

SIENA/FRANCIS HOUSE
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

SIENA/FRANCIS HOUSE
AND SUBSIDIARIES

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Siena/Francis House
Omaha, Nebraska

We have audited the accompanying consolidated financial statements of Siena/Francis House and Subsidiaries (Siena), which comprise the consolidated statements of financial position as of December 31, 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. 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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Siena/Francis House and subsidiaries as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Supplementary Schedules 1 and 2 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating 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 consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

FRANKEL ZACHARIA LLC

March 28, 2017

SIENA/FRANCIS HOUSE
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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	2016	2015
<u>ASSETS</u>		
Cash and cash equivalents	\$ 3,011,640	3,030,858
Grants receivable	268,793	105,623
Contribution receivable	150,000	200,000
Prepaid expenses and other	15,415	44,257
Restricted funds	992,476	994,051
Property and equipment - net	9,240,017	9,433,786
Donated items on hand	40,000	50,000
Other assets	18,345	16,427
	\$ 13,736,686	13,875,002
 <u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 313,305	269,621
AHP note payable	400,000	400,000
	713,305	669,621
 <u>NET ASSETS</u>		
Unrestricted:		
Designated by Board	1,116,992	1,014,757
Undesignated	7,532,677	7,616,256
Non-controlling interest in L.P.	4,076,219	4,331,178
Total Unrestricted	12,725,888	12,962,191
Temporarily restricted	297,493	243,190
	13,023,381	13,205,381
	\$ 13,736,686	13,875,002

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SIENA/FRANCIS HOUSE
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CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
<u>REVENUE AND SUPPORT</u>			
Contributions and other grants	\$ 3,020,562	405,092	3,425,654
Government grants	363,336	157,904	521,240
Non-cash donations	4,009,313	-	4,009,313
Special events	93,724	-	93,724
Rental - net	125,431	-	125,431
Other	2,933	-	2,933
Net assets released from restrictions:			
Satisfaction of program restrictions	508,693	(508,693)	-
TOTAL REVENUE AND SUPPORT	8,123,992	54,303	8,178,295
 <u>EXPENSES</u>			
Program services	7,339,813	-	7,339,813
Management and general	633,064	-	633,064
Fundraising	387,418	-	387,418
TOTAL EXPENSES	8,360,295	-	8,360,295
CHANGE IN NET ASSETS	(236,303)	54,303	(182,000)
NET ASSETS - Beginning of year	12,962,191	243,190	13,205,381
NET ASSETS - End of year	\$ 12,725,888	297,493	13,023,381

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SIENA/FRANCIS HOUSE
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CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
<u>REVENUE AND SUPPORT</u>			
Contributions and other grants	\$ 3,534,605	318,486	3,853,091
Government grants	356,623	156,730	513,353
Non-cash donations	3,339,011	25,000	3,364,011
Special events	80,044	-	80,044
Rental - net	123,848	-	123,848
Other	20,106	-	20,106
Net assets released from restrictions:			
Satisfaction of program restrictions	341,551	(341,551)	-
TOTAL REVENUE AND SUPPORT	7,795,788	158,665	7,954,453
 <u>EXPENSES</u>			
Program services	6,414,489	-	6,414,489
Management and general	563,003	-	563,003
Fundraising	386,686	-	386,686
TOTAL EXPENSES	7,364,178	-	7,364,178
 CHANGE IN NET ASSETS	 431,610	 158,665	 590,275
NET ASSETS - Beginning of year	12,530,581	84,525	12,615,106
NET ASSETS - End of year	\$ 12,962,191	243,190	13,205,381

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SIENA/FRANCIS HOUSE
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Permanent Supportive Housing Program Expenses	Siena/Francis House Program Expenses	Total
Salaries and wages	\$ 28,405	1,488,461	1,516,866
Assistance to guests	-	3,146,520	3,146,520
Auto repair and gas	-	25,354	25,354
Depreciation and amortization	190,506	260,507	451,013
Employee benefits	2,517	202,571	205,088
Food	-	900,775	900,775
Insurance	24,630	82,628	107,258
Miscellaneous	4,555	41,118	45,673
Office supplies	17,449	63,285	80,734
Program supplies	29,636	43,766	73,402
Information systems	-	68,467	68,467
Payroll taxes	1,541	112,026	113,567
Professional fees	41,514	-	41,514
Repairs and maintenance	10,794	87,516	98,310
Stipends	-	227,292	227,292
Telephone	5,182	48,368	53,550
Utilities	44,813	139,617	184,430
	<u>\$ 401,542</u>	<u>6,938,271</u>	<u>7,339,813</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SIENA/FRANCIS HOUSE
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2016

