

*Consolidated Financial Statements of*

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

Years Ended  
June 30, 2018 and 2017

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## INDEPENDENT AUDITORS' REPORT

To the Audit Committee and Board of Directors  
Volunteers of America, Inc. and Subsidiaries  
Alexandria, Virginia

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Volunteers of America, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Volunteers of America Texas, Inc., VOANS Holding Company, and Edina Senior Living, LLC, entities whose financial statements are required to be consolidated with the Organization, whose statements reflect total assets constituting approximately 19 percent of the consolidated total assets at June 30, 2018 and 2017, respectively, and total revenues constituting approximately 15 and 10 percent of the consolidated total revenues for the years then ended, respectively. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Volunteers of America Texas, Inc., VOANS Holding Company, and Edina Senior Living, LLC are based solely on the report of the other auditors. 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 auditors' 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 Organization'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 Organization'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, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Volunteers of America, Inc. and Subsidiaries as of June 30, 2018 and 2017, 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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 43-50 is presented for purposes of additional analysis rather than to present the financial position, results of operations, functional expenses, and cash flows of the subsidiaries, 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 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, based on our audit and the reports of the other auditors, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

Minneapolis, Minnesota  
October 22, 2018

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017  
(IN THOUSANDS)

	2018	2017
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 63,372	\$ 54,053
Accounts receivable, net of allowance for doubtful accounts	23,941	27,967
Current portion of notes receivable	2,072	2,593
Short-term investments	13,482	25,252
Prepaid expenses	2,726	2,557
Other current assets, net of allowance for doubtful accounts	5,052	4,284
Total current assets	<b>110,645</b>	116,706
Property and equipment, net of accumulated depreciation	<b>270,074</b>	259,948
Other assets:		
Encumbered assets	78,377	49,396
Long-term investments	14,920	13,614
Notes receivable, net of current portion and allowance for doubtful accounts	2,770	3,571
Reimbursable costs	7,237	6,060
Property held for sale	257	991
Deferred charges and other assets, net of accumulated amortization	9,220	8,624
Limited and general partnerships' assets	593,761	558,721
Total other assets	<b>706,542</b>	640,977
Total assets	<b>\$ 1,087,261</b>	1,017,631

*See notes to consolidated financial statements.*

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017  
(IN THOUSANDS)

	<u>2018</u>	<u>2017</u>
<i>Liabilities and net assets:</i>		
Current liabilities:		
Accounts payable	\$ 10,612	\$ 10,329
Accrued expenses	22,546	20,326
Current portion of long-term debt	5,352	3,989
Other current liabilities	<u>17,620</u>	<u>16,888</u>
Total current liabilities	<u>56,130</u>	<u>51,532</u>
Long-term liabilities:		
Long-term debt, net of current portion	264,736	221,987
Other long-term liabilities	107,899	104,972
Limited and general partnerships' liabilities	<u>332,132</u>	<u>319,417</u>
Total long-term liabilities	<u>704,767</u>	<u>646,376</u>
Total liabilities	<u>760,897</u>	<u>697,908</u>
Net assets:		
Unrestricted attributable to:		
Controlled limited and general partnerships	5,711	4,249
Board designated	16,162	16,345
Undesignated	<u>120,489</u>	<u>123,936</u>
Parent	142,362	144,530
Non-controlling interests in limited and general partnerships and other programs	<u>181,344</u>	<u>169,170</u>
Total unrestricted	323,706	313,700
Temporarily restricted	1,873	5,192
Permanently restricted	<u>785</u>	<u>831</u>
Total net assets	<u>326,364</u>	<u>319,723</u>
Total liabilities and net assets	<u>\$ 1,087,261</u>	<u>\$ 1,017,631</u>

*See notes to consolidated financial statements.*

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018  
(IN THOUSANDS)

	Unrestricted	Temporarily restricted	Permanently restricted	Operating subtotal	Limited and general partnerships (unrestricted)	Eliminations (unrestricted)	Total
Revenues from operations:							
Public support received directly:							
Contributions	\$ 12,672	\$ 2,761	\$ -	\$ 15,433	\$ -	\$ -	\$ 15,433
Contributions, in-kind	17,224	-	-	17,224	-	-	17,224
Total public support	29,896	2,761	-	32,657	-	-	32,657
Government grants and contracts	22,786	-	-	22,786	26,162	-	48,948
Other revenue:							
Program fees	68,571	-	-	68,571	25,939	(156)	94,354
Program fees, Medicaid and Medicare	136,658	-	-	136,658	-	-	136,658
Administrative income from Local Offices	13,412	-	-	13,412	-	-	13,412
Net rental income	56	-	-	56	551	-	607
Other operating income	22,269	-	-	22,269	1,710	(9,885)	14,094
Total other revenue	240,966	-	-	240,966	28,200	(10,041)	259,125
Net assets released from restrictions	6,084	(6,084)	-	-	-	-	-
Total revenues from operations	299,732	(3,323)	-	296,409	54,362	(10,041)	340,730
Operating expenses:							
Program services:							
Fostering independence	212,422	-	-	212,422	42,435	-	254,857
Promoting self sufficiency	52,021	-	-	52,021	36,387	(3,861)	84,547
Encouraging positive development	593	-	-	593	-	-	593
Total program services	265,036	-	-	265,036	78,822	(3,861)	339,997
Support services:							
Management and general	32,197	-	-	32,197	-	(1,895)	30,302
Fundraising	2,286	-	-	2,286	-	-	2,286
Total support services	34,483	-	-	34,483	-	(1,895)	32,588
Total operating expenses	299,519	-	-	299,519	78,822	(5,756)	372,585
Change in net assets from operations	213	(3,323)	-	(3,110)	(24,460)	(4,285)	(31,855)
Non-operating items:							
Interest and dividend income	2,808	1	-	2,809	-	-	2,809
Net realized gains on investments	1,416	2	-	1,418	-	-	1,418
Net unrealized gains (losses) on investments	577	1	(46)	532	-	-	532
Equity contributions related to limited and general partnerships	-	-	-	-	34,047	-	34,047
Other non-operating	(476)	-	-	(476)	-	-	(476)
Total non-operating items	4,325	4	(46)	4,283	34,047	-	38,330
Change in net assets before discontinued operations	4,538	(3,319)	(46)	1,173	9,587	(4,285)	6,475
Gain on discontinued operations	166	-	-	166	-	-	166
Change in net assets	4,704	(3,319)	(46)	1,339	9,587	(4,285)	6,641
Less change in net assets attributable to the non-controlling interest in limited and general partnerships and other programs	(1,396)	-	-	(1,396)	13,570	-	12,174
Change in net assets attributable to the parent	\$ 6,100	\$ (3,319)	\$ (46)	\$ 2,735	\$ (3,983)	\$ (4,285)	\$ (5,533)

See notes to consolidated financial statements.

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017  
(IN THOUSANDS)**

	Unrestricted	Temporarily restricted	Permanently restricted	Operating subtotal	Limited and general partnerships (unrestricted)	Eliminations (unrestricted)	Total
Revenues from operations:							
Public support received directly:							
Contributions	\$ 21,062	\$ 6,904	\$ -	\$ 27,966	\$ -	\$ -	\$ 27,966
Contributions, in-kind	11,760	-	-	11,760	-	-	11,760
Total public support	32,822	6,904	-	39,726	-	-	39,726
Government grants and contracts	25,607	-	-	25,607	24,326	-	49,933
Other revenue:							
Program fees	60,550	-	-	60,550	20,703	(108)	81,145
Program fees, Medicaid and Medicare	119,104	-	-	119,104	-	-	119,104
Administrative income from Local Offices	12,725	-	-	12,725	-	-	12,725
Net rental income	87	-	-	87	523	-	610
Other operating income	18,776	-	-	18,776	1,654	(8,382)	12,048
Total other revenue	211,242	-	-	211,242	22,880	(8,490)	225,632
Net assets released from restrictions	6,573	(6,573)	-	-	-	-	-
Total revenues from operations	276,244	331	-	276,575	47,206	(8,490)	315,291
Operating expenses:							
Program services:							
Fostering independence	190,339	-	-	190,339	34,436	-	224,775
Promoting self sufficiency	44,529	-	-	44,529	29,088	(3,334)	70,283
Encouraging positive development	449	-	-	449	-	-	449
Total program services	235,317	-	-	235,317	63,524	(3,334)	295,507
Support services:							
Management and general	30,680	-	-	30,680	-	(1,504)	29,176
Fundraising	2,712	-	-	2,712	-	-	2,712
Total support services	33,392	-	-	33,392	-	(1,504)	31,888
Total operating expenses	268,709	-	-	268,709	63,524	(4,838)	327,395
Change in net assets from operations	7,535	331	-	7,866	(16,318)	(3,652)	(12,104)
Non-operating items:							
Interest and dividend income	2,080	1	-	2,081	-	-	2,081
Net realized gains on investments	694	1	-	695	-	-	695
Net unrealized gains (losses) on investments	1,832	2	(109)	1,725	-	-	1,725
Equity contributions related to limited and general partnerships	-	-	-	-	44,768	-	44,768
Loss on refinancing	(6,284)	-	-	(6,284)	-	-	(6,284)
Other non-operating	381	-	-	381	-	-	381
Total non-operating items	(1,297)	4	(109)	(1,402)	44,768	-	43,366
Change in net assets before discontinued operations	6,238	335	(109)	6,464	28,450	(3,652)	31,262
Gain on discontinued operations	343	-	-	343	-	-	343
Change in net assets	6,581	335	(109)	6,807	28,450	(3,652)	31,605
Less change in net assets attributable to the non-controlling interest in limited and general partnerships and other programs	(826)	-	-	(826)	28,216	-	27,390
Change in net assets attributable to the parent	\$ 7,407	\$ 335	\$ (109)	\$ 7,633	\$ 234	\$ (3,652)	\$ 4,215

See notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS  
**VOLUNTEERS OF AMERICA, INC.** YEARS ENDED JUNE 30, 2018 AND 2017  
**AND SUBSIDIARIES** (IN THOUSANDS)

	Attributable to the parent			Subtotal	Attributable to the non-controlling interests	Total
	Unrestricted	Temporarily restricted	Permanently restricted		Unrestricted	
Balance, July 1, 2016	\$ 140,541	\$ 4,857	\$ 940	\$ 146,338	\$ 141,780	\$ 288,118
Change in net assets	<u>3,989</u>	<u>335</u>	<u>(109)</u>	<u>4,215</u>	<u>27,390</u>	<u>31,605</u>
Balance, June 30, 2017	144,530	5,192	831	150,553	169,170	319,723
Change in net assets	<u>(2,168)</u>	<u>(3,319)</u>	<u>(46)</u>	<u>(5,533)</u>	<u>12,174</u>	<u>6,641</u>
Balance, June 30, 2018	<u><b>\$ 142,362</b></u>	<u><b>\$ 1,873</b></u>	<u><b>\$ 785</b></u>	<u><b>\$ 145,020</b></u>	<u><b>\$ 181,344</b></u>	<u><b>\$ 326,364</b></u>

