,291	1,168,027	1,218,666	185,193	145,970	1,338,125	33,446	387,763	351,829	
Staff expenses	278,376	110,981	111,426	70,156	54,625	3,806	100,241	18,107	621,032	242,081	
Professional expenses	1,636,658	99,849	319,893	423,553	174,156	67,878	1,107,855	785,025	563,710	259,513	
Office services	1,151,254	227,674	174,098	195,997	24,984	47,085	447,818	3,736	194,498	91,542	
Occupancy	2,512,563	473,628	562,511	306,094	27,118	187,154	552,792	2,840	223,613	36,851	
Equipment	340,881	172,605	137,821	90,646	10,564	38,930	84,644	9,965	185,229	7,654	
Client support and supplies	2,895,721	760,263	3,881,629	1,858,090	22,721	465,053	2,684,547	-	751,305	68,061	
Subrecipients	464,274	-	-	-	-	-	414,785	-	3,032,590	331,593	
Contributed services and in-kind expenses	170,450	409,029	982,345	11,272	-	224,306	-	-	-	-	
Real estate development and property management	-	-	-	430,557	2,164	1,180	1,750	-	-	-	
Interest expense	-	-	-	-	-	-	65,019	-	-	-	
Tax expense	-	-	-	-	-	-	-	-	-	-	
Uncollectible accounts	158,862	-	-	455,539	-	-	11,599	-	-	-	
	38,886,386	7,962,190	11,161,994	9,317,275	1,253,052	1,654,529	12,094,848	986,081	9,250,789	2,298,199	
Depreciation and amortization	674,534	9,445	4,230	68,983	-	-	190,300	-	11,673	-	
	\$ 39,560,920	\$ 7,971,635	\$ 11,166,224	\$ 9,386,258	\$ 1,253,052	\$ 1,654,529	\$ 12,285,148	\$ 986,081	\$ 9,262,462	\$ 2,298,199	

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Functional Expenses For the Year Ended June 30, 2019

	Program Services (Continued)					Supporting Services				
	HAI		HH		HA	Total Program Services	Management and General		Total Supporting Services	Total 2019
	Sub-Saharan Africa	Kovler Center	Housing Development	Justice Services	READI		Fundraising			
Salaries and wages	\$ 2,356,063	\$ 436,906	\$ 1,756,401	\$ 5,947,121	\$ 1,985,794	\$ 59,050,895	\$ 12,006,904	\$ 714,898	\$ 12,721,802	\$ 71,772,697
Payroll taxes and fringe benefits	725,620	139,688	509,064	1,546,384	423,914	15,514,989	2,611,549	173,047	2,784,596	18,299,585
Staff expenses	844,129	18,328	55,118	291,341	196,892	3,016,639	596,073	74,840	670,913	3,687,552
Professional expenses	1,704,531	243,321	1,387,932	377,099	1,414,470	10,565,443	2,860,755	347,640	3,208,395	13,773,838
Office services	324,041	38,176	199,345	168,795	50,878	3,339,921	1,403,943	85,003	1,488,946	4,828,867
Occupancy	329,209	46,100	1,340,573	678,868	63,985	7,343,899	1,126,317	76,217	1,202,534	8,546,433
Equipment	85,055	8,490	2,625	103,897	44,647	1,323,653	450,001	13,500	463,501	1,787,154
Client support and supplies	1,405,953	16,713	1,218	98,605	3,251,869	18,161,748	(10,521)	23	(10,498)	18,151,250
Subrecipients	1,800,028	-	-	316,144	5,182,279	11,541,693	200	-	200	11,541,893
Contributed services and in-kind expenses	-	219,153	10,134	117,475	-	2,144,164	-	-	-	2,144,164
Real estate development and property management	-	-	3,610,358	-	-	4,046,009	-	-	-	4,046,009
Interest expense	-	-	1,723,954	-	-	1,788,973	533,967	-	533,967	2,322,940
Tax expense	-	-	-	-	-	-	74,813	-	74,813	74,813
Uncollectible accounts	-	-	268,394	-	-	894,394	50,000	-	50,000	944,394
	9,574,629	1,166,875	10,865,116	9,645,729	12,614,728	138,732,420	21,704,001	1,485,168	23,189,169	161,921,589
Depreciation and amortization	252,195	35,139	5,992,628	-	-	7,239,127	304,118	-	304,118	7,543,245
	\$ 9,826,824	\$ 1,202,014	\$ 16,857,744	\$ 9,645,729	\$ 12,614,728	\$ 145,971,547	\$ 22,008,119	\$ 1,485,168	\$ 23,493,287	\$ 169,464,834

See accompanying notes to consolidated financial statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Functional Expenses For the Year Ended June 30, 2018

	Program Services									
	HHCS			HAH					HAI	
	SAFETy	Pathways to Success	Housing & Health	Housing, Community & Specialized Services	Healthcare Quality, Research, TA & Training Services	Health Promotion & Nutrition	Integrated Healthcare Services	Cross Cultural & Interpreting Services	Middle East and Northern Africa	Latin America and Caribbean
Salaries and wages	\$ 19,605,823	\$ 4,054,741	\$ 3,493,636	\$ 4,253,079	\$ 642,478	\$ 464,650	\$ 5,514,537	\$ 140,466	\$ 2,011,085	\$ 964,920
Payroll taxes and fringe benefits	5,506,966	1,082,338	1,055,644	1,153,407	155,597	139,773	1,346,073	37,757	218,482	443,134
Staff expenses	267,703	59,761	71,036	61,066	32,802	3,704	125,878	9,816	350,480	279,835
Professional expenses	1,700,864	88,090	197,249	390,204	106,986	60,333	841,983	760,232	527,142	298,712
Office services	873,379	292,995	134,118	218,631	29,185	49,520	348,962	11,343	125,762	112,039
Occupancy	2,152,393	420,208	402,793	409,031	21,819	185,622	494,032	17,426	172,244	137,096
Equipment	351,878	194,946	172,730	116,285	5,196	25,857	110,557	11,845	83,583	15,307
Client support and supplies	2,151,369	665,660	3,725,242	1,967,844	17,987	502,271	2,411,654	40	356,485	80,175
Subrecipients	558,125	38,902	-	-	-	-	380,016	-	1,588,956	268,734
Contributed services and in-kind expenses	376,768	35,759	883,590	30,653	-	43,620	-	-	-	-
Real estate development and property management	-	-	-	417,188	2,972	303	-	-	-	-
Interest expense	-	-	-	-	-	-	20,747	-	-	-
Uncollectible accounts	519,944	7,972	-	-	-	-	75,000	10,000	-	-
	34,065,212	6,941,372	10,136,038	9,017,388	1,015,022	1,475,653	11,669,439	998,925	5,434,219	2,599,952
Depreciation and amortization	316,022	1,656	1,598	73,299	-	-	120,219	-	16,480	-
	\$ 34,381,234	\$ 6,943,028	\$ 10,137,636	\$ 9,090,687	\$ 1,015,022	\$ 1,475,653	\$ 11,789,658	\$ 998,925	\$ 5,450,699	\$ 2,599,952

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Functional Expenses For the Year Ended June 30, 2018

	Program Services (Continued)					Supporting Services				
	HAI		HH		HA	Total Program Services	Management and General		Total Supporting Services	Total 2018 (As Revised)
	Sub-Saharan Africa	Kovler Center	Housing Development	Justice Services	READI		Fundraising			
Salaries and wages	\$ 2,812,593	\$ 281,450	\$ 1,630,413	\$ 4,906,280	\$ 1,005,931	\$ 51,782,082	\$ 11,734,740	\$ 895,993	\$ 12,630,733	\$ 64,412,815
Payroll taxes and fringe benefits	879,923	102,198	499,836	1,306,337	213,423	14,140,888	2,563,441	229,078	2,792,519	16,933,407
Staff expenses	934,025	8,645	36,050	281,287	119,014	2,641,102	633,202	49,899	683,101	3,324,203
Professional expenses	1,107,910	41,068	1,141,691	336,483	703,047	8,301,994	2,251,055	484,631	2,735,686	11,037,680
Office services	537,620	14,109	203,357	139,717	30,845	3,121,582	1,205,623	75,717	1,281,340	4,402,922
Occupancy	313,557	15,412	1,327,051	616,894	56,161	6,741,739	478,014	69,079	547,093	7,288,832
Equipment	512,923	1,383	3,542	107,995	33,228	1,747,255	383,686	7,290	390,976	2,138,231
Client support and supplies	2,939,187	7,857	1,795	131,595	1,594,143	16,553,304	157,522	49	157,571	16,710,875
Subrecipients	2,474,628	-	-	492,830	3,225,466	9,027,657	243	-	243	9,027,900
Contributed services and in-kind expenses	-	15,208	13,520	13,927	-	1,413,045	884,976	387,879	1,272,855	2,685,900
Real estate development and property management	-	-	2,652,734	-	-	3,073,197	-	-	-	3,073,197
Interest expense	-	-	2,421,851	-	-	2,442,598	68,417	-	68,417	2,511,015
Uncollectible accounts	-	-	171,944	9,383	-	794,243	(155,786)	-	(155,786)	638,457
	12,512,366	487,330	10,103,784	8,342,728	6,981,258	121,780,686	20,205,133	2,199,615	22,404,748	144,185,434
Depreciation and amortization	200,302	-	5,402,540	-	-	6,132,116	811,130	-	811,130	6,943,246
	\$ 12,712,668	\$ 487,330	\$ 15,506,324	\$ 8,342,728	\$ 6,981,258	\$ 127,912,802	\$ 21,016,263	\$ 2,199,615	\$ 23,215,878	\$ 151,128,680

See accompanying notes to consolidated financial statements.

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Cash Flows

<i>Year ended June 30,</i>	2019	2018 (As Revised)
Cash flows from operating activities		
Increase in net assets	\$ 14,944,988	\$ 5,878,125
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,543,245	6,943,246
Amortization of deferred financing costs	42,507	64,871
Provision for bad debts	944,395	638,459
Loss on disposal of property and equipment	-	65,310
Gain on investments	(100,199)	(503,628)
Earnings from other investments	-	(118,856)
Developer fee amortization	-	(12,096)
Capital contributions to limited partnerships and other entities	(8,547,475)	(5,858,005)
Capital distributions to limited partnerships and other entities	(48,609)	5,346
Effects of changes in operating assets and liabilities:		
Accounts receivable:		
Program service grants and fees	(502,760)	(2,605,229)
Pledges receivable	(1,271,701)	(591,736)
Patient services	529,203	(11,014)
Other	(1,994,335)	(424,919)
Prepaid expenses and other assets	(265,037)	(200,301)
Receivables due from limited partnerships	(24,097)	-
Accounts payable and other accrued expenses	875,156	1,248,793
Accrued payroll and related liabilities	115,938	1,492,656
Liability for self-insurance claims	(2,346)	451,001
Accrued interest payable	16,797	157,610
Deferred rent liability	260,362	20,652
Deferred compensation plan liability	(6,537)	(78,816)
Deferred revenue	(3,220,634)	(2,670,451)
Developer fees received	-	328,960
Net cash provided by operating activities	9,288,861	4,219,978
Cash flows from investing activities		
Change in restricted cash	(3,354,155)	(2,556,093)
Additions to property and equipment	(12,028,987)	(17,769,774)
Proceeds from sale of property and equipment	-	600,000
Purchases of investments	(662,754)	(309,088)
Proceeds from notes receivable	-	155,103
Cash paid in exchange for notes receivable	257,768	(2,530,605)
Deposits to escrow accounts	(1,905,280)	(3,328,006)
Releases from escrow accounts	2,161,797	2,370,167
Net cash used in investing activities	(15,531,611)	(23,368,296)

Heartland Alliance for Human Needs & Human Rights

Consolidated Statements of Cash Flows

<i>Year ended June 30,</i>	2019	2018 (As Revised)
Cash flows from financing activities		
Capital contributions in limited partnerships and other entities	\$ 8,547,475	\$ 5,858,005
Capital distributions to limited partnerships and other entities	48,609	(5,346)
Offering costs, non-controlling interests	143,636	(40,000)
Repayments of borrowings	(10,344,733)	(4,149,816)
Proceeds from borrowings	9,364,822	12,013,736
Deferred financing fees	(234,550)	(34,288)
Lease costs paid	-	(65,923)
Tax credit fees	-	(131,843)
Net cash provided by financing activities	7,525,259	13,444,525
(Decrease) increase in cash	1,282,509	(5,703,793)
Cash, beginning of year	13,283,786	18,987,580
Cash, end of year	\$ 14,566,295	\$ 13,283,786
Supplemental disclosure of cash flow information:		
Interest paid	1,548,358	2,511,015
Non-cash investing activity-construction costs	7,090,759	5,107,480

See notes to consolidated financial statements.

Heartland Alliance for Human Needs & Human Rights

Notes to Consolidated Financial Statements

1. Nature of Activities and Significant Accounting Policies

Heartland Alliance for Human Needs & Human Rights (the Organization, or Heartland Alliance) (also known as Travelers & Immigrants Aid's Heartland Alliance for Human Needs & Human Rights) 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 approximately 450,000 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 in various locations around the world providing a wide array of services and leading policy change to equip people with tools they need to rebuild their lives—safety, housing, health care, economic opportunity and justice.

The accompanying consolidated financial statements include the activities of Heartland Alliance and its affiliated organizations, Heartland Alliance International, LLC (HAI), Heartland Alliance Health, Inc. (HAH) (formerly, Heartland Health Outreach, Inc.), Heartland Human Care Services, Inc. (HHCS) and Heartland Housing Inc. (HH) (HH issues consolidated audited financial statements 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.

HAH provides health care that addresses the physical, mental and social needs for those who are homeless or have serious disabling conditions. HAH goes outside the walls of its clinics and into the community—like the streets and parks—to provide health care. HAH is the sole member of Heartland Health Support Corporation (HHSC), a special purpose nonprofit entity (exempt from income taxes) created to hold ownership interest in certain property. HAH consolidates HHSC's balances and activities.

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 individuals seen as hard-to-house who would 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

Heartland Alliance for Human Needs & Human Rights

Notes to Consolidated Financial Statements

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 financial statements, refers to Heartland Alliance for Human Needs & Human Rights individually or collectively with its affiliated organizations, as the context may require. Significant accounting policies followed by the Organization are described below.

Principles of Consolidation

Due to its control and economic interest, Heartland Alliance's 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 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.

Basis of Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Revenue Recognition

a) Fee-for-service revenue

Fee-for-service is primarily generated from medical services, services to individuals with mental health and substance abuse issues, on-site, telephonic and video interpretation services, 340B drugs, as well as other services. Fee-for-service revenue is recorded at the amount that reflects the consideration to which Heartland Alliance expects to be entitled in exchange for providing services. These amounts are due from third-party payors (including government programs and health insurance providers) and others, and include an estimate for variable consideration for retroactive revenue adjustments due to rate changes, settlement of audits and disallowances, reviews and investigations. Generally, Heartland Alliance submits fee-for-service claims to third-party payors electronically through a state-wide system several days after the services are performed.

Revenue is recognized as performance obligations are satisfied over time based on actual charges incurred in relation to total expected (or actual) charges. Heartland Alliance measures revenue from the commencement of services, through the continuation of services, and until services are no longer required. Heartland Alliance believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligations based on the inputs needed to satisfy the performance obligation.

Heartland Alliance for Human Needs & Human Rights

Notes to Consolidated Financial Statements

As substantially all of its performance obligations relate to established rate agreements with a duration of less than one year, Heartland Alliance has elected, as part of its adoption of the new revenue standard, to apply the optional exemption provided in ASU 2014-09 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Throughout the year, rates may vary as determined by the State of Illinois, and Heartland Alliance will record additional revenue resulting from a rate increase and record a reduction of revenue with a rate decrease. These rate adjustments represent variable consideration in the form of explicit or implicit price concessions or contractual adjustments, and Heartland Alliance considers these amounts in the determination of the transaction price. Heartland Alliance determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. Heartland Alliance determines its estimates of explicit or implicit price concessions based on its historical collection experience.

Laws and regulations governing Medicaid programs are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties and exclusion from Medicaid programs.

As a practical expedient, Heartland Alliance utilizes the portfolio approach for analyzing its revenue contracts in accordance with ASU 2014-09. Heartland Alliance accounts for the contracts within each portfolio collectively, rather than individually, based on each revenue stream. Heartland Alliance considers the similar nature and characteristics of the contract and customers in using the portfolio approach. Heartland Alliance believes that the use of the portfolio approach to analyze contracts will not differ materially than if the contracts were analyzed individually.

The following table shows Heartland Alliance's revenue disaggregated by payor:

	2019
Medicaid	\$ 877,251
Medicaid Managed Care	8,020,017
Managed Care	275,723
Private pay	115,978
Other	2,849,515
	<hr/> \$ 12,138,484 <hr/>

The following table shows Heartland Alliance's revenue disaggregated by service line:

	2019
Patient Service Revenue	\$ 5,541,838
CCS	1,624,985
340B	3,747,130
Other	1,224,531
	<hr/> \$ 12,138,484 <hr/>

Heartland Alliance for Human Needs & Human Rights

Notes to Consolidated Financial Statements

- b) Contributions and promises to give are recorded in the period received as contributions with or without donor restrictions 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.

During fiscal years 2019 and 2018, approximately \$4,670,000 and \$5,900,000, respectively, of revenue was derived from grants and donations related to real estate development projects. The Organization records loans that are forgivable by the lender, if certain criteria are met, as grant revenue. Certain forgivable loans were received from the City of Madison, Wisconsin, of \$525,000 and \$1,350,000 which were recorded as grant revenue in fiscal years 2019 and 2018, respectively.