	Program Services	Management and General	Fund Raising	Total
Salaries and wages	\$ 1,516,866	361,275	94,694	1,972,835
Assistance to guests	3,146,520	-	-	3,146,520
Auto repair and gas	25,354	-	-	25,354
Depreciation and amortization	451,013	1,449	1,449	453,911
Employee benefits	205,088	49,167	12,887	267,142
Food	900,775	-	-	900,775
Direct mail appeals	-	-	214,924	214,924
Special events	-	-	40,610	40,610
Administration	-	21,217	-	21,217
Insurance	107,258	7,852	1,674	116,784
Miscellaneous	45,673	5,077	1,331	52,081
Office supplies	80,734	15,360	4,026	100,120
Program supplies	73,402	-	-	73,402
Information systems	68,467	16,618	4,356	89,441
Payroll taxes	113,567	27,191	7,127	147,885
Professional fees	41,514	77,169	-	118,683
Management fees	-	25,160	-	25,160
Compliance fees	-	12,526	-	12,526
Repairs and maintenance	98,310	487	487	99,284
Stipends	227,292	-	-	227,292
Telephone	53,550	11,740	3,077	68,367
Utilities	184,430	776	776	185,982
	<u>\$ 7,339,813</u>	<u>633,064</u>	<u>387,418</u>	<u>8,360,295</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SIENA/FRANCIS HOUSE
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Permanent Supportive Housing Program Expenses	Siena/Francis House Program Expenses	Total
Salaries and wages	\$ 27,418	1,352,228	1,379,646
Assistance to guests	-	2,460,677	2,460,677
Auto repair and gas	-	28,175	28,175
Depreciation and amortization	216,549	254,185	470,734
Employee benefits	2,629	198,464	201,093
Food	-	920,114	920,114
Insurance	24,974	63,014	87,988
Miscellaneous	2,643	13,800	16,443
Office supplies	15,588	54,993	70,581
Program supplies	9,992	30,469	40,461
Information systems	-	52,198	52,198
Payroll taxes	1,884	104,718	106,602
Professional fees	25,932	-	25,932
Repairs and maintenance	5,053	101,080	106,133
Stipends	-	212,700	212,700
Telephone	5,998	47,704	53,702
Utilities	42,903	135,384	178,287
Vending	-	3,023	3,023
	<u>\$ 381,563</u>	<u>6,032,926</u>	<u>6,414,489</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SIENA/FRANCIS HOUSE
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Fund Raising	Total
Salaries and wages	\$ 1,379,646	323,052	90,031	1,792,729
Assistance to guests	2,460,677	-	-	2,460,677
Auto repair and gas	28,175	-	-	28,175
Depreciation and amortization	470,734	1,414	1,414	473,562
Employee benefits	201,093	47,414	13,214	261,721
Food	920,114	-	-	920,114
Direct mail appeals	-	-	226,120	226,120
Special events	-	-	35,366	35,366
Administration	-	11,446	-	11,446
Insurance	87,988	5,871	1,205	95,064
Miscellaneous	16,443	2,643	737	19,823
Office supplies	70,581	13,138	3,661	87,380
Program supplies	40,461	-	-	40,461
Information systems	52,198	12,470	3,475	68,143
Payroll taxes	106,602	25,018	6,972	138,592
Professional fees	25,932	69,299	-	95,231
Management fees	-	26,000	-	26,000
Compliance fees	-	12,526	-	12,526
Repairs and maintenance	106,133	562	562	107,257
Stipends	212,700	-	-	212,700
Telephone	53,702	11,397	3,176	68,275
Utilities	178,287	753	753	179,793
Vending	3,023	-	-	3,023
	<u>\$ 6,414,489</u>	<u>563,003</u>	<u>386,686</u>	<u>7,364,178</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Government grants	\$ 511,620	511,244
Contributions and other	3,541,587	3,873,128
Interest and dividends received	4,102	4,402
Cash paid to suppliers and employees	(3,810,247)	(3,558,023)
Interest paid	(851)	(114)
NET CASH PROVIDED BY OPERATING ACTIVITIES	246,211	830,637
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(262,900)	(1,105,580)
Purchases of investments	(4,155)	-
Proceeds from sale of investments	-	3,602
Net withdrawals from (deposits to and interest retained in) restricted funds	1,626	(13,078)
NET CASH USED FOR INVESTING ACTIVITIES	(265,429)	(1,115,056)
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	(19,218)	(284,419)
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	3,030,858	3,315,277
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	\$ 3,011,640	3,030,858
<u>RECONCILIATION OF CHANGE IN NET ASSETS TO NET</u>		
<u>CASH FROM OPERATING ACTIVITIES</u>		
Change in net assets	(182,000)	590,275
Depreciation and amortization	453,911	473,562
Donated items on hand	5,000	(50,000)
Other	4,994	1,279
(Increase)/decrease in:		
Grants receivable	(9,620)	(2,109)
Contributions receivable	(103,550)	(200,000)
Other receivables	10,118	(8,065)
Prepaid expenses and other	18,724	2,151
Tenant security deposits held in trust	(50)	(548)
Increase/(decrease) in:		
Accounts payable and accrued expenses	48,684	24,092
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 246,211	830,637