*See notes to consolidated financial statements.*

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017  
(IN THOUSANDS)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 6,641	\$ 31,605
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-controlling interest in limited and general partnerships and other programs	(12,174)	(27,390)
Change in limited and general partnerships	(10,150)	(13,649)
Increase (decrease) in allowance for doubtful accounts	2,075	(121)
Depreciation and amortization	12,910	11,134
Loss (gain) on:		
Disposal of discontinued operations	(166)	(343)
Joint ventures	(333)	142
Refinancing	-	6,284
Sale or disposal of property and equipment	511	(18)
Net realized and unrealized investment gains	(1,950)	(2,420)
(Increase) decrease in operating assets:		
Accounts receivable	4,800	(4,003)
Prepaid expenses	(169)	456
Other current assets	(445)	(2,168)
Deferred charges and other assets	(573)	(612)
Increase (decrease) in operating liabilities:		
Accounts payable	284	5,517
Accrued expenses	2,171	50
Other liabilities	436	5,828
Net cash provided by operating activities	<u>3,868</u>	<u>10,292</u>
Cash flows from investing activities:		
Purchase of property and equipment	(22,044)	(24,990)
Sale of property and equipment	283	33
Change in reimbursable costs and other assets	(868)	(47)
Notes receivable:		
Advances	(4,860)	(1,744)
Payments	2,842	2,817
Increase in unearned revenue and other long term liabilities	1,353	810
Cash proceeds withdrawn from investments	4,362	1,375
Change in investments including encumbered assets	2,106	(8,747)
Net cash used in investing activities	<u>(16,826)</u>	<u>(30,493)</u>

*See notes to consolidated financial statements.*

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017  
(IN THOUSANDS)

Cash flows from financing activities:		
Proceeds from line of credit	\$ 1,000	\$ 1,500
Long-term debt and capital lease liability:		
Proceeds	54,499	4,626
Payments	(11,191)	(5,368)
(Decrease) increase in:		
Other long-term assets	(577)	4,693
Bond trust funds	(21,454)	19,718
	<u>22,277</u>	<u>25,169</u>
Net cash provided by financing activities		
	9,319	4,968
Net increase in cash and cash equivalents		
	54,053	49,086
Cash and cash equivalents, beginning		
	<u>\$ 63,372</u>	<u>\$ 54,053</u>
Cash and cash equivalents, ending		
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 21,612	\$ 22,640
Non-cash financing activity:		
Property and equipment financed through debt	\$ 545	\$ 79,791

*See notes to consolidated financial statements.*

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018  
(IN THOUSANDS)

	Program services				Support services			Consolidated operating subtotal	Limited and general partnerships			Eliminations	Total
	Fostering independence	Promoting self sufficiency	Encouraging positive development	Total program services	Management and general	Fundraising	Total support services		Fostering independence	Promoting self sufficiency	Total program services		
Salaries	\$ 86,062	\$ 11,626	\$ 347	\$ 98,035	\$ 15,228	\$ 366	\$ 15,594	\$ 113,629	\$ 3,834	\$ 2,929	\$ 6,763	\$ -	\$ 120,392
Pension	675	413	-	1,088	2,760	21	2,781	3,869	-	-	-	-	3,869
Other employee benefits	11,347	1,939	51	13,337	2,149	50	2,199	15,536	697	521	1,218	-	16,754
Payroll taxes	5,343	905	29	6,277	1,044	20	1,064	7,341	405	390	795	-	8,136
Legal fees	148	74	-	222	371	-	371	593	57	160	217	-	810
Accounting fees	298	15	-	313	1,048	5	1,053	1,366	647	432	1,079	-	2,445
Other professional fees	15,626	7,678	20	23,324	3,101	751	3,852	27,176	2,301	707	3,008	-	30,184
Other professional fees - In-kind	-	16,941	-	16,941	-	-	-	16,941	-	-	-	-	16,941
Supplies and office	5,189	1,507	59	6,755	672	5	677	7,432	1,376	900	2,276	-	9,708
Telecommunications	1,631	172	2	1,805	353	5	358	2,163	5	31	36	-	2,199
Postage	114	61	-	175	42	280	322	497	-	-	-	-	497
Occupancy	6,687	910	30	7,627	808	15	823	8,450	7,474	6,902	14,376	-	22,826
Interest	12,905	350	-	13,255	603	-	603	13,858	10,317	9,764	20,081	(3,704)	30,235
Insurance	1,805	149	6	1,960	355	29	384	2,344	-	295	295	-	2,639
Equipment rental and maintenance	2,889	308	5	3,202	81	3	84	3,286	-	323	323	-	3,609
Printing and publications	82	99	-	181	19	230	249	430	-	-	-	-	430
Travel and transportation	1,568	2,074	24	3,666	1,018	25	1,043	4,709	6	12	18	-	4,727
Conferences and meetings	299	431	5	735	369	7	376	1,111	179	126	305	-	1,416
Specific assistance to individuals	40,248	2,162	10	42,420	-	253	253	42,673	-	-	-	-	42,673
Awards and grants to affiliates:													
Development awards	-	2,570	-	2,570	5	146	151	2,721	-	-	-	-	2,721
Endowment awards	-	139	-	139	-	-	-	139	-	-	-	-	139
Other	8,094	932	-	9,026	1,657	75	1,732	10,758	2,123	4,469	6,592	(2,052)	15,298
Depreciation and amortization	11,412	566	5	11,983	514	-	514	12,497	13,014	8,426	21,440	-	33,937
	<u>\$ 212,422</u>	<u>\$ 52,021</u>	<u>\$ 593</u>	<u>\$ 265,036</u>	<u>\$ 32,197</u>	<u>\$ 2,286</u>	<u>\$ 34,483</u>	<u>\$ 299,519</u>	<u>\$ 42,435</u>	<u>\$ 36,387</u>	<u>\$ 78,822</u>	<u>\$ (5,756)</u>	<u>\$ 372,585</u>

See notes to consolidated financial statements.

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017  
(IN THOUSANDS)**

	Program services			Support services			Consolidated operating subtotal	Limited and general partnerships			Eliminations	Total	
	Fostering independence	Promoting self sufficiency	Encouraging positive development	Total program services	Management and general	Fundraising		Total support services	Fostering independence	Promoting self sufficiency			Total program services
Salaries	\$ 79,381	\$ 10,790	\$ 281	\$ 90,452	\$ 14,581	\$ 308	\$ 14,889	\$ 105,341	\$ 3,184	\$ 2,610	\$ 5,794	\$ -	\$ 111,135
Pension	741	396	-	1,137	2,665	8	2,673	3,810	-	-	-	-	3,810
Other employee benefits	11,354	1,692	41	13,087	2,306	42	2,348	15,435	572	444	1,016	-	16,451
Payroll taxes	5,358	859	24	6,241	969	19	988	7,229	317	439	756	-	7,985
Legal fees	146	38	-	184	335	-	335	519	127	194	321	-	840
Accounting fees	310	17	-	327	917	5	922	1,249	498	408	906	-	2,155
Other professional fees	13,665	7,046	9	20,720	2,990	552	3,542	24,262	1,824	765	2,589	-	26,851
Other professional fees - In-kind	-	11,696	-	11,696	-	-	-	11,696	-	-	-	-	11,696
Supplies and office	3,467	1,647	25	5,139	627	5	632	5,771	1,066	822	1,888	-	7,659
Telecommunications	1,504	176	3	1,683	323	7	330	2,013	35	22	57	-	2,070
Postage	118	48	-	166	46	188	234	400	-	-	-	-	400
Occupancy	6,486	1,169	35	7,690	690	22	712	8,402	5,840	6,321	12,161	-	20,563
Interest	14,017	328	-	14,345	465	-	465	14,810	8,837	6,224	15,061	(3,334)	26,537
Insurance	1,737	132	4	1,873	353	34	387	2,260	-	305	305	-	2,565
Equipment rental and maintenance	2,586	364	3	2,953	79	5	84	3,037	-	337	337	-	3,374
Printing and publications	100	79	-	179	15	116	131	310	-	-	-	-	310
Travel and transportation	1,524	1,710	14	3,248	972	12	984	4,232	15	21	36	-	4,268
Conferences and meetings	280	338	4	622	245	4	249	871	178	128	306	-	1,177
Specific assistance to individuals	32,378	1,874	6	34,258	-	503	503	34,761	-	-	-	-	34,761
Awards and grants to affiliates:													
Development awards	-	2,089	-	2,089	5	147	152	2,241	-	-	-	-	2,241
Endowment awards	-	123	-	123	-	-	-	123	-	-	-	-	123
Other	5,703	1,211	-	6,914	1,553	735	2,288	9,202	1,590	2,667	4,257	(1,504)	11,955
Depreciation and amortization	9,484	707	-	10,191	544	-	544	10,735	10,353	7,381	17,734	-	28,469
	<u>\$ 190,339</u>	<u>\$ 44,529</u>	<u>\$ 449</u>	<u>\$ 235,317</u>	<u>\$ 30,680</u>	<u>\$ 2,712</u>	<u>\$ 33,392</u>	<u>\$ 268,709</u>	<u>\$ 34,436</u>	<u>\$ 29,088</u>	<u>\$ 63,524</u>	<u>\$ (4,838)</u>	<u>\$ 327,395</u>

See notes to consolidated financial statements.

1. Organization and reporting entity:

Volunteers of America, Inc. (National Organization) is an interdenominational church and a national non-profit human service organization that demonstrates its faith through acts of compassion, local service programs, and opportunities for individual and community involvement. Established in 1896 by Christian social reformers Ballington and Maud Booth, the National Organization provides administrative and management services to 31 locally chartered and unchartered corporations (Local Offices) authorized to operate under the name of Volunteers of America. The Local Offices provide a wide variety of human service programs to help people in need. Volunteers of America is one of the nation's most comprehensive human service charities.

Volunteers of America National Services (National Services), a subsidiary of the National Organization, includes the accounts of National Services and its wholly-owned subsidiaries: Volunteers of America Care Facilities and Subsidiary; VOA Care Centers, Minnesota and Subsidiary; Volunteers of America National Services Foundation; Volunteers of America Assisted Living Communities; Volunteers of America Home Health Services; Volunteers of America National Services Development Corporation; VOA National Housing Corporation; The Homestead at Boulder City, Inc., an 80% owned subsidiary; The Homestead at Montrose, Inc.; Sleepy Eye Area Home Health; Volunteers of America Homestead 2000, Inc.; VOA Rehabilitation Centers, Inc.; VOA Lee County Health Care Facility, Inc.; VOANS Senior Community Meals, Inc.; VOANS PACE Holding Company and Subsidiaries, including a 60% owned subsidiary; Essex St. Commercial, LLC.; Edina Senior Living, LLC, an 80% owned subsidiary; VOANS Holding Company; VOANS Insurance Company, Inc.; Summit VOANS, LLC; Intrepid VOA LLC; Sunshine Development Corporation; and certain real estate general and limited partnerships.