- c) 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 without donor restrictions revenues as the grants reimburse the Organization for services provided. Grant funding from the federal government represented approximately 54% and 60% of total revenue for the years ended June 30, 2019 and 2018, respectively. Federal grant funding from one specific contract with the U.S. Department of Health and Human Services represented approximately 34% and 23% of total revenue for the years ended June 30, 2019 and 2018, respectively. If this revenue were discontinued, it would have a material adverse effect on the Organization. Government grants are generally subject to review and final determination by the granting agencies. The Agency does not anticipate any significant adjustment upon final review and determination.

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 contractual purposes and not for general operations.

Heartland Alliance for Human Needs & Human Rights

Notes to Consolidated Financial Statements

Investments

Investments are stated at fair value as of the reporting date. Changes in fair value are recorded as unrealized gains and losses and are included in interest and investment income in the consolidated statements of activities.

Accounts Receivable

Accounts receivable are comprised of amounts due from different funding sources, donors and other parties. Program service grants and fees receivable 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, 2019 and 2018, totaled \$323,299 and \$327,669, respectively.

Accounts receivable also include amounts due for patient services rendered. Patient services receivable where a third-party payor 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 payors. Patient services receivable due directly from patients are carried at the original charge for the service provided, less amounts covered by third-party payors. 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 payor classifications. The Organization does not charge interest on past due accounts. The allowance at June 30, 2019 and 2018, totaled \$846,661 and \$322,510, 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 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, 2019 and 2018.

Pledges receivable are also recorded net of a discount to present value applied to the long-term portion of unconditional multi-year pledges. The discount rate used is an estimate made by management and represents a risk-adjusted rate. 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 determines that the fair value of an investment is 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, 2019 and 2018.

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Notes to Consolidated Financial Statements

Property and Equipment

Acquisitions of property and equipment with a cost of \$5,000 or more are stated at cost or, if donated, at the estimated 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 three to seven years for furniture, equipment, and vehicles. Amortization of leasehold improvements is generally being provided over 5 to 10 years, representing the lesser of the estimated useful lives of the improvements or the term of the lease.

The 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.

Deferred Revenue

Deferred revenue is recorded for developer fees to third parties, rental property grant income, other grant income, government funds and tax increment financing notes received in advance. Revenue will be recognized over the expected term of the asset, in accordance with the expected payment schedule of the tax increment financing note, or when the related services are provided or expenses are incurred. The developer fees and rental property grant income is recorded as housing development. The tax increment financing income is recorded as interest and investment income.

Deferred Rent Liability

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

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, 2019 and 2018, the Organization received approximately 66,000 and 75,000 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 50,000 hours of donated legal services during the years ended June 30, 2019 and 2018. 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 financial statements. Other volunteer services received during the year are also not reflected in the financial statements because they do not meet the criteria for recognition as contributed services.

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Notes to Consolidated Financial Statements

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 on known changes to a property's assessed value. One 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 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 property 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 therefore the Organization removed the 2012 and 2013 accrual during fiscal year 2018.

Functional Allocation of Expenses

In the consolidated statement of functional expenses, the costs which are directly associated with a particular program or supporting service are allocated directly to that functional category. Additionally, certain costs have been allocated among the programs and supporting services benefited based on staff time devoted to the functional areas or other appropriate allocation methods determined by management. All other expenses are allocated based on actual expense for programs and various other criteria.

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 financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 February 2016, the FASB issued ASU 2016-02, "*Leases (Topic 842)*", which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification

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Notes to Consolidated Financial Statements

affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization in fiscal year 2022, with early adoption permitted.

In November 2016, the FASB issued ASU 2016-18, “*Statement of Cash Flows (Topic 230): Restricted Cash*”. The ASU requires that the statement of cash flows explain the change during the period of total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The new standard is effective for the Organization in fiscal year 2020, with early adoption permitted.

The Organization is currently evaluating the impact of the adoption of these new standards on its financial statements.

Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) 2014-09, “*Revenue from Contracts with Customers (Topic 606)*”, which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cashflows arising from contracts with customers, including significant judgments and changes in judgments. Heartland Alliance has adopted the provisions of ASU 2014-09 beginning July 1, 2018.

Effective July 1, 2018, Heartland Alliance elected the modified retrospective approach in adopting ASU 2014-09 to all contracts within the scope of the guidance. The adoption of the ASU did not have a material impact on Heartland Alliance’s consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, “*Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*”. The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether Heartland Alliance follows contribution guidance or exchange transactions guidance under the revenue recognition guidance and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for Heartland Alliance’s fiscal year 2019, and the adoption of this update did not have a material impact on Heartland Alliance’s financial statements.

In August 2016, the FASB issued ASU 2016-14, “*Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*”. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the

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Notes to Consolidated Financial Statements

disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Heartland Alliance has adopted ASU 2016-14 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Reclassifications

Certain amounts on the 2018 financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on net assets or changes in net assets as previously reported.

2. Revision of Previously Issued Financial Statements

Subsequent to the issuance of the HA's consolidated financial statements as of and for the year ended June 30, 2018, the Organization identified the following items that were corrected: (1) a conditional contribution of land, building, and building improvements, and related deferred revenue received in 2018; (2) the elimination of netting of investments, escrow and reserve accounts, debt obligations, and accrued interest payable which instead require separate presentation; (3) an inter-company elimination of developer fees for property and equipment, net to deferred revenue.

The Organization assessed the materiality of these adjustments considering both qualitative and quantitative factors and determined that for the year ended June 30, 2018, the adjustments were immaterial. The Organization has decided to revise the prior year financial statements for comparative purposes.

The following reflects the impact of the above adjustments to the Consolidated Statement of Financial Position as of June 30, 2018:

Consolidated Statements of Financial Position

	As Previously		
	Reported	Adjustments	As Revised
Escrow and reserve accounts	\$ 11,314,152	\$ (715,981)	\$ 10,598,171
Investments	14,095,317	10,233,729	24,329,046
Other investments	1,228,812	3,842,273	5,071,085
Property and equipment, net	144,903,550	(9,297,379)	135,606,171
Total assets	232,417,024	4,062,642	236,479,666
Accounts Payable and accrued expenses	8,329,622	(2,105,744)	6,223,878
Deferred revenue	14,470,605	(3,696,267)	10,774,338
Accrued interest payable	1,695,697	239,777	1,935,474
Debt obligations	72,267,426	9,277,971	81,545,397
Total liabilities	113,653,110	3,715,737	117,368,847
Net assets without donor restrictions	103,519,041	346,905	103,865,946
Total net assets	118,763,914	346,905	119,110,819
Total net assets and liabilities	\$ 232,417,024	\$ 4,062,642	\$ 236,479,666

Heartland Alliance for Human Needs & Human Rights

Notes to Consolidated Financial Statements

The following reflects the impact of the above adjustments to the Consolidated Statement of Activities for the year ending June 30, 2018:

Consolidated Statements of Activities

	As Previously Reported	Adjustments	As Revised
Housing Development	\$ 470,568	\$ (363,544)	\$ 107,022
Total Revenue	151,557,690	(363,545)	151,194,146
Depreciation and amortization	7,298,985	(355,739)	6,943,246
Increase in net assets	73,272	(7,806)	65,466
Net assets, beginning of year	112,877,983	354,711	113,232,694
Net assets, end of year	\$ 118,763,914	\$ 346,905	\$ 119,110,819

The following reflects the impact of the above adjustments to the Consolidated Statement of Cash Flows for the year ending June 30, 2018:

Consolidated Statements of Cash Flows

	As Previously Reported	Adjustments	As Revised
Increase in net assets	\$ 5,885,931	\$ (7,806)	\$ 5,878,125
Depreciation and amortization	7,298,985	(355,739)	6,943,246
Developer fee amortization	(375,641)	363,545	(12,096)
Accounts Payable and accrued expenses	1,158,447	90,346	1,248,794
Receivables due from limited partnerships	(381,606)	381,606	-
Deferred revenue	(2,119,930)	(550,521)	(2,670,451)
Developer fees received	1,834,213	(1,505,253)	328,960
Net cash provided by operating activities	5,803,800	(1,583,822)	4,219,978
Developer fees paid from limited partnerships	(1,583,822)	1,583,822	-
Net cash provided by financing activities	\$ 11,860,703	\$ 1,583,822	\$ 13,444,525

3. Net Patient Services Revenue

HAH has agreements with third-party payors that provide for payments to HAH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs principally represent the differences between HAH'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

HAH 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. HAH'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 HAH to perform such reviews. Reimbursement rates are based on HAH's annual cost report and Medicare Economic Index (MEI).

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Medicaid

HAH is paid for services rendered to Medicaid program beneficiaries based on a fee schedule. The prospectively determined rates are not subject to retroactive adjustment. HAH 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:

	2019	2018
Medicaid (including Medicaid managed care)	93%	93%
Medicare	5	4
Self-pay	1	1
Other	1	2
	100%	100%

HAH 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:

	2019	2018
Medicaid (including Medicaid managed care)	87%	79%
Medicare	5	5
Self-pay	5	12
Other	3	4
	100%	100%

4. Charity Care

HAH treats patients in need of medical services without regard to their ability to pay. HAH 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 years 2019 and 2018, the following levels of charity care were provided:

	2019	2018
Revenue forgone for charity care	\$ 1,010,442	\$ 734,866
Estimated costs incurred for charity care	2,936,089	2,218,492

5. Investments and 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

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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, 2019 and 2018, there were no such transfers.

Investments in alternative funds are valued at fair value based on the applicable share ownership of the underlying investment entities' net assets as of the measurement date as determined by the Organization, commonly referred to as the practical expedient. In determining fair value, the Organization utilizes valuations provided by the underlying investment manager. The underlying investment entities value securities and other financial instruments on a fair value based upon market price, when possible, or at fair value determined by the respective entities' investment manager when no market price is determinable. Although the Organization uses their best judgment in estimating the fair value of alternative investments, there are inherent limitations in any estimation technique. The estimated fair values of certain of the investments of the underlying investment entities, which may include derivatives, securities and other designated or side pocketed investments for which prices are not readily available, may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and differences could be material.

The practical expedient allows for investments in non-registered investment companies to be valued at the NAV, which represents fair value. The Organization classifies these investments using NAV within the fair value measurement table.

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Notes to Consolidated Financial Statements

The following table presents the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2019:

	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value	Total
Mutual funds:					
Fixed income	\$ 3,774,906	9,202,402	\$ -	\$ -	\$ 12,977,308
Domestic equity	3,214,868	3,465,534	-	-	\$ 6,680,402
International equity	1,424,154	-	-	-	1,424,154
Alternative investments	-	-	-	831,239	831,239
	<u>\$ 8,413,928</u>	<u>\$ 12,667,936</u>	<u>\$ -</u>	<u>\$ 831,239</u>	<u>\$ 21,913,103</u>
Cash and money market funds					<u>2,926,478</u>
					<u>\$ 24,839,581</u>

The following table presents the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2018:

	Quoted Prices for Identical Assets in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Valued Using Net Asset Value	Total (As Revised)
Mutual funds:					
Fixed income	\$ 3,467,577	\$ 10,233,729	\$ -	\$ -	\$ 13,701,306
Domestic equity	3,172,152	3,340,820	-	-	6,512,972
International equity	1,443,679	-	-	-	1,443,679
Alternative investments	-	-	-	832,710	832,710
	<u>\$ 8,083,408</u>	<u>\$ 13,574,549</u>	<u>\$ -</u>	<u>\$ 832,710</u>	<u>22,490,667</u>
Cash and money market funds					<u>1,838,379</u>
					<u>\$ 24,329,046</u>

Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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.

A portion of the investment balance totaling \$194,490 and \$201,027 is reserved for the Organization's deferred compensation plan at June 30, 2019 and 2018, respectively.

Investment management fees totaled \$33,216 and \$33,786 in fiscal years 2019 and 2018, respectively.

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Notes to Consolidated Financial Statements

For fiscal years 2019 and 2018, interest and dividend income from the investment portfolio totaled \$71,670 and \$71,547, respectively. Unrealized and realized gains (losses) on the investment portfolio for fiscal years 2019 and 2018 totaled \$387,760 and \$503,628, respectively. Interest and investment income on the consolidated statements of activities also includes interest on notes receivable, as well as investment income on other investments.

6. Pledges Receivable

Pledges receivable are as follows at June 30:

	2019	2018
Expected collections in less than one year	\$ 4,870,912	\$ 4,274,737
Expected collections in one to five years	823,026	147,500
	\$ 5,693,938	\$ 4,422,237

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 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.

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Notes to Consolidated Financial Statements

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.

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 \$684,911 and \$660,816 as of June 30, 2019 and 2018, respectively, are included in the financial statements as receivables due from limited partnerships. These notes are reported net of an interest rate discount that was imputed when the loans were funded in 2007. No payments are due on the notes until maturity in 2047.

HH Commitments

HH is required under tax credit, development and operating agreements to provide guarantees that ensure the projects stay in compliance with the regulatory agency, construction of the project is completed, and the project operates within investor projections and continues to be financially sustainable over the course of the compliance period. 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 reserve withdrawals.

8. Other Investments

The Organization’s other investments are as follows at June 30:

	2019	2018
Lathrop	\$ 3,698,636	\$ 3,842,273
Alliance of Chicago Community Health Services, L3C	1,429,569	1,177,145
Provide Co LLC	40,000	40,000
Behavioral Health Consortium	11,667	11,667
	\$ 5,179,872	\$ 5,071,085

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Notes to Consolidated Financial Statements

9. Notes Receivable

Notes receivable at June 30 are as follows:

	2019	2018
Tax Increment Financing (TIF) note due from City of Chicago to HH, in annual payments on March 1 of \$575,824, including interest at a rate of 7.09 percent, through 2028.	\$ 4,583,331	\$ 4,841,099
Leveraged loan receivable from TNT-HHO NMTC Fund, LLC (QEI fund - Note 12) to HAH, bearing interest at 1.00 percent per annum; annual interest payments of \$25,306 are due until December 2024. A principal payment of \$1,500,000 is due in November 2024. Beginning in 2025, principal and interest payments of \$59,828 are due annually until 2043.	2,530,605	2,530,605
Junior mortgage note due from Montclare 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 Montclare 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
	\$ 9,332,367	\$ 9,590,135

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 a 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 LP established a tax increment deficiency fund in the amount of \$1,853,359 to service its 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, Cook 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, 2019 and 2018, the remaining balance on the TIF note was \$4,583,331 and \$4,841,099, respectively.

Scheduled future maturities of the TIF note are as follows:

<i>Year ending June 30,</i>	<i>Amount</i>
2020	\$ 296,905
2021	318,649
2022	341,985
2023	367,030
2024	393,909
Thereafter	2,864,853
	\$ 4,583,331

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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.

10. Property and Equipment

Property and equipment consisted of the following:

	2019	2018 (As Revised)
Land	\$ 9,860,602	\$ 7,378,485
Land improvements	2,096,271	1,728,448
Building and improvements	171,657,333	159,208,111
Furniture, equipment and vehicles	11,352,213	10,056,463
Leasehold improvements	3,963,269	4,499,280
Construction in progress	4,388,061	8,314,218
	203,317,749	191,185,005
Less accumulated depreciation and amortization	(63,225,835)	(55,578,834)
	\$ 140,091,914	\$ 135,606,171

As of June 30, 2019, construction in progress consists primarily of \$4,388,061 for building costs under a \$29,563,856 construction contract and change orders incurred on April 4, 2019. As of June 30, 2018, construction in progress consists primarily of \$8,125,000 for building costs under a \$10,592,509 construction contract and change orders incurred on St. Anthony Apartments.

Depreciation and amortization expense on property and equipment was \$7,543,245 and \$6,943,246 for the years ended June 30, 2019 and 2018, respectively.