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES

None

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

SIENA/FRANCIS HOUSE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

1. NATURE OF THE ORGANIZATION

The mission of the Siena/Francis House (Siena) located in Omaha, Nebraska is based upon a concern and care for the poor following the example of the scriptures. This mission is realized through an integrated program to feed the hungry, shelter the homeless, clothe the needy and provide a drug recovery program. This mission extends beyond merely answering physical needs to the acceptance and affirmation of the human person, the creation of an atmosphere of hospitality, and the provision of purpose and meaning in the lives of people who struggle for survival. Siena is supported primarily through donor contributions and grants.

Siena/Francis House Permanent Supportive Housing, Limited Partnership (the L.P.) consists of forty-eight apartment units which house homeless men and women who have a disabling condition and a community services facility which contains offices for Siena employees and employees of partnering agencies, classrooms, meeting rooms and nursing stations, both located in Omaha, Nebraska.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Siena have been prepared on the accrual basis of accounting, which recognizes income when earned and expenses when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

Financial statement presentation is in accordance with FASB Accounting Standards Codification (ASC) 958. Siena is, therefore, required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation.

Temporarily restricted net assets are those net assets whose use by Siena has been limited by donor or grant-imposed stipulations to later periods of time or to specified purposes.

Permanently restricted net assets are those net assets whose use by Siena have donor-imposed restrictions that stipulate resources be maintained permanently, but permit the use of part or all of the income derived from the donated assets. Siena had no permanently restricted net assets at December 31, 2016 or 2015.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Principles of Consolidation

The consolidated financial statements include the accounts of Siena, Siena/Francis General Partner LLC and Siena Francis House Permanent Supportive Housing, L.P., a Nebraska limited partnership (the L.P.). Siena is the general partner of the L.P. It has been determined that the limited partner of the L.P. does not have substantive participating or protective rights. As such, Siena is presumed to control the L.P. and has consolidated the L.P.'s financial statements with its own financial statements. All significant inter-entity transactions are eliminated from the consolidated financial statements.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Siena considers short-term, highly liquid investments with three months or less to maturity and money market funds to be cash equivalents.

Contributions

In accordance with FASB ASC 958, contributions received are being recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

From time to time, Siena receives contributions of marketable securities which are subsequently converted to cash. However, during the holding period, gains and losses are recognized and are considered unrestricted unless otherwise specified by the donor.

Noncash Contributions

Siena values noncash donations of food, clothing and supplies at estimated fair value on the date of donation based on receipts and the current Salvation Army value. Siena recorded \$4 million and \$3.4 million of such donations as contribution revenue and program service expense in 2016 and 2015, respectively.

SIENA/FRANCIS HOUSE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributed Services

No amounts have been reflected in the financial statements for donated services. Siena generally pays for services requiring specific expertise. However, a substantial number of volunteers contribute significant amounts of time to the activities of Siena, but these services do not meet the criteria for recognition under FASB ASC 958-605.

Grants and Contributions Receivable

Siena considers the grants and contributions receivable to be fully collectible. Accordingly, no allowance is deemed necessary.

Property and Equipment

Property and equipment are recorded at cost, unless donated, and are depreciated using the straight-line method over estimated lives of 3 to 40 years. It is Siena's policy to capitalize items over \$1,000.

Donations of property and equipment are recorded at their estimated fair value on the date of donation. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted. Absent donor stipulations regarding how long those donated assets must be maintained, Siena reports expiration of donor restrictions when the donated or acquired assets are placed in service.

Rental Revenue

Rental revenue reflects the gross rent potential based on the approved contract rent amounts less vacancy losses. Tenant rent is due on the first of the month for that month.