Volunteers of America Correctional Services, a subsidiary, includes Volunteers of America Puerto Rico RRC, Inc., its wholly-owned subsidiary.

Volunteers of America Futures Fund, Inc. (VOA Futures Fund) is a wholly owned subsidiary formed in June 2017.

Volunteers of America Texas, Inc. (VOAT) is an unchartered Local Office. VOAT includes the accounts for Volunteers of America Texas Development Corporation, Inc., Volunteers of America Texas Foundation, and certain real estate limited partnerships.

Volunteers of America, Inc., Volunteers of America National Services, VOA Futures Fund, VOAT, and Volunteers of America Correctional Services are referred to collectively as the Organization.

Principles of consolidation:

All significant intercompany balances and transactions have been eliminated in consolidation. Intercompany guarantees that are eliminated in consolidation are not disclosed in the notes to the consolidated financial statements as the related obligations are eliminated on the consolidated statements of financial position.

Intercompany profits eliminated in consolidation related to developer fees earned and paid to National Services were \$6,181,000 and \$5,156,000 for the years ended June 30, 2018 and 2017, respectively. The cumulative amount of intercompany profits eliminated in consolidation related to developer fees earned and paid to National Services was \$44,607,000 and \$38,426,000 at June 30, 2018 and 2017, respectively.

Under generally accepted accounting principles in the United States of America, general partners in limited partnerships that keep substantive participating rights are presumed to control the limited partnerships regardless of the extent of their ownership interest; therefore, the limited partnerships' financial statements are consolidated with those of the general partners with substantive participating rights, regardless of the percentage ownership in the limited partnerships.

1. Organization and reporting entity (continued):

There are 168 Housing and Urban Development (HUD) financed properties and general partnership entities that National Services controls or in which it has economic interest, but not both. National Organization also has economic interests in all chartered local offices but does not possess control. However, the Organization has control over unchartered local offices but does not have economic interest. Therefore, the Organization is not required to consolidate these HUD properties, general partnership entities or the 30 Local Offices for the fiscal years ended June 30, 2018 and 2017. On June 30, 2015, the Organization issued loans to VOAT, an unchartered Local Office, creating economic interest. Since both criteria are met, VOAT is consolidated in the Organization's consolidated financial statements for fiscal years ended June 30, 2018 and 2017.

Use of estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Program services provided by the Organization are described as follows:

**Fostering Independence** - Through programs designed to provide care where needed while supporting independence to the degree possible, National Services offers services to the elderly and to those with disabilities, mental illness, and HIV/AIDS.

Health Care and Elderly Services:

National Services promotes the well-being of individuals through health education and screening, home health care, adult day care, transitional senior housing, assisted living facilities, nursing home care, and Program of All-Inclusive Care for the Elderly (PACE). Nursing home care provides skilled and intermediate nursing care, and secures special care units for people with memory loss and rehabilitation. The PACE program provides a full range of care to seniors with chronic care needs while allowing them to remain in their own homes for as long as possible.

**Encouraging Positive Development** - VOAT provides services to encourage positive development for troubled and at-risk children, adolescents, and their families. The programs provide a continuum of care and support for young people ages birth to 21 through prevention, early intervention, crisis intervention, and long-term services.

Children and Youth:

VOAT provides educational programs to facilitate healthy behaviors for youth, including prevention of pregnancy, HIV infection and substance abuse, programs promoting youth leadership, community service and volunteerism, and encouraging the pursuit of higher education.

1. Organization and reporting entity (continued):

**Promoting Self-Sufficiency -**

Housing:

The National Organization works to promote the self-sufficiency of those who have experienced homelessness or other personal crises, including chemical dependency, involvement with the corrections system, and unemployment.

Housing - Disabled and Elderly Housing:

National Services affords individuals and families an opportunity to live in safe, well-maintained, service-enriched rental housing. This program offers residents an array of activities and services that respond to the needs and interests of residents. Elderly housing offers recreational, social, and health services. Housing for persons with disabilities have specifically designed services that support the residents' independent functioning.

Housing - Single Adults and Families:

National Services affords individuals and families an opportunity to live in safe, well-maintained, service-enriched rental housing. This program offers residents an array of activities and services that respond to the needs and interests of residents.

National Services is the sponsor for certain Single Asset Entities (SAEs) and is developing additional affordable housing sites to be organized as SAEs. The SAEs are stand-alone entities and are not consolidated with the Organization. See Note 2 regarding reimbursable costs for the 4 and 6 individual and family properties under development at June 30, 2018 and 2017, respectively.

Community enhancement:

The National Organization provides administrative and management services to the Local Offices from its headquarters office located in Alexandria, Virginia.

Mission focus:

The National Organization provides management, program expertise, and leadership to its Local Offices and ensures that the work of the Organization fulfills the mission of providing programs and services that help abused and neglected children, youth at risk, the elderly, people with disabilities, homeless individuals and families, and many others. It facilitates development of an organization-wide plan. It commissions and ordains ministers and fosters the spiritual growth of leadership across the Organization. It articulates the mission of Volunteers of America and updates this message to keep it timely and meaningful. It promotes organizational values that instill pride and unite the Organization.

The National Organization establishes effective partnerships with government, businesses, churches, and community organizations and participates in the national dialogue affecting the work of Volunteers of America.



1. Organization and reporting entity (continued):

Advocacy and government relations:

The National Organization advocates on a local, national, and international level for those groups served by Volunteers of America, maintains effective federal government relations, and encourages Local Offices to maintain effective state and local government relations. It informs Local Offices of legislative and regulatory proposals affecting their work, analyzes their impact, and identifies national public policy initiatives and works towards their fulfillment.

Board development:

The National Organization's and Local Office's boards of directors provide leadership and direction for the Organization as they work with national and local staff. This program establishes a model for board effectiveness, provides training, communicates regularly with local boards, administers charters, and works to expand the Organization nationally and internationally.

Communications:

The National Organization provides publication, public relations, marketing, graphic, online, and other communications support for the Organization. It conveys the mission and messages of Volunteers of America, maintains a national awareness campaign, and develops and ensures proper use of Volunteers of America trademarks. National Organization communications staff also provides professional, technical, and operational support to the Local Offices. These communication efforts are designed to build public awareness and enhance the Organization's programs and services for people in need.

Service development:

The National Organization gathers and analyzes national data and trends on the types of services provided and forecasts needs and opportunities for additional services. It participates in the risk for new models of service delivery and launches national initiatives for service delivery.

The National Organization also establishes expectations of the Organization's leadership and a program to develop leadership skills. It invites individuals who share the values of Volunteers of America to volunteer for, commit to, and participate in the work of the Organization. It identifies and supports national leadership for the Organization's primary service areas. It provides technical assistance to Local Offices on legal, financial and accounting, human resources, planning, and other management areas.

Financial development:

The National Organization facilitates the Organization's access to capital and raises funds for national and local initiatives. It makes training and supporting materials for financial development available to Local Offices. It creates national relationships with corporate partners. It develops enterprises that generate revenue to fund the work of the Organization. It monitors the financial condition of Local Offices and offers assistance when applicable.

2. Summary of significant accounting policies:

Cash and cash equivalents:

Cash equivalents are all highly liquid investments with an original maturity of three months or less when purchased, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements, or otherwise encumbered (see Note 5). The carrying amount approximates fair value because of the short maturity of those instruments.

Notes and accounts receivable:

Notes and accounts receivable consist of third-party payors and patient receivables, housing, and other receivables and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debts based on its assessment of the current status of individual account balances that are still outstanding. After management has used exhaustive collection efforts, uncollectible notes and accounts receivable balances are charged to the provision for bad debts. At June 30, 2018 and 2017, the allowance for doubtful accounts for accounts receivable was \$4,164,000 and \$3,468,000, respectively, and the allowance for doubtful accounts for notes receivable was \$7,273,000 and \$7,103,000, respectively.

Notes receivable, net of current portion, generally bear no interest and result from activity with managed apartment complexes, and affiliates, from development activity with affiliates and from some loans to Local Offices for operations (see Notes 4 and 14).

Investments:

Investments consist of: (a) cash and cash equivalents; (b) guaranteed investment contracts (2017 only); (c) certificates of deposits, and (d) deposits that have been pooled with those of other affiliates of the Organization (pooled investments). The pooled investments are maintained in accounts consisting primarily of marketable securities (Note 6). The pooled investments are recorded at fair value based on quoted market prices. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. The fair value of investments is based on the underlying value of the securities and will fluctuate based on overall changes in market conditions. Investment income or loss (including realized gains and losses on investments, interest, and dividends) and change in unrealized gains and losses on investments are excluded from the change in net assets from operations.

Although the Organization's investments are invested in a variety of financial instruments managed by investment advisors, the fair values reported in the consolidated financial statements are subject to various market risks including changes in the equity markets, the interest rate environment, and economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the fair value of investments reported in the accompanying consolidated statements of financial position could change materially in the near term.

2. Summary of significant accounting policies:

Fair value measurements:

The Organization's financial instruments are measured at estimated fair value using inputs from among the three levels of the fair value hierarchy as follows:

*Level 1 inputs:* Quoted prices in active markets for identical assets or liabilities, which prices are available at the measurement date.

*Level 2 inputs:* Includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e. interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

*Level 3 inputs:* Unobservable inputs that reflect management's estimates about the assumptions that market participants would use in pricing the asset or liability. These inputs are developed based on the best information available, including internally-developed data.

Property and equipment and depreciation method:

Land, buildings, and equipment are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of gift.

Depreciation and amortization are computed on the straight-line method based generally upon the following estimated useful lives:

Land and improvements	10 years
Buildings	30-40 years
Building improvements	10-40 years
Furniture and equipment	3-10 years
Transportation vehicles	3-5 years

Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

Amortization of assets acquired under capital leases is included in accumulated depreciation.

Impairment of property and equipment:

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. There were no impairment losses recognized during the years ended June 30, 2018 and 2017.

2. Summary of significant accounting policies:

Encumbered assets:

Encumbered assets represent the total of all assets that are encumbered by donor restrictions, legal agreements, and board designation and are otherwise unavailable for the general use of the Organization. This category includes temporarily and permanently restricted assets, board designated assets, bond trust funds, equity investments, and escrow deposits required by funding sources in the development of low-income housing (see Note 5).