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Notes to Consolidated Financial Statements

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, 2019 and 2018:

	2019	2018
Reserves for replacements	\$ 3,164,715	\$ 2,664,813
Real estate tax and insurance escrows	570,771	546,108
Construction escrows	135,424	548,405
Reserve, tax increment financing	1,517,376	1,756,842
Reserve for operating deficits	2,772,156	2,770,165
Reserve for revenue deficits	761,795	873,195
Reserve for operating expenses	1,012,465	1,026,280
Reserve for lease-up	44,846	45,000
Reserve for special purposes	362,105	367,363
	\$ 10,341,653	\$ 10,598,171

12. Deferred Revenue

Deferred revenue at June 30, 2019 and 2018 consists of the following:

	2019	2018 (As Revised)
City of Chicago TIF revenue	\$ 4,583,333	\$ 4,841,099
Grant revenue	2,853,333	5,616,175
Other revenue	117,042	317,064
	\$ 7,553,708	\$ 10,774,338

Heartland Alliance for Human Needs & Human Rights

Notes to Consolidated Financial Statements

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, and consisted of:

	2019	2018 (as revised)
HHCS		
Two interest-bearing notes payable to IFF, payable in monthly installments of \$5,058 and \$11,868, including interest at 5.00 percent, maturing on September 1, 2025 and October 1, 2025. In August 2017, the note payable which was scheduled to mature on October 1, 2025, was repaid in full.	\$ 716,036	\$ 819,823
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.	10,242,460	10,489,212
HAH		
Long-term unsecured investment bond issued to The Northern Trust Company which bears interest at 1.00 percent per annum. Interest only payments due annually until maturity in November 2024, at which point all unpaid principal and interest becomes due.	1,500,000	1,500,000
Interest-bearing note payable to IFF, paid in monthly installments of \$6,365, including interest at 5.63 percent, maturing on November 1, 2024. The note is secured by a mortgage on the 4730 N Winthrop property.	874,828	901,191
HHSC		
Interest-bearing QLICI loan payable (Note A) to Northern CDE 5, LLC. Note bears interest at 0.68 percent per annum. Interest only payments of \$17,132 are paid annually through December 1, 2024. First principal payment of \$1,500,000 due on November 2, 2024. Beginning in December 2025, annual installments of \$40,530 of principal and interest are paid through maturity on December 1, 2052. The note is secured by real estate located in Chicago, in connection with a health care facility (discussed below).	2,530,605	2,530,605
Interest-bearing QLICI loan payable (Note B) to Northern CDE 5, LLC. Note bears interest at 0.68 percent per annum. Interest only payments of \$8,672 are paid annually through December 1, 2024. Beginning in December 2025, annual installments of \$50,373 of principal and interest are paid through maturity on December 1, 2052. The note is secured by real estate located in Chicago, in connection with a health care facility (discussed below).	1,280,895	1,280,895
HH		
Non-interest bearing third mortgage loan payable to the City of Milwaukee. The proceeds came 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 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
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 HH 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

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	2019	2018 (as revised)
Non-interest bearing second mortgage loan on the Argyle apartments 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.	\$ 1,843,712	\$ 1,870,795
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 are 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.	155,000	129,672
Pre-development loan payable to Enterprise Community Partners, Inc., a Maryland nonstock nonprofit corporation, in the amount of \$515,000. The loan bears interest at 5.5 percent per annum. Interest only payments are due monthly until maturity on December 31, 2018.	-	473,868
Pre-development loan payable to Local Initiatives Support Corp. in the amount of \$100,000. The loan bears interest at 6 percent per annum and interest-only payments are due monthly through maturity. The loan will mature on September 1, 2019, at which time all unpaid principal and interest will become due.	100,000	48,108
Pre-development loans payable to Jewish Council on Urban Affairs in the amount of \$50,000 each. The notes are non-interest bearing through maturity. The notes shall mature and be payable in full on the earliest of (i) the date of closing and initial disbursement of the first mortgage loan for the Project, (ii) twelve months from the date of the loan agreement, (iii) a default, continuing beyond all applicable notice and cure periods by Borrower, (iv) the date the Project or any part thereof is transferred by Borrower without written consent of the Lender to an unrelated entity, or (v) the date Borrower terminates activities in pursuit of financing for the Project.	-	100,000
Pre-development loan payable to Enterprise Community Partners, Inc., a Maryland nonstock nonprofit corporation, in the amount of \$500,000. The loan bears interest at 1% per annum. Interest-only payments are due monthly until maturity on 08/30/2021	292,725	-
Pre-development loan payable to Capital One in the amount of \$500,000. The loan bears interest at 2% per annum. Interest-only payments are due monthly until maturity on 04/02/2021.	469,352	
First mortgage loans on the Argyle apartments 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.	250,451	263,439
Non-interest bearing third mortgage loan on the Argyle apartments 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.	309,683	312,083
Non-interest bearing first mortgage loan payable on the Ellis apartments 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.	2,010,012	2,013,977
Non-interest bearing second mortgage loan payable on the Ellis apartments to IHDA, payable annually in amounts equivalent to 10 percent of annual surplus cash, as defined.	209,911	209,911
Non-interest bearing mortgage note payable on Mae Suites Apartments 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.	1,499,560	1,506,060
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.	2,219,166	2,224,583
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.	730,698	731,898

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Notes to Consolidated Financial Statements

2019 2018 (as revised)

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 non-controlling interest. Accordingly, the details of these obligations (and the range of interest rates) as of June 30, 2018 and 2017, have been summarized as follows:

Non-interest loans payable to IHDA	\$ 1,469,598	\$ 5,934,341
Non-interest loans payable to city agencies	5,706,151	5,706,151
Non-interest cash flow loans	9,679,555	9,557,734
Interest bearing loans payable to city agencies (1.00 percent to 5.36 percent)	7,677,649	6,535,884
Interest bearing first mortgage loans (5.75 percent to 6.44 percent; requiring monthly fixed debt service payments, based on amortization from note issuance through maturity)	20,045,820	20,746,677
Interest bearing fourth mortgage loans (1.00 percent; requiring annual variable payments)	1,080,000	1,080,000
Interest bearing construction loans (LIBOR plus 2.50 percent to 5.48 percent)	12,333,829	8,633,632
	<u>86,671,625</u>	<u>82,581,927</u>
Less deferred financing fees	(914,203)	(1,036,530)
	<u>\$ 85,757,422</u>	<u>\$ 81,545,397</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 8,697,288
2021	919,154
2022	975,850
2023	1,034,591
2024	860,509
Thereafter	74,184,233
	<u>\$ 86,671,625</u>

HAH and HHSC - New Market Tax Credit Financing

During fiscal year 2018, HAH acquired and developed certain property in Chicago's Englewood community into a fully operational community health center. Financing for the project included use of New Market Tax Credits, which provides a tax credit incentive for investment in low-income communities. The Northern Trust Company (Northern Trust) is an investor providing equity in the project in exchange for the tax credits.

HAH and Northern Trust created a multi-entity structure and executed a series of transactions in connection with the financing. Heartland Health Support Corporation (HHSC) is a separate Illinois nonprofit corporation (HAH is the sole member) and a qualified active loan-income community business (QALICB), which ultimately became owner of the property. Certain entities affiliated with Northern Trust include a qualified equity investment (QEI) fund and a qualified community development entity (CDE). The CDE made qualified community low-income investment (QLICI) loans to HHSC. These loans are included in debt obligations on the consolidated statement of financial position.

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The QLICI loans were funded by the Northern Trust equity investment and a leveraged loan by HAH. The HAH leveraged loan to the QEI fund is included in notes receivable on the consolidated statement of financial position (Note 8).

Sources of funds for the HAH leveraged loan included proceeds from a long-term unsecured investment bond issued to Northern Trust and a separate mortgage loan from IFF (an Illinois-based community development financial institution). HAH's obligations under the bond and the IFF loan are also included in debt obligations on the consolidated statement of financial position.

The first seven years of the QLICI loans are defined as the compliance period. Only interest is paid during the compliance period. Thereafter, the loans are amortized with principal and interest payments required through the maturity date in December 2052. The loans can be repaid prior to the maturity date.

A put/call option agreement exists between HAH and Northern Trust as investor in the QEI fund (which has ownership interest in the CDE making the QLICI loans above). The put provides the investor the option to sell its interest in the QEI fund at end of the compliance period to HAH for \$1,000. If the investor does not exercise their put option, HAH has the ability to call the ownership in the interest in the QEI fund for fair market value. By acquiring the ownership interest, HAH would be in a position to forgive the QLICI notes, resulting in a substantial reduction in outstanding debt at that point in time and realization of the benefits of the New Market Tax Credits program (in turn, it is expected that HAH would also forgive the QEI fund note receivable).

HAH has provided a payment guaranty under the QLICI loans. HAH and HHSC have indemnified Northern Trust as investor in the event of a recapture or disallowance of the New Market Tax Credits. Other various compliance requirements and covenants, including a covenant requiring HAH to maintain a minimum level of unrestricted net assets, are included in the debt obligations outlined above.

Hollywood, LP - Mortgage Loan

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

Certain bonds which total \$7,260,000 are subject to 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. All bonds are optionally redeemable at 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, 2019 and 2018,

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the amount of the mortgage loan outstanding was \$9,150,883 and \$9,490,042, respectively. The amount for the mortgage loan is included in long-term debt in the consolidated statements of financial position.

The bonds are secured by the GNMA Securities, the GIC investments and the TIF note in the current amount of \$4,583,331, which is recorded as note receivable on the 2019 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.

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 through 2030. The lease also provided for certain rental incentives, including a tenant allowance for build-out of the new space.

In addition, the Organization leases office space under numerous operating leases for services provided throughout Chicago, with expiration dates ranging through 2021.

As of June 30, 2019 and 2018, a deferred rent liability of \$1,501,317 and \$1,240,955, respectively, represents the cumulative excess of rental expense recognized (on a straight-line basis over the term of the lease) over the actual cash outlay for base rentals.

Approximate future minimum rental payments at June 30, 2019, under the office and various other non-cancelable leases are as follows:

	Amount
2020	\$ 3,783,306
2021	2,733,319
2022	2,213,672
2023	2,048,294
2024	1,805,649
Thereafter	6,762,000
	<hr/> \$ 19,386,240 <hr/>

Heartland Alliance for Human Needs & Human Rights

Notes to Consolidated Financial Statements

15. Net Assets

Without Donor Restrictions

Net assets without donor restrictions as of June 30, were as follows:

	2019	2018 As Revised
General	\$ 112,763,673	\$ 102,623,367
Board-designated	1,242,579	1,242,579
	\$ 114,006,252	\$ 103,865,946

With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods are as follows:

	June 30, 2018	Contributions Received	Released Amounts	June 30, 2019
Housing and Health	\$ 451,936	\$ 62,020	\$ 442,250	\$ 71,706
SAFETy	25,886	196,121	43,770	178,237
Pathways to Success	437,995	117,108	414,055	141,048
Housing, Community and Specialized Services	446,469	44,000	220,286	270,183
Integrated Health Care Services	24,951	100,000	117,452	7,499
Health Care Quality, Research, TA, and Training Services	769,510	566,032	939,973	395,569
Housing Development	200,000	280,000	310,000	170,000
Kovler Center	504,610	1,011,910	1,358,942	157,578
Latin America and Caribbean	-	43,000	29,919	13,081
Middle East and North Africa	37,951	63,649	45,047	56,553
HHO Food and Garden Services	-	192,904	78,629	114,275
Justice Services	8,447,436	12,210,423	7,079,351	13,578,508
READI	3,070,416	15,451,851	15,185,609	3,336,658
Other Services	827,713	1,028,670	297,725	1,558,658
Total	\$ 15,244,873	\$ 31,367,688	\$ 26,563,008	\$ 20,049,553

Heartland Alliance for Human Needs & Human Rights

Notes to Consolidated Financial Statements

	June 30, 2017	Contributions Received	Released Amounts	June 30, 2018 (As Revised)
Housing and Health	\$ 292,887	\$ 582,426	\$ 423,377	\$ 451,936
SAFEty	8,611	17,275	-	25,886
Pathways to Success	432,600	569,202	563,847	437,995
Housing, Community and Specialized Services	122,261	459,666	135,458	446,469
Integrated Health Care Services	30,924	50,000	55,973	24,951
Health Care Quality, Research, TA, and Training Services	577,674	936,055	744,219	769,510
Health Promotion and Nutrition	25,392	63,228	88,620	-
Housing Development	349,500	202,500	352,000	200,000
Kovler Center	502,948	753,770	752,108	504,610
Latin America and Caribbean	6,923	-	6,923	-
Middle East and North Africa	135,158	50,000	147,207	37,951
Justice Services	8,786,559	5,169,216	5,508,339	8,447,436
READI	1,679,654	8,595,760	7,204,998	3,070,416
Other Services	845,318	921,825	939,430	827,713
Total	\$ 13,796,409	\$ 18,370,923	\$ 16,922,499	\$ 15,244,873

16. 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 on either January 1st or July 1st, whichever entry date falls soonest after the first of the month following six months of working at 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 3 percent of each participant's eligible wages as specified in the 401(k) plan agreement. Employer contributions are vested 100 percent from day one of entering the 401(k) plan. 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 2019 and 2018 totaled \$1,656,424 and \$1,602,508, respectively.

The Organization also maintains a deferred compensation plan for certain of its executives. Total expense relating to this plan for fiscal years 2019 and 2018 totaled \$48,500 and \$31,200, respectively.

The liability for deferred compensation at June 30, 2019 and 2018, was \$194,490 and \$201,027, respectively.

Heartland Alliance for Human Needs & Human Rights

Notes to Consolidated Financial Statements

17. Transactions with Affiliates

The Organization has entered into an agreement with Heartland Health Centers (HHC), an affiliated human services organization, to provide management and administrative services to HHC. These management and administrative services consist of fiscal management, accounting, human resources support, insurance and courier services. In addition, HHC's employees are eligible to participate in the Organization's 401(k) plan. The agreement with HHC is in effect through June 30, 2019. Revenue recognized by the Organization under this agreement amounted to \$600,000 for both fiscal years ended June 30, 2019 and 2018.

As of June 30, 2019 and 2018, HHC owed the Organization \$170,760 and \$342,180, respectively.

18. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditure are as follows for June 30, 2019:

	2019
Cash	\$ 14,566,295
Investments	24,839,581
Accounts receivable:	
Program service grants and fees	13,710,966
Pledges receivable	5,693,938
Patient services	1,194,171
Other	3,603,504
Allowance for contractual adjustments, discounts and bad debts	(1,169,960)
Prepaid expenses and other assets	3,391,045
Total financial assets available within one year	65,829,540
Less:	
Amounts unavailable for general expenditures within one year, due to:	
Investment held in trust to retire bonds	9,907,599
Restricted by donors with purpose restrictions	20,049,553
Designated by board with purpose restrictions	1,242,579
Total amounts unavailable for general expenditures within one year	31,199,731
Total financial assets available to management for general expenditures within one year	\$ 34,629,809

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Heartland Alliance for Human Needs & Human Rights

Notes to Consolidated Financial Statements

19. Commitments and Contingencies

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.

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 HAH 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 HAH 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.

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, HAH employees and eligible contractors are considered Federal employees immune from suit with the Federal government acting as their primary insurer.

20. Subsequent Events

The Organization has evaluated subsequent events through December 27, 2019, the date on which the financial statements were available to be issued.

Supplementary Information

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Financial Position

June 30, 2019	Heartland Alliance for Human Needs & Human Rights	Heartland Alliance International, LLC	Heartland Human Care Services, Inc.	Heartland Alliance Health, Inc.	Heartland Housing Inc.	Eliminations	Total
Assets							
Cash	\$ 4,688,518	2,351,973	\$ 4,182,858	\$ 1,085,183	\$ 2,257,763	-	\$ 14,566,295
Restricted cash	9,576,823	295	91,013	71,203	-	-	9,739,334
Investments	10,738,548	-	4,193,434	-	9,907,599	-	24,839,581
Accounts receivable:	-	-	-	-	-	-	-
Program service grants and fees	1,424,340	2,223,559	6,032,979	3,327,567	702,521	-	13,710,966
Pledges receivable	5,176,979	50,299	38,900	307,760	120,000	-	5,693,938
Patient services	-	-	-	1,194,171	-	-	1,194,171
Other	222,956	4,936	34,096	909,864	2,431,652	-	3,603,504
Inter-agency	3,850,483	71,619	(630,293)	(103,828)	(3,187,981)	-	-
Allowance for contractual adjustments, discounts and bad debts	(53,745)	-	(31,050)	(846,661)	(238,504)	-	(1,169,960)
Prepaid expenses and other current assets	1,056,467	528,823	900,113	301,883	603,759	-	3,391,045
Investment in limited partnerships	1,754,486	-	-	-	67,625	(1,754,486.0)	67,625
Other investments	-	-	-	1,481,236	3,698,636	-	5,179,872
Notes receivable, net	-	-	2,218,431	2,530,605	4,583,331	-	9,332,367
Receivables due from limited partnerships	-	-	-	-	1,042,422	-	1,042,422
Property and equipment, net	1,674,230	1,112,222	10,951,976	4,510,341	122,343,145	(500,000.0)	140,091,914
Escrow and reserve accounts	-	-	696,235	135,423	9,509,995	-	10,341,653
Deferred tax credit fees and lease costs, net	-	-	-	-	847,911	-	847,911
Residual interest	-	-	-	-	6,068,117	-	6,068,117
Total Assets	\$ 40,110,085	\$ 6,343,726	\$ 28,678,692	\$ 14,904,747	\$ 160,757,991	\$ (2,254,486)	\$ 248,540,755
Liabilities and Net Assets							
Liabilities:							
Accounts payable and other accrued expenses	\$ 2,046,598	\$ 947,637	\$ 2,130,754	\$ 737,409	\$ 1,751,401	\$ (500,000)	\$ 7,113,799
Accrued payroll and related liabilities	3,505,318	787,220	2,439,361	1,007,769	237,427	-	7,977,095
Construction costs payable	-	-	-	-	186,191	-	186,191
Deferred revenue	83,324	1,759,741	341,766	301,924	5,066,953	-	7,553,708
Liability for self-insurance claims	2,248,655	-	-	-	-	-	2,248,655
Deferred rent liability	1,501,317	-	-	-	-	-	1,501,317
Deferred compensation plan liability	194,490	-	-	-	-	-	194,490
Accrued interest payable	-	-	-	-	1,952,271	-	1,952,271
Debt obligations, net	-	-	11,603,524	6,186,328	67,967,570	-	85,757,422
Total Liabilities	9,579,702	3,494,598	16,515,405	8,233,430	77,161,813	(500,000)	114,484,948
Net Assets							
Without donor restriction	-	-	-	-	-	-	-
Undesignated	12,292,738	2,623,596	11,772,186	5,646,042	43,335,436	(1,754,486)	73,915,512
Non-controlling interest	-	-	-	-	40,090,742	-	40,090,742
Total without donor restrictions	12,292,738	2,623,596	11,772,186	5,646,042	83,426,178	(1,754,486)	114,006,254
With donor restriction	18,237,645	225,532	391,101	1,025,275	170,000	-	20,049,553
Total Net Assets	30,530,383	2,849,128	12,163,287	6,671,317	83,596,178	(1,754,486)	134,055,807
Total Liabilities and Net Assets	\$ 40,110,085	\$ 6,343,726	\$ 28,678,692	\$ 14,904,747	\$ 160,757,991	\$ (2,254,486)	\$ 248,540,755