Subsequent Events

Management has evaluated subsequent events through March 28, 2017, the date the financial statements were considered available to be issued, to determine whether any events should be recognized or disclosed in these statements. There were no transactions or events in the subsequent period requiring disclosure or recognition.

Prior Year Reclassifications

Reclassifications have been made to balances reported in 2015 to conform to the 2016 presentation.

SIENA/FRANCIS HOUSE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

3. RESTRICTED FUNDS

Siena's restricted cash balance is comprised of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Replacement Reserve	\$ 30,481	\$ 33,010
Operating Reserve	98,562	98,484
Supplemental Operating Reserve	347,384	347,037
Tenant Security Deposit Funds	12,380	12,330
Collateral Security Funds	<u>503,669</u>	<u>503,190</u>
	<u>\$ 992,476</u>	<u>\$ 994,051</u>

Replacement Reserve

The L.P. is required to maintain a reserve to fund repairs, capital expenditures and other costs approved by the Limited Partner. The replacement reserve is to be funded in the amount of \$250 per apartment unit per year, and shall increase by ten percent on each fifth anniversary. At December 31, 2016 and 2015, all such required contributions had been made.

Operating Reserve

The L.P. is required to fund an operating reserve of at least \$98,333. Withdrawals must be approved by the Limited Partner. As of December 31, 2016 and 2015, the Operating Reserve had been fully funded.

Supplemental Operating Reserve

The L.P. is required to fund a supplemental operating reserve account of at least \$346,047. Withdrawals must be approved by the Limited Partner and can only be used to supplement lost annual rental subsidy. As of December 31, 2016 and 2015, the Supplemental Operating Reserve has been fully funded.

Collateral Security Funds

In accordance with the limited partnership agreement, Siena is required to maintain a pledge account of at least \$500,000 as collateral security for its obligations under the agreement. This account is for the benefit of the limited partner, and disbursements from and termination of the account requires the approval of the limited partner.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

4. GRANTS RECEIVABLE

Siena receives grants from various entities. The detail of the grants receivable and the respective granting agency at December 31, 2016 and 2015 is listed below.

	2016
United Way Grants	\$153,550
Emergency Solutions Grant – Dept. of Housing and Urban Development	90,015
Veterans Affairs Grant - Dept. of Veterans' Affairs	15,294
Supportive Housing Project A - Dept. of Housing and Urban Development	9,934
	\$268,793
	2015
Emergency Solutions Grant – Dept. of Housing and Urban Development	\$ 77,228
Veterans Affairs Grant - Dept. of Veterans' Affairs	18,801
Supportive Housing Project A - Dept. of Housing and Urban Development	9,594
	\$105,623

5. CONTRIBUTION RECEIVABLE

Contribution receivable includes a single pledge for a campus expansion project. It is to be collected \$50,000 per year over four years beginning in 2016. At December 31, 2016, \$50,000 was collected on this receivable.

Conditional promises to give are recognized when the conditions on which they depend on are substantially met. Siena had conditional promises to give related to its campus expansion project totaling \$1,000,000 at December 31, 2016. They are to be received when Siena has completed fundraising for the project and started construction.

6. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2016 and 2015 consists of:

	2016	2015
Land	\$ 1,398,191	\$ 1,398,191
Land improvements	34,275	32,300
Buildings	10,664,780	10,615,625
Construction in progress	179,257	-
Equipment	358,765	333,036
Vehicles	276,810	276,810
	\$12,912,078	\$12,655,962
Less: accumulated depreciation	(3,672,061)	(3,222,176)
	\$ 9,240,017	\$ 9,433,786

SIENA/FRANCIS HOUSE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

6. PROPERTY AND EQUIPMENT – continued

Depreciation expense for the years ended December 31, 2016 and 2015 was \$452,032 and \$471,683 respectively.

7. GRANT AND LOAN AGREEMENTS

Siena and the L.P. are parties to agreements with the U.S. Department of Housing and Urban Development (HUD) and the Federal Home Loan Bank of Topeka (the FHLB) related to the funding of the permanent supportive housing facilities.

Supportive Housing Program (SHP) Loan Agreements

The SHP loan agreement is between Siena, as the lender, and the L.P., as the borrower. The interest rate is 3.45% per annum. Annual payments are based on available cash flow, with all unpaid principal and interest due on October 31, 2057. This note has been eliminated upon consolidation.

The loan amount of \$640,117 was funded by two grants awarded in 2011 to Siena from HUD. Siena has provided HUD a deed restriction to secure HUD's repayment of the grants if a default of the grant agreements should occur. The L.P. has provided Siena a second deed of trust on the property.

