A Safe Haven Foundation
(An Illinois not-for-profit corporation)

Consolidated Financial Statements
and Independent Auditor's Report

June 30, 2016 and 2015

FGMK

A SAFE HAVEN FOUNDATION
(AN ILLINOIS NOT-FOR-PROFIT CORPORATION)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
A Safe Haven Foundation

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of A Safe Haven Foundation which comprise the consolidated statement of financial position as June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of A Safe Haven Foundation as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016, on our consideration of A Safe Haven Foundation'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 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 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 A Safe Haven Foundation's internal control over financial reporting and compliance.

FGMK, LLC

Bannockburn, Illinois
December 29, 2016

A SAFE HAVEN FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
Current Assets		
Cash and cash equivalents	$ 681,665	$ 1,701,600
Restricted cash	1,106,017	1,064,074
Accounts receivable-net	2,122,474	2,661,873
Due from related parties	118,953	419,414
Prepaid expenses	79,229	49,372
Other current assets	512	8,017
Total current assets	4,108,850	5,904,350
Property and equipment		
Land	3,014,863	2,264,763
Buildings and improvements	29,715,834	29,699,834
Furniture, fixtures, and equipment	1,009,171	1,273,726
Automobiles	551,439	572,854
Site improvements	1,778,924	1,559,447
Computer software	144,133	777,849
Construction in progress	9,577,736	218,680
	45,792,100	36,367,153
Less: Accumulated depreciation	(9,917,716)	(9,549,815)
Net property and equipment	35,874,384	26,817,338
Other assets		
Debt issue costs	913,518	663,664
Other assets	13,676	35,514
Lease commissions	237,199	197,922
Less: Accumulated amortization	(660,488)	(497,267)
	503,905	399,833
Investment in partnerships	1,820,657	1,820,100
Total other assets	2,324,562	2,219,933
Total assets	$ 42,307,796	$ 34,941,621

The accompanying notes are an integral part of these statements.

A SAFE HAVEN FOUNDATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

LIABILITIES AND NET ASSETS

	2016	2015
Current liabilities		
Line of credit	$ 1,959,950	$ 2,360,000
Current portion of long-term debt	954,310	1,065,696
Current portion of capital leases	99,919	143,179
Accounts payable and accrued expenses	5,948,985	903,859
Accrued interest	51,929	66,740
Deferred revenue	331,004	78,565
Other current liabilities	291,026	485,608
Due to related parties	441,941	1,198,718
Total current liabilities	10,079,064	6,302,365
Long-term liabilities		
Long-term debt, net of current portion	19,436,292	18,432,051
Capital leases, net of current portion	91,775	211,729
Deferred rent	-	44,382
Deferred grant revenue	904,167	361,667
Total long-term liabilities	20,432,234	19,049,829
Total liabilities	30,511,298	25,352,194
Net Assets - Unrestricted		
Controlling interest	6,471,889	6,771,596
Noncontrolling interest	4,574,509	2,817,831
Total net assets - unrestricted	11,046,398	9,589,427
Net Assets - Temporarily Restricted		
Controlling interest	750,100	-
Total net assets	11,796,498	9,589,427
Total liabilities and net assets	$ 42,307,796	$ 34,941,621

A SAFE HAVEN FOUNDATION

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015
	Unrestricted	**Temporarily Restricted**	**Total**	**Unrestricted & Total**
Revenue and support				
Service contracts	$ 4,408,227	$ -	$ 4,408,227	$ 8,849,252
Social enterprise revenue	6,900,129	-	6,900,129	5,064,370
Rental income	3,385,230	-	3,385,230	3,396,349
Tax incremental fund revenue	755,634	-	755,634	755,634
Contributions	3,092,052	750,100	3,842,152	2,623,608
Developer fee	327,776	-	327,776	364,000
Other revenue	568,413	-	568,413	580,524
Total support and revenue	19,437,461	750,100	20,187,561	21,633,737
Expenses				
Program services	18,405,768	-	18,405,768	19,534,027
Management and general	1,347,181	-	1,347,181	2,147,782
Fundraising	535,465	-	535,465	500,427
Total expenses	20,288,414	-	20,288,414	22,182,236
Change in net assets before noncontrolling interest	(850,953)	750,100	(100,853)	(548,499)
Change in net assets attributable to noncontrolling interest	609,916	-	609,916	363,358
Change in net assets attributable to controlling interest	(241,037)	750,100	509,063	(185,141)
Controlling interest net assets - Beginning of year	6,771,596	-	6,771,596	2,690,148
Distributions	(58,670)	-	(58,670)	-
Controlling interest from newly consolidated entities - see Note 1	-	-	-	4,266,589
Controlling interest net assets - End of year	$ 6,471,889	$ 750,100	$ 7,221,989	$ 6,771,596
Noncontrolling interest net assets - Beginning of year	$ 2,817,831	$ -	$ 2,817,831	$ 3,181,189
Distributions	(30,000)	-	(30,000)	-
Contributions	2,396,594	-	2,396,594	-
Change in net assets attributable to noncontrolling interest	(609,916)	-	(609,916)	(363,358)
Noncontrolling interest net assets - End of year	$ 4,574,509	$ -	$ 4,574,509	$ 2,817,831
Total net assets - End of year	$ 11,046,398	$ 750,100	$ 11,796,498	$ 9,589,427

The accompanying notes are an integral part of these statements.

A SAFE HAVEN FOUNDATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016							
	Program Expenses							
	Health Initiatives	Education	Residential	Social Enterprise	Supportive Services	Workforce Development	Real Estate Operations	Total
Salaries and related expenses	$ 230,662	$ 118,700	$ 2,516,465	$ 4,198,386	$ 362,221	$ 334,792	$ 253,455	$ 8,014,681
Interest	-	-	358,519	48,450	-	-	394,473	801,442
Program food clothing and personal maintenance	-	-	1,304,029	121,584	2,771	53,915	851	1,483,150
Utilities, supplies and maintenance	-	20,796	850,090	543,313	16,473	19,221	526,407	1,976,300
General insurance	1,850	6,083	114,363	111,568	10,244	8,871	94,530	347,509
Professional fees / contract services	168,273	33,313	540,943	292,586	249,928	105,820	270,772	1,661,635
Office expenses	8,195	3,389	89,969	217,647	44,328	17,688	136,368	517,584
Miscellaneous	31,115	-	34,628	85,967	8,921	-	52,804	213,435
Special events	25,742	-	(2,241)	1,849	250	-	-	25,600
Telephone	11,119	814	19,937	23,891	7,748	64	749	64,322
Other program costs	905	10,139	561,532	7,473	1,090,697	32,231	8,977	1,711,954
Postage/printing	-	6	282	4,250	20	-	182	4,740
Transportation and travel	13,184	65	31,874	17,545	25,466	30,203	25	118,362
Total expenses before depreciation and amortization	491,045	193,305	6,420,390	5,674,509	1,819,067	602,805	1,739,593	16,940,714
Depreciation	713	1,829	474,922	129,055	-	-	695,314	1,301,833
Amortization	-	-	55,037	-	-	-	108,184	163,221
	$ 491,758	$ 195,134	$ 6,950,349	$ 5,803,564	$ 1,819,067	$ 602,805	$ 2,543,091	$ 18,405,768

The accompanying notes are an integral part of these statements.