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Financial Position

June 30, 2018	Heartland Alliance for Human Needs & Human Rights	Heartland Alliance International, LLC	Heartland Human Care Services, Inc.	Heartland Alliance Health, Inc.	Heartland Housing Inc.	Eliminations	Total (As Revised)
Assets							
Cash	\$ 3,160,994	\$ 893,481	\$ 5,083,793	\$ 1,405,628	\$ 2,739,890	\$ -	\$ 13,283,786
Restricted cash	6,101,962	295	134,085	148,838	-	-	6,385,180
Investments	10,172,299	-	3,923,018	-	10,233,729	-	24,329,046
Accounts receivable:							
Program service grants and fees	1,227,672	2,896,633	5,796,730	2,832,458	454,714	-	13,208,207
Pledges receivable	3,153,997	284,099	245,250	633,691	105,200	-	4,422,237
Patient services	-	-	-	1,723,373	-	-	1,723,373
Other	355,348	8,514	387	402,618	1,252,153	-	2,019,020
Inter-agency	3,364,504	(125,222)	(903,311)	(256,210)	(2,079,761)	-	-
Allowance for contractual adjustments, discounts and bad debts	(57,745)	-	(31,573)	(404,806)	(156,054)	-	(650,178)
Prepaid expenses and other current assets	779,171	727,272	732,391	312,429	574,744	-	3,126,007
Investment in limited partnerships	1,754,486	-	-	-	67,625	(1,754,486)	67,625
Other investments	-	-	-	1,228,812	3,842,273	-	5,071,085
Notes receivable, net	-	-	2,218,431	2,530,605	4,841,099	-	9,590,135
Receivables due from limited partnerships	-	-	-	-	1,018,325	-	1,018,325
Property and equipment, net	1,635,770	1,429,075	11,334,074	5,013,481	116,693,771	(500,000)	135,606,171
Escrow and reserve accounts	-	-	595,621	641,024	9,361,526	-	10,598,171
Deferred tax credit fees and lease costs, net	-	-	-	-	613,360	-	613,360
Residual interest	-	-	-	-	6,068,116	-	6,068,116
Total Assets	\$ 31,648,458	\$ 6,114,147	\$ 29,128,896	\$ 16,211,941	\$ 155,630,710	\$ (2,254,486)	\$ 236,479,666
Liabilities and Net Assets							
Liabilities:							
Accounts payable and other accrued expenses	\$ 1,169,064	\$ 281,857	\$ 1,958,566	\$ 1,327,339	\$ 1,987,052	\$ (500,000.0)	\$ 6,223,878
Accrued payroll and related liabilities	3,142,034	962,938	2,439,373	1,070,390	246,422	-	7,861,157
Construction costs payable	-	-	-	-	5,335,620	-	5,335,620
Deferred revenue	62,094	947,943	394,839	199,964	9,169,498	-	10,774,338
Liability for self-insurance claims	2,251,001	-	-	-	-	-	2,251,001
Deferred rent liability	1,240,955	-	-	-	-	-	1,240,955
Deferred compensation plan liability	201,027	-	-	-	-	-	201,027
Accrued interest payable	-	-	-	-	1,935,474	-	1,935,474
Debt obligations, net	-	-	11,954,063	6,212,691	63,378,643	-	81,545,397
Total Liabilities	8,066,175	2,192,738	16,746,841	8,810,384	82,052,709	(500,000)	117,368,847
Net Assets							
Without donor restriction							
Undesignated	11,537,761	3,362,847	11,460,402	5,881,421	34,106,098	(1,754,486)	64,594,043
Non-controlling interest	-	-	-	-	39,271,903	-	39,271,903
Total without donor restrictions	11,537,761	3,362,847	11,460,402	5,881,421	73,378,001	(1,754,486)	103,865,946
With donor restriction	12,044,522	558,562	921,653	1,520,136	200,000	-	15,244,873
Total Net Assets	23,582,283	3,921,409	12,382,055	7,401,557	73,578,001	(1,754,486)	119,110,819
Total Liabilities and Net Assets	\$ 31,648,458	\$ 6,114,147	\$ 29,128,896	\$ 16,211,941	\$ 155,630,710	\$ (2,254,486)	\$ 236,479,666

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Activities

Year ended June 30, 2019,	Heartland Alliance for Human Needs & Human Rights	Heartland Alliance International, LLC	Heartland Human Care Services, Inc.	Heartland Alliance Health, Inc.	Heartland Housing Inc.	Eliminations	Total
Revenues							
Contributions	\$ 30,528,001	\$ 774,573	\$ 685,012	\$ 1,110,418	\$ 890,985	\$ -	\$ 33,988,989
Grants, contracts, reimbursements and client fees	3,944,317	24,271,645	62,056,815	15,858,350	4,761,438	-	110,892,565
Program services	593,766	1,550	281,951	5,739,336	-	(19,956)	6,596,647
Contributed services and non-cash contributions	117,474	219,154	1,561,824	235,579	3,960,134	-	6,094,165
Patient services, net of contractual adjustments and discounts	-	-	-	5,541,838	-	-	5,541,838
Rental income	202,183	-	-	65,656	9,676,335	(202,183)	9,741,991
Housing development	-	-	-	-	86,756	-	86,756
Interest and investment income	407,396	(282)	125,673	277,754	952,711	-	1,763,252
Other income	1,638,946	(170,725)	1,562,150	240,623	626,217	(2,692,558)	1,204,653
Shared services revenue	10,431,726	238,897	546,839	794,820	508,946	(12,521,228)	-
Total revenues	47,863,809	25,334,812	66,820,264	29,864,374	21,463,522	(15,435,925)	175,910,856
Expenses							
Salaries and wages	16,217,382	8,353,205	32,438,702	11,921,371	2,842,037	-	71,772,697
Payroll taxes and fringe benefits	3,749,730	1,881,433	8,706,474	3,193,769	768,179	-	18,299,585
Staff expenses	800,075	1,918,504	549,347	303,235	116,391	-	3,687,552
Professional services	5,494,560	3,118,544	2,539,594	2,195,285	1,387,932	(962,077)	13,773,838
Office services	1,457,363	685,578	1,655,032	800,013	230,881	-	4,828,867
Occupancy	1,918,870	713,154	3,549,862	1,142,977	1,423,753	(202,183)	8,546,433
Equipment	408,208	299,509	757,229	301,536	20,672	-	1,787,154
Client support and supplies	3,356,149	2,242,208	7,519,723	5,034,363	7,688	(8,881)	18,151,250
Subrecipients	7,060,023	5,164,412	644,229	414,785	-	(1,741,556)	11,541,893
Contributed services and in-kind expenses	117,474	219,154	1,561,824	235,578	10,134	-	2,144,164
Real estate development and property management	-	-	-	435,651	3,610,358	-	4,046,009
Interest expense	-	-	508,163	90,823	1,723,954	-	2,322,940
Tax expense	49,605	4,296	11,664	7,135	2,113	-	74,813
Uncollectible accounts	-	-	158,862	517,138	268,394	-	944,394
Allocation of shared services costs	40,629,439	24,599,997	60,600,705	26,593,659	12,412,486	(2,914,697)	161,921,589
	-	1,490,242	5,750,118	3,741,671	1,539,197	(12,521,228)	-
Total expenses	40,629,439	26,090,239	66,350,823	30,335,330	13,951,683	(15,435,925)	161,921,589
Increase in net assets before depreciation and amortization							
	7,234,370	(755,427)	469,441	(470,956)	7,511,839	-	13,989,267
Depreciation and amortization	(286,270)	(316,854)	(688,209)	(259,284)	(5,992,628)	-	(7,543,245)
Increase (decrease) in net assets before other items							
	6,948,100	(1,072,281)	(218,768)	(730,240)	1,519,211	-	6,446,022
Other items:							
Capital contributions to limited partnerships and other entities	-	-	-	-	8,547,575	-	8,547,575
Capital distributions to limited partnerships and other entities	-	-	-	-	(48,609)	-	(48,609)
Offering costs, non-controlling interests	-	-	-	-	-	-	-
Total other items	-	-	-	-	8,498,966	-	8,498,966
Increase (decrease) in net assets	6,948,100	(1,072,281)	(218,768)	(730,240)	10,018,177	-	14,944,988
Net assets, beginning of year	23,582,283	3,921,409	12,382,055	7,401,557	73,578,001	(1,754,486)	119,110,819
Net assets, end of year	\$ 30,530,383	\$ 2,849,128	\$ 12,163,287	\$ 6,671,317	\$ 83,596,178	\$ (1,754,486)	\$ 134,055,807

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Activities

<i>Year ended June 30, 2018,</i>	Heartland Alliance for Human Needs & Human Rights	Heartland Alliance International, LLC	Heartland Human Care Services, Inc.	Heartland Alliance Health, Inc.	Heartland Housing Inc.	Eliminations	Total (As Revised)
Revenues							
Contributions	\$ 15,043,442	\$ 903,450	\$ 1,420,940	\$ 1,978,908	\$ 1,067,969	\$ -	\$ 20,414,709
Grants, contracts, reimbursements and client fees	3,719,510	24,700,940	55,398,430	15,487,606	5,900,205	-	105,206,691
Program services	528,977	-	257,702	5,007,368	-	-	5,794,047
Contributed services and non-cash contributions	87,750	471,679	1,790,157	389,078	13,520	-	2,752,184
Patient services, net of contractual adjustments and discounts	-	-	-	5,561,959	-	-	5,561,959
Rental income	213,955	-	-	23,750	8,139,849	(213,955)	8,163,599
Housing development	-	-	-	-	107,022	-	107,022
Interest and investment income	461,836	389	276,845	133,707	1,051,885	(5,525)	1,919,137
Other income	1,385,482	(244,793)	9,745	221,159	865,962	(962,757)	1,274,798
Shared services revenue	10,008,190	53,363	285,044	160,994	43,595	(10,551,186)	-
Total revenues	31,449,142	25,885,028	59,438,863	28,964,529	17,190,007	(11,733,423)	151,194,146
Expenses							
Salaries and wages	13,706,656	7,478,251	28,273,218	12,306,868	2,647,822	-	64,412,815
Payroll taxes and fringe benefits	3,242,299	1,931,144	7,869,536	3,115,801	774,627	-	16,933,407
Staff expenses	598,634	1,799,528	560,087	269,530	96,424	-	3,324,203
Professional services	3,611,520	2,522,865	2,665,282	1,704,820	1,310,556	(777,363)	11,037,680
Office services	1,187,500	860,367	1,395,588	725,628	233,839	-	4,402,922
Occupancy	1,335,155	735,163	2,790,879	1,234,287	1,407,303	(213,955)	7,288,832
Equipment	348,709	630,834	849,203	293,015	16,470	-	2,138,231
Client support and supplies	1,725,876	3,382,839	6,681,107	4,908,139	12,914	-	16,710,875
Subrecipients	3,718,296	4,332,561	782,421	380,016	-	(185,394)	9,027,900
Contributed services and in-kind expenses	87,750	405,395	1,790,157	389,078	13,520	-	2,685,900
Real estate development and property management	-	-	-	420,463	2,652,734	-	3,073,197
Interest expense	-	227	531,070	36,854	1,948,389	(5,525)	2,511,015
Uncollectible accounts	(91,949)	-	527,916	30,546	171,944	-	638,457
	29,470,446	24,079,174	54,716,464	25,815,045	11,286,542	(1,182,237)	144,185,434
Allocation of shared services costs	-	1,212,780	5,180,892	3,093,011	1,064,503	(10,551,186)	-
Total expenses	29,470,446	25,291,954	59,897,356	28,908,056	12,351,045	(11,733,423)	144,185,434
Increase in net assets before depreciation and amortization							
	1,978,696	593,074	(458,493)	56,473	4,838,962	-	7,008,712
Depreciation and amortization	(295,657)	(286,836)	(710,789)	(247,424)	(5,402,540)	-	(6,943,246)
Increase (decrease) in net assets before other items							
	1,683,039	306,238	(1,169,282)	(190,951)	(563,578)	-	65,466
Other items:							
Capital contributions to limited partnerships and other entities	-	-	-	-	5,858,005	-	5,858,005
Capital distributions to limited partnerships and other entities	-	-	-	-	(5,346)	-	(5,346)
Offering costs, non-controlling interests	-	-	-	-	(40,000)	-	(40,000)
Total other items	-	-	-	-	5,812,659	-	5,812,659
Increase (decrease) in net assets	1,683,039	306,238	(1,169,282)	(190,951)	5,249,081	-	5,878,125
Net assets, beginning of year	21,899,244	3,615,171	13,551,337	7,592,508	68,328,920	(1,754,486)	113,232,694
Net assets, end of year	\$ 23,582,283	\$ 3,921,409	\$ 12,382,055	\$ 7,401,557	\$ 73,578,001.0	\$ (1,754,486)	\$ 119,110,819

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Cash Flows

June 30, 2019	Heartland Alliance for Human Needs & Human Rights	Heartland Alliance International, LLC	Heartland Human Care Services, Inc.	Heartland Alliance Health, Inc.	Heartland Housing Inc.	Eliminations	Total
Cash flows from operating activities							
Increase (decrease) in net assets	\$ 6,948,100	\$ (1,072,281)	\$ (218,768)	\$ (730,240)	\$ 10,018,177	\$ -	\$ 14,944,988
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:							
Depreciation and amortization	286,270	316,854	688,209	259,284	5,992,628	-	7,543,245
Amortization of deferred financing costs	-	-	-	-	42,507	-	42,507
Provision for (recovery of) bad debts	-	-	158,862	517,138	268,395	-	944,395
Provision for (recovery of) bad debts	-	-	-	-	-	-	-
Loss on disposal of property and equipment	-	-	-	-	-	-	-
Gain on investments	(100,199)	-	-	-	-	-	(100,199)
Earnings from other investments	-	-	-	-	-	-	-
Developer fee amortization	-	-	-	-	-	-	-
Capital contributions to limited partnerships and other entities	-	-	-	-	(8,547,475)	-	(8,547,475)
Capital distributions and other reductions to limited partnerships and other entities	-	-	-	-	(48,609)	-	(48,609)
Effects of changes in operating assets and liabilities:							
Accounts receivable:							
Program service grants and fees	(196,668)	673,073	(236,250)	(495,109)	(247,806)	-	(502,760)
Pledges receivable	(2,022,982)	233,800	206,350	325,931	(14,800)	-	(1,271,701)
Patient services	-	-	-	529,203	-	-	529,203
Other	128,392	3,578	(193,093)	(567,767)	(1,365,445)	-	(1,994,335)
Inter-agency	(485,977)	(196,841)	(273,020)	(152,382)	1,108,220	-	-
Prepaid expenses and other assets	(277,296)	198,451	(167,723)	10,546	(29,015)	-	(265,037)
Receivables due from limited partnerships	-	-	-	-	(24,097)	-	(24,097)
Accounts payable and other accrued expenses	877,531	665,779	172,189	(604,692)	(235,651)	-	875,156
Accrued payroll and related liabilities	363,284	(175,718)	(11)	(62,622)	(8,995)	-	115,938
Liability for self-insurance claims	(2,346)	-	-	-	-	-	(2,346)
Accrued interest payable	-	-	-	-	16,797	-	16,797
Deferred rent liability	260,362	-	-	-	-	-	260,362
Deferred compensation plan liability	(6,537)	-	-	-	-	-	(6,537)
Deferred revenue	21,229	811,797	(53,073)	101,959	(4,102,546)	-	(3,220,634)
Developer fees received	-	-	-	-	-	-	-
Net cash (used in) provided by operating activities	5,793,163	1,458,492	83,672	(868,751)	2,822,285	-	9,288,861
Cash flows from investing activities							
Change in restricted cash	(3,474,861)	-	43,071	77,635	-	-	(3,354,155)
Additions to property and equipment	(324,730)	-	(306,110)	243,855	(11,642,002)	-	(12,028,987)
Proceeds from sale of property and equipment	-	-	-	-	-	-	-
(Purchases) sales of investments, net	(466,048)	-	(270,415)	(252,421)	326,130	-	(662,754)
Proceeds from notes receivable	-	-	-	-	-	-	-
Cash paid in exchange for notes receivable	-	-	-	-	257,768	-	257,768
Deposits to escrow accounts	-	-	(100,614)	-	(1,804,666)	-	(1,905,280)
Releases from escrow accounts	-	-	-	505,600	1,656,197	-	2,161,797
Net cash (used in) provided by investing activities	(4,265,639)	-	(634,068)	574,669	(11,206,573)	-	(15,531,611)
Cash flows from financing activities							
Capital contributions to limited partnerships and other entities	-	-	-	-	8,547,475	-	8,547,475
Capital distributions to limited partnerships and other entities	-	-	-	-	48,609	-	48,609
Offering costs, noncontrolling interests	-	-	-	-	143,636	-	143,636
Developer fees paid from limited partnerships	-	-	-	-	-	-	-
Repayments of borrowings	-	-	(350,539)	-	(9,994,194)	-	(10,344,733)
Proceeds from borrowings	-	-	-	(26,363)	9,391,185	-	9,364,822
Deferred financing fees	-	-	-	-	(234,550)	-	(234,550)
Lease costs paid	-	-	-	-	-	-	-
Tax credit fees	-	-	-	-	-	-	-
Net cash (used in) provided by financing activities	-	-	(350,539)	(26,363)	7,902,161	-	7,525,259
Net (decrease) increase in cash	1,527,524	1,458,492	(900,935)	(320,445)	(482,127)	-	1,282,509
Cash, beginning of year	3,160,994	893,481	5,083,793	1,405,628	2,739,890	-	13,283,786
Cash, end of year	\$ 4,688,518	\$ 2,351,973	\$ 4,182,858	\$ 1,085,183	\$ 2,257,763	\$ -	\$ 14,566,295