Affordable Housing Program (AHP) Loan Agreement

The agreements with FHLB consist of: (1) an AHP Loan Agreement; (2) two separate promissory notes between Siena and the L.P. totaling \$400,000; and (3) two separate promissory notes between Siena and American National Bank (ANB) totaling \$400,000. The loan agreement indicates that ANB is the member bank for the FHLB, the L.P. is the owner and Siena is the sponsor. Siena loaned an additional \$400,000 to the L.P. under the same terms after expected AHP funding changed.

The promissory notes between Siena and the L.P. are non-interest bearing. The notes are due upon the date which the property is sold or refinanced; or, December 31, 2058. These notes are eliminated upon consolidation.

The promissory notes between Siena and ANB state that Siena promises to pay ANB the principal sum without interest, except upon an event of default. If no default occurs, the notes shall be forgiven if the FHLB's AHP requirements are met upon the 15-year anniversary (October 24, 2027). The notes are secured by a deed of trust on the related property.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

8. NET ASSETS

Unrestricted

The Board of Directors has designated funds for an operating reserve with the annual income available for current operations. The amount of designated unrestricted net assets at December 31, 2016 and 2015, was \$1,116,992 and \$1,014,757, respectively.

Temporarily Restricted Net Assets

Donor-imposed restrictions on net assets are considered temporary restrictions. Such net assets are available at December 31, 2016 and 2015, with the following restrictions:

	2016	2015
Purpose restrictions	\$ 143,943	\$ 243,190
Time restrictions	153,550	-
	\$ 297,493	\$ 243,190

Net assets were released from donor restrictions during 2016 and 2015 by incurring expenses satisfying donor restrictions as follows:

	2016	2015
Purpose restrictions:		
Day facility	\$ 231,642	\$ 180,000
Campus expansion	179,257	-
Finding A Voice	12,305	18,993
Keep Omaha Beautiful	17,500	16,400
Supportive Housing Project A	57,904	66,158
Vehicle purchase	-	50,000
Other	10,085	10,000
	\$ 508,693	\$ 341,551

SIENA/FRANCIS HOUSE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

9. CHANGES IN NET ASSETS

Per FASB ASC 958-810-50-4 and 50-5, consolidated financial statements are required to provide a schedule of changes in consolidated net assets reconciling beginning and ending balances attributable to the parent and to the non-controlling interest.

The detail of the changes in net assets at December 31, 2016 for Siena and the non-controlling interest in the L.P. are as follows:

	<u>Siena</u>	Non-Controlling <u>Interest in L.P.</u>	<u>Total</u>
Unrestricted Net Assets at December 31, 2015	\$ 8,631,013	\$ 4,331,178	\$ 12,962,191
Increase/(decrease) in Net Assets	<u>18,656</u>	(<u>254,959</u>)	(<u>236,303</u>)
Unrestricted Net Assets at December 31, 2016	<u>\$ 8,649,669</u>	<u>\$ 4,076,219</u>	<u>\$ 12,725,888</u>
Temporarily Restricted Net Assets at December 31, 2015	\$ 243,190	\$ -	\$ 243,190
Increase in Net Assets	<u>54,303</u>	<u>-</u>	<u>54,303</u>
Temporarily Restricted Net Assets at December 31, 2016	<u>\$ 297,493</u>	<u>\$ -</u>	<u>\$ 297,493</u>
Total Net Assets at December 31, 2016	<u>\$ 8,947,162</u>	<u>\$ 4,076,219</u>	<u>\$ 13,023,381</u>

The detail of the changes in net assets at December 31, 2015 for Siena and the non-controlling interest in the L.P. are as follows:

	<u>Siena</u>	Non-Controlling <u>Interest in L.P.</u>	<u>Total</u>
Unrestricted Net Assets at December 31, 2014	\$ 7,963,063	\$ 4,567,518	\$ 12,530,581
Increase/(decrease) in Net Assets	<u>667,950</u>	(<u>236,340</u>)	<u>431,610</u>
Unrestricted Net Assets at December 31, 2015	<u>\$ 8,631,013</u>	<u>\$ 4,331,178</u>	<u>\$ 12,962,191</u>
Temporarily Restricted Net Assets at December 31, 2014	\$ 84,525	\$ -	\$ 84,525
Increase in Net Assets	<u>158,665</u>	<u>-</u>	<u>158,665</u>
Temporarily Restricted Net Assets at December 31, 2015	<u>\$ 243,190</u>	<u>\$ -</u>	<u>\$ 243,190</u>
Total Net Assets at December 31, 2015	<u>\$ 8,874,203</u>	<u>\$ 4,331,178</u>	<u>\$ 13,205,381</u>