A SAFE HAVEN FOUNDATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016			
	Management Expenses			
	Management and General	Fundraising	Total	Total
Salaries and related expenses	$ 450,349	$ 214,203	$ 664,552	$ 8,679,233
Interest	66,504	-	66,504	867,946
Program food clothing and personal maintenance	-	-	-	1,483,150
Utilities, supplies and maintenance	24,453	-	24,453	2,000,753
General insurance	89,343	580	89,923	437,432
Professional fees / contract services	509,834	107,861	617,695	2,279,330
Office expenses	139,051	25,159	164,210	681,794
Miscellaneous	36,497	11,100	47,597	261,032
Special events	1,945	164,447	166,392	191,992
Telephone	7,283	1,528	8,811	73,133
Other program costs	215	330	545	1,712,499
Postage/printing	14,773	2,493	17,266	22,006
Transportation and travel	2,908	7,764	10,672	129,034
Total expenses before depreciation and amortization	1,343,155	535,465	1,878,620	18,819,334
Depreciation	4,026	-	4,026	1,305,859
Amortization	-	-	-	163,221
	$ 1,347,181	$ 535,465	$ 1,882,646	$ 20,288,414

The accompanying notes are an integral part of these statements.

A SAFE HAVEN FOUNDATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	2015							
	Program Expenses							
	Health Initiatives	Education	Residential	Social Enterprise	Supportive Services	Workforce Development	Real Estate Operations	Total
Salaries and related expenses	$ 1,040,632	$ 104,734	$ 2,675,174	$ 4,347,584	$ 700,874	$ 228,793	$ 92,593	$ 9,190,384
Interest	-	-	504,917	54,916	-	-	254,820	814,653
Program food clothing and personal maintenance	-	316	1,209,612	20,733	6,767	53,206	-	1,290,634
Utilities, supplies and maintenance	424	18,019	814,467	641,005	16,750	15,279	648,376	2,154,320
General insurance	13,739	7,536	135,147	117,885	19,401	5,388	114,838	413,934
Professional fees / contract services	536,843	110,071	9,205	20,465	249,264	6,802	302,167	1,234,817
Office expenses	126,576	7,547	95,503	276,243	56,872	22,658	215,451	800,850
Miscellaneous	-	-	29,896	71,710	10,920	-	139,245	251,771
Special events	4,969	-	-	94,731	-	-	-	99,700
Telephone	39,858	1,636	23,521	47,898	9,954	-	105	122,972
Other program costs	6,322	18,184	411,749	7,565	1,003,351	65,239	-	1,512,410
Postage/printing	806	-	708	1,765	208	-	144	3,631
Transportation and travel	45,859	1,645	122,432	2,035	52,394	10,483	-	234,848
Total expenses before depreciation and amortization	1,816,028	269,688	6,032,331	5,704,535	2,126,755	407,848	1,767,739	18,124,924
Depreciation	8,440	6,700	512,339	144,491	-	3,189	675,521	1,350,680
Amortization	-	-	55,037	-	-	-	3,386	58,423
	$ 1,824,468	$ 276,388	$ 6,599,707	$ 5,849,026	$ 2,126,755	$ 411,037	$ 2,446,646	$ 19,534,027

The accompanying notes are an integral part of these statements.

A SAFE HAVEN FOUNDATION

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	2015			
	Management Expenses			
	Management and General	Fundraising	Total	Total
Salaries and related expenses	$ 77,716	$ 222,469	$ 300,185	$ 9,490,569
Interest	32,309	-	32,309	846,962
Program food clothing and personal maintenance	-	-	-	1,290,634
Utilities, supplies and maintenance	5,957	36	5,993	2,160,313
General insurance	52,188	6,686	58,874	472,808
Professional fees / contract services	1,777,126	37,911	1,815,037	3,049,854
Office expenses	162,589	30,670	193,259	994,109
Miscellaneous	14,212	-	14,212	265,983
Special events	355	190,114	190,469	290,169
Telephone	4,894	1,078	5,972	128,944
Other program costs	-	3,537	3,537	1,515,947
Postage/printing	16,330	1,422	17,752	21,383
Transportation and travel	3,754	6,504	10,258	245,106
Total expenses before depreciation and amortization	2,147,430	500,427	2,647,857	20,772,781
Depreciation	352	-	352	1,351,032
Amortization	-	-	-	58,423
	$ 2,147,782	$ 500,427	$ 2,648,209	$ 22,182,236

The accompanying notes are an integral part of these statements.

A SAFE HAVEN FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Change in net assets attributable to controlling interest	$ 509,063	$(185,141)
Adjustments to reconcile change in net assets attributable to controlling interest to net cash provided by operating activities		
Change in net assets attributable to noncontrolling interest	(609,916)	(363,358)
Income (loss) from investment in partnerships	(557)	723
Loan payments made by third party	(555,414)	(514,272)
Non-cash contributions	(750,000)	-
Depreciation and amortization	1,469,080	1,409,455
Change in allowance for doubtful accounts	(89,801)	(38,076)
Changes in operating assets and liabilities:		
Accounts receivable	629,200	(547,752)
Prepaid expenses and other assets	(22,352)	89,427
Accounts payable and accrued expenses	272,507	(258,770)
Accrued interest	(14,811)	(26,435)
Other liabilities	(238,960)	449,173
Deferred revenue	794,939	6,870
Net cash provided by operating activities	1,392,978	21,844
Cash flow from investing activities		
Purchases of property and equipment	(2,932,576)	(411,922)
Net withdrawal of escrow and restricted reserves	(41,943)	103,639
Net cash used in investing activities	(2,974,519)	(308,283)
Cash flows from financing activities		
Net change in due to/from related parties	(456,316)	(468,938)
Proceeds from long-term debt	(1,282,152)	38,552
Net proceeds (repayment) from line of credit	(400,050)	2,031,667
Principal payments on capital leases	(163,214)	(163,390)
Principal payments on long-term debt	555,414	(366,481)
Contributions	2,396,594	-
Distributions	(88,670)	-
Net cash provided by financing activities	561,606	1,071,410
Net change in cash and cash equivalents	(1,019,935)	784,971
Cash and cash equivalents - Beginning of year	1,701,600	410,781
Beginning of year cash from newly consolidated entities - see Note 1	-	505,848
Cash and cash equivalents - End of year	$ 681,665	$ 1,701,600
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid by Organization	$ 867,946	$ 798,343
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Financed property and equipment through debt, accounts payable a and accrued expenses	$ 6,947,626	$ 572,854

The accompanying notes are an integral part of these statements.

A SAFE HAVEN FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization and Program Description

A Safe Haven Foundation ("ASHF") was formed on April 26, 2001 as a not-for-profit corporation under the laws of the State of Illinois to provide job placement, rehabilitation services, and shelter to the people of the City of Chicago ("City") that are in need. In 2012, the Foundation added to its mission other activities to create and promote long-term housing for those in need.