Heartland Alliance for Human Needs & Human Rights

Consolidating Statement of Cash Flows

June 30, 2018	Heartland Alliance for Human Needs & Human Rights	Heartland Alliance International, LLC	Heartland Human Care Services, Inc.	Heartland Alliance Health, Inc.	Heartland Housing Inc.	Eliminations	Total (As Revised)
Cash flows from operating activities							
Increase (decrease) in net assets	\$ 1,683,039	\$ 306,238	\$ (1,169,282)	\$ (190,951)	5,249,081	\$ -	\$ 5,878,125
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:							
Depreciation and amortization	295,657	286,836	710,789	247,424	5,402,540	-	6,943,246
Amortization of deferred financing costs	-	-	-	-	64,871	-	64,871
Provision for (recovery of) bad debts	(91,949)	-	527,916	30,546	171,946	-	638,459
Loss on disposal of property and equipment	-	-	65,310	-	-	-	65,310
Gain on investments	(279,809)	-	(223,819)	-	-	-	(503,628)
Earnings from other investments	-	-	-	(118,856)	-	-	(118,856)
Developer fee amortization	-	-	-	-	(12,096)	-	(12,096)
Capital contributions to limited partnerships and other entities	-	-	-	-	(5,858,005)	-	(5,858,005)
Capital distributions and other reductions to limited partnerships and other entities	-	-	-	-	5,346	-	5,346
Effects of changes in operating assets and liabilities:							
Accounts receivable:							
Program service grants and fees	242,991	(1,404,094)	(1,305,695)	(94,640)	(43,791)	-	(2,605,229)
Pledges receivable	(231,717)	(215,170)	(101,930)	(245,044)	202,125	-	(591,736)
Patient services	-	-	-	(11,014)	-	-	(11,014)
Other	(443,204)	19,907	(264,333)	264,849	(2,138)	-	(424,919)
Inter-agency	304,831	(36,747)	221,229	(40,288)	(449,025)	-	-
Prepaid expenses and other assets	(212,273)	(93,141)	56,503	21,424	27,186	-	(200,301)
Receivables due from limited partnerships	-	-	-	-	-	-	-
Accounts payable and other accrued expenses	55,811	155,356	1,007,536	613,505	(83,415)	(500,000)	1,248,793
Accrued payroll and related liabilities	779,696	363,952	265,977	73,427	9,604	-	1,492,656
Liability for self-insurance claims	451,001	-	-	-	-	-	451,001
Accrued interest payable	-	-	-	-	157,610	-	157,610
Deferred rent liability	20,652	-	-	-	-	-	20,652
Deferred compensation plan liability	(78,816)	-	-	-	-	-	(78,816)
Deferred revenue	(2,873,254)	(287,646)	93,547	(84,059)	480,961	-	(2,670,451)
Developer fees received	-	-	-	-	328,960	-	328,960
Net cash (used in) provided by operating activities	(377,344)	(904,509)	(116,252)	466,323	5,651,760	(500,000)	4,219,978
Cash flows from investing activities							
Change in restricted cash	(2,425,174)	4,705	(43,172)	(92,452)	-	-	(2,556,093)
Additions to property and equipment	(214,076)	(842,345)	(136,020)	(4,234,501)	(12,842,832)	500,000	(17,769,774)
Proceeds from sale of property and equipment	-	-	600,000	-	-	-	600,000
(Purchases) sales of investments, net	(205,202)	-	(52,219)	(51,667)	-	-	(309,088)
Proceeds from notes receivable	-	-	-	-	155,103	-	155,103
Cash paid in exchange for notes receivable	-	-	-	(2,530,605)	-	-	(2,530,605)
Deposits to escrow accounts	-	-	(125,199)	(641,024)	(2,561,783)	-	(3,328,006)
Releases from escrow accounts	-	-	66,822	-	2,303,345	-	2,370,167
Net cash (used in) provided by investing activities	(2,844,452)	(837,640)	310,212	(7,550,249)	(12,946,167)	500,000	(23,368,296)
Cash flows from financing activities							
Capital contributions to limited partnerships and other entities	-	-	-	-	5,858,005	-	5,858,005
Capital distributions to limited partnerships and other entities	-	-	-	-	(5,346)	-	(5,346)
Offering costs, noncontrolling interests	-	-	-	-	(40,000)	-	(40,000)
Developer fees paid from limited partnerships	-	-	-	-	-	-	-
Repayments of borrowings	-	-	(791,371)	(14,709)	(3,343,736)	-	(4,149,816)
Proceeds from borrowings	-	-	-	6,227,400	5,786,336	-	12,013,736
Deferred financing fees	-	-	-	-	(34,288)	-	(34,288)
Lease costs paid	-	-	-	-	(65,923)	-	(65,923)
Tax credit fees	-	-	-	-	(131,843)	-	(131,843)
Net cash (used in) provided by financing activities	-	-	(791,371)	6,212,691	8,023,205	-	13,444,525
Net (decrease) increase in cash	(3,221,796)	(1,742,149)	(597,411)	(871,235)	728,798	-	(5,703,793)
Cash, beginning of year	6,382,790	2,635,630	5,681,204	2,276,863	2,011,093	-	18,987,580
Cash, end of year	\$ 3,160,994	\$ 893,481	\$ 5,083,793	\$ 1,405,628	\$ 2,739,890	\$ -	\$ 13,283,786

Heartland Alliance for Human Needs & Human Rights

Statement of Functional Expenses

<i>June 30, 2019</i>	Program Services			Supporting Services			Total 2019
	Justice Services	READI	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 5,947,121	\$ 1,985,794	\$ 7,932,915	\$ 7,722,186	\$ 562,281	\$ 8,284,467	\$ 16,217,382
Payroll taxes and fringe benefits	1,546,384	423,914	1,970,298	1,638,868	140,564	1,779,432	3,749,730
Staff expenses	291,341	196,892	488,233	270,324	41,518	311,842	800,075
Professional expenses	377,502	1,414,470	1,791,972	3,358,416	344,172	3,702,588	5,494,560
Office services	168,795	50,877	219,672	1,155,016	82,675	1,237,691	1,457,363
Occupancy	678,866	63,985	742,851	1,099,802	76,217	1,176,019	1,918,870
Equipment	103,898	44,647	148,545	246,491	13,172	259,663	408,208
Client support and supplies	98,605	3,251,869	3,350,474	5,655	20	5,675	3,356,149
Subrecipients	316,144	6,743,879	7,060,023	-	-	-	7,060,023
Contributed services and in-kind expenses	-	-	-	-	-	-	-
	117,474	-	117,474	-	-	-	117,474
Real estate development and property management	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-
Tax expense	-	-	-	49,605	-	49,605	49,605
Uncollectible accounts	-	-	-	-	-	-	-
	9,646,130	14,176,327	23,822,457	15,546,363	1,260,619	16,806,982	40,629,439
Allocation of shared services costs	-	-	-	-	-	-	-
	9,646,130	14,176,327	23,822,457	15,546,363	1,260,619	16,806,982	40,629,439
Depreciation and amortization	-	-	-	286,270	-	286,270	286,270
	\$ 9,646,130	\$ 14,176,327	\$ 23,822,457	\$ 15,832,633	\$ 1,260,619	\$ 17,093,252	\$ 40,915,709

Heartland Alliance International, LLC

Statement of Functional Expenses

June 30, 2019	Program Services				Supporting Services				Total 2019
	Middle East and Northern Africa	Latin America and Caribbean	Sub-Saharan Africa	Kovler Center	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 3,291,048	\$ 909,075	\$ 2,356,063	\$ 436,906	\$ 6,993,092	\$ 1,207,496	\$ 152,617	\$ 1,360,113	\$ 8,353,205
Payroll taxes and fringe benefits	387,763	351,829	725,620	139,689	1,604,901	244,049	32,483	276,532	1,881,433
Staff expenses	621,032	242,081	844,129	18,328	1,725,570	159,611	33,323	192,934	1,918,504
Professional expenses	563,711	259,513	1,704,531	252,372	2,780,127	334,948	3,469	338,417	3,118,544
Office services	194,498	91,542	324,041	38,176	648,257	34,993	2,328	37,321	685,578
Occupancy	223,613	36,851	329,209	46,100	635,773	77,381	-	77,381	713,154
Equipment	185,229	7,653	85,055	8,490	286,427	12,753	329	13,082	299,509
Client support and supplies	751,305	68,061	1,405,953	16,713	2,242,032	173	3	176	2,242,208
Subrecipients	3,032,591	331,593	1,800,028	-	5,164,212	200	-	200	5,164,412
Contributed services and in-kind expenses	-	-	-	219,154	219,154	-	-	-	219,154
Real estate development and property management	-	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-	-
Tax expense	-	-	-	-	-	4,296	-	4,296	4,296
Uncollectible accounts	-	-	-	-	-	-	-	-	-
	9,250,790	2,298,198	9,574,629	1,175,928	22,299,545	2,075,900	224,552	2,300,452	24,599,997
Allocation of shared services costs	-	-	-	-	-	1,490,242	-	1,490,242	1,490,242
	9,250,790	2,298,198	9,574,629	1,175,928	22,299,545	3,566,142	224,552	3,790,694	26,090,239
Depreciation and amortization	11,673	-	252,195	35,139	299,007	17,847	-	17,847	316,854
	\$ 9,262,463	\$ 2,298,198	\$ 9,826,824	\$ 1,211,067	\$ 22,598,552	\$ 3,583,989	\$ 224,552	\$ 3,808,541	\$ 26,407,093

Heartland Human Care Services, Inc.

Statement of Functional Expenses

June 30, 2019	Program Services			Supporting Services			Total 2019	
	SAFETy	Pathways to Success	Housing & Health	Total Program Services	Management and General	Fundraising		Total Supporting Services
Salaries and wages	\$ 23,110,338	\$ 4,533,870	\$ 3,824,244	\$ 31,468,452	\$ 970,250	\$ -	\$ 970,250	\$ 32,438,702
Payroll taxes and fringe benefits	6,167,009	1,174,291	1,168,027	8,509,327	197,147	-	197,147	8,706,474
Staff expenses	278,376	110,981	111,426	500,783	48,564	-	48,564	549,347
Professional expenses	1,642,621	105,679	320,485	2,068,785	470,809	-	470,809	2,539,594
Office services	1,151,254	227,675	174,098	1,553,027	102,005	-	102,005	1,655,032
Occupancy	2,714,747	473,628	562,511	3,750,886	(201,024)	-	(201,024)	3,549,862
Equipment	340,881	172,605	137,821	651,307	105,922	-	105,922	757,229
Client support and supplies	2,895,721	760,263	3,881,629	7,537,613	(17,890)	-	(17,890)	7,519,723
Subrecipients	464,274	-	179,955	644,229	-	-	-	644,229
Contributed services and in-kind expenses	170,450	409,029	982,345	1,561,824	-	-	-	1,561,824
Real estate development and property management	-	-	-	-	-	-	-	-
Interest expense	-	-	-	-	508,163	-	508,163	508,163
Tax expense	-	-	-	-	11,664	-	11,664	11,664
Uncollectible accounts	158,862	-	-	158,862	-	-	-	158,862
Allocation of shared services costs	39,094,533	7,968,021	11,342,541	58,405,095	2,195,610	-	2,195,610	60,600,705
	-	-	-	-	5,750,118	-	5,750,118	5,750,118
Depreciation and amortization	39,094,533	7,968,021	11,342,541	58,405,095	7,945,728	-	7,945,728	66,350,823
	674,534	9,445	4,230	688,209	-	-	-	688,209
	\$ 39,769,067	\$ 7,977,466	\$ 11,346,771	\$ 59,093,304	\$ 7,945,728	\$ -	\$ 7,945,728	\$ 67,039,032

Heartland Alliance Health, Inc.

Statement of Functional Expenses

June 30, 2019	Program Services					Supporting Services					Total 2019
	Housing, Community & Specialized Services	Healthcare Quality, Research, TA & Training Services	Health Promotion & Nutrition	Integrated Healthcare Services	Cross Cultural & Interpreting Services	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 4,256,705	\$ 751,527	\$ 473,166	\$ 5,285,673	\$ 132,962	\$ 10,900,033	\$ 1,021,338	\$ -	\$ 1,021,338	\$ 11,921,371	
Payroll taxes and fringe benefits	1,218,666	185,193	145,970	1,338,125	33,446	2,921,400	272,369	-	272,369	3,193,769	
Staff expenses	70,156	54,625	3,806	100,241	18,107	246,935	56,300	-	56,300	303,235	
Professional expenses	423,553	247,156	78,953	1,107,855	785,025	2,642,542	(447,257)	-	(447,257)	2,195,285	
Office services	195,997	24,984	47,085	447,818	3,736	719,620	80,393	-	80,393	800,013	
Occupancy	306,095	27,118	187,154	552,792	2,840	1,075,999	66,978	-	66,978	1,142,977	
Equipment	90,646	10,564	38,930	84,643	9,965	234,748	66,788	-	66,788	301,536	
Client support and supplies	1,858,090	22,721	473,934	2,684,547	-	5,039,292	(4,929)	-	(4,929)	5,034,363	
Subrecipients	-	-	-	414,785	-	414,785	-	-	-	414,785	
Contributed services and in-kind expenses	11,272	-	224,306	-	-	235,578	-	-	-	235,578	
Real estate development and property management	430,557	2,164	1,180	1,750	-	435,651	-	-	-	435,651	
Interest expense	-	-	-	65,019	-	65,019	25,804	-	25,804	90,823	
Tax expense	-	-	-	-	-	-	7,135	-	7,135	7,135	
Uncollectible accounts	455,539	-	-	11,599	-	467,138	50,000	-	50,000	517,138	
	9,317,276	1,326,052	1,674,484	12,094,847	986,081	25,398,740	1,194,919	-	1,194,919	26,593,659	
Allocation of shared services costs	-	-	-	-	-	-	3,741,671	-	3,741,671	3,741,671	
	9,317,276	1,326,052	1,674,484	12,094,847	986,081	25,398,740	4,936,590	-	4,936,590	30,335,330	
Depreciation and amortization	68,983	-	-	190,301	-	259,284	-	-	-	259,284	
	\$ 9,386,259	\$ 1,326,052	\$ 1,674,484	\$ 12,285,148	\$ 986,081	\$ 25,658,024	\$ 4,936,590	\$ -	\$ 4,936,590	\$ 30,594,614	

Heartland Housing, Inc.

Statement of Functional Expenses

<i>June 30, 2019</i>	Program Services		Supporting Services				Total 2019
	Housing Development	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 1,756,401	\$ 1,756,401	\$ 1,085,636	\$ -	\$ 1,085,636	\$ 2,842,037	
Payroll taxes and fringe benefits	509,064	509,064	259,115	-	259,115	768,179	
Staff expenses	55,118	55,118	61,273	-	61,273	116,391	
Professional expenses	1,387,932	1,387,932	-	-	-	1,387,932	
Office services	199,345	199,345	31,536	-	31,536	230,881	
Occupancy	1,340,573	1,340,573	83,180	-	83,180	1,423,753	
Equipment	2,625	2,625	18,047	-	18,047	20,672	
Client support and supplies	1,218	1,218	6,470	-	6,470	7,688	
expenses	10,134	10,134	-	-	-	10,134	
Real estate development and property management	3,610,358	3,610,358	-	-	-	3,610,358	
Interest expense	1,723,954	1,723,954	-	-	-	1,723,954	
Tax expense	-	-	2,113	-	2,113	2,113	
Uncollectible accounts	268,394	268,394	-	-	-	268,394	
	10,865,116	10,865,116	1,547,370	-	1,547,370	12,412,486	
Allocation of shared services costs	-	-	1,539,197	-	1,539,197	1,539,197	
	10,865,116	10,865,116	3,086,567	-	3,086,567	13,951,683	
Depreciation and amortization	5,992,628	5,992,628	-	-	-	5,992,628	
	\$ 16,857,744	\$ 16,857,744	\$ 3,086,567	\$ -	\$ 3,086,567	\$ 19,944,311	

Heartland Alliance International, LLC.

Consolidating Statement of Financial Position

	Heartland Alliance International, LLC	Heartland Alliance International - Europe	Total 2019	Total 2018
Assets				
Cash	\$ 2,340,611	\$ 11,362	\$ 2,351,973	\$ 893,481
Restricted cash	295	-	295	295
Accounts receivable:	-	-		
Program service grants and fees	1,536,158	687,401	2,223,559	2,896,633
Pledges receivable	50,299	-	50,299	284,099
Other	4,936	-	4,936	8,514
Inter-agency	677,258	(605,639)	71,619	(125,222)
Allowance for contractual adjustments, discounts and bad debts	-	-	-	-
Prepaid expenses and other current assets	505,206	23,617	528,823	727,272
Other investments	-	-	-	-
Property and equipment, net	1,112,222	-	1,112,222	1,429,075
Total Assets	6,226,985	116,741	6,343,726	6,114,147
Liabilities and Net Assets				
Liabilities				
Accounts payable and other accrued expenses	\$ 927,803	\$ 19,834	\$ 947,637	\$ 281,857
Accrued payroll and related liabilities	793,645	(6,425)	787,220	962,938
Deferred revenue	1,759,741	-	1,759,741	947,943
Total Liabilities	3,481,189	13,409	3,494,598	2,192,738
Net Assets				
Without donor restrictions	2,520,264	103,332	2,623,596	3,362,847
With donor restrictions	225,532	-	225,532	558,562
Total Net Assets	2,745,796	103,332	2,849,128	3,921,409
Total Liabilities and Net Assets	\$ 6,226,985	\$ 116,741	\$ 6,343,726.0	\$ 6,114,147.0

Heartland Alliance International, LLC.