Reimbursable costs:

Reimbursable costs are funds advanced for the construction of various low-income housing projects sponsored by National Services that will be managed by an affiliate of the Organization. These projects are developed using low-income housing tax credits (LIHTC) and tax-exempt bond financing. Prior to receiving funding, the sponsor advances funds for options and other due diligence costs related to the acquisition and development of these projects. The majority of these advances are reimbursed within 18 to 24 months of being incurred upon satisfactory completion of the due diligence process. Thereafter, additional advances may be necessary to provide cash flow between the time a cost has been incurred and approved for reimbursement, and the receipt of the reimbursement.

Limited and general partnerships:

The Organization usually creates a limited partnership for tax credit properties where it is the general partner or wholly owns the general partner, and receives tax credits, which it in turn sells to an investor or to a limited partner. Overall, the Organization's ownership percentage of the limited partnerships is generally less than 1%. These housing projects serve family and single adults, the elderly and disabled, or individuals with HIV/AIDS.

Assets and liabilities of the limited partnerships consist principally of buildings, construction-in-progress, and long-term debt (See further detail in Note 16). Non-controlled interests in the limited partnerships of \$185,385,000 and \$171,815,000 at June 30, 2018 and 2017, respectively, represent the ownership by the limited partners and not that of the general partners that is required under generally accepted accounting principles in the United States of America to be included in the consolidated financial statements.

The Organization, through several of the majority-owned general partnerships, has notes receivable from the related limited partnerships totaling approximately \$5,915,000 and \$5,949,000 at June 30, 2018 and 2017, respectively. These notes are carried at \$0, because the Organization believes the related properties will not yield any financial return and collectability of the notes is uncertain. If cash is received for these notes in the future, revenues and gains would be recognized.

Net assets:

Net assets are classified into three categories: unrestricted, temporarily restricted, and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time, or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the consolidated statements of activities when net assets are released from restrictions, when the time restrictions expire, or the contributions are used for their restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting unrestricted use of all or part of the investment income earned on the corpus.

2. Summary of significant accounting policies (continued):

Contributions:

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law.

Contributions in-kind:

The Organization recognizes contribution revenue for certain goods and services received at the fair value of those gifts.

Program fee revenue:

Operations are defined as all program and supporting service activities undertaken. Revenues that result from these activities and their related expenses are reported as operations. Gains, losses, and other revenue that result from ancillary activities, such as investing liquid assets and disposing of other assets, are reported as non-operating. Operating revenues consist primarily of net patient services revenues, which are reported at the estimated net realizable amounts from residents, third-party payers, and others for services rendered; administrative fees from Local Offices; and fees earned through the management and development of affordable housing and rental income for the limited and partnership interests.

Medicaid and Medicare program fees are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of National Services.

For the years ended June 30, 2018 and 2017, the Organization received approximately 40% and 38%, respectively, of its operating revenues from Medicare and Medicaid.

The National Organization manages a direct mail fundraising program under contracts with some of the Local Offices. As amounts are received from the direct mail program and associated direct costs of running this program are incurred, they are recognized as contributions and fundraising operating expenses, respectively, on the consolidated statements of activities of the National Organization. Net program surpluses are then distributed to the participating Local Offices quarterly, and if there are net program shortfalls, the participating Local Offices reimburse the National Organization in full for shortfalls quarterly.

The National Organization manages a vehicle donation program under contracts with some of the Local Offices. The National Organization records both revenue and expenses related to this program on the consolidated statements of activities. The National Organization awards the net proceeds to the participating Local Offices and gets reimbursed for any net program shortfalls.

2. Summary of significant accounting policies (continued):

Developer fee revenue:

National Services recognizes developer fee revenue when the earnings process is complete and specific benchmarks have been reached. Developer fee revenue is included as part of operating revenues in the consolidated statements of activities.

Cumulative costs associated with earning this revenue are capitalized until the revenue can be matched with the associated net expenses. This resulted in capitalizing approximately \$1,970,000 and \$147,000 of developer fees as reimbursable costs for the fiscal years ended June 30, 2018 and 2017, respectively. The reimbursable costs are expected to be matched with future developer fee revenues.

Deferred developer fee revenues and HUD consulting fee revenues are not recognized until actually paid due to the uncertainty of their collectability.

Allocation of functional expenses:

Program and support service expenses are specifically identified with or allocated to the various functions. Expenses requiring allocation include services provided by the National Organization to its Local Offices and are based on time spent or actual usage.

Income taxes:

Under provisions of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the applicable states, the Organization is a public charity, other than VOANS Insurance Company, Inc. and Edina Senior Living, LLC, and is exempt from income taxes. The Organization has evaluated its tax positions for uncertainty and has no unrecognized tax matters that are required to be disclosed. The Organization recognized income tax expense of \$189,000 and \$100,000 related to unrelated business income generated from investments in joint ventures, and there were cash payments for income taxes of \$241,000 and \$26,000 in 2018 and 2017, respectively.

Loss on refinancing:

In February 2017, The Homestead at Anoka, Inc. issued \$40,595,000 in City of Anoka, Minnesota Series 2017 tax-exempt bonds (Series 2017 bonds). The proceeds were used to advance refund The Homestead at Anoka, Inc.'s City of Anoka, Minnesota Series 2011 tax-exempt bonds (Series 2011 bonds), which had an outstanding balance of \$34,230,000 at the time of refinancing. The Series 2011 bonds are callable on November 1, 2019, with a prepayment penalty of 1%. As a result, the proceeds from the Series 2017 bonds were also used to pay interest and the prepayment penalty on the Series 2011 bonds through the call date and to fund the costs of issuance of the Series 2017 bonds. The refinancing will provide an interest savings over the term of the bonds; however, it also resulted in a one-time, non-cash loss of \$6,284,000 during the year ended June 30, 2017.

2. Summary of significant accounting policies (continued):

Concentration of credit risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, investments, encumbered assets, notes receivable, and accounts receivable.

The Organization places its cash and cash equivalents, investments, and encumbered assets with high credit quality financial institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Company (FDIC) insurance limits. The Organization has not experienced any loss associated with this practice.

With respect to third-party payor and patient receivables included in accounts receivable, the Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

New accounting standards:

New standards issued but not yet effective are not expected to have a material impact on the Organization's financial statements.

Reclassifications:

Certain reclassifications have been made to the 2017 consolidated financial statements to conform to the 2018 presentation.

Subsequent events:

Management has evaluated for subsequent events through October 22, 2018, the date the consolidated financial statements were available for issuance.

3. Property and equipment:

Property and equipment consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
Land and improvements	\$ 20,439	\$ 15,150
Building and improvements	317,657	302,325
Furniture and equipment	<u>44,813</u>	<u>42,999</u>
	382,909	360,474
Less accumulated depreciation	<u>(112,835)</u>	<u>(100,526)</u>
	<u>\$ 270,074</u>	<u>\$ 259,948</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$12,450,000 and \$10,678,000, respectively.

Construction costs are included in building and improvements. During the years ended June 30, 2018 and 2017, National Services incurred interest costs totaling \$30,918,000 and \$26,955,000, respectively, of which approximately \$1,574,000 and \$1,157,000, respectively, was capitalized.

4. Notes receivable:

Notes receivable consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
Notes receivable	\$ 12,101	\$ 11,291
Accrued interest, notes receivable	14	1,976
Less current portion	<u>(2,072)</u>	<u>(2,593)</u>
	10,043	10,674
Less allowance	<u>(7,273)</u>	<u>(7,103)</u>
	<u>\$ 2,770</u>	<u>\$ 3,571</u>



4. Notes receivable (continued):

Activity in the allowance for doubtful accounts related to notes receivable was as follows:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
Balance at beginning of year	\$ 7,103	\$ 6,694
Provision for losses	1,961	1,162
Charge-offs	(1,209)	(203)
Recoveries	(582)	(550)
Balance at end of year	<u>\$ 7,273</u>	<u>\$ 7,103</u>

5. Encumbered assets:

At June 30, 2018 and 2017, encumbered assets included the following donor restrictions, legal agreements, and board designations:

	<u>VOA, Inc.</u>	<u>VOAT</u>	<u>VOANS</u>	<u>2018</u>	<u>2017</u>
	(in thousands)				
Restricted assets:					
Temporarily	\$ 463	\$ -	\$ -	\$ 463	\$ 1,999
Permanently	785	-	-	785	831
Board designated	16,162	-	-	16,162	16,345
Bonds					
Trust funds	-	-	43,246	43,246	20,203
Trust escrow	-	-	14,957	14,957	7,149
Certificates of deposit held as collateral	-	-	1,354	1,354	1,362
Cash collateral account	62	63	1,285	1,410	1,507
Encumbered assets	<u>\$ 17,472</u>	<u>\$ 63</u>	<u>\$ 60,842</u>	<u>\$ 78,377</u>	<u>\$ 49,396</u>

5. Encumbered assets (continued):

Bond trust funds:

Bond trust funds consist of assets held by trustees under various indenture agreements. Amounts held in bond trust funds in excess of amounts required under the indenture agreements are classified as short-term investments. These investments consisting of short-term treasury funds and certificates of deposit and are recorded at cost, which approximates fair value.

At June 30, 2018 and 2017, encumbered assets consisted of the following classes of assets:

	<u>VOA, Inc.</u>	<u>VOAT</u>	<u>VOANS</u> (in thousands)	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,370	\$ 63	\$ 16,242	\$ 17,675	\$ 11,001
Investments (see below)	16,102	-	1,354	17,456	18,192
Bond trust funds	-	-	43,246	43,246	20,203
Encumbered assets	<u>\$ 17,472</u>	<u>\$ 63</u>	<u>\$ 60,842</u>	<u>\$ 78,377</u>	<u>\$ 49,396</u>
Investments included in encumbered assets:					
Cash held for re-investment	\$ 550	\$ -	\$ -	\$ 550	\$ 441
Certificates of deposit	-	-	1,354	1,354	1,362
Fixed income	5,827	-	-	5,827	6,005
Equities	14,155	-	-	14,155	14,677
Other	5,225	-	-	5,225	4,386
	<u>25,757</u>	<u>-</u>	<u>1,354</u>	<u>27,111</u>	<u>26,871</u>
Unencumbered securities held with encumbered assets	<u>(9,655)</u>	<u>-</u>	<u>-</u>	<u>(9,655)</u>	<u>(8,679)</u>
Investment included in encumbered assets	<u>\$ 16,102</u>	<u>\$ -</u>	<u>\$ 1,354</u>	<u>\$ 17,456</u>	<u>\$ 18,192</u>

Board designated net assets include the VOA Trust for \$6,000,000, and VOA Irrevocable Trust for \$6,000,000. The two trusts were created by the Board of Directors using the proceeds of a settlement and the net proceeds from a syndication of certain HUD financed projects. The trusts are exempt from federal and state income taxes and are all considered unrestricted. The remaining board designated net assets include additional contributions to the board designated fund. The board designated net assets are not designated for a specific purpose other than to support the mission of the Organization to be used at the discretion of the Board of Directors.