On September 30, 2009, ASHF signed a management agreement with the Chicago Christian Industrial League ("CCIL"), an unrelated party at that time, to act as Manager and to oversee CCIL's programs and facilities. This agreement charged ASHF with the establishment of a long-term strategic plan and efficient operation of CCIL's business plan. On March 24, 2010, ASHF entered into a Strategic Alliance/Transfer Agreement ("Strategic Alliance") with CCIL to provide for an alignment of revenue contracts, oversight of fund raising efforts, oversight of the human resources function, and to work with service providers and other vendor relationships to carry out the strategic joint mission of ASHF and CCIL. Concurrent with the Strategic Alliance, CCIL assigned its interest in the 2750 W Roosevelt Building and related debt, and certain identified homeless service contracts with the City, to ASHF. Accordingly, assets and liabilities of approximately $15,572,000 were transferred and recorded by ASHF based on CCIL's net book value. The Strategic Alliance also provided an option of transferring future responsibility from CCIL to ASHF for any contractual responsibility when it becomes mutually beneficial to both organizations to do so. Additional program and contracts were subsequently transferred to ASHF.

In 2012, ASHF became the single member of an Illinois Limited Liability Company known as KMA Holdings V, LLC ("KMA"). KMA is a limited partner in real estate development projects (Note 3) for low income housing where ASHF will provide case management and supportive services to certain residents of the housing development once construction and leasing are complete.

In 2013, two of ASHF's board members became the majority board members for a 501(c) (3) organization known as Harborquest, Inc. Harborquest, Inc. owns a single member L3C known as Civic Staffing ("CS") which provides a temporary employment labor force for clients that are in the need of such low cost alternatives to permanent hiring. Collectively the organizations are referred to as Harborquest ("HQ"). The organizations began working together in a collaborative way to provide employment training services to the current customer base of CS and to fulfill the separate workforce development contracts of ASHF.

In December 2013, ASHF's and CCIL's Boards of Directors approved a transaction that would combine the remaining business interests of CCIL into ASHF. CCIL owns two single member LLCs known as 600 S Wabash Commercial ("Commercial") and 600 S Wabash LLC ("LLC"). The LLC is the .01% general partner of 600 S Wabash LP ("LP'). Commercial owns six spaces of commercial space on the ground floor of the building and a roof top antenna lease for the ground floor of the building located at 600 S Wabash in Chicago. The LP owns a 169 unit residential structure which sits on the upper floors of the same building at 600 S Wabash. Under the above mentioned management agreement and a CCIL board resolution, ASHF gained full management control of the CCIL operations.

In 2014, ASHF became the single member of an Illinois Limited Liability Company, KMA Holdings VIII, LLC ("KMA VIII"). The entity was formed with the intent to develop real estate on several parcels of land in Melrose Park, Illinois. In 2016, KMA VIII admitted a minority partner to help with those development efforts. KMA VIII decided to utilize low income housing tax credits and to seek a limited partner to bring significant equity to the project. Therefore, in anticipation of that transaction, it formed a joint venture, Melrose Park Veterans Housing, LP ("MPVH"), which is doing business as A Safe Haven Veterans Village ("ASHVV"). The financing closed on October 21, 2015 with a $2,396,563 initial equity injection by the limited partner, the National Equity Fund ("NEF"), and construction of the project, named A Safe Haven Veteran Village, began in earnest. As of June 30, 2016, the construction was over 80% complete and the project had begun to lease up.

A SAFE HAVEN FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Organization and Program Description (concluded)

ASHF manages its programs and their related functional expenses under seven distinct areas of impact:

Health Initiatives – Assistance in accessing health insurance and services for populations at risk
Education – Life skills and literacy training for ASHF clients, including youth mentoring and support
Residential – Emergency and interim housing for populations at risk
Social Enterprise – Landscaping, staffing and catering services sold into multiple markets
Supportive Services – Homeless prevention interventions, substance abuse treatment and transitional housing
Workforce Development – Job skills training, transition back to work counseling and job placement support
Real Estate Operations – Rental of affordable housing and commercial space

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of ASHF, KMA, KMA VIII, HQ, MPVH ("ASHVV"), CCIL, LLC, Commercial, and LP (collectively the "Organization").

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Information regarding the financial position and activities of the Organization are reported in three classes of net assets (as applicable): unrestricted, temporarily restricted, and permanently restricted. Management has determined that there were no permanently restricted net assets as of June 30, 2016 and 2015, and there were net assets temporarily restricted related to property contributed for MPVH in the amount of $750,100 and $-0- as of June 30, 2016 and 2015, respectively.

Revenue Recognition and Support

ASHF receives grant revenue from federal, state and local agencies. Revenue is recognized as services are provided in accordance with the terms of the grants. Grant funds received in advance of being earned are reported as deferred revenue. Any of the funders may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by ASHF with the terms of the grants. Management believes that the Organization is in compliance with all grants and that no amounts are due to grantors as of June 30, 2016.

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets when the donor makes a promise to give to ASHF. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Rental income for office/retail space is from other service providers that provide specific services that complement ASHF's homeless service programs. ASHF also leases beds to a related entity (See Note 4). Rental income is recognized as it is earned under the specific non-cancellable operating lease agreements.

Rental income of CCIL and its subsidiary entities is recognized as income on the accrual basis as it is earned. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between 600 S Wabash LP and tenants of the property are considered operating leases and have terms of one year or less.

Note 2 – Summary of Significant Accounting Policies (continued)

Allocation of Expenses

The costs of providing the various programs, fund-raising, and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain indirect costs have been allocated among the seven program areas, administrative and fundraising activities on the basis of management's estimates.

Management Estimates and Assumptions

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid short-term investments with original maturities of three months or less to be cash equivalents. The Organization regularly maintains cash balances, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk related to cash and cash equivalents.

Restricted Cash

Escrows are maintained for the benefit of projects of 600 S Wabash LP and MPVH. These escrowed funds are restricted as to their use based upon the applicable regulatory documents.

600 S Wabash LP, as mentioned further under Note 7, owns real property financed by mortgages through the Illinois Housing Development Authority ("IHDA"). It is IHDA's position, under Illinois statute, that project cash surplus cannot be used to pay off the IHDA mortgages, and, upon such payoff from other funds, IHDA is entitled to any surplus cash, including reserves and escrows remaining at such time as in excess of the maximum cash return allowable to the property owners set forth in the Regulatory Agreement at such times as the loan was consummated. The potential amount to be returned upon such an event cannot be determined and, as such, no related amounts have been reflected in the financial statements.

Escrows and reserves were appropriately funded as of June 30, 2016 and 2015.

Accounts Receivable

Accounts receivable represent amounts due for various program services provided to funding agencies and others, as well as earned revenue from social business enterprises. The allowance for doubtful accounts is determined based on historical experience and analysis of specific accounts. Uncollectible amounts are charged to bad debt expense when that determination is made. The allowance for doubtful accounts was $180,850 and $91,049 as of June 30, 2016 and 2015, respectively.

Tenant Security Deposits

Regulations of IHDA require that security deposits be segregated from the general funds of 600 Wabash LP and MPVH. Accordingly, the LP holds all security deposit funds in a separate interest bearing account. When the tenant vacates the unit, any unpaid balance remaining after application of the security deposit is charged to bad debt expense.

A SAFE HAVEN FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment purchased are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value at the time of donation. Improvements are capitalized, while expenditures for ordinary maintenance and repairs are expensed as incurred. Property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. There were no impairment charges for the years ended June 30, 2016 and 2015. For projects where ASHF is functioning as the General Partner in an affordable housing construction project, construction in progress entries are made based on the certified construction draw materials which document the capitalized costs of the project completed at the end of each month.