SIENA/FRANCIS HOUSE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

10. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

11. CONCENTRATION OF CREDIT RISK

Siena maintains cash in demand deposit and money market accounts with federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits as detailed in the following table. Siena also maintains cash in money market funds at a brokerage firm that is a member of the SIPC (Securities Investor Protection Corporation). These accounts are insured subject to applicable limits which includes "excess SIPC" insurance. The balance in excess of FDIC and SIPC limits was \$2,174,197 at December 31, 2016.

	<u>Bank Balance</u>	<u>Insured Amount</u>	<u>Amount of Uninsured Bank Balance</u>
American National Bank	\$ 1,074,341	\$ 250,000	\$ 824,341
First National Bank	252,508	250,000	2,508
Security National Bank	250,258	250,000	258
Bank of The West	150,059	150,059	-
Mutual of Omaha Bank	1,116,992	250,000	866,992
Great Western Bank	9,486	9,486	-
Schwab Account	<u>174,119</u>	<u>174,119</u>	<u>-</u>
	\$ 3,027,763	\$ 1,333,664	\$ 1,694,099
US Bank - Restricted cash	980,098	500,000	480,098
Great Western Bank – Restricted cash	<u>12,379</u>	<u>12,379</u>	<u>-</u>
	<u>\$ 4,020,240</u>	<u>\$ 1,846,043</u>	<u>\$ 2,174,197</u>

Management does not believe that Siena is exposed to any significant credit risk related to these balances.

12. CONTINGENCIES

Siena participates in federal grant programs that are subject to review and audit by the grantor agency. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditures of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of Siena.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

12. CONTINGENCIES – continued

The L.P. has received an allocation from the Nebraska Investment Finance Authority (NIFA) anticipated to generate \$6,262,300 of low-income housing tax credits. Generally, these tax credits become available for use by its partners, pro-rata, over a ten-year period that began in 2013. Because these tax credits are subject to complying with federal and state regulatory requirements, there can be no assurance that the aggregate amount of the tax credits will be realized. Failure to meet all requirements may result in generating a lesser amount of tax credits than the expected amount. Also, failure to maintain compliance with occupant eligibility conditions, unit gross rent conditions, or corrections to noncompliance could result in recapture of previously taken tax credits plus interest.

A Declaration of Restrictive Covenants between the United States Department of Housing and Urban Development (HUD) and Siena binds Siena to use the project for supportive housing for low-income persons for 20 years. If the project fails to comply within 10 years, Siena is obligated to repay HUD up to the \$753,426 of assistance it received from the Supportive Housing Grants. After the initial ten-year period, HUD shall reduce the percentage required to be repaid by 10 percentage points for each year Siena is in compliance.

A portion of the L.P.'s land was acquired by Siena from the City of Omaha (the City). Siena transferred this property to the L.P. The City restricted the use of the land for five years. The property must be used for multi-residential buildings for low income individuals and a community service facility for the homeless or other uses that are in substantial conformance with defined redevelopment plans. If Siena fails to comply, either the property is to be deeded to the City or the City is to be compensated in amounts up to \$550,000.

13. COMMITMENT

In November 2015, Siena purchased a parcel of land for \$957,963 to be used for the expansion of its homeless shelter. Demolition of buildings and trees on this land was completed in 2016 at a cost of \$179,257, which is included in construction in progress at December 31, 2016. Siena plans to finish remediation and cleanup of the site and start expansion once sufficient funds are raised for the project. The expansion of Siena's homeless shelter had not yet begun as of December 31, 2016.

SIENA/FRANCIS HOUSE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

13. COMMITMENT - continued

Siena received a donated vehicle during 2015, valued at \$50,000, which is included in donated items on hand at December 31, 2015. Donor requirements stipulate that when this vehicle is sold half of the proceeds realized from the sale must be donated by Siena to the Post Traumatic Growth Institute (PTGI). Accordingly, Siena accrued \$25,000 for this liability at December 31, 2015. The other half of the proceeds are to be used by Siena for support of veterans in the Omaha metropolitan area.

The vehicle was not sold in 2016. Siena determined that the vehicle's value needed to be adjusted. The new value recorded in donated items at December 31, 2016 is \$40,000, with a corresponding liability to PTGI of \$20,000. Siena recognized an impairment loss of \$5,000 which is reflected in the Consolidated Statement of Activities.