Consolidating Statement of Activities

	Heartland Alliance International, LLC	Heartland Alliance International - Europe	Eliminations	Total 2019	Total 2018
Revenues					
Contributions	\$ 774,573	\$ -	\$ -	\$ 774,573	\$ 903,450
Grants, contracts, reimbursements and client fees	23,526,233	745,412	-	24,271,645	24,700,940
Program services	1,550	-	-	1,550	-
Contributed services and non-cash contributions	219,154	-	-	219,154	471,679
Interest and investment income (loss)	(282)	-	-	(282)	389
Other income	(150,754)	(19,971)	-	(170,725)	(244,793)
Shared services revenue	238,897	-	-	238,897	53,363
Total revenues	24,609,371	725,441	-	25,334,812	25,885,028
Expenses					
Salaries and wages	8,178,743	174,462	-	8,353,205	7,478,251
Payroll taxes and fringe benefits	1,855,024	26,409	-	1,881,433	1,931,144
Staff expenses	1,876,574	41,930	-	1,918,504	1,799,528
Professional services	3,017,144	101,400	-	3,118,544	2,522,865
Office services	677,869	7,709	-	685,578	860,367
Occupancy	702,232	10,922	-	713,154	735,163
Equipment	296,184	3,325	-	299,509	630,834
Client support and medical supplies	2,077,164	165,044	-	2,242,208	3,382,839
Subrecipients	4,991,736	172,676	-	5,164,412	4,332,561
Contributed services and in-kind expenses	219,154	-	-	219,154	405,395
Interest expense	-	-	-	-	227
Tax expense	4,296	-	-	4,296	-
Uncollectible accounts	-	-	-	-	-
	23,896,120	703,877	-	24,599,997	24,079,174
Allocation of shared services costs	1,490,242	-	-	1,490,242	1,212,780
Total expenses	25,386,362	703,877	-	26,090,239	25,291,954
Increase (decrease) in net assets before non-budgetary items	(776,991)	21,564	-	(755,427)	593,074
Non-budgetary items:					
Depreciation and amortization	(316,854)	-	-	(316,854)	(286,836)
Increase (decrease) in net assets	(1,093,845)	21,564	-	(1,072,281)	306,238
Net assets, beginning of year	3,839,641	81,768	-	3,921,409	3,615,171
Net assets, end of year	\$ 2,745,796	\$ 103,332	\$ -	\$ 2,849,128	\$ 3,921,409

Heartland Alliance International, LLC.

Consolidating Statement of Cash Flows

	Heartland Alliance International, LLC	Heartland Alliance International - Europe	Total 2019	Total 2018
Cash flows from operating activities				
Increase (decrease) in net assets	\$ (1,093,845)	\$ 21,564	\$ (1,072,281)	\$ 306,238
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	316,854	-	316,854	286,836
Recovery of bad debts	-	-	-	-
Loss on disposal of property and equipment	-	-	-	-
Effects of changes in operating assets and liabilities:				
Accounts receivable:				
Program service grants and fees	1,360,474	(687,401)	673,073	(1,404,094)
Pledges receivable	233,800	-	233,800	(215,170)
Other	3,578	-	3,578	19,908
Inter-agency	(912,737)	715,896	(196,841)	(36,747)
Prepaid expenses and other current assets	196,387	2,064	198,451	(93,141)
Accounts payable and other accrued expenses	658,985	6,794	665,779	155,355
Accrued payroll and related liabilities	(166,626)	(9,092)	(175,718)	363,952
Deferred revenue	869,808	(58,011)	811,797	(287,646)
Net cash provided by (used in) operating activities	1,466,678	(8,186)	1,458,492	(904,509)
Cash flows from investing activities				
Change in restricted cash	-	-	-	4,705
Additions to property and equipment	-	-	-	(842,345)
Proceeds from sale of property and equipment	-	-	-	-
Net cash used in investing activities	-	-	-	(837,640)
Net (decrease) increase in cash	1,466,678	(8,186)	1,458,492	(1,742,149)
Cash, beginning of year	873,933	19,548	893,481	2,635,630
Cash, end of year	\$ 2,340,611	\$ 11,362	\$ 2,351,973	\$ 893,481

Heartland Human Care Services, Inc.

Consolidating Statement of Financial Position

		Heartland Human Care Services, Inc.	3500 South Giles, LLC	Total 2019	Total 2018
Assets					
Cash	\$	3,820,750	\$ 362,108	\$ 4,182,858	\$ 5,083,793
Restricted cash		91,013	-	91,013	134,085
Investments		4,193,434	-	4,193,434	3,923,018
Accounts receivable:					
Program service grants and fees		6,032,979	-	6,032,979	5,796,730
Pledges receivable		38,900	-	38,900	245,250
Other		34,096	-	34,096	387
Inter-agency		95,760	(726,053)	(630,293)	(903,311)
Allowance for contractual adjustments, discounts and bad debts		(31,050)	-	(31,050)	(31,573)
Prepaid expenses and other current assets		900,113	-	900,113	732,391
Notes receivable		2,218,431	-	2,218,431	2,218,431
Property and equipment, net		1,594,280	9,357,696	10,951,976	11,334,074
Escrow and reserve accounts		-	696,235	696,235	595,621
Total assets	\$	18,988,706	\$ 9,689,986	\$ 28,678,692	\$ 29,128,896
Liabilities and Net Assets					
Liabilities					
Accounts payable and other accrued expenses	\$	2,130,754	\$ -	\$ 2,130,754	\$ 1,958,566
Accrued payroll and related liabilities		2,439,361	-	2,439,361	2,439,373
Deferred revenue		341,766	-	341,766	394,839
Debt obligations		1,361,064	10,242,460	11,603,524	11,954,063
Total liabilities		6,272,945	10,242,460	16,515,405	16,746,841
Net assets					
Without donor restrictions		12,324,660	(552,474)	11,772,186	11,460,402
With donor restrictions		391,101	-	391,101	921,653
Total Net Assets		12,715,761	(552,474)	12,163,287	12,382,055
Total Liabilities and Net Assets	\$	18,988,706	\$ 9,689,986	\$ 28,678,692	\$ 29,128,896

Heartland Human Care Services, Inc.

Consolidating Statement of Activities

	Heartland Human Care Services, Inc.	3500 South Giles, LLC	Eliminations	Total 2019	Total 2018
Revenues					
Contributions	\$ 685,012	\$ -	\$ -	\$ 685,012	\$ 1,420,940
Grants, contracts, reimbursements and client fees	62,056,815	-	-	62,056,815	55,398,430
Program services	281,951	-	-	281,951	257,702
Contributed services and non-cash contributions	1,561,824	-	-	1,561,824	1,790,157
Rental income	-	288,808	(288,808)	-	-
Interest and investment income	124,700	973	-	125,673	276,845
Other income	1,562,150	-	-	1,562,150	9,745
Shared services revenue	546,839	-	-	546,839	285,044
Total revenues	66,819,291	289,781	(288,808)	66,820,264	59,438,863
Expenses					
Salaries and wages	32,438,702	-	-	32,438,702	28,273,218
Payroll taxes and fringe benefits	8,706,474	-	-	8,706,474	7,869,536
Staff expenses	549,347	-	-	549,347	560,087
Professional services	2,539,301	293	-	2,539,594	2,665,282
Office services	1,655,032	-	-	1,655,032	1,395,588
Occupancy	3,838,670	-	(288,808)	3,549,862	2,790,879
Equipment	757,229	-	-	757,229	849,203
Client support and medical supplies	7,519,723	-	-	7,519,723	6,681,107
Subrecipients	644,229	-	-	644,229	782,421
Contributed services and in-kind expenses	1,561,824	-	-	1,561,824	1,790,157
Interest expense	38,634	469,529	-	508,163	531,070
Tax expense	11,664	-	-	11,664	-
Uncollectible accounts	158,862	-	-	158,862	527,916
	60,419,691	469,822	(288,808)	60,600,705	54,716,464
Allocation of shared services costs	5,750,118	-	-	5,750,118	5,180,892
Total expenses	66,169,809	469,822	(288,808)	66,350,823	59,897,356
Increase (decrease) in net assets before non-budgetary items	649,482	(180,041)	-	469,441	(458,493)
Non-budgetary items:					
Depreciation and amortization	(341,390)	(346,819)	-	(688,209)	(710,789)
(Decrease) increase in net assets	308,092	(526,860)	-	(218,768)	(1,169,282)
Net assets, beginning of year	12,407,669	(25,614)		12,382,055	13,551,337
Net assets, end of year	\$ 12,715,761	\$ (552,474)	\$ -	\$ 12,163,287	\$ 12,382,055

Heartland Human Care Services, Inc.

Consolidating Statement of Cash Flows

	Heartland Human Care Services, Inc.	3500 South Giles, LLC	Total 2019	Total 2018
Cash flows from operating activities				
(Decrease) increase in net assets	\$ 308,092	\$ (526,860)	\$ (218,768)	\$ (1,169,282)
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:				
Depreciation and amortization	341,390	346,819	688,209	710,789
Provision for (recovery of) bad debts	158,862	-	158,862	527,916
Loss on disposal of property and equipment	-	-	-	65,310
Gain on investments	-	-	-	(223,819)
Effects of changes in operating assets and liabilities:				
Accounts receivable:				
Program service grants and fees	(236,250)	-	(236,250)	(1,305,695)
Pledges receivable	206,350	-	206,350	(101,930)
Other	(193,093)	-	(193,093)	(264,333)
Inter-agency	(646,645)	373,625	(273,020)	221,229
Prepaid expenses and other current assets	(167,723)	-	(167,723)	56,503
Accounts payable and other accrued expenses	172,189	-	172,189	1,007,536
Accrued payroll and related liabilities	(11)	-	(11)	265,977
Deferred revenue	(53,073)	-	(53,073)	93,547
Net cash (used in) provided by operating activities	(109,912)	193,584	83,672	(116,252)
Cash flows from investing activities				
Change in restricted cash	43,071	-	43,071	(43,172)
Additions to property and equipment	(306,110)	-	(306,110)	(136,020)
Proceeds from sale of property and equipment	-	-	-	600,000
(Purchases) sales of investments, net	(270,415)	-	(270,415)	(52,219)
Deposits to escrow accounts	-	(100,614)	(100,614)	(125,199)
Releases from escrow accounts	-	-	-	66,822
Net cash (used in) provided by investing activities	(533,454)	(100,614)	(634,068)	310,212
Cash flows from financing activities				
Repayments of borrowings	(103,787)	(246,752)	(350,539)	(791,371)
Proceeds from borrowings	-	-	-	-
Net cash (used in) provided by financing activities	(103,787)	(246,752)	(350,539)	(791,371)
Net (decrease) increase in cash	(747,153)	(153,782)	(900,935)	(597,411)
Cash, beginning of year	4,567,903	515,890	5,083,793	5,681,204
Cash, end of year	\$ 3,820,750	\$ 362,108	\$ 4,182,858	\$ 5,083,793

Heartland Alliance Health, Inc.

Consolidating Statement of Financial Position

	Heartland Alliance Health, Inc.	Heartland Health Support Corporation	Total 2019	Total 2018
Assets				
Cash	\$ 1,085,183	\$ -	\$ 1,085,183	\$ 1,405,628
Restricted cash	71,203	-	71,203	148,838
Accounts receivable:				
Program service grants and fees	3,327,567	-	3,327,567	2,832,458
Pledges receivable	307,760	-	307,760	633,691
Patient services	1,194,171	-	1,194,171	1,723,373
Other	870,833	39,031	909,864	402,618
Inter-agency	599,871	(703,699)	(103,828)	(256,210)
Allowance for contractual adjustments, discounts and bad debts	(846,661)	-	(846,661)	(404,806)
Prepaid expenses and other current assets	301,883	-	301,883	312,429
Other investments	1,481,236	-	1,481,236	1,228,812
Notes receivable, net	2,530,605	-	2,530,605	2,530,605
Property and equipment, net	360,949	4,149,392	4,510,341	5,013,481
Escrow and reserve accounts	-	135,423	135,423	641,024
Total assets	\$ 11,284,600	\$ 3,620,147	\$ 14,904,747	\$ 16,211,941
Liabilities and Net Assets				
Liabilities				
Accounts payable and other accrued expenses	\$ 709,203	\$ 28,206	\$ 737,409	\$ 1,327,339
Accrued payroll and related liabilities	1,007,769	-	1,007,769	1,070,390
Deferred revenue	301,924	-	301,924	199,964
Debt obligations, net	2,374,828	3,811,500	6,186,328	6,212,691
Total Liabilities	4,393,724	3,839,706	8,233,430	8,810,384
Net Assets				
Without donor restrictions	5,865,601	(219,559)	5,646,042	5,881,421
With donor restrictions	1,025,275	-	1,025,275	1,520,136
Total Net Assets	6,890,876	(219,559)	6,671,317	7,401,557
Total Liabilities and Net Assets	\$ 11,284,600	\$ 3,620,147	\$ 14,904,747	\$ 16,211,941

Heartland Alliance Health, Inc.

Consolidating Statement of Activities

	Heartland Alliance Health, Inc.	Heartland Health Support Corporation	Eliminations	Total 2019	Total 2018
Revenues					
Contributions	\$ 1,110,418	\$ -	\$ -	\$ 1,110,418	\$ 1,978,908
Grants, contracts, reimbursements and client fees	15,858,350	-	-	15,858,350	15,487,606
Program services	5,739,336	-	-	5,739,336	5,007,368
Contributed services and non-cash contributions	235,579	-	-	235,579	389,078
Patient services, net of contractual adjustments and discounts	5,541,838	-	-	5,541,838	5,561,959
Rental income	8,658	56,998	-	65,656	23,750
Interest and investment income	277,754	-	-	277,754	133,707
Other income	240,623	-	-	240,623	221,159
Shared services revenue	794,820	-	-	794,820	160,994
Total revenues	29,807,376	56,998	-	29,864,374	28,964,529
Expenses					
Salaries and wages	11,921,372	-	-	11,921,372	12,306,868
Payroll taxes and fringe benefits	3,193,769	-	-	3,193,769	3,115,801
Staff expenses	303,235	-	-	303,235	269,530
Professional services	2,159,582	35,704	-	2,195,286	1,704,820
Office services	800,013	-	-	800,013	725,628
Occupancy	1,142,977	-	-	1,142,977	1,234,287
Equipment	301,536	-	-	301,536	293,015
Client support and medical supplies	5,034,362	-	-	5,034,362	4,908,139
Subrecipients	414,785	-	-	414,785	380,016
Contributed services and in-kind expenses	235,578	-	-	235,578	389,078
Real estate development and property management	435,650	-	-	435,650	420,463
Interest expense	65,019	25,804	-	90,823	36,854
Tax expense	7,135	-	-	7,135	-
Uncollectible accounts	517,138	-	-	517,138	30,546
	26,532,151	61,508	-	26,593,659	25,815,045
Allocation of shared services costs	3,741,671	-	-	3,741,671	3,093,011
Total expenses	30,273,822	61,508	-	30,335,330	28,908,056
Increase (decrease) in net assets before non-budgetary items					
	(466,446)	(4,510)	-	(470,956)	56,473
Non-budgetary items:					
Depreciation and amortization	(100,443)	(158,841)	-	(259,284)	(247,424)
(Decrease) increase in net assets	(566,889)	(163,351)	-	(730,240)	(190,951)
Net assets, beginning of year	7,457,765	(56,208)	-	7,401,557	7,592,508
Net assets, end of year	\$ 6,890,876	\$ (219,559)	\$ -	\$ 6,671,317	\$ 7,401,557

Heartland Alliance Health, Inc.

Consolidating Statement of Cash Flows

	Heartland Alliance Health, Inc.	Heartland Health Support Corporation	Total 2019	Total 2018
Cash flows from operating activities				
(Decrease) increase in net assets	\$ (566,889)	\$ (163,351)	\$ (730,240)	\$ (190,951)
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	100,443	158,841	259,284	247,424
Provision for bad debts	517,138	-	517,138	30,546
Earnings from other investments			-	(118,856)
Effects of changes in operating assets and liabilities:				
Accounts receivable:				
Program service grants and fees	(495,109)	-	(495,109)	(94,640)
Pledges receivable	325,931	-	325,931	(245,044)
Patient services	529,203	-	529,203	(11,014)
Other	(528,751)	(39,016)	(567,767)	264,849
Inter-agency	290,679	(443,061)	(152,382)	(40,288)
Prepaid expenses and other current assets	10,546	-	10,546	21,424
Accounts payable and other accrued expenses	(617,847)	13,155	(604,692)	613,505
Accrued payroll and related liabilities	(62,622)	-	(62,622)	73,427
Deferred rent liability	-	-	-	-
Deferred revenue	101,959	-	101,959	(84,059)
Net cash provided by (used in) operating activities	(395,319)	(473,432)	(868,751)	466,323
Cash flows from investing activities				
Change in restricted cash	77,635	-	77,635	(92,452)
Additions to property and equipment	276,023	(32,168)	243,855	(4,234,501)
Purchases of investments, net	(252,421)	-	(252,421)	(51,667)
Cash paid in exchange for notes receivable	-	-	-	(2,530,605)
Deposits to escrow accounts	-	505,600	505,600	(641,024)
Net cash provided by (used in) investing activities	101,237	473,432	574,669	(7,550,249)
Cash flows from financing activities				
Repayments of borrowings	(26,363)		(26,363)	(14,709)
Proceeds from borrowings				6,227,400
Net cash provided by (used in) financing activities	(26,363)	-	(26,363)	6,212,691
Net (decrease) increase in cash	(320,445)	-	(320,445)	(871,235)
Cash, beginning of year	1,405,628	-	1,405,628	2,276,863
Cash, end of year	\$ 1,085,183	\$ -	\$ 1,085,183	\$ 1,405,628



Heartland Alliance for Human Needs & Human Rights

Schedule of Expenditures of Federal Awards
and Reports Required by *Government
Auditing Standards* and Uniform Guidance
For the Year Ended June 30, 2019

Heartland Alliance for Human Needs & Human Rights

Schedule of Expenditures of Federal Awards and Reports Required by
Government Auditing Standards and Uniform Guidance
For the Year Ended June 30, 2019

Heartland Alliance for Human Needs & Human Rights

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Independent Auditor’s Report on Internal Control Over Consolidated Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Heartland Alliance for Human Needs & Human Rights, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Heartland Alliance for Human Needs & Human Rights’ internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Heartland Alliance for Human Needs & Human Rights’ internal control. Accordingly, we do not express an opinion on the effectiveness of Heartland Alliance for Human Needs & Human Rights’ internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Heartland Alliance for Human Needs & Human Rights' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Heartland Alliance for Human Needs & Human Rights' Response to Findings

Heartland Alliance for Human Needs & Human Rights' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Heartland Alliance for Human Needs & Human Rights' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Chicago, Illinois
December 27, 2019



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Independent Auditor's Report on Compliance For A Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for a Major Federal Program

We have audited Heartland Alliance for Human Needs & Human Rights' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Heartland Alliance for Human Needs & Human Rights' major federal program for the year ended June 30, 2019. Heartland Alliance for Human Needs & Human Rights' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Heartland Alliance for Human Needs & Human Rights' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Heartland Alliance for Human Needs & Human Rights' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Heartland Alliance for Human Needs & Human Rights' compliance.