Property and equipment are depreciated over their estimated useful lives, using the straight-line method as follows:

	Estimated Useful Lives (in Years)
Building and improvements	50
Furniture, fixtures, and equipment	5 -10
Automobiles	5
Site improvements	15
Computer software	3
Tenant improvements	Lease Life

Depreciation expenses totaled $1,305,859 and $1,351,032 for the years ended June 30, 2016 and 2015, respectively.

Debt Issue Costs and Amortization

Debt issue and financing costs consist of bond issuance costs and other fees incurred in order to obtain financing. Such amounts are amortized over the term of the related debt using the straight-line method. GAAP requires that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Tax credit fees are amortized over 10 years using the straight-line method.

Investment In Partnerships

The Organization accounts for investments in partnerships under the equity method of accounting because the Organization does not have operational and financial control. The aspects of control are reviewed annually. The equity method of accounting shows the net equity investment in the partnerships consisting of total contributions to the partnerships less distributions adjusted for the income or loss allocated to the Organization from the partnerships. The investment in partnerships is reviewed for impairment when events or changes in circumstances indicate that the carrying value of the investment is not recoverable. There were no impairment charges for the years ended June 30, 2016 and 2015.

Income Taxes

Not-For-Profit: The Organization's primary entities qualify as tax-exempt organizations under Section 50l(c) (3) of the Internal Revenue Code and are exempt from federal and state income taxes excluding any income not related to its tax-exempt purpose. The operations of CS are reported by HQ for tax purposes and are considered to be related to its tax-exempt purposes. No provision for income taxes has been recorded in the financial statements for the years ended June 30, 2016 and 2015, as all income is related to its tax exempt purpose. KMA and KMA VIII have elected to be taxed as corporations. However, these entities would be liable for taxes on unrelated business income generated from unrelated trade or business activities. These entities had no unrelated trade or business activity during the year ended June 30, 2016.

Limited Partnerships: No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the partners individually.

A SAFE HAVEN FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (concluded)

Limited Liability Companies: The limited liability companies ("LLCs") are single member LLCs which are treated as disregarded entities for income tax purposes. Therefore, no provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the members individually.

Non-Controlling Interest in Limited Partnership

This amount represents the aggregate balance of limited partner equity interests in the non-wholly owned limited partnerships that are included in the consolidated financial statements.

Reclassifications

Certain reclassifications have been made to 2015 amounts to conform to 2016 presentation which did not impact net assets or the change in net assets.

Note 3 – Investment in Partnerships

In June 2012, ASHF received $400,100 of project fee rebates from the Village of East Dundee in connection with the first phase of a two phase development project to provide low income rental housing for individuals and families. ASHF contributed this amount to KMA. ASHF was also awarded an Affordable Housing Program ("AHP") grant of $420,000 through a Member bank of the Federal Home Loan Bank system in connection with the development which it also contributed to KMA. KMA used the combined funds of $820,100 to make a capital contribution to Gardiner Senior Development, LLC which is the general partner of Gardiner Senior Apartments, LP, and the owner of the first phase of a low income housing project. KMA has a 26% interest in the general partner and is a non-managing member. The general partner in turn made an $820,000 capital contribution to the owner. This investment is recorded in accordance with the equity method of accounting in accordance with accounting principles general accepted in the United States of America.

In July 2012, ASHF received $1,000,000 of project rebate fees from the Village of East Dundee in connection with the second phase of the above two phase development project to provide low income rental housing for individuals and families. ASHF contributed this amount to KMA. KMA used the $1,000,000 to make a capital contribution to River Haven Place GP, LLC which is the general partner of River Haven Place, LP, and the owner of the second phase of a low income housing project. KMA has a 26% interest in the general partner and is a non-managing member. The general partner, in turn, made a $1,000,000 capital contribution to the owner. This investment is recorded in accordance with the equity method of accounting in accordance with accounting principles general accepted in the United States of America.

In July 2012, KMA also entered into a joint venture agreement with the same investor group for an interest in Oswego Mill Street Station GP, LLC which is the general partner of Oswego Mill Street Station LP. The LP is the owner of a development project that plans to construct and rent townhomes to low income individuals and families in the Oswego, Illinois area. The general partner acts as developer for the construction and that role generates owner development fees in addition to future property cash flows. Accordingly, ASHF records its share of development fees earned through its general partnership interest. ASHF will provide social service support for a portion of the tenants in the housing development. In 2013, the two East Dundee projects finished construction and lease-up and became operational. The Oswego project was finished in December 2014 and became operational. This investment is recorded in accordance with the equity method of accounting in accordance with accounting principles general accepted in the United States of America.

In October 2015, ASHF received a donation of land parcels in Melrose Park, IL valued at $750,000 to be used for the A Safe Haven Veteran Village project discussed in Note 1 and comprise the temporarily restricted net assets at June 30, 2016. Additionally, ASHF was awarded another AHP grant of $630,000 through a Member bank of the Federal Home Loan Bank system in connection with the development. ASHF contributed these to KMA VIII, and were in turn contributed to Melrose Park.

A SAFE HAVEN FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4 – Related Party Transactions

The Organization transacts business with entities under the control of related parties. The following is a summary of transactions between the Organization and related parties as of and for the years ended June 30, 2016 and 2015:

	2016	2015
Social enterprise revenue	$ 118,500	$ 9,600
Bed-leasing revenue	$ 1,081,500	$ 1,204,300
Management fee expense	$ 1,434,300	$ 1,900,500
Property rent expense	$ 229,600	$ 238,100
Supportive service fees expense	$ 119,300	$ 107,900
Reimbursed expenses	$ 514,300	$ 278,300
Other expenses	$ 65,300	$ 49,500

Note 5 – Working Capital

Current liabilities include the accrued interest on the short-term portion of the National Consumer Cooperative Bank loan described in Note 7 totaling $51,929 and $66,740 as of June 30, 2016 and 2015, respectively. Under the terms of the redevelopment agreement described in Note 14, this obligation is met from funds provided by the City and does not impact ASHF's cash flows.

Note 6 – Deferred Grant Revenue

Deferred grant revenue balance of $963,667 as of June 30, 2016 is comprised of amounts from the Affordable Housing Program grants used to fund ASHF's partnership investments as described in Note 3 for Gardiner Senior Development, LLC ("Gardiner") and MPVH. It consists of $333,667 and $361,667 for the Organization's investment in Gardiner as of June 30, 2016 and 2015, respectively and $630,000 for the Organization's investment in MPVH as of June 30, 2016. As of June 30, 2016, the current portion of $59,500 is included in deferred revenue. The grant related to Gardiner requires that 70 units of the 80 total units of the project be leased to individuals who qualify as very low and/or low income under HUD guidelines. The grant related to MPVH requires that 18 of the 35 total units of the project be leased to individuals who qualify as very low income under HUD guidelines and 17 of the 35 total units of the project be leased to individuals who qualify as low income under HUD guidelines. Both grants require that the projects be compliant with this use over the next 15 years. ASHF is recognizing the grant revenue evenly over the 15 year compliance periods which expire in 2028 and 2032 for Gardiner and MPVH, respectively.

Note 7 – Long-Term Debt

Long-term debt consists of the following as of June 30:

	2016	2015
A promissory note dated May 1, 2004, held by National Consumer Cooperative Bank ("NCB"), bearing interest at 8.00%, requiring an annual payment of principal and interest due on each February 28, maturing February 28, 2019. This note is collateralized by two Tax Increment Financing ("TIF") notes granted by the City. Also see Note 13 for discussion regarding the Redevelopment Agreement.	$ 1,947,342	$ 2,502,766
Note A portion of a Mortgage note with Urban Partnership bank ("Urban"), collateralized by a mortgage lien on the 2750 W Roosevelt Building, bearing interest at 5%, requiring monthly payments of principal and interest of $444,582 maturing November 24, 2019.	6,373,588	6,581,979
Note B portion of a Mortgage note with Urban, collateralized by a mortgage lien on the 2750 W Roosevelt. The loan restructuring completed in November 2014 provides a provision of accelerated repayment where one dollar of repayment will reduce the loan balance by four dollars and forgave all previously accrued interest Principal and accrued interest are due at maturity, November 2019.	3,255,448	3,255,542

A SAFE HAVEN FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 7 – Long-Term Debt (continued)

	2016	2015
A mortgage loan on certain real property, bearing interest at 5%, requiring monthly payments of principal and interest of $3,272, matured June 2016.	-	40,244
A mortgage loan on certain real property, bearing interest at 5.5%, requiring monthly payments of principal and interest of $833, maturing June 2018.	218,777	228,777
A promissory note of 600 S. Wabash Commercial, LLC bearing interest of 5%, requiring monthly payments of principal and interest of $3,723, maturing August 29, 2019. This note is secured by land and improvements and personal property.	1,950,890	1,994,569
A first mortgage note of 600 S Wabash, LP held by IHDA bearing interest at 6.5%, requiring monthly payments of principal and interest of $11,146, maturing July 1, 2025. The note is collateralized by real estate held for lease and an assignment of rents and leases.	998,018	1,064,540
A second mortgage note of 600 S Wabash, LP held by IHDA, non-interest bearing, requiring monthly principal payments of $417, maturing July 1, 2025. This loan is subordinated to the first mortgage. The note is collateralized by real estate held for lease and an assignment of rents and leases.	2,614,623	2,619,623
A third mortgage note of 600 S Wabash, LP held by IHDA under the Trust Fund Act, non-interest bearing, requiring monthly principal payments of $100, maturing July 1, 2025. The note is collateralized by real estate held for lease and an assignment of rents and leases.	736,700	737,900
A fourth mortgage note of 600 S Wabash, LP, held by IHDA under the Financing Adjustment Factor Refunding Agreement, non-interest bearing. All outstanding principal is due at maturity, July 1, 2025. The note is collateralized by real estate held for lease and an assignment of rents and leases.	290,000	290,000
A promissory note with Corporation for Supportive Housing used for the predevelopment expenses of the Melrose Park project. The note was non-interest bearing, secured by real estate and matured in June 2016.	-	174,517
An equipment loan that is non-interest bearing and requires monthly principal payments of $292, maturing in July 2017	3,689	7,290
A construction/equity bridge loan of MPVH issued by MB Financial to finance construction of the A Safe Haven Veteran Village property. The note bears interest at LIBOR + 250 basis points (at June 30, 2016 at an effective rate of 3.18%) per annum, requiring monthly payments of accrued interest which are funded from the interest reserve or added to the principal outstanding on the loan. The note matures on October 15, 2017, and has an option to extend maturity for a six month term. The note is collateralized by all capital contributions made by MPVH's Limited Partner in the partnership and all of the General Partner's interests in the partnership. The maximum loan value per the agreement is in the amount $6,602,992. In fiscal 2017, as per the MPVH Limited Partnership Agreement, the entire outstanding balance of this loan is expected to be paid off by equity injections of the Limited Partner.	544,852	-

A SAFE HAVEN FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 7 – Long-Term Debt (concluded)

	2016	2015
A construction promissory note of MPVH issued by the County of Cook dated October 23, 2015 to finance construction of the A Save Haven Veteran Village property. The note bears interest at an effective rate of 1.73% per annum, requiring annual payments of accrued interest only in the amount of $25,373 per year, paid in arrears, due beginning October 1, 2017 until maturity, October 16, 2055. The note is collateralized by the five land parcels in the village of Melrose Park on which the A Safe Haven Veteran Village property is being constructed. The maximum loan value per the agreement is in the amount $1,466,674.	1,456,675	-
	20,390,602	19,497,747
Current	954,310	1,065,696
Long-Term	$ 19,436,292	$ 18,432,051

Future minimum payments of long-term debt are as follows as of June 30, 2016:

Year Ending June 30:	Amount
2017	$ 954,310
2018	1,762,905
2019	1,080,771
2020	10,832,109
2021	97,881
Thereafter	5,662,626
	$ 20,390,602

Note 8 – Line of Credit

Urban Partnership Bank Line of Credit: The Organization has an operating line of credit up to 75% of the value of receivables, as defined, secured by the certain receivables of ASHF and HQ/CS. Interest of 5% is due monthly and the balance was $1,099,950 and $1,300,000 as of June 30, 2016 and 2015, respectively. This line of credit expired at June 30, 2016 and was renewed in December 2016 under substantially similar terms.

ABC Bank Line of Credit: The Organization has a revolving operating line of credit in the amount of $1,250,000. Interest at a rate of two percent above the Lender's prime rate (3.50% at June 30, 2016) is due monthly and the balance was $600,000 and $800,000 as of June 30, 2016 and 2015, respectively. This line of credit is secured by the mortgage and assignment of rents of the 600 S Wabash Commercial building and matures August 29, 2017.

Wintrust Line of Credit: The Organization has an operating line of credit in the amount of $300,000. Interest of 5% is due monthly and the balance was $260,000 as of June 30, 2016 and 2015. This line is secured by all assets of the Organization and matured December 21, 2016. Management expects to renew this line of credit under similar terms in January 2017.

A SAFE HAVEN FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 9 – Capital Leases

The Organization leases certain equipment and automobiles under agreements accounted for as capital leases with various terms extending through Fiscal 2020 and with interest rates varying from 0.00% to 8.1%. The cost of leased assets was approximately $333,000 and $355,000 as of June 30, 2016 and 2015, respectively and related accumulated depreciation was approximately $136,000 and $51,000, respectively, for the years then ended, respectively. Amortization of leased assets is included in depreciation expense.

Future minimum payments under capital leases are as follows as of June 30, 2016:

Year Ending June 30:	Amount
2017	$ 107,568
2018	48,558
2019	43,870
2020	4,633
Total minimum lease payments	204,629
Less: Amount attributable to interest	12,935
Present value of minimum lease payments	191,694
Less: Current maturities	99,919
Long-term portion of capital lease payments	$ 91,775

Note 10 – Operating Leases

ASHF has portions of its 2750 W Roosevelt Building under lease to two unrelated service providers whose services complement the homeless service programs housed at the facility. The leases expire December 31, 2016 and January 9, 2018, with provisions for renewals.

Commercial leases space under operating lease agreements that expire based on terms of lease agreements through December 31, 2026. The terms of the leases call for monthly payments ranging between $1,000 and $4,000. Approximate future rentals to be received under the leases currently in place as of June 30, 2016 are as follows:

Year Ending June 30:	Amount
2017	$ 474,127
2018	327,404
2019	271,525
2020	279,311
2021	288,580
Thereafter	1,280,308
	$ 2,921,255

Note 11 – Tax Credits

The LP has received an allocation of low-income housing tax credits from the State of Illinois totaling $10,779,710. The building of the project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (“Section 42”). These tax credits are contingent on its ability to maintain compliance with applicable provisions of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously claimed tax credits plus interest. In addition, such potential noncompliance could result in an adjustment to the capital contributed by the Limited Partner.

Primarily due to a fire in the LP’s building in 2006, the timing of the tax credits was delayed from the initial projections and therefore the value of the credits delivered to the Limited Partner was diminished. According to the terms of the partnership agreement, a Tax Credit Adjustment of $730,000 was calculated by the Limited Partner and reviewed and approved by the general partner. The Limited Partner had reduced its capital contributions by $443,893 to partially offset the difference in value. The partnership paid the difference of $286,107 of amounts withheld and the full tax credit adjustment back to the Limited Partner in October 2013 and an amendment was signed to clarify how future available cash flow would be shared going forward.

MPVH has received an allocation of low-income housing tax credits from the State of Illinois totaling $9,458,480. The building of the project has qualified for and been allocated low-income housing tax credits pursuant to Section 42. These tax credits are contingent on its ability to maintain compliance with applicable provisions of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period, could result in recapture of previously claimed tax credits plus interest. As of June 30, 2016, the project was still under construction and tax credits had therefore not yet been utilized.

Note 12 – Commitments and Guarantees

The LP has executed a regulatory agreement with IHDA which requires the operation of the low-and moderate-income rental housing project pursuant to Section 42 for a minimum of 30 years. The agreement provides for regulation of rental charges, restrictions on disposition of property, and the limitation of annual cash distributions to the partners.

MPVH has executed a regulatory agreement with IHDA which requires the operation of the 35 unit low-and moderate-income rental housing project pursuant to Section 42 for a minimum of 30 years. The agreement provides for regulation of rental charges, restrictions on disposition of property, and the limitation of annual cash distributions to the partners.

Note 13 – Partnership Profits, Losses, and Distributions

As the General Partner, LLC and KMA VIII have a 0.01% interest in the LP and MPVH, respectively, while one Limited Partner, NEF, has a 99.99% interest. Generally, profits and losses from the Limited Partnership are allocated to the Partners in accordance with their percentage interests. Cash flow, as defined by the Partnership Agreement, generally is distributable as scheduled. Profits and losses arising from the sale, refinancing, or other disposition of all or substantially all of the Partnership’s assets will be specifically allocated as scheduled in the Partnership Agreement. Additionally, the Partnership Agreement provides for other instances in which a special allocation of profits, losses and distributions may be required.

Note 14 – Redevelopment Agreement

ASHF is bound by a Redevelopment Agreement originally entered into on May 14, 2004 between CCIL and the City. The City, through the West Ogden TIF, and the Near West TIF, provided substantial financing for the 2750 W Roosevelt Building. The agreement expires February 5, 2021. The Redevelopment Agreement provides funding for a transitional housing facility, adult and child training center, and staff offices.

A SAFE HAVEN FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14 – Redevelopment Agreement (concluded)

The Redevelopment Agreement provides for the City to provide funds subject to the terms and conditions as defined in the agreement. The expected future payments under the Redevelopment Agreement match the loan obligation to NCB described in Note 7. The anticipated revenue from the TIF received by the City pursuant to the Redevelopment Agreement is in an annual amount of approximately $756,000 and over the course of the remainder of the agreement will pay off the NCB loan and accrued interest. Management believes that the provisions within the Redevelopment Agreement define the financing as a gain contingency and as such, ASHF only recognizes revenue when the payment has been made by the City. Payments of $755,634 were made to NCB during each of the years ended June 30, 2016 and 2015, and are reported as tax incremental fund revenue on the consolidated statement of activities.

Note 15 – Significant Contracts

ASHF has two revenue contracts to provide homeless housing and supportive services with projected annual revenues of approximately $1,000,000 that renew annually. The CHA contract renews on July 1 and the DFSS contract renews on May 31. The CHA payments are received by direct deposit into the LP's operating account, and the DFSS payments are received by ASHF and flow through to the LP. In 2016 and 2015, the HAP contracts contributed 54 and 50 percent of rental revenue, respectively. The remaining revenue was received directly from the tenants.

ASHF has five HUD grants to provide transitional housing and supportive services to a variety of populations. These contracts provide for partial funding of total program costs and require a portion of the program costs, as defined, to be matched by other contracts or contributions. Revenues from these contracts were $741,462 and $797,016 for the years ended June 30, 2016 and 2015, respectively.

ASHF has contracts with the City of Chicago Department of Families and Support Services to perform supportive services for people who are formerly homeless. These contracts allow ASHF to serve an additional three populations of families and at-risk youth and provide funding for the program costs, as defined. Total revenue recognized by ASHF under these contracts was $999,957 and $1,146,999 for the years ended June 30, 2016 and 2015 respectively.

ASHF has a contract with the Illinois Department of Human Services to perform supportive services for people who are formerly homeless, or who are under threat of homelessness, who occupy units of affordable housing with affiliated companies. This contract provides partial funding for the program and requires a portion of the program costs, as defined, to be matched by other contracts or contributions. Revenues from this contract were $244,941 and $304,150 for the years ended June 30, 2016 and 2015, respectively. Due to the Illinois state budget impasse in fiscal 2016, receipt of this funding did not occur until shortly after the end of the fiscal year. Contracts were operated pending receipt of funds using funding from other sources.

As part of providing a comprehensive training employment program, ASHF has various contracts with the City and the Chicago Public Schools to perform landscape maintenance services throughout the City. Revenues from these contracts were $2,612,643 and $2,005,234 for the years ended June 30, 2016 and 2015, respectively. The increase was driven by an additional contract with the City for the southeast region.

In 2011, ASHF was awarded a five year federal contract to provide transitional housing services to the Veteran's Administration that reimburses ASHF at a per diem rate. Also, ASHF was awarded a contract under the Veterans Administration's Capital and per diem program that provides for longer term housing for former veterans that are also reimbursed on a per diem basis. Revenues from these contracts were $1,941,936 and $2,041,297 for the years ended June 30, 2016 and 2015, respectively.

ASHF has a management agreement whereby a related party provides management services to ASHF in the form of corporate management and property management for the Foundation's rental property. Total management fees incurred under the agreements were $1,133,628 and $1,587,036 for the years ended June 30, 2016 and 2015, respectively.

A SAFE HAVEN FOUNDATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 16 – Employee Benefit Plan

The ASHF benefit plan provides for discretionary matching contributions, not to exceed 6% of each participant's eligible compensation per payroll period. The plan also provides for an annual profit sharing contribution to be made at the discretion of ASHF for the benefit of all eligible employees who have worked at least 1,000 hours during the plan year. The plan is offered to those Eligible employees defined as those who are 21 years of age or older, who have completed three months or more of service and who are not members of a union. Matching contributions of $19,147 and $29,149 were made for the years ended June 30, 2016 and 2015, respectively. No annual profit sharing contributions were elected for either year.

Note 17 – Donated Services and Items

ASHF received donated services and items in the amount of $2,707,615 and $1,679,908 during the years ended June 30, 2016 and 2015, respectively. These donated services, which primarily pertained to the Organization's interim housing and Veteran's Support programs, and items, which were mainly comprised of food donations from the Greater Chicago Food Depository and surplus clothing from the Department of Defense, were recorded at fair value and recognized as income and expense when the services were performed or the items were received. The increase was driven primarily by the receipt of donated land parcels for the A Safe Haven Veteran Village project.

Note 18 – Concentrations

Three grantors accounted for approximately 25% and 34% of total support and revenue for the years ended June 30, 2016 and 2015, respectively, and approximately 19% and 41% of total accounts receivable as of June 30, 2016 and 2015, respectively.

Note 19 – Construction in Progress

Construction in progress includes the 35 unit affordable housing project of MPVH, totaling $9,577,736 as of June 30, 2016, which comprise all costs incurred by the general contractor and subcontractors directly attributable to bringing the units to completion. At June 30, 2016, there were future remaining costs of this project of approximately $2,300,000, which are to be funded through financing. Completion of the project occurred in October 2016.

Note 20 – Subsequent Events

Management has evaluated all known subsequent events from June 30, 2016 through December 29, 2016, the date the accompanying consolidated financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period that have not been disclosed in the notes to the consolidated financial statements.

SUPPLEMENTARY INFORMATION

A SAFE HAVEN FOUNDATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

	ASHF	KMA Holdings V	KMA Holdings VIII	A Safe Haven Veteran Village	Harborquest	CCIL
Current Assets						
Cash and cash equivalents	$ 41,781	$ 16,264	$ 203	$ 210	$ 11,579	$ 199
Restricted cash	2,517	-	-	-	-	-
Accounts receivable-net	1,870,674	-	-	-	133,324	211,150
Due from related parties	2,136,439	-	908,900	-	213,162	2,420,038
Prepaid expenses	58,781	-	-	-	16,923	-
Other current assets	-	-	-	-	512	-
Total current assets	4,110,192	16,264	909,103	210	375,500	2,631,387
Property and equipment						
Land	1,064,763	-	-	750,100	-	-
Buildings and improvements	13,153,943	-	-	-	-	-
Furniture, fixtures, and equipment	874,197	-	-	-	9,045	-
Automobiles	551,439	-	-	-	-	-
Site improvements	1,410,215	-	-	-	-	-
Computer software	138,533	-	-	-	5,600	-
Construction in progress	-	-	-	9,577,736	-	-
	17,193,090	-	-	10,327,836	14,645	-
Less: Accumulated depreciation	(3,313,687)	-	-	-	(11,862)	-
Net property and equipment	13,879,403	-	-	10,327,836	2,783	-
Other assets						
Debt issue costs	525,127	-	-	249,854	-	-
Other assets	-	-	-	-	13,176	-
Lease commissions	19,150	-	-	-	-	-
Less: Accumulated amortization	(351,661)	-	-	(83,285)	-	-
	192,616	-	-	166,569	13,176	-
Investment in partnerships	1,925,908	1,820,657	-	-	-	-
Total other assets	2,118,524	1,820,657	-	166,569	13,176	-
Total assets	$ 20,108,119	$ 1,836,921	$ 909,103	$ 10,494,615	$ 391,459	$ 2,631,387

See Independent Auditor's Report.

A SAFE HAVEN FOUNDATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

	600 S. Wabash Commercial	600 S. Wabash LLC	600 S. Wabash LP	Total	Eliminations	2016
Current Assets						
Cash and cash equivalents	$ 286,895	$ -	$ 324,534	$ 681,665	$ -	$ 681,665
Restricted cash	10,660	-	1,092,840	1,106,017	-	1,106,017
Accounts receivable-net	7,482	-	11,378	2,234,008	(111,534)	2,122,474
Due from related parties	720,100	2,267,282	124,931	8,790,852	(8,671,899)	118,953
Prepaid expenses	-	-	3,525	79,229	-	79,229
Other current assets	-	-	-	512	-	512
Total current assets	1,025,137	2,267,282	1,557,208	12,892,283	(8,783,433)	4,108,850
Property and equipment						
Land	184,800	-	1,015,200	3,014,863	-	3,014,863
Buildings and improvements	2,156,528	-	14,821,636	30,132,107	(416,273)	29,715,834
Furniture, fixtures, and equipment	-	-	125,929	1,009,171	-	1,009,171
Automobiles	-	-	-	551,439	-	551,439
Site improvements	-	-	368,709	1,778,924	-	1,778,924
Computer software	-	-	-	144,133	-	144,133
Construction in progress	-	-	-	9,577,736	-	9,577,736
	2,341,328	-	16,331,474	46,208,373	(416,273)	45,792,100
Less: Accumulated depreciation	(537,764)	-	(6,268,047)	(10,131,360)	213,644	(9,917,716)
Net property and equipment	1,803,564	-	10,063,427	36,077,013	(202,629)	35,874,384
Other assets						
Debt issue costs	71,821	-	66,716	913,518	-	913,518
Other assets	-	-	500	13,676	-	13,676
Lease commissions	218,049	-	-	237,199	-	237,199
Less: Accumulated amortization	(189,432)	-	(36,110)	(660,488)	-	(660,488)
	100,438	-	31,106	503,905	-	503,905
Investment in partnerships	-	-	-	3,746,565	(1,925,908)	1,820,657
Total other assets	100,438	-	31,106	4,250,470	(1,925,908)	2,324,562
Total assets	$ 2,929,139	$ 2,267,282	$ 11,651,741	$ 53,219,766	$(10,911,970)	$ 42,307,796

See Independent Auditor's Report.

A SAFE HAVEN FOUNDATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2016

LIABILITIES AND NET ASSETS

	ASHF	KMA Holdings V	KMA Holdings VIII	A Safe Haven Veteran Village	Harborquest	CCIL
Current liabilities						
Line of credit	$ 1,359,950	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt	833,493	-	-	-	-	-
Current portion of capital leases	99,919	-	-	-	-	-
Accounts payable and accrued expenses	696,862	16,296	159,174	4,772,869	312,941	35,039
Accrued interest	51,929	-	-	-	-	-
Deferred revenue	331,004	-	-	-	-	-
Other current liabilities	183,617	-	-	-	-	-
Due to related parties	1,380,034	-	-	835,813	560,442	29,251
Total current liabilities	4,936,808	16,296	159,174	5,608,682	873,383	64,290
Long-term liabilities						
Long-term debt, net of current portion	10,965,453	-	-	2,001,414	-	-
Capital leases, net of current portion	91,775	-	-	-	-	-
Deferred grant revenue	904,167	-	-	-	-	-
Total long-term liabilities	11,961,395	-	-	2,001,414	-	-
Total liabilities	16,898,203	16,296	159,174	7,610,096	873,383	64,290
Net Assets						
Controlling interest	3,209,916	1,820,625	749,929	750,074	(481,924)	2,567,097
Noncontrolling interest	-	-	-	2,134,445	-	-
Total net assets	3,209,916	1,820,625	749,929	2,884,519	(481,924)	2,567,097
Total liabilities and net assets	$ 20,108,119	$ 1,836,921	$ 909,103	$ 10,494,615	$ 391,459	$ 2,631,387

See Independent Auditor's Report.

A SAFE HAVEN FOUNDATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2016

LIABILITIES AND NET ASSETS

	600 S. Wabash Commercial	600 S. Wabash LLC	600 S. Wabash LP	Total	Eliminations	2016
Current liabilities						
Line of credit	$ 600,000	$ -	$ -	$ 1,959,950	$ -	$ 1,959,950
Current portion of long-term debt	45,904	-	74,913	954,310	-	954,310
Current portion of capital leases	-	-	-	99,919	-	99,919
Accounts payable and accrued expenses	39,480	-	27,858	6,060,519	(111,534)	5,948,985
Accrued interest	-	-	-	51,929	-	51,929
Deferred revenue	-	-	-	331,004	-	331,004
Other current liabilities	54,558	-	52,851	291,026	-	291,026
Due to related parties	300,674	-	4,197,295	7,303,509	(6,861,568)	441,941
Total current liabilities	1,040,616	-	4,352,917	17,052,166	(6,973,102)	10,079,064
Long-term liabilities						
Long-term debt, net of current portion	1,904,995	-	4,564,430	19,436,292	-	19,436,292
Capital leases, net of current portion	-	-	-	91,775	-	91,775
Deferred grant revenue	-	-	-	904,167	-	904,167
Total long-term liabilities	1,904,995	-	4,564,430	20,432,234	-	20,432,234
Total liabilities	2,945,611	-	8,917,347	37,484,400	(6,973,102)	30,511,298
Net Assets						
Controlling interest	(16,472)	2,267,282	294,330	11,160,857	(3,938,868)	7,221,989
Noncontrolling interest	-	-	2,440,064	4,574,509	-	4,574,509
Total net assets	(16,472)	2,267,282	2,734,394	15,735,366	(3,938,868)	11,796,498
Total liabilities and net assets	$ 2,929,139	$ 2,267,282	$ 11,651,741	$ 53,219,766	$(10,911,970)	$ 42,307,796

See Independent Auditor's Report.

A SAFE HAVEN FOUNDATION

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	ASHF	KMA Holdings V	KMA Holdings VIII	A Safe Haven Veteran Village	Harborquest	CCIL
Revenue and support						
Service contracts	$ 6,099,767	$ -	$ -	$ -	$ -	$ -
Social enterprise revenue	3,393,584	-	-	-	3,506,545	-
Rental income	1,616,045	-	-	-	-	-
Tax incremental fund revenue	755,634	-	-	-	-	-
Contributions	3,923,178	-	-	-	-	217,974
Management fees	36,493	-	-	-	-	-
Developer fee	-	327,776	-	-	-	-
Other revenue	197,639	-	354,366	-	285,796	62,744
Total support and revenue	16,022,340	327,776	354,366	-	3,792,341	280,718
Expenses						
Program services	13,971,724	48,330	159,671	262,175	3,956,303	-
Management and general	1,005,727	262,221	-	-	66,784	97,942
Fundraising	535,465	-	-	-	-	-
Total expenses	15,512,916	310,551	159,671	262,175	4,023,087	97,942
Change in unrestricted net assets before noncontrolling interest	509,424	17,225	194,695	(262,175)	(230,746)	182,776
Change in net assets attributable to noncontrolling interest	-	-	-	262,149	-	-
Change in net assets attributable to controlling interest	509,424	17,225	194,695	(26)	(230,746)	182,776
Controlling interest net assets - Beginning of year	2,655,492	1,825,144	-	-	(251,178)	2,339,321
Distributions	-	(61,000)	(195,566)	-	-	-
Contributions	45,000	39,256	750,800	750,100	-	45,000
Controlling interest net assets - End of year	$ 3,209,916	$ 1,820,625	$ 749,929	$ 750,074	$(481,924)	$ 2,567,097
Noncontrolling interest net assets - Beginning of year	$ -	$ -	$ -	$ -	$ -	$ -
Distributions	-	-	-	-	-	-
Contributions	-	-	-	2,396,594	-	-
Change in net assets attributable to noncontrolling interest	-	-	-	(262,149)	-	-
Noncontrolling interest net assets - End of year	$ -	$ -	$ -	$ 2,134,445	$ -	$ -
Total net assets - End of year	$ 3,209,916	$ 1,820,625	$ 749,929	$ 2,884,519	$(481,924)	$ 2,567,097

See Independent Auditor's Report.

A SAFE HAVEN FOUNDATION

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	600 S. Wabash Commercial	600 S. Wabash LLC	600 S. Wabash LP	Subtotal	Eliminations	Total
Revenue and support						
Service contracts	$ -	$ -	$ -	$ 6,099,767	$(1,691,540)	$ 4,408,227
Social enterprise revenue	-	-	-	6,900,129	-	6,900,129
Rental income	512,519	-	1,256,666	3,385,230	-	3,385,230
Tax incremental fund revenue	-	-	-	755,634	-	755,634
Contributions	-	-	-	4,141,152	(299,000)	3,842,152
Management fees	-	-	-	36,493	(36,493)	-
Developer fee	-	-	-	327,776	-	327,776
Other revenue	520	60,600	-	961,665	(393,252)	568,413
Total support and revenue	513,039	60,600	1,256,666	22,607,846	(2,420,285)	20,187,561
Expenses						
Program services	630,790	-	1,604,468	20,633,461	(2,227,693)	18,405,768
Management and general	-	-	-	1,432,674	(85,493)	1,347,181
Fundraising	-	-	-	535,465	-	535,465
Total expenses	630,790	-	1,604,468	22,601,600	(2,313,186)	20,288,414
Change in unrestricted net assets before noncontrolling interest	(117,751)	60,600	(347,802)	6,246	(107,099)	(100,853)
Change in net assets attributable to noncontrolling interest	-	-	347,767	609,916	-	609,916
Change in net assets attributable to controlling interest	(117,751)	60,600	(35)	616,162	(107,099)	509,063
Controlling interest net assets - Beginning of year	101,279	2,206,682	309,365	9,186,105	(2,414,509)	6,771,596
Distributions	-	-	(15,000)	(271,566)	212,896	(58,670)
Contributions	-	-	-	1,630,156	(1,630,156)	-
Controlling interest net assets - End of year	$(16,472)	$ 2,267,282	$ 294,330	$ 11,160,857	$(3,938,868)	$ 7,221,989
Noncontrolling interest net assets - Beginning of year	$ -	$ -	$ 2,817,831	$ 2,817,831	$ -	$ 2,817,831
Distributions	-	-	(30,000)	(30,000)	-	(30,000)
Contributions	-	-	-	2,396,594	-	2,396,594
Change in net assets attributable to noncontrolling interest	-	-	(347,767)	(609,916)	-	(609,916)
Noncontrolling interest net assets - End of year	$ -	$ -	$ 2,440,064	$ 4,574,509	$ -	$ 4,574,509
Total net assets - End of year	$(16,472)	$ 2,267,282	$ 2,734,394	$ 15,735,366	$(3,938,868)	$ 11,796,498

See Independent Auditor's Report.

INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
A Safe Haven Foundation

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 financial statements of A Safe Haven Foundation ("ASHF"), which comprise the consolidated statement of financial position as of June 30, 2016, 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 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered ASHF's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ASHF's internal control. Accordingly, we do not express an opinion on the effectiveness of ASHF's 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ASHF's consolidated 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 consolidated 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.*

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.

FGMK, LLC

Bannockburn, Illinois
December 29, 2016