5. Encumbered assets (continued):

The terms of both trusts are irrevocable and vest the trustees, who are the members of the Finance Committee, with all powers over investment, management, and distribution of the principal assets. These trusts are invested with the National Organization’s Pooled Investment program which is monitored by the Investment Committee. The assets must be invested with the care, skill, and diligence that a prudent person acting in this capacity would undertake. All investments will be made within the guidelines of quality, marketability, and diversification mandated by controlling statutes. The target asset class investment mix for the board designated endowment funds is to have 40% of the endowment invested in fixed income securities and 60% in equities.

The objectives of the account should be pursued as a long-term goal designed to maximize the returns without exposure to undue risk, with a total targeted return of 6% annually. Understanding that a long-term positive correlation exists between performance volatility (risk) and expected returns in the securities markets and the short-term investment objective is for the portfolio to minimize the likelihood of low or negative total returns.

For the years ended June 30, 2018 and 2017, the National Organization has a policy of appropriating endowment assets available for expenditure each year no greater than 4% of the market value of the funds at the end of the preceding fiscal year. In establishing this policy, the National Organization considered the long-term expected return on its endowment. Accordingly, the National Organization expects the current appropriation policy to allow its endowment to grow at an average of 6% annually over a moving three (3) year period. This is consistent with the National Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as, to provide additional real growth through investment return.

Unrestricted board designated funds at June 30, 2018 and 2017 are as follows:

	<b>Board Designated Endowment (Encumbered)</b>	<b>Other Board Designated (Encumbered)</b>	<b>Total Board Designated (Encumbered)</b>	<b>2018 Earnings (Unencumbered)</b>	<b>2017 Earnings (Unencumbered)</b>
			(in thousands)		
Beginning balance, July 1	\$ 15,923	\$ 422	\$ 16,345	\$ 8,679	\$ 7,468
Investment net gains	-	-	-	1,938	2,114
Withdrawal of endowment assets per approved appropriation	-	-	-	(974)	(1,073)
Reduction of endowment assets to fund new programs (board approved)	-	-	-	-	(24)
Transfers	177	(360)	(183)	7	194
Ending balance, June 30	<u>\$ 16,100</u>	<u>\$ 62</u>	<u>\$ 16,162</u>	<u>\$ 9,650</u>	<u>\$ 8,679</u>
Appropriation of endowment assets available for current year				<u>\$ 974</u>	<u>\$ 919</u>

6. Investments:

At June 30, 2018 and 2017, investments were as follows:

	<u>VOA, Inc.</u>	<u>VOAT</u>	<u>VOANS</u> (in thousands)	<u>2018</u>	<u>2017</u>
Unencumbered:					
Cash held for re-investments	\$ 115	\$ -	\$ 194	\$ 309	\$ 242
Certificates of deposit	-	-	4,575	4,575	4,546
Fixed income	1,097	-	2,726	3,823	4,185
Equities	2,967	-	5,515	8,482	6,969
Other	1,091	-	472	1,563	14,245
	<u>5,270</u>	<u>-</u>	<u>13,482</u>	<u>18,752</u>	<u>30,187</u>
Earnings (unencumbered)	<u>9,650</u>	<u>-</u>	<u>-</u>	<u>9,650</u>	<u>8,679</u>
	<u>\$ 14,920</u>	<u>\$ -</u>	<u>\$ 13,482</u>	<u>\$ 28,402</u>	<u>\$ 38,866</u>
Statement of financial position classification:					
Short-term investments	\$ -	\$ -	\$ 13,482	\$ 13,482	\$ 25,252
Long-term investments	14,920	-	-	14,920	13,614
	<u>\$ 14,920</u>	<u>\$ -</u>	<u>\$ 13,482</u>	<u>\$ 28,402</u>	<u>\$ 38,866</u>

National Organization sponsors the National Organization Pooled Investment program open to eligible Local Offices and subsidiaries. The combined fair value of the program's assets is approximately \$66,776,000 and \$65,589,000 at June 30, 2018 and 2017, respectively. There were 10 active Local Office participants, National Services, and two subsidiaries of National Services in the program at June 30, 2018 and 2017, respectively. Local Offices, National Services, and subsidiaries account for 54% of the total portfolio in the program at June 30, 2018. Each participant has ownership of its allocated assets and recognizes its allocated earnings. The National Office records the portion of other participants' investment (\$36,278,000 and \$35,708,000 at June 30, 2018 and 2017, respectively) as assets and equal offsetting liabilities, netted within the investment line on the consolidated statements of financial position.

7. Fair value measurements:

The Organization has categorized its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), observable market based inputs or unobservable inputs that are corroborated by market data (Level 2), and the lowest priority to unobservable inputs (Level 3).

7. Fair value measurements (continued):

Financial assets that are carried at estimated fair value are categorized based on the inputs to the valuation technique as follows for the years ended June 30, 2018 and 2017. There were no financial instruments valued using Level 3 or Level 2 inputs at June 30, 2018 and 2017.

Financial Asset Category	<u>2018</u>	<u>2017</u>
	(in thousands)	
Level 1 Assets		
Fixed income	\$ 9,650	\$ 10,190
Equities		
Common stock	21,349	21,646
Mutual funds	5,997	17,016
Total Level 1 Assets:	<u>36,996</u>	48,852
Investment measured at net assets value (a)	2,074	1,615
Unrestricted assets recorded at cost:		
Cash held for re-investments	309	242
Certificates of deposit	4,575	4,546
Assets whose use is limited, recorded at cost:		
Cash held for re-investment	550	441
Certificates of deposit	1,354	1,362
Cash and cash equivalents	17,675	11,001
Bond trust funds	43,246	20,203
Total short-term and long-term investments and encumbered assets	<u>\$ 106,779</u>	<u>\$ 88,262</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2018 and 2017.

Fixed income securities, mutual funds, and common stock are valued at fair value based on quoted market prices for identical securities in active markets that the Organization has the ability to access at the measurement date.

7. Fair value measurements (continued):

The Organization has investments in entities that are calculated using net asset value per share (A&Q: Long/Short Strategies LLC). This fund includes equity hedged, relative value, and trading strategies. Investment funds in the equity hedged strategy generally utilize fundamental analysis to invest in publicly traded equities investing in long and short positions seeking to capture perceived security mispricings. Investment funds within this strategy are generally subject to 45-90 day redemption notice periods. Investment funds in the relative value strategy, a broad category, generally encompasses strategies that are non-fundamental and non-directional, and often quantitatively driven. This strategy typically uses arbitrage to exploit mispricings and other opportunities in various asset classes, geographies, and time horizons. This strategy frequently focuses on capturing the spread between two assets, while maintaining neutrality to other factors, such as geography, changes in interest rates, equity market movement, and currencies. Investment funds within this strategy are generally subject to a 60-day redemption notice period and are available to be redeemed with no restrictions. Investment funds in the trading strategy are generally top-down in nature and often driven by econometric and macroeconomic research. Investment funds within this strategy are generally subject to a 60-day redemption notice period and are available to be redeemed with no restrictions. There were no unfunded capital commitments as of June 30, 2018 and 2017.

8. Deferred charges and other assets:

Included in deferred charges and other assets are the following investments in joint ventures:

National Services has a 50% ownership interest with an unrelated party in GSS/VOA, LLC to invest in a home-monitoring software development company. GSS/VOA, LLC was formed in November 2006, and as of June 30, 2018 and 2017, National Services has invested approximately \$1,198,000, in GSS/VOA, LLC. National Services uses the equity method to account for this investment and accordingly has reduced the investment to approximately \$6,000 at June 30, 2018 and 2017. The Organization's share of the net loss for the years ended June 30, 2018 and 2017 was \$0 and \$216,000, respectively. Effective August 24, 2018, GSS/VOA, LLC dissolved.

National Services has a one-third ownership interest with two unrelated parties in Alliance Technology Solutions Holding Company, LLC to invest in a company whose purpose is to develop and deal with computer and software technology focused upon the elderly and their care providers. As of June 30, 2018 and 2017, National Services has invested approximately \$270,000 in Alliance Technology Solutions Holding Company, LLC. National Services uses the equity method to account for this investment, and accordingly has reduced the investment to approximately \$8,000 and \$10,000 as of June 30, 2018 and 2017, respectively. National Services' share of the net loss was \$2,000 and \$4,000 for the years ended June 30, 2018 and 2017, respectively.

National Services is a 45% owner of the outstanding shares of Essential Decisions, Inc. (EDI). National Services uses the equity method to account for this investment, and accordingly has increased the investment to approximately \$2,651,000 and \$2,629,000 at June 30, 2018 and 2017, respectively. National Services share of the net income was \$335,000 and \$304,000 for the years ended June 30, 2018 and 2017, respectively.

8. Deferred charges and other assets (continued):

National Services has a 10% interest in VOANS-CDT JV, LLC and uses the cost method to account for this investment. National Services has invested \$226,000 in VOANS-CDT JV, LLC at June 30, 2017. The Organization recorded a loss on the investment during the year ended June 30, 2017 of \$226,000, which reduced the carrying value to \$0.

Deferred compensation plan:

The National Organization maintains an executive deferred compensation plan. The plan is open to qualified employees and is based on amounts designated by the plan administrator. The assets are maintained within a trust and are held for eventual payment of the liability. The trust is recorded in deferred charges and other assets and in other long-term liabilities in the amount of \$3,964,000 and \$3,390,000 as of June 30, 2018 and 2017, respectively, at its fair value.

9. Lines of credit:

The National Organization entered into a Revolving Credit Agreement for working capital in the amount of \$6,500,000, of which \$1,500,000 is available to National Services. The agreement expires December 31, 2018. The unpaid principal balance bears interest at an annual rate equal to 1.5% plus the one-month London Interbank Offered Rate (LIBOR). The interest rate was 3.50% and 2.72% at June 30, 2018 and 2017, respectively. No collateral is required. At June 30, 2018, the full amount of the Revolving Credit Agreement was available to the Organization.

The National Organization also has a line of credit with their investment institution secured by their investments in the National Pooled Investment program, where they can borrow up to 50% against their investment value. Other participants in the National Pooled Investment program also have access to this line of credit. At June 30, 2018 and 2017, \$6,766,000 and \$3,980,000, respectively, was outstanding from other National Pooled Investment participants, where the balance is collateralized by their investments. Under this program, at June 30, 2018 and 2017, National Services had an outstanding balance of \$4,000,000 and \$3,000,000, respectively.