Opinion on Major Federal Program

In our opinion, Heartland Alliance for Human Needs & Human Rights complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Heartland Alliance for Human Needs & Human Rights is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Heartland Alliance for Human Needs & Human Rights' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Heartland Alliance for Human Needs & Human Rights' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Heartland Alliance for Human Needs & Human Rights as of and for the year ended June 30, 2019, and have issued our report thereon dated December 27, 2019, except for Note 4 which is dated July 15, 2020, which contained an unmodified opinion on those consolidated financial statements. The Consolidated Schedule of Expenditures of Federal Awards SEFA has been revised to exclude federal funds that were audited under U.S. Department Housing and Urban Development's *Consolidated Audit Guide*. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

Chicago, Illinois

December 27, 2019, except for Note 4 which is dated July 15, 2020

Heartland Alliance for Human Needs Human Rights

Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures	Heartland Alliance	Expenditures by Entity				
						Heartland Alliance International	Heartland Human Care Services	Heartland Alliance Health	Heartland Housing	
Child Nutrition Cluster										
U.S. Department of Agriculture										
School Breakfast Program										
HHCS - Passed-through Illinois State Board of Education 4220 -School Breakfast Program	10.553	64-108-8430-51	\$ -	\$ 292,548	\$ -	\$ -	\$ 292,548	\$ -	\$ -	\$ -
National School Lunch Program										
HHCS - Passed-through Illinois State Board of Education 4210 -National School Lunch Program	10.555	64-108-8430-51	-	548,871	-	-	548,871	-	-	-
Total Child Nutrition Cluster			-	841,419	-	-	841,419	-	-	-
Health Centers Cluster										
U.S. Department of Health and Human Services										
Health Center Program Cluster										
Care for the Homeless, and Public Housing Primary Care)										
HHO -Health Care for the Homeless/McKinney	93.224	H80CS00111	138,748	1,645,683	-	-	-	1,645,683	-	-
HHO -Health Care for the Homeless/McKinney	93.527	H80CS00111	276,037	3,277,580	-	-	-	3,277,580	-	-
HHO -Expanded Medical Capacity	93.224	H80CS00111	-	38,498	-	-	-	38,498	-	-
HHO -Expanded Medical Capacity	93.527	H80CS00111	-	71,529	-	-	-	71,529	-	-
HHO -Expanded Service HRSA	93.224	H80CS00111	-	42,039	-	-	-	42,039	-	-
HHO -Expanded Service HRSA	93.527	H80CS00111	-	78,108	-	-	-	78,108	-	-
HHO -Health Care for the Homeless - Outreach & Enrollment	93.224	H80CS00111	-	11,214	-	-	-	11,214	-	-
HHO -Health Care for the Homeless - Outreach & Enrollment	93.527	H80CS00111	-	20,836	-	-	-	20,836	-	-
HHO -Access Increases in MentalHealth and Substance Abuse (AIMS)	93.224	H80CS00111	-	123,839	-	-	-	123,839	-	-
HAH - Health Center Quality Improvement (QI)	93.527	H80CS00111	-	46,224	-	-	-	46,224	-	-
HAH - Expanding Access to Quality Substance Use Disorder and Mental Health Services (SUD-MH)	93.527	H80CS00111	-	73,270	-	-	-	73,270	-	-
Total Health Centers Cluster			414,785	5,428,820	-	-	-	5,428,820	-	-
Community Development Block Grants/Entitlement Grants Cluster										
U.S. Department of Housing and Urban Development										
Community Development Block Grants/Entitlement Grants										
HHCS - Pass through Chicago Department of Family and Support Services										
Family Violence Prevention Initiative	14.218	68326/85526	-	33,039	-	-	33,039	-	-	-
Transitional Jobs	14.218	43875/85628	-	128,780	-	-	128,780	-	-	-
Homelessness Prevention	14.218	67678/85341	-	75,329	-	-	75,329	-	-	-
HHO - Pass-through Cook County										
Food & Nutrition	14.218	1804-047	-	14,192	-	-	-	14,192	-	-
HA - Pass-through Village of Oak Park										
Homelessness Prevention	14.218	N/A	-	-	-	-	-	-	-	-
Total Community Development Block Grants/Entitlement Grants Cluster			-	251,340	-	-	237,148	14,192	-	-
Emergency Solutions Grant Program										
HHCS - Pass through All Chicago/Emergency Fund										
Rapid Re-housing Program	14.231	67628/85383	-	262,252	-	-	262,252	-	-	-
HHCS - Pass through City of Chicago Department of Family and Support Services										
Homelessness Prevention Assistance	14.231	79419	-	52,756	-	-	52,756	-	-	-
Total Emergency Solutions Grant Program			-	315,008	-	-	315,008	-	-	-
ARRA - Homelessness Prevention and Rapid Re-Housing Program										
HHO -Emergency Solutions Grant										
HHO -100K Homes Outreach -	14.231	N/A	-	33,400	-	-	-	33,400	-	-
Total ARRA - Homelessness Prevention and Rapid Re-Housing Program			-	128,251	-	-	-	128,251	-	-
Total Expenditures			-	161,651	-	-	-	161,651	-	-

Heartland Alliance for Human Needs Human Rights

Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures	Heartland Alliance	Expenditures by Entity				Heartland Housing
						Heartland Alliance International	Heartland Human Care Services	Heartland Alliance Health		
U.S. Department of Housing and Urban Development (Continued)										
Supportive Housing Program										
HHO - Pass-through AIDS Foundation- Chicago Medicaid Supported Housing Pilot	14.235	N/A	-	102,364	-	-	-	-	102,364	-
HH - Pass-through City of Milwaukee Housing Authority HH - 1218 West Highland Ave, LLC - BHD Section 8	14.235	N/A	-	24,467	-	-	-	-	-	24,467
HH - 1218 West Highland Ave, LLC - SHP Section 8	14.235	N/A	-	1,460	-	-	-	-	-	1,460
HH - Fond du Lac Apartments, LLC - Affordable	14.235	N/A	-	136,877	-	-	-	-	-	136,877
HH - Pass-through Milwaukee County Housing HH - Fond du Lac Apartments, LLC - BHD Section 8	14.235	N/A	-	24,355	-	-	-	-	-	24,355
HH- County of Milwaukee Tenant Voucher - Affordable 1218 West Highland Avenue, LLC	14.235	N/A	-	1,460	-	-	-	-	-	1,460
Fond du Lac Apartments, LLC	14.235	N/A	-	24,355	-	-	-	-	-	24,355
HH - Pass-through Chicago Housing Authority Argyle Neighborhood Development Corp. - Rental Assistance	14.235	N/A	-	86,961	-	-	-	-	-	86,961
Ellis Neighborhood Development Corp - Rental Assistance	14.235	N/A	-	390,113	-	-	-	-	-	390,113
Mayfield LP - Section 8 - Housing Assistance Program	14.235	N/A	-	234,875	-	-	-	-	-	234,875
Drexel Jazz LP	14.235	N/A	-	173,219	-	-	-	-	-	173,219
Viceroy Hotel LP	14.235	N/A	-	447,478	-	-	-	-	-	447,478
Halsted LP	14.235	N/A	-	748,975	-	-	-	-	-	748,975
HH - Pass-through Institute for Community Living Argyle Neighborhood Development Corp. - Rental Assistance	14.235	N/A	-	6,171	-	-	-	-	-	6,171
HH - Pass-through North Side Housing Argyle Neighborhood Development Corp. - Rental Assistance	14.235	N/A	-	31,012	-	-	-	-	-	31,012
HH - Pass-through Inspiration Corp Argyle Neighborhood Development Corp. - Rental Assistance	14.235	N/A	-	7,115	-	-	-	-	-	7,115
			-	2,441,257	-	-	-	-	102,364	2,338,893
Continuum of Care Program										
HHO - Pass-through Housing Forward REN- West Cook Housing Initiative	14.267	N/A	-	42,409	-	-	-	-	42,409	-
REN- West Cook Housing Action Network Choice Endeavors	14.267	N/A	-	30,970	-	-	-	-	30,970	-
HHO- Pass through Chicago Department of Family and Support Services Shelter Plus Care II	14.267	IL0130L5T101708	-	254,313	-	-	-	-	254,313	-
Northside Shelter Plus Care	14.267	IL0374L5T101606/IL0374L5t101707	-	332,497	-	-	-	-	332,497	-
HHO - Pass-through Cook County Shelter Plus Care - Permanent Housing	14.267	IL0269L5T111609/IL0269L5T111710	-	204,752	-	-	-	-	204,752	-
			-	864,941	-	-	-	-	864,941	-
Housing Opportunities for Persons with AIDS										
HHCS - Pass-through City of Chicago Department of Public Health Summit and Phoenix/Garden View	14.241	31794/92320	-	803,162	-	-	803,162	-	-	-
HHCS- Pass-through AIDS Foundation- Chicago Medicaid/Bonus Project and Housing Information Services	14.241	N/A	-	67,560	-	-	67,560	-	-	-
HUD-HOPWA CHHP SPNS	14.241	N/A	-	45,033	-	-	45,033	-	-	-
HHO- Pass-through City of Chicago Department of Public Health Transitional Housing Opportunities - HOPWA	14.241	31792	-	216,717	-	-	-	216,717	-	-
			-	1,132,472	-	-	915,755	216,717	-	-

Heartland Alliance for Human Needs Human Rights

Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures	Heartland Alliance	Expenditures by Entity				
						Heartland Alliance International	Heartland Human Care Services	Heartland Alliance Health	Heartland Housing	
U.S. Department of Housing and Urban Development (Continued)										
Continuum of Care Program										
HHCS - NPAC SHP w/Short Term Support	14.267	IL0174L5T101609/IL0174L5T101710	-	536,972	-	-	536,972	-	-	-
HHCS - NPAC SHP Permanent Housing	14.267	IL0173L5T101609/IL0173L5T101710	-	330,308	-	-	330,308	-	-	-
HHCS - Stable Futures	14.267	IL0209L5T101710/IL0209L5T101811	-	1,613,436	-	-	1,613,436	-	-	-
HHCS - Neon Dorms - Supportive Housing	14.267	IL0167L5T101710/IL0167L5T101811	-	260,789	-	-	260,789	-	-	-
HHCS - Families Building Community	14.267	IL0119L5T101710	-	1,203,204	-	-	1,203,204	-	-	-
HHCS - LTRA	14.267	IL0093L5T101704	-	279,145	-	-	279,145	-	-	-
HHCS - Rafael Center	14.267	IL0107L5T101609/IL0107L5T101710	178,855	798,948	-	-	798,948	-	-	-
HHCS- Pass-through AIDS Foundation- Chicago										
HUD Safe Start I	14.267	IL0197L5T101710/IL0197L5T101811	-	124,143	-	-	124,143	-	-	-
HUD Chronic Homeless Initiative - Samaritan Supportive Housing Merger	14.267	IL0162L5T101609/IL0162L5T101710	-	232,612	-	-	232,612	-	-	-
HHCS- Pass-through Thresholds										
Thresholds Scattered-Site Leasing Project	14.267	IL0578L5T101703/IL0578L5T101804	-	48,293	-	-	48,293	-	-	-
HHO - REN - Bridges to Home	14.267	IL0099L5T101609/IL0099L5T101710	-	148,288	-	-	-	148,288	-	-
HHO - REN - Antonia Safe Haven	14.267	IL0096L5T101609 / IL0096L5T101710	-	307,119	-	-	-	307,119	-	-
HHO - REN - Pathways Home Outpatient	14.267	IL0178L5T101710/IL0178L5T101811	-	308,132	-	-	-	308,132	-	-
HHO - REN - Pathways Home Safe Haven	14.267	IL0180L5T101609 / IL0180L5T101710	-	1,105,623	-	-	-	1,105,623	-	-
HHO - REN - Pathways Home Permanent Housing	14.267	IL0179L5T101609/ IL0179L5T101710	-	543,963	-	-	-	543,963	-	-
HHO - REN - Supportive Permanent Housing	14.267	IL0216L5T101609/ IL0216L5T101710	-	308,296	-	-	-	308,296	-	-
HHO - REN - Assisted Permanent Housing	14.267	IL0097L5T101609 / IL0097L5T101710	-	165,281	-	-	-	165,281	-	-
HHO - REN - Low Income Housing Trust Fund Chronic Homeless Initiative	14.267	IL0393L5T101608 / IL0393L5T101709	-	115,257	-	-	-	115,257	-	-
HHO - Pass-through Corporation for Supportive Housing										
System Navigator Program	14.267	17069-C	-	120,406	-	-	-	120,406	-	-
			178,855	8,550,215	-	-	5,427,850	3,122,365	-	-
Public and Indian Housing										
HHCS - Pass-through Chicago Housing Authority										
Family Self-Sufficiency	14.896	12186	-	1,547,516	-	-	1,547,516	-	-	-
Moving to Work Demonstration Program	14.881	11526	-	2,272,527	-	-	2,272,527	-	-	-
			-	3,820,043	-	-	3,820,043	-	-	-
Total U.S. Department of Housing and Urban Development				178,855	17,536,927	-	-	10,715,804	4,482,230	2,338,893
U.S. Department of Justice										
Services for Trafficking Victims										
HHCS- Housing Justice Project	16.320	2018-VT-BX-0022	-	25,469	-	-	25,469	-	-	-
HHCS- Services for Trafficking Victims	16.320	2016-VT-BX-K050	100,723	190,115	-	-	190,115	-	-	-
			100,723	215,584	-	-	215,584	-	-	-
Crime Victim Assistance										
HHCS - Illinois Criminal Justice Information Authority	16.575	2016-VA-GX-0027	-	142,120	-	-	142,120	-	-	-
HHCS - Victims of Crime Act Transitional Housing	16.575	2015-VA-GX-0049/2017-VA-GX-0048	-	261,719	-	-	261,719	-	-	-
			-	403,839	-	-	403,839	-	-	-
John R. Justice Prosecutors and Defenders Incentive Act										
HA - Office of Defender Services	16.816	USCA14C0021/USCA17C2059	-	24,436	24,436	-	-	-	-	-
			-	24,436	24,436	-	-	-	-	-
Total U.S. Department of Justice			100,723	643,859	24,436	-	-	619,423	-	-
U.S. Department of Labor										
WIOA Adult Program										
HHCS - Pass-through Illinois Department of Commerce and Economic Opportunity	17.258	17-633092	-	82,538	-	-	82,538	-	-	-
			-	82,538	-	-	82,538	-	-	-

Heartland Alliance for Human Needs Human Rights

Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures	Heartland Alliance	Expenditures by Entity			
						Heartland Alliance International	Heartland Human Care Services	Heartland Alliance Health	Heartland Housing
U.S. Department of Labor (Continued)									
Employment and Training Administration									
HA - Workforce Innovation Fund Grants	17.283	IF-23248-12-60-A-17	-	1,560	1,560	-	-	-	-
			-	1,560	1,560	-	-	-	-
Total U.S. Department of Labor			-	84,098	1,560	-	82,538	-	-
U.S. Department of State									
Iraq Assistance Programs									
HAI - Improving Regional Juvenile Justice	19.221	S-NEAAC-17-CA-1018	299,599	1,069,338	-	1,069,338	-	-	-
HAI - Safer Passage: Securing Justice and Healing for Iraqi IDPs	19.519	SPRMC017CA2111	198,188	494,790	-	494,790	-	-	-
HAI - Protect and Defend: Securing the Rights of Iraqi Women and Children	19.016	S-LMAQM-17-GR-1208	354,007	1,216,132	-	1,216,132	-	-	-
HAI - Restoring Human Rights After Da'esh: Strengthening Government and Civil Society Response to Torture and Enforced Disappearance	19.016	SLMAQM18GR2021	202,252	1,057,566	-	1,057,566	-	-	-
HAI - Safer Passage: Securing justice and healing for Iraqi IDPs	19.519	SPRMC018CA0174	456,096	1,367,546	-	1,367,546	-	-	-
			1,510,142	5,205,372	-	5,205,372	-	-	-
International Programs to Combat Human Trafficking									
HAI - Strengthening Services for Victims of Human Trafficking in the Lake Chad Basin	19.019	S-SJTIP-16-GR-1018	16	357,422	-	357,422	-	-	-
HAI - Program for Testing, Care, Treatment, and Prevention of HIV/AIDS in Cote d'Ivoire (PROTECTCI)	93.067	NU2GGH002026-01-00	777,072	2,485,374	-	2,485,374	-	-	-
			777,088	2,842,796	-	2,842,796	-	-	-
U.S. Refugee Admissions Program									
HHCS - Pass-through United States Committee on Refugees & Immigration Reception and Placement	19.510	S-PRMCO-18-CA-0014/ S-PRMCO-19-CA-0018	-	296,875	-	-	296,875	-	-
			-	296,875	-	-	296,875	-	-
Overseas Refugee Assistance Programs for Western Hemisphere									
HAI - PROMUEVE II à Program for the Reduction of Minorities' Vulnerability to Statelessness	19.518	S-PRMCO-16-CA-1158	-	-	-	-	-	-	-
HAI - RESTORE: Restoring Nationality Rights in the Dominican Republic	19.518	SPRMC017CA2079	24,413	129,429	-	129,429	-	-	-
HAI - Improving Health and Building Resilience: MAS Colombia	19.518	SPRMC017CA2170	46,800	301,249	-	301,249	-	-	-
HAI - Improving Health and Building Resilience: MAS Colombia	19.518	SPRMC018CA0181	44,245	577,529	-	577,529	-	-	-
			115,458	1,008,207	-	1,008,207	-	-	-
Overseas Refugee Assistance Programs for Western Hemisphere (B)									
HAI - Preserving the Future: Strengthening Iraqi Religious and Ethnic Minority Communities in Iraq	19.016	S-LMAQM-14-GR-1287	25,782	113,008	-	113,008	-	-	-
			25,782	113,008	-	113,008	-	-	-
Total U.S. Department of State			2,428,470	9,466,258	-	9,169,383	296,875	-	-
U.S. Department of Veterans Affairs									
VA Supportive Services for Veteran Families Program									
HHCS - VA Supportive Services for Veteran Families Program (SSVF)	64.033	13-IL-105	-	1,226,498	-	-	1,226,498	-	-
Total U.S. Department of Veterans Affairs			-	1,226,498	-	-	1,226,498	-	-
U.S. Department of Education									
Adult Education - Basic Grants to States									
HHCS - Pass-through Illinois Community College Board									
Adult Education & Family Literacy Basic	84.002	V002A17003	-	819,585	-	-	819,585	-	-
			-	819,585	-	-	819,585	-	-
Rehabilitation Services - Vocational Rehabilitation Grants to States									
HHCS - Pass-through Illinois Department of Human Services	84.126	H126A180018	-	52,682	-	-	52,682	-	-
			-	52,682	-	-	52,682	-	-
Total U.S. Department of Education			-	872,267	-	-	872,267	-	-