14. AFFILIATED ORGANIZATION

Siena has partnered with Restored Hope, a not for profit organization that provides sanctuary, advancement, and community to single mothers and their children in abusive environments, and a private foundation under a Memorandum of Understanding (MOU). The goal of the MOU is to sustain the Restored Hope program. Under the MOU, Restored Hope approved three employees of Siena as new members of the Restored Hope board of directors. In addition, Siena agreed to provide supervision to the current staff of Restored Hope, assist with fundraising efforts, and provide annual operational loans of up to \$100,000. The MOU provides for the assumption of Restored Hope by Siena after a twelve-month transitional period if approved by Siena.

15. RETIREMENT PLAN

Siena sponsors a SIMPLE IRA plan for all employees who meet plan criteria. Employees may contribute up to \$12,500 for 2016. Employees age 50 or over may also make catch-up contributions. Siena is required to make matching contributions up to 3% of employee compensation for eligible participants. Siena's contributions were \$33,833 in 2016 and \$30,220 in 2015. These amounts are included in employee benefits expense on the Statement of Functional Expenses.

SIENA/FRANCIS HOUSE
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(continued)

16. INCOME TAXES

Siena is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Siena is subject to a tax on income from any unrelated business. The L.P. is not a taxpaying entity for federal income tax purposes, and thus no income tax expense has been recorded in the statements. Income from the L.P. is taxed to the partners in their appropriate tax returns.

Siena adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. Management believes nothing has occurred to negate its exemption from income taxes and related tax filings. Management anticipates that income tax filing positions would be sustained upon examination and does not expect any adjustments that would result in a material adverse effect on Siena's financial condition, activities or cash flows. Accordingly, Siena has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at December 31, 2016.

Siena's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively, if incurred.

SIENA/FRANCIS HOUSE
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SUPPLEMENTARY INFORMATION

SIENA/FRANCIS HOUSE
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Supplementary Schedule 1

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2016

	Siena/Francis House	Siena/Francis House Permanent Supportive Housing L.P.	Eliminations	Consolidated Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,002,004	9,636	-	3,011,640
Grants receivable	268,793	-	-	268,793
Contribution receivable	150,000	-	-	150,000
Prepaid expenses and other	12,464	2,951	-	15,415
Restricted funds	503,669	488,807	-	992,476
Property and equipment - net	4,479,951	5,136,914	(376,848)	9,240,017
Due from Siena/Francis House L.P.	1,547,976	-	(1,547,976)	-
Investment in limited partnership	408	-	(408)	-
Donated items on hand	40,000	-	-	40,000
Other assets	7,385	33,449	(22,489)	18,345
TOTAL ASSETS	<u>\$ 10,012,650</u>	<u>5,671,757</u>	<u>(1,947,721)</u>	<u>13,736,686</u>
 <u>LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 288,640	47,154	(22,489)	313,305
Due to Siena/Francis House	-	1,547,976	(1,547,976)	-
AHP note payable	400,000	-	-	400,000
TOTAL LIABILITIES	<u>688,640</u>	<u>1,595,130</u>	<u>(1,570,465)</u>	<u>713,305</u>
 <u>NET ASSETS</u>				
Unrestricted:				
Designated by Board	1,116,992	-	-	1,116,992
Undesignated	7,909,525	-	(376,848)	7,532,677
Non-controlling interest in L.P.	-	4,076,627	(408)	4,076,219
Total Unrestricted	<u>9,026,517</u>	<u>4,076,627</u>	<u>(377,256)</u>	<u>12,725,888</u>
Temporarily restricted	297,493	-	-	297,493
TOTAL NET ASSETS	<u>9,324,010</u>	<u>4,076,627</u>	<u>(377,256)</u>	<u>13,023,381</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 10,012,650</u>	 <u>5,671,757</u>	 <u>(1,947,721)</u>	 <u>13,736,686</u>