In December 2017, VOAT entered into a line of credit agreement with a bank to allow for advances up to \$500,000 bearing interest at 4.25%. The line of credit matures in December 2018 and is collateralized by accounts receivable, equipment, and other property. There was no amount outstanding under this line of credit at June 30, 2018.

10. Long-term debt:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
Real estate notes and mortgages, 0% to 9%, due in varying amounts through 2041	\$ 27,740	\$ 28,610
Revenue bonds, mortgages, 2% to 8%, due in varying amounts through 2050	<u>251,440</u>	<u>204,540</u>
	<b>279,180</b>	233,150
Less unamortized discount	<u>2,344</u>	1,572
Less unamortized deferred financing costs	<u>6,748</u>	<u>5,602</u>
	<b>270,088</b>	225,976
Less current portion	<u>5,352</u>	<u>3,989</u>
	<u><b>\$ 264,736</b></u>	<u>\$ 221,987</u>

Future annual maturities of long-term debt for the year ended June 30, 2018 are as follows:

	<u>Amount</u>
	(in thousands)
2019	\$ 5,352
2020	8,219
2021	10,531
2022	6,018
2023	7,195
Thereafter	<u>241,865</u>
	<u><b>\$ 279,180</b></u>

At June 30, 2018 and 2017, substantially all property and equipment is pledged as collateral for the long-term debt. The terms of these certain types of long-term debt agreements include various covenants including financial and other non-financial matters with which the National Organization and National Services must comply.

11. Retirement plans:

Defined contribution plans:

The Organization participates in defined contribution retirement plans. The plans cover all employees who have met certain employment requirements. The Organization authorized contributions of \$1,044,000 and \$1,012,000 for the years ended June 30, 2018 and 2017, respectively.



11. Retirement plans (continued):

Defined benefit plans:

The National Organization participates with its Local Offices and National Services in a non-contributory defined benefit pension and retirement plan, called The Volunteers of America National Pension Plan. The plan's employer identification number is 13-1692595 and the plan year end is December 31. This plan is a multi-employer plan and thus the National Organization is not required to record the unfunded pension liability in its financial statements. The plan's disclosure information regarding the projected benefit obligation and unfunded status as they relate solely to the National Organization is not available, which is typical for multi-employer plans. Because this plan is a church plan and not subject to the Employment Retirement Security Act of 1974 (ERISA), the National Organization is not required to file a Form 5500. This unfunded liability is collectively the liability of all participating employers. If there were any cash shortfalls in the plan, the plan would look towards the participating employers to help fund these amounts. As the participating employers of this plan are affiliated with the National Organization, it is not anticipated that any employer will choose to stop participating.

	<b>January 1, 2018</b>	January 1, 2017
	(in thousands)	
Market value of plan assets	\$ 63,734	\$ 54,513
Present value of accumulated plan benefits	<u>68,785</u>	<u>66,010</u>
Actuarial valuation of the unfunded pension liability	<u>\$ 5,051</u>	<u>\$ 11,497</u>

The financial health of the multi-employer pension plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the plan as certified by the plan's actuary. Plans in the red zone are less than 65% funded, the yellow zone are between 65% and 80% funded, and the green zone are at least 80% funded.

	<b>Fiscal year 2018</b>	Fiscal year 2017
	(in thousands)	
Funded status	<b>Less than 65%</b>	Less than 65%
Employer's contribution to the plan	\$ 1,401	\$ 1,309
Total contributions received by the plan	\$ 4,559	\$ 4,196
Employer's contribution >5% of total contributions to the plan	<b>Yes</b>	Yes
Total fair value of plan assets at year end	\$ 65,073	\$ 59,371
Projected benefit obligation	\$ 102,594	\$ 98,537

Because the plan is not subject to ERISA, a funding improvement plan based on the projected benefit obligation is not required; however, the Organization has voluntarily implemented a contribution assessment.

11. Retirement plans (continued):

VOA National Housing Corporation has a separate defined benefit plan which is a single employer plan and recognizes the funded status of the defined benefit pension plan as a net asset or liability and recognizes changes in the funded status in the year in which the change occurs through a separate line item within the change in unrestricted net assets, apart from expenses, to the extent those changes are not included in the net periodic pension costs. For the years ended June 30, 2018 and 2017, the funded status reported on the consolidated statements of financial position is included in other long-term liabilities and was measured as the difference between the fair value of plan assets and the benefit obligation.

The following table presents certain information with respect to the plan for non-minister employees at June 30, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
	(in thousands)	
Projected benefit obligation	\$ 8,057	\$ 7,718
Plan assets, at fair value	<u>5,442</u>	<u>5,310</u>
Unfunded status	<u>\$ 2,615</u>	<u>\$ 2,408</u>
Net periodic benefit cost	\$ 422	\$ 479
Employer contributions	331	342
Benefits paid	322	334
Weighted average assumptions used to determine benefit obligation at June 30:		
Discount rate	4.25%	4.25%
Rate of compensation increase	4.00%	4.00%
Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30:		
Discount rate	4.25%	4.25%
Expected return on plan assets	7.25%	7.25%
Rate of compensation increase	4.00%	4.00%

The expected long-term rate of return for the plan's total assets is based on both VOA National Housing Corporation's historical rate of return and the expected rate of return on VOA National Housing Corporation's asset classes, weighted based on target allocations for each class.

There were no amounts not recognized as a component of net periodic pension cost for each of the years ended June 30, 2018 and 2017. The net (loss) gain recognized in the years ended June 30, 2018 and 2017 was approximately (\$115,000) and \$580,000, respectively. The net loss expected to be recognized as a component of net periodic pension cost over the next 12 months is \$219,000.

The accumulated benefit obligation was \$7,693,000 and \$7,353,000 at June 30, 2018 and 2017, respectively.

11. Retirement plans (continued):

VOA National Housing Corporation uses the RP-2014 Mortality Tables adjusted backward to 2006 with Scale MP-2014 and projected forward with Scale MP-2017 for males and females.

The expected rates of return on pension plan assets are based on the historical rate of return of the plan, industry trends, and current market trends. The decisions have traditionally been conservative in nature.

VOA National Housing Corporation employs a global allocation model by investing in two mutual funds. The funds are allowed to move between various asset classes predicated on the fund manager's assessment of over/under valued markets or sectors. Therefore, there are no set target allocation percentages or ranges for the classes of plan assets. This investment strategy is reviewed quarterly by National Services.

The fair values of VOA National Housing Corporation's postretirement plan assets at June 30, 2018 and 2017, by asset category (Note 7), are as follows:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	Quoted Prices in Active Markets for Identical Assets (Level 1)
Global asset allocation mutual funds	<u>\$ 5,442</u>	<u>\$ 5,310</u>

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid as follows:

	<u>Amount</u>
	(in thousands)
2019	\$ 350
2020	365
2021	391
2022	414
2023	431
2024-2028	2,416

12. Guarantees and indemnifications:

The Organization has guarantees and indemnifications, which are contingent commitments:

Guarantor(s)	Beneficiary and purpose	Guarantee risk details					Other comments
		Amount	Term	Trigger(s) for guarantor performance	Likelihood of future payments	Guarantor payments made to date	
National Organization	Volunteers of America Chesapeake, Inc. for acquisition and renovation of 150-bed building for Federal Bureau of Prisons program	\$ 7,000,000	July 6, 2012 to July 6, 2019	Loan default by beneficiary	Remote	None	
Volunteers of America National Services	VOANS CDE Inc. for indemnity against recapture of the New Markets Tax Credit investments of VOANS CDE, Inc. for projects: a) 1770 Tchoupitoulas LLC, New Orleans, LA; b) VOA Chesapeake RRC, QALICB LLC, Baltimore, MD; c) CommCare Avoyelles, Mansura, LA; and d) RHCHC Realty, LLC, Springfield, OH	a) \$624,000 b) \$902,000 c) \$525,000 d) \$630,000	For each project through a) July 1, 2019 b) July 5, 2019 c) December 3, 2019 d) December 6, 2019	Failure to maintain CDE status and meet requirement of the NMTC allocation	Remote	None	

12. Guarantees and indemnifications (continued):

		Guarantee risk details					
Guarantor(s)	Beneficiary and purpose	Amount	Term	Trigger(s) for guarantor performance	Likelihood of future payments	Guarantor payments made to date	Other comments
<u>In favor of State of Louisiana Office of Community Development</u>							
Volunteers of America National Services (on joint and several basis with Renaissance Neighborhood Development Corporation and Volunteers of America of Greater New Orleans, Inc.)	Renaissance Neighborhood Development Corporation and 1770 Tchoupitoulas LLC Community Development Corporation in favor of: a) State of Louisiana Office of Community Development;	\$ 3,457,000	July 2, 2012 to July 2, 2037	Failure of beneficiary to complete construction or default or non-compliance on debt and grant	Remote	None	
<u>In favor of U.S. Bankcorp Community Development</u>							
	b) U.S. Bankcorp Community	\$ 5,199,000	July 2, 2012 to July 1, 2019	Failure of project to meet payment, performance, IRR and recapture benchmarks set out in agreements	Remote	None	
<u>In favor of Iberia Bank</u>							
	c) Iberia Bank	\$ 3,237,000	July 2, 2012 to July 2, 2019 term loan	Loan default	Remote	None	

13. Leases:

Edina Senior Living, LLC conducts its operations from a non-cancelable capital leased facility. In addition, the Organization is leasing vehicles and other equipment under capital leases recorded as equipment. The cost of the assets recorded under capital lease agreements and related accumulated amortization is as follows at June 30:

	<u>2018</u>	<u>2017</u>
	(in thousands)	(in thousands)
Assets recorded under capital lease agreements	\$ 78,594	\$ 77,975
Less accumulated amortization (included in accumulated depreciation, Note 3)	<u>4,948</u>	<u>2,006</u>
	<u>\$ 73,646</u>	<u>\$ 75,969</u>

Future minimum payments on capital leases are as follows:

	<u>Amount</u>
	(in thousands)
Years ending June 30:	
2019	\$ 4,082
2020	5,290
2021	5,174
2022	5,182
2023	5,166
Thereafter	<u>146,831</u>
Total lease payments	171,725
Less interest	<u>87,511</u>
Capital lease obligations	84,214
Less current portion	<u>660</u>
Long-term portion of capital lease obligations	<u>\$ 83,554</u>

VOAT leases certain equipment and vehicles under capital leases. The present value of future minimum lease payments was \$313,000 and \$429,000 at June 30, 2018 and 2017, respectively. VOAT leases office space and equipment under non-cancelable operating lease agreements expiring at various times through November 2022. Operating lease expense relating to office space and equipment totaled \$257,000 and \$317,000 for the years ended June 30, 2018 and 2017, respectively.

VOA Puerto Rico RRC, Inc. entered into a capital lease for a building during 2008, which expires on July 1, 2023. The building is recorded at fair value on the lease commencement date as the present value of the minimum lease payments exceeded the fair value. The rent for each succeeding lease year shall be adjusted by the annual increase in the Consumer Price Index (CPI) for the calendar month of the commencement date preceding such lease anniversary year. Thus, the January CPI is to be used in determining the percent increase in rent, effective for the February rent payment. There was a 2.1% and 2.5% increase in rent during 2018 and 2017, respectively. The present value of future minimum lease payments was \$555,000 and \$599,000 at June 30, 2018 and 2017, respectively.

14. Related party transactions:

Administrative income from Local offices and program fees:

Administrative fees from the Local Offices are calculated based on a Board-approved formula, whereby approximately 2.25% of all unrestricted revenues received by the Local Offices, subject to certain maximum thresholds, are paid to the National Organization to provide funding for programs, supporting services, and additional pension contributions. Total administrative fees charged were \$13,412,000 and \$12,725,000 during the years ended June 30, 2018 and 2017, respectively.

Other services are also provided to Local Offices in exchange for negotiated “program fees.” These services for assistance in programs include vehicle donations, direct mail fundraising, website development and maintenance, and low-income housing development. Total fees charged were \$1,026,000 and \$1,049,000 during the years ended June 30, 2018 and 2017, respectively.

Notes and advances to Local Offices:

Notes receivable from Local Offices are generally unsecured, carry no interest, and are due within 1 to 15 years. Specific repayment plans are negotiated with each Local Office based on their local Board-approved business plan and cash flow forecasts. Notes receivable from Local Offices was \$1,334,000 and \$1,466,000 at June 30, 2018 and 2017, respectively.

Notes receivable:

National Services was assigned a note receivable in 2013, which was originally associated with the sale of a related housing property. The original note included an obligation to pay a portion to Volunteers of America Chesapeake, Inc. The amount owed as of June 30, 2018 and 2017 is \$1,473,000 and \$1,420,000, respectively.

Awards and grants to Local Offices:

In the years ended June 30, 2018 and 2017, the National Organization awarded approximately \$3,677,000 and \$2,866,000, respectively, to various Local Offices for development purposes. *Endowment awards* are made on the basis of specific criteria determined by the Board of Directors and on the basis of competitive proposals submitted by the Local Offices. *Grants to Local Offices* are made on the basis of a local Board-approved business plan specifically addressing development objectives and future sources of revenue and working capital.

15. Restricted net assets:

At June 30, 2018 and 2017, temporarily restricted net assets could be expended for the following:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
Awards of Volunteers of America Local Offices and other program services	\$ 1,822	\$ 5,145
Scholarships to Volunteers of America employees	<u>51</u>	<u>47</u>
	<u>\$ 1,873</u>	<u>\$ 5,192</u>

Temporarily restricted net assets were released from restriction during the years ended June 30, 2018 and 2017 fulfilling donor stipulations for the following purposes:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
Awards of Volunteers of America Local Offices and other program services	<u>\$ 6,084</u>	<u>\$ 6,573</u>

Permanently restricted net assets of \$785,000 and \$831,000 as of June 30, 2018 and 2017, respectively, relate to contributions received from donors to be maintained in perpetuity.



16. Limited and general partnerships' assets and liabilities:

The Organization has elected to present the assets and liabilities of the real estate limited and general partnerships on a non-classified basis in the consolidated statements of financial position, in accordance with industry practice for real estate companies. The assets and liabilities are composed of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
Current assets:		
Cash and cash equivalents	\$ 9,777	\$ 11,002
Account receivable, net	428	335
Prepaid expenses	<u>2,653</u>	<u>2,325</u>
Total current assets	12,859	13,662
Property and equipment, net	580,196	543,059
Other long-term assets:		
Encumbered assets	44,908	42,573
Long-term investments	17,006	13,978
Deferred charges and other assets, net	<u>665</u>	<u>670</u>
Total other long-term assets	62,579	57,221
Total assets before eliminations	655,634	613,942
Eliminations	<u>(61,873)</u>	<u>(55,221)</u>
Total limited and general partnerships' assets	<u>\$ 593,761</u>	<u>\$ 558,721</u>
Current liabilities:		
Accounts payable	\$ 5,936	\$ 10,058
Accrued expenses	44,322	38,269
Other current liabilities	<u>2,384</u>	<u>812</u>
Total current liabilities	52,642	49,139
Long-term liabilities:		
Long-term debt, net of current portion	394,373	372,221
Other long-term liabilities	<u>17,523</u>	<u>16,518</u>
Total long-term liabilities	411,896	388,739
Total liabilities before eliminations	464,538	437,878
Eliminations	<u>(132,406)</u>	<u>(118,461)</u>
Total limited and general partnerships' liabilities	<u>\$ 332,132</u>	<u>\$ 319,417</u>

17. Contributions in-kind:

For the years ended June 30, 2018 and 2017, the National Organization received \$243,000 and \$6,000, respectively, in various goods, which its participating Local Offices use in its program services. The National Organization received \$16,942,000 and \$11,690,000 in professional services, and public service advertising and branding for the years ended June 30, 2018 and 2017, respectively. Additionally, National Services received \$39,000 and \$64,000 in various goods for the years ended June 30, 2018 and 2017, respectively. These amounts are reflected as revenue and expense in the accompanying consolidated financial statements.

18. Commitments and contingencies:

Sponsorship:

On August 14, 2015, Volunteers of America, Inc. entered into a Title Sponsorship Agreement with the Ladies Professional Golf Association, Inc. for \$1,300,000 each year over a 3 year period from 2016 to 2018. This is part of the National Organization's Branding Initiative. The Organization also has an agreement for approximately \$1,000,000 each year over a 3 year period from April 2016 to March 2019 for advertising.

Self-insured medical benefits:

National Services has a self-insured employee health plan that the National Organization is also a participant. It contracts with an administrative service company to supervise and administer the program and act as its representative. The National Services insures for excessive and unexpected claims and is liable for claims with limits determined through actuarial reports. Claims up to the insurance limit will be funded by the National Services. The National Services has stop-loss insurance to cover excess claims over \$225,000 per individual. Estimated future claims for incurred medical and dental services of approximately \$3,594,000 and \$4,110,000 were recorded as part of accrued expenses on the consolidated statements of financial position at June 30, 2018 and 2017, respectively.

Medical malpractice claims coverage:

National Services is subject to various legal proceedings and claims which arise in the ordinary course of business. National Services maintains malpractice insurance coverage for claims made during the policy year. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

Performance based loan:

During 2000, VOAT received the final advance on a performance-based loan with maximum principal balance of \$1,382,722 from the city of Houston for construction of a community residence project for disabled persons. The term of the loan is 30 years and repayment is not required, provided VOAT uses the project solely for the purpose of providing long-term housing and supportive services to persons with AIDS/HIV and their families, unless an alternative use is approved by the city of Houston. If default occurs, as defined by the loan agreement, the loan will become immediately due and payable and will accrue interest at 10%. VOAT is in compliance with the provisions of the loan agreement and has not recorded a liability at June 30, 2018 and 2017.

18. Commitments and contingencies (continued):

Workers' compensation insurance:

The Organization is also self-insured for workers' compensation. Workers' compensation policies are subject to audit and retroactive adjustment. Any significant variations in anticipated claims cost could result in adjustments to health insurance and workers' compensation expense for the Organization when the effect becomes reasonably determinable.

Industry developments:

The senior living services industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed.

Legal:

The Organization is party to various legal actions arising in the ordinary course of business. While it is not feasible for management to determine the outcome of these actions, information available at this time, including management's discussions with legal counsel, does not indicate that these matters will have a material adverse effect on the Organization's consolidated financial position or future results of operations.

19. Discontinued operations:

National Services had the following activity related to discontinued operations.

The carrying amounts of major assets and liabilities of discontinued operations are as follows:

	<b>2018</b>	2017
	<b>(in thousands)</b>	(in thousands)
Cash and short-term investments	\$ 1	\$ 2
Third-party payor and patient receivables, net	-	18
Escrow related to sale	<b>150</b>	300
Other classes of assets that are not major	-	6
Total assets of the discontinued operations	<b>\$ 151</b>	\$ 326
Accounts payable and accrued expenses	<b>\$ 141</b>	\$ 482
Total liabilities of the discontinued operations	<b>\$ 141</b>	\$ 482

19. Discontinued operations (continued):

Major classes of line items constituting gain on discontinued operations are as follows:

	<u>2018</u>	<u>2017</u>
Operating revenues, net	\$ -	\$ 5,820
Salaries and employee benefits	-	(3,525)
Other operating expenses	-	(2,277)
Other revenue and expense items that are not major	<u>166</u>	<u>(265)</u>
Change in net deficit before gain on disposal and eliminations	<b>166</b>	(247)
Eliminations	-	(2,333)
Gain on disposal	<u>-</u>	<u>2,923</u>
Change in net deficit of the discontinued operations	<u><b>\$ 166</b></u>	<u>\$ 343</u>

Total operating and investing cash flows of the discontinued operations are as follows:

	<u>2018</u>	<u>2017</u>
	<u>(in thousands)</u>	<u>(in thousands)</u>
Net cash (used in) provided by operating activities	\$ (151)	\$ 4,984
Net cash provided by (used in) investing activities	<b>150</b>	(322)

VOAT discontinued residential treatment services at two facilities located in Fort Worth and Houston, Texas during 2016.

During the year end June 30, 2018, VOAT sold one of the properties for approximately \$280,000 resulting in a loss on sale of \$8,000, which is included in loss on disposal in the consolidated statement of activities for the year ended June 30, 2018.

The remaining facility is included in property held for sale in the consolidated statements of financial position at June 30, 2018 and 2017.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

**VOLUNTEERS OF AMERICA, INC.** JUNE 30, 2018

**AND SUBSIDIARIES** (IN THOUSANDS)

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	Volunteers of America, Inc.	Volunteers of America, Inc Futures Fund	Volunteers of America Correctional Services	Volunteers of America Texas, Inc.	Volunteers of America National Services	Eliminations	Total
<b>Assets:</b>							
Current assets:							
Cash and cash equivalents	\$ 5,124	\$ 1,418	\$ 332	\$ 1,702	\$ 54,796	\$ -	\$ 63,372
Accounts receivable, net	3,202	-	443	2,139	20,182	(2,025)	23,941
Current portion of notes receivable	1,935	-	-	-	140	(3)	2,072
Short-term investments	-	-	-	-	13,482	-	13,482
Prepaid expenses	260	-	138	98	2,230	-	2,726
Other current assets, net	815	-	-	-	4,237	-	5,052
Total current assets	11,336	1,418	913	3,939	95,067	(2,028)	110,645
Property and equipment, net	4,869	-	1,476	5,512	258,217	-	270,074
Other assets:							
Encumbered assets	17,472	-	-	63	60,842	-	78,377
Long-term investments	14,920	-	-	-	-	-	14,920
Notes receivable, net of current portion	369	-	-	1,011	3,933	(2,543)	2,770
Reimbursable costs	-	-	-	-	7,237	-	7,237
Property held for sale	127	-	-	130	-	-	257
Deferred charges and other assets, net	3,970	-	54	7	5,189	-	9,220
Limited and general partnerships' assets	-	-	-	7,880	585,881	-	593,761
Total other assets	36,858	-	54	9,091	663,082	(2,543)	706,542
Total assets	\$ 53,063	\$ 1,418	\$ 2,443	\$ 18,542	\$ 1,016,366	\$ (4,571)	\$ 1,087,261
<b>Liabilities and net assets:</b>							
Current liabilities:							
Accounts payable	\$ 2,389	\$ -	\$ 23	\$ 484	\$ 9,287	\$ (1,571)	\$ 10,612
Accrued expenses	2,110	3	160	789	19,551	(67)	22,546
Current portion of long-term debt	367	-	105	155	4,830	(105)	5,352
Other current liabilities	1,671	-	58	160	15,731	-	17,620
Total current liabilities	6,537	3	346	1,588	49,399	(1,743)	56,130
Long-term liabilities:							
Long-term debt, net of current portion	4,335	-	689	2,327	259,928	(2,543)	264,736
Other long-term liabilities	5,902	-	497	961	100,824	(285)	107,899
Limited and general partnerships' liabilities	-	-	-	7,664	324,468	-	332,132
Total long-term liabilities	10,237	-	1,186	10,952	685,220	(2,828)	704,767
Total liabilities	16,774	3	1,532	12,540	734,619	(4,571)	760,897
Net assets:							
Unrestricted attributable to:							
Controlled limited and general partnerships	-	-	-	-	5,711	-	5,711
Board designated	16,162	-	-	-	-	-	16,162
Undesignated	18,879	5	911	5,786	94,908	-	120,489
Parent	35,041	5	911	5,786	100,619	-	142,357
Non-controlling interests in limited and general partnerships and other programs	-	-	-	216	181,128	-	181,344
Total unrestricted	35,041	5	911	6,002	281,747	-	323,706
Temporarily restricted	463	1,410	-	-	-	-	1,873
Permanently restricted	785	-	-	-	-	-	785
Total net assets	36,289	1,415	911	6,002	281,747	-	326,364
Total liabilities and net assets	\$ 53,063	\$ 1,418	\$ 2,443	\$ 18,542	\$ 1,016,366	\$ (4,571)	\$ 1,087,261

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018  
(IN THOUSANDS)**

	Volunteers of America, Inc.			Volunteers of America Futures Fund, Inc.		Volunteers of America Correctional Services	Volunteers of America Texas, Inc.		Volunteers of America National Services	Eliminations	Operating subtotal	Unrestricted Limited and general partnerships			Eliminations	Total
	Unrestricted	Temporarily restricted	Permanently restricted	Unrestricted	Temporarily restricted	Unrestricted	Unrestricted	Temporarily restricted	Unrestricted			VOA Texas	VOANS	Total		
Revenue from operations:																
Public support received directly:																
Contributions	\$ 2,438	\$ 2,644	\$ -	\$ -	\$ -	\$ 6	\$ 1,643	\$ 117	\$ 9,211	\$ (626)	\$ 15,433	\$ -	\$ -	\$ -	\$ -	\$ 15,433
Contributions, in-kind	17,185	-	-	-	-	-	-	-	39	-	17,224	-	-	-	-	17,224
Total public support	19,623	2,644	-	-	-	6	1,643	117	9,250	(626)	32,657	-	-	-	-	32,657
Government grants and contracts	-	-	-	-	-	2,906	19,479	-	401	-	22,786	1,284	24,878	26,162	-	48,948
Other revenue:																
Program fees	3,296	-	-	-	-	-	642	-	66,903	(2,270)	68,571	-	25,939	25,939	(156)	94,354
Program fees, Medicaid and Medicare	-	-	-	-	-	-	-	-	136,658	-	136,658	-	-	-	-	136,658
Administrative income from Local Offices	14,245	-	-	-	-	-	-	-	-	(833)	13,412	-	-	-	-	13,412
Net rental income	203	-	-	-	-	-	55	-	-	(202)	56	461	90	551	-	607
Other operating income	17	-	-	-	-	-	1,235	-	21,128	(111)	22,269	21	1,689	1,710	(9,885)	14,094
Total other revenue	17,761	-	-	-	-	-	1,932	-	224,689	(3,416)	240,966	482	27,718	28,200	(10,041)	259,125
Net assets released from restrictions	5,842	(5,842)	-	90	(90)	-	152	(152)	-	-	-	-	-	-	-	-
Total revenues from operations	43,226	(3,198)	-	90	(90)	2,912	23,206	(35)	234,340	(4,042)	296,409	1,766	52,596	54,362	(10,041)	340,730
Operating expenses:																
Program services:																
Fostering independence	24	-	-	-	-	-	6,377	-	206,021	-	212,422	-	42,435	42,435	-	254,857
Promoting self sufficiency	37,620	-	-	87	-	3,132	11,900	-	60	(778)	52,021	2,067	34,320	36,387	(3,861)	84,547
Encouraging positive development	-	-	-	-	-	-	593	-	-	-	593	-	-	-	-	593
Total program services	37,644	-	-	87	-	3,132	18,870	-	206,081	(778)	265,036	2,067	76,755	78,822	(3,861)	339,997
Support services:																
Management and general	6,495	-	-	3	-	425	3,576	-	24,912	(3,214)	32,197	-	-	-	(1,895)	30,302
Fundraising	1,512	-	-	-	-	-	712	-	62	-	2,286	-	-	-	-	2,286
Total support services	8,007	-	-	3	-	425	4,288	-	24,974	(3,214)	34,483	-	-	-	(1,895)	32,588
Total operating expenses	45,651	-	-	90	-	3,557	23,158	-	231,055	(3,992)	299,519	2,067	76,755	78,822	(5,756)	372,585
Change in net assets from operations	(2,425)	(3,198)	-	-	(90)	(645)	48	(35)	3,285	(50)	(3,110)	(301)	(24,159)	(24,460)	(4,285)	(31,855)
Non-operating items:																
Interest and dividend income	654	1	-	6	-	-	1	-	2,147	-	2,809	-	-	-	-	2,809
Net realized gains on investments	1,245	2	-	-	-	-	-	-	171	-	1,418	-	-	-	-	1,418
Net unrealized gains (losses) on investments	577	1	(46)	-	-	-	-	-	-	-	532	-	-	-	-	532
Equity contributions related to limited and general partnerships	-	-	-	-	-	-	-	-	-	-	-	-	34,047	34,047	-	34,047
Other non-operating	-	-	-	-	-	(52)	(503)	-	29	50	(476)	-	-	-	-	(476)
Total non-operating items	2,476	4	(46)	6	-	(52)	(502)	-	2,347	50	4,283	-	34,047	34,047	-	38,330
Change in net assets before discontinued operations	51	(3,194)	(46)	6	(90)	(697)	(454)	(35)	5,632	-	1,173	(301)	9,888	9,587	(4,285)	6,475
Gain on discontinued operations	-	-	-	-	-	-	-	-	166	-	166	-	-	-	-	166
Change in net assets	51	(3,194)	(46)	6	(90)	(697)	(454)	(35)	5,798	-	1,339	(301)	9,888	9,587	(4,285)	6,641
Less change in net assets attributable to the non-controlling interest in limited and general partnerships and other programs	-	-	-	-	-	-	-	-	(1,396)	-	(1,396)	(457)	14,027	13,570	-	12,174
Change in net assets attributable to the parent	\$ 51	\$ (3,194)	\$ (46)	\$ 6	\$ (90)	\$ (697)	\$ (454)	\$ (35)	\$ 7,194	\$ -	\$ 2,735	\$ 156	\$ (4,139)	\$ (3,983)	\$ (4,285)	\$ (5,533)

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018  
(IN THOUSANDS)

	Volunteers of America, Inc.	Volunteers of America, Inc Futures Fund	Volunteers of America Correctional Services	Volunteers of America Texas, Inc.	Volunteers of America National Services	Eliminations	Total
Cash flows from operating activities:							
Change in net assets	\$ (3,189)	\$ (84)	\$ (697)	\$ (790)	\$ 11,401	\$ -	\$ 6,641
Adjustments to reconcile change in net assets to net cash provided by operating activities:							
Non-controlling interest in limited and general partnerships and other programs	-	-	-	458	(12,632)	-	(12,174)
Change in limited and general partnerships	-	-	-	-	(10,150)	-	(10,150)
Increase in allowance for doubtful accounts	371	-	-	35	1,669	-	2,075
Depreciation and amortization	345	-	309	405	11,851	-	12,910
Loss (gain) on:							
Disposal of discontinued operations	-	-	-	-	(166)	-	(166)
Joint ventures	-	-	-	-	(333)	-	(333)
Sale or disposal of property and equipment	-	-	2	504	5	-	511
Net realized and unrealized investment (gain) losses	(1,779)	-	-	-	(171)	-	(1,950)
(Increase) decrease in operating assets:							
Accounts receivable	3,187	1,500	342	(119)	1,679	(1,789)	4,800
Prepaid expenses	(32)	-	(79)	33	(91)	-	(169)
Other current assets	(452)	-	-	7	-	-	(445)
Deferred charges in other assets	(576)	-	-	3	-	-	(573)
Accounts payable	(175)	-	(3)	(171)	360	273	284
Accrued expenses	165	2	(11)	(30)	2,036	9	2,171
Other liabilities	(291)	-	-	504	223	-	436
Net cash provided by operating activities	(2,426)	1,418	(137)	839	5,681	(1,507)	3,868
Cash flows from investing activities:							
Purchase of property and equipment, net	(154)	-	(20)	(382)	(21,488)	-	(22,044)
Sale of property and equipment	-	-	-	279	4	-	283
Change in reimbursable costs and other assets	-	-	-	-	(868)	-	(868)
Notes Receivable:							
Advances	(2,112)	-	-	-	(2,328)	(420)	(4,860)
Payments	1,703	-	-	110	1,029	-	2,842
Increase in unearned revenue and other long term liabilities	-	-	-	-	1,353	-	1,353
Cash proceeds withdrawn from investments	-	-	-	-	4,362	-	4,362
Change in investments including encumbered assets	2