Heartland Alliance for Human Needs Human Rights

Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures	Heartland Alliance	Expenditures by Entity				
						Heartland Alliance International	Heartland Human Care Services	Heartland Alliance Health	Heartland Housing	
U.S. Department of Health and Human Services										
Projects for Assistance in Transition from Homelessness (PATH)										
HHO - Pass-through Illinois Department of Human Services - DMH Southside Linkage Project - PATH	93.150	45CW00268	-	84,021	-	-	-	84,021	-	-
			-	84,021	-	-	-	84,021	-	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance										
HHCS - Pass-through Chicago Recovery Alliance										
Resiliency in Communities After Stress and Trauma (ReCAST) Program	93.243	N/A	-	4,000	-	-	4,000	-	-	-
HHO - Pass-through Illinois Department of Human Services										
SAMHSA - CSAT - LEVEL CABHI COOPERATIVE AGREEMENT	93.243	43CWC03314	-	741,184	-	-	-	741,184	-	-
HAI - The Kovler Center & IFACES Trauma Treatment Partnership	93.243	1U79SM063213-01	-	169,953	-	169,953	-	-	-	-
			-	915,137	-	169,953	4,000	741,184	-	-
Minority Health and Health Disparities Research										
HHCS - Obesity and SMI African Americans-IIT										
	93.307	1U01MD010541-01	-	61,218	-	-	-	61,218	-	-
			-	61,218	-	-	-	61,218	-	-
MaryLee Allen Promoting Safe and Stable Families Program										
HHCS - Pass-through Jewish Federation of Metropolitan Chicago										
Medical Case Management	93.566	RSS CM 02621	-	94,168	-	-	94,168	-	-	-
Early Employment Services	93.566	RSS EARLY EMP 02621	-	175,000	-	-	175,000	-	-	-
HHO - Pass-through Jewish Federation of Metropolitan Chicago										
Refugee Mental Health Services	93.566	N/A	-	72,783	-	-	-	72,783	-	-
HHO - Pass-through Illinois Department of Public Health										
Refugee Nutritional & Mental Health Wellness Program	93.576	90180004G	-	79,278	-	-	-	79,278	-	-
Refugee Health Program	96.566	90180001G	-	101,811	-	-	-	101,811	-	-
			-	523,040	-	-	269,168	253,872	-	-
Refugee and Entrant Assistance - Voluntary Agency Programs										
HHCS - Pass-through United States Committee on Refugee and Immigration Reception & Placement Matching Grant										
	93.567	90RV005901	-	141,452	-	-	141,452	-	-	-
			-	141,452	-	-	141,452	-	-	-
Refugee and Entrant Assistance - Discretionary Grants										
HHCS - Pass-through Jewish Federation of Metropolitan Chicago										
RSS K-12 Services	93.576	RSS K-12 02625	-	48,138	-	-	48,138	-	-	-
HHCS - Pass-through United States Committee on Refugee and Immigration										
Preferred Communities	93.576	90RP0099-03-00	-	73,213	-	-	73,213	-	-	-
			-	121,351	-	-	121,351	-	-	-
Services to Victims of a Severe Form of Trafficking										
HHCS - Pass-through United States Committee on Refugee and Immigration										
Trafficking Victim Assistance Program (TVAP)										
	93.598	HHS-2015-ACF-ORR-ZV-0976 / HHS-2018-ACF-IOAS-OTIP-ZV-1369 / HHS-2018-ACF-IOAS-OTIP-ZV-1371	-	262,171	-	-	262,171	-	-	-
			-	262,171	-	-	262,171	-	-	-

Heartland Alliance for Human Needs Human Rights

Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures	Heartland Alliance	Expenditures by Entity				
						Heartland Alliance International	Heartland Human Care Services	Heartland Alliance Health	Heartland Housing	
U.S. Department of Health and Human Services (Continued)										
Assistance for Torture Victims										
HAI - Integrated Services for Survivors of Torture in Chicago	93.604	90ZT0186-01-01		384,337	-	384,337	-	-	-	-
			-	384,337	-	384,337	-	-	-	-
Social Services Block Grant										
HHCS - Pass-through Illinois Department of Human Services Employment Based English Program	93.667	1801ILSOSR		72,033	-	-	72,033	-	-	-
			-	72,033	-	-	72,033	-	-	-
Unaccompanied Alien Children Program										
HHCS -ORR - Unaccompanied Alien Children / Tender Age	93.676	90ZU0189	-	36,119,183	-	-	36,119,183	-	-	-
HHCS-ORR- Standing Announcement for Residential (Staff Secure) Services for Unaccompanied Alien Children	93.676	90ZU0233	-	2,152,921	-	-	2,152,921	-	-	-
HHCS -ORR - Post Release and Home Study Services for Unaccompanied Alien Children	93.676	90ZU0190	363,551	2,084,209	-	-	2,084,209	-	-	-
HA- ORR Pass through VERA Institute	93.676	HHSP233201500043C	-	189,997	189,997	-	-	-	-	-
HA- ORR Pass through VERA Institute	93.676	HHSP233201500043C	-	560,207	-	-	-	-	-	-
HA- ORR Pass through VERA Institute	93.676	HHSP233201500043C	-	661,594	661,594	-	-	-	-	-
			363,551	41,768,111	1,411,798	-	40,356,313	-	-	-
HIV Emergency Relief Project Grants										
HHO - Pass-through Chicago Department of Public Health										
HIV/Aids Ryan White - Part A - Case Management	93.914	N/A	-	54,676	-	-	-	54,676	-	-
HIV/Aids Ryan White - Part A - Case Management	93.914	N/A	-	31,263	-	-	-	31,263	-	-
HIV/Aids Ryan White - Part A - Food	93.914	72915/94390	-	1,039,761	-	-	-	1,039,761	-	-
HIV/Aids Ryan White - Part A - EIS	93.914	72915	-	6,031	-	-	-	6,031	-	-
HIV/Aids Ryan White - Part A - Ambulatory	93.914	72914	-	80,053	-	-	-	80,053	-	-
HIV/Aids Ryan White - Part A - Oral	93.914	72915	-	494,559	-	-	-	494,559	-	-
			-	1,706,343	-	-	-	1,706,343	-	-
HIV Care Formula Grants										
HHO - Pass-through AIDS Foundation- Chicago										
Ryan White - Part B	93.917	N/A	-	305,950	-	-	-	305,950	-	-
			-	305,950	-	-	-	305,950	-	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease										
HHO - Pass-through Access Community Health Network										
Ryan White Part C EIS	93.918	H76HA00550	-	4,800	-	-	-	4,800	-	-
HHO - Pass-through Erie Family Health Centers										
HIV Early Intervention with Respect to HIV Disease	93.918	N/A	-	4,600	-	-	-	4,600	-	-
HHO -Ryan White Part C Outpatient EIS Program	93.918	H76HA00113	-	861,068	-	-	-	861,068	-	-
HHO-Ryan White Title III HIV Capacity Development and Planning Grants	93.918	PO6HA31453	-	27,243	-	-	-	27,243	-	-
HAH-Ryan White Title III HIV Capacity Development and Planning Grants	93.918	PO6HA32252	-	59,627	-	-	-	59,627	-	-
			-	957,338	-	-	-	957,338	-	-
Ryan White HIV/AIDS Dental Reimbursement and Community Based Dental Partnership Grants										
HHO - Pass-through UIC - Board of Trustees										
Chicago AIDS Network for Dental Outreach- CANDO	93.924	H65HA00016	-	120,933	-	-	-	120,933	-	-
			-	120,933	-	-	-	120,933	-	-
HIV Prevention Activities - Health Department Based										
HHCS - Pass-through City of Chicago Department of Public Health										
HIV Prevention Projects	93.940	69560	-	33,044	-	-	33,044	-	-	-
PrEP Implementation and Data to Care	93.940	42093/82828	-	193,481	-	-	193,481	-	-	-
			-	226,525	-	-	226,525	-	-	-

Heartland Alliance for Human Needs Human Rights

Consolidated Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures	Heartland Alliance	Expenditures by Entity				Heartland Housing
						Heartland Alliance International	Heartland Human Care Services	Heartland Alliance Health	Heartland	
U.S. Department of Health and Human Services (Continued)										
Block Grants for Community Mental Health Services										
HHO - Pass-through Illinois Department of Human Services - DMH Community Mental Health Block Grant	93.958	45CWB00271	-	156,115	-	-	-	-	156,115	-
HHO - Pass-through Illinois Department of Human Services - DMH Community Mental Health Block Grant	93.958	45CXB00269	-	27,099	-	-	-	-	27,099	-
			-	183,214	-	-	-	-	183,214	-
Block Grants for Prevention and Treatment of Substance Abuse										
HHCS - Pass-through Illinois Department of Human Services ATOD Innovative Prevention Program	93.959	TI010018-18	-	196,115	-	-	196,115	-	-	-
HHO - Pass-through Illinois Department of Human Services - DASA Substance Abuse Prevention & Treatment Block Grant Fund - Global Substance Abuse Prevention & Treatment Block Grant Fund - ICOCE	93.959	43CVC00156	-	4,286	-	-	-	-	4,286	-
	93.959	43CVC00150	-	88,393	-	-	-	-	88,393	-
			-	288,794	-	-	196,115	-	92,679	-
Grants to States to Support Oral Health Workforce Activities										
HHO - Pass through Illinois Department of Public Health Oral Health Workforce Grant	93.236	83489102F	-	52,878	-	-	-	-	52,878	-
			-	52,878	-	-	-	-	52,878	-
Total U.S. Department of Health and Human Services			363,551	48,174,846	1,411,798	554,290	41,649,128	4,559,630	-	-
U.S. Department of Homeland Security										
Emergency Food and Shelter National Board Program										
HHCS - Pass-through United Way of America Emergency Food and Shelter	97.024	N/A	-	10,000	-	-	10,000	-	-	-
Total U.S. Department of Homeland Security			-	10,000	-	-	10,000	-	-	-
Agency for International Development										
USAID Foreign Assistance for Programs Overseas										
HAI - Colombia Victims of Torture Treatment Program	98.001	AID-OAA-A-10-00046	209,135	1,067,563	-	1,067,563	-	-	-	-
HAI - Integrated MSM HIV/AIDS Prevention Program (Nigeria)	98.001	620-A-00-09-0015-00	706,811	6,457,688	-	6,457,688	-	-	-	-
HAI - Dharte	98.001	AID-523-A-15-00004	-	308,489	-	308,489	-	-	-	-
HAI- Safe Return Activity	98.001	720-26718-CA-00002	570,777	1,061,929	-	1,061,929	-	-	-	-
Total Agency for International Development			1,486,723	8,895,669	-	8,895,669	-	-	-	-
Total Expenditures of Federal Awards			\$ 4,973,107	\$ 93,180,661	\$ 1,437,794	\$ 18,619,342	\$ 56,313,952	\$ 14,470,680	\$ 2,338,893	\$ -

Heartland Alliance for Human Needs & Human Rights

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

Note 1. Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Heartland Alliance for Human Needs & Human Rights and its consolidated affiliates under programs of the federal government for the year ended June 30, 2019, including Heartland Alliance International (HAI), Heartland Human Care Services, Inc. (HHCS), Heartland Alliance Health, Inc. (HAH), and Heartland Housing Inc. (HH) and its consolidated affiliates. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Heartland Alliance for Human Needs & Human Rights, it is not intended to and does not present the financial position, changes in net assets or cash flows of Heartland Alliance for Human Needs & Human Rights.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

Heartland Alliance for Human Needs & Human Rights has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Reconciliation of Federal Expenditures to the Schedule

Subsequent to the issuance of Heartland Alliance for Human Needs & Human Rights' financial statements on Schedule of Expenditures of Federal Awards and Reports Required by *Government Auditing Standards and Uniform Guidance* for the year ended June 30, 2019, it was determined that certain federal expenditures audited under U.S. Department Housing and Urban Development's *Consolidated Audit Guide* were incorrectly included in the Schedule. As a result, these expenditures are excluded from the Schedule.

Heartland Alliance for Human Needs & Human Rights' federal expenditures included in the financial statements include expenditures of four entities that received expenditures for the Supporting Housing Program (CFDA 14.235) totaling \$761,900. These four entities, and the related expenditures, were audited under U.S. Department Housing and Urban Development's *Consolidated Audit Guide* and are not required to be audited under the Uniformed Guidance.

Heartland Alliance for Human Needs & Human Rights has assessed the materiality of these adjustments considering both qualitative and quantitative factors and determined that these expenditures were not material. Heartland Alliance for Human Needs & Human Rights has decided to revise the financial statements to remove these expenditures from the Schedule and to include a reconciliation of total federal expenditures received by Heartland Alliance for Human Needs & Rights to revised Schedule.

Heartland Alliance for Human Needs & Human Rights

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

The table below provides a reconciliation of total expenditures incurred and reported in Heartland Alliance for Human Needs & Human Rights and the amount reported on the Schedule.

Total Federal Expenditures Reported in the Financial Statements (as previously reported)		\$93,942,561
<i>Less: Amounts audited in other entities in accordance with the Consolidated Audit Guide for Audits of U.S Department of Housing and Urban Development (HUD) Programs:</i>		
North Avenue, LLP	(288,474)	
LeLand Limited Partnership	(205,316)	
Diversey Neighborhood Development Corporation	(85,721)	
Hollywood House, LLP	(182,389)	
	<hr/>	
Total	(761,900)	
Total Federal Expenditures (as reported on the revised Schedule)		\$93,180,661

Heartland Alliance for Human Needs & Human Rights

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal programs:

CFDA Number

93.676

Name of Federal Program or Cluster

Unaccompanied Alien
Children Program

Dollar threshold used to distinguish between type A and type B programs:

\$2,795,420

Auditee qualified as low-risk auditee?

yes no

Heartland Alliance for Human Needs & Human Rights

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Section II - Financial Statement Findings

Finding No. 2019-001 Financial Statement Process for Non-Routine Transactions

Criteria

The Organization is responsible for establishing and maintaining a system of internal control that should include the capturing of non-routine transactions in the financial statement process. The individuals assigned with the responsibilities and accounting duties for maintaining the financial information should keep maintain supporting documentation for the analysis and approval of accounting treatment for complex and/or non-routine transactions reflected in the consolidated financial statements.

Condition

Although the Organization has certain control policies and procedures in place to ensure personnel are sufficiently trained for routine transactions, it does not appear that personnel are required to document, in a memo or a policy, its rational for the accounting of complex and/or non-routine transactions recorded to afford reasonable assurance to management that financial statements are prepared, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

During testing for fiscal year 2019, we noted analysis of non-routine transaction and the accounting method conclusions for three separate transactions within Heartland Housing, Inc. were not accurately documented which resulted in them not being properly reflected in the June 30, 2018 consolidated financial statements. Upon further review, it was noted there was no documentation to support the accounting treatment for these transactions, which were erroneously recorded or not recorded in the consolidated financial statements. This resulted in a revision of the prior year consolidated financial statements.

Cause

The Organization is not documenting its analysis and research and final conclusion for its basis of accounting treatment for complex and/or non-routine transactions.

Context and Effect

Potential misstatement in the presentation of monthly and year-end consolidated financial statements.

Recommendation

We recommend management and those charged with governance implement a policy and procedures to address and document complex and/or non-routine transactions. This documentation should include the rational for the accounting treatment and the basis for management's conclusions based on U.S. GAAP.

Heartland Alliance for Human Needs & Human Rights

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Views of Responsible Officials and Corrective Action Plan

Heartland Alliance has established and maintained a system of internal control that includes the capturing of non-routine transactions in the financial statement process. Although Heartland Alliance has control policies and procedures in place to review non-routine transactions, we must improve measures to ensure that procedures are implemented consistently across all Heartland affiliates. Having identified certain inconsistencies, Heartland intends to update and formalize existing policies and procedures to address and document complex and/or non-routine transactions including:

- provide documentation that summarizes the rationale for the accounting treatment and the basis for management's conclusions based on U.S. GAAP standards.
- formalize the process for saving materials so that users can readily access documentation relevant to the treatment of complex, non-recurring transactions.

Heartland Alliance will implement updated policy and procedures with a targeted completion date of March 31, 2020.

Heartland Alliance for Human Needs & Human Rights

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Section III - Federal Award Findings and Questioned Costs

For the year ended June 30, 2019, there were no findings and questioned costs for federal awards (as defined in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) that are required to be reported.