SIENA/FRANCIS HOUSE
AND SUBSIDIARIES

Supplementary Schedule 1

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2015

	Siena/Francis House	Siena/Francis House Permanent Supportive Housing L.P.	Eliminations	Consolidated Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 3,006,540	24,318	-	3,030,858
Grants receivable	105,623	-	-	105,623
Contribution receivable	200,000	-	-	200,000
Prepaid expenses and other	41,902	2,355	-	44,257
Restricted funds	503,190	490,861	-	994,051
Property and equipment - net	4,487,068	5,336,249	(389,531)	9,433,786
Due from Siena/Francis House L.P.	1,529,326	-	(1,529,326)	-
Investment in limited partnership	433	-	(433)	-
Donated items on hand	50,000	-	-	50,000
Other assets	3,587	28,152	(15,312)	16,427
TOTAL ASSETS	<u>\$ 9,927,669</u>	<u>5,881,935</u>	<u>(1,934,602)</u>	<u>13,875,002</u>
 <u>LIABILITIES</u>				
Accounts payable and accrued expenses	\$ 263,935	20,998	(15,312)	269,621
Due to Siena/Francis House	-	1,529,326	(1,529,326)	-
Notes payable	400,000	-	-	400,000
TOTAL LIABILITIES	<u>663,935</u>	<u>1,550,324</u>	<u>(1,544,638)</u>	<u>669,621</u>
 <u>NET ASSETS</u>				
Unrestricted:				
Designated by Board	1,014,757	-	-	1,014,757
Undesignated	8,005,787	-	(389,531)	7,616,256
Non-controlling interest in L.P.	-	4,331,611	(433)	4,331,178
Total Unrestricted	<u>9,020,544</u>	<u>4,331,611</u>	<u>(389,964)</u>	<u>12,962,191</u>
Temporarily restricted	243,190	-	-	243,190
TOTAL NET ASSETS	<u>9,263,734</u>	<u>4,331,611</u>	<u>(389,964)</u>	<u>13,205,381</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,927,669</u>	<u>5,881,935</u>	<u>(1,934,602)</u>	<u>13,875,002</u>

SIENA/FRANCIS HOUSE
AND SUBSIDIARIES

Supplementary Schedule 2

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Siena/Francis House</u>	<u>Siena/Francis House Permanent Supportive Housing L.P.</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<u>REVENUE AND SUPPORT</u>				
Contributions and other grants	\$ 3,425,654	-	-	3,425,654
Government grants	471,240	50,000	-	521,240
Non-cash donations	4,009,313	-	-	4,009,313
Special events	93,724	-	-	93,724
Rental - net	-	132,307	(6,876)	125,431
Other	27,300	39,965	(64,332)	2,933
Income from L.P.	(26)	-	26	-
	<u>8,027,205</u>	<u>222,272</u>	<u>(71,182)</u>	<u>8,178,295</u>
<u>EXPENSES</u>				
Program services	6,982,520	439,570	(82,277)	7,339,813
Management and general	596,656	37,686	(1,278)	633,064
Fundraising	387,753	-	(335)	387,418
TOTAL EXPENSES	<u>7,966,929</u>	<u>477,256</u>	<u>(83,890)</u>	<u>8,360,295</u>
CHANGE IN NET ASSETS	60,276	(254,984)	12,708	(182,000)
NET ASSETS - Beginning of year	<u>9,263,734</u>	<u>4,331,611</u>	<u>(389,964)</u>	<u>13,205,381</u>
NET ASSETS - End of year	<u>\$ 9,324,010</u>	<u>4,076,627</u>	<u>(377,256)</u>	<u>13,023,381</u>

SIENA/FRANCIS HOUSE
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Supplementary Schedule 2

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Siena/Francis House</u>	<u>Siena/Francis House Permanent Supportive Housing L.P.</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<u>REVENUE AND SUPPORT</u>				
Contributions and other grants	\$ 3,853,091	-	-	3,853,091
Government grants	463,353	50,000	-	513,353
Non-cash donations	3,364,011	-	-	3,364,011
Special events	80,044	-	-	80,044
Rental - net	-	136,810	(12,962)	123,848
Other	49,495	40,392	(69,781)	20,106
Income from L.P.	(24)	-	24	-
	<u>7,809,970</u>	<u>227,202</u>	<u>(82,719)</u>	<u>7,954,453</u>
 <u>EXPENSES</u>				
Program services	6,081,841	423,144	(90,496)	6,414,489
Management and general	526,849	40,422	(4,268)	563,003
Fundraising	387,347	-	(661)	386,686
TOTAL EXPENSES	<u>6,996,037</u>	<u>463,566</u>	<u>(95,425)</u>	<u>7,364,178</u>
 CHANGE IN NET ASSETS	 813,933	 (236,364)	 12,706	 590,275
NET ASSETS - Beginning of year	<u>8,449,801</u>	<u>4,567,975</u>	<u>(402,670)</u>	<u>12,615,106</u>
NET ASSETS - End of year	<u>\$ 9,263,734</u>	<u>4,331,611</u>	<u>(389,964)</u>	<u>13,205,381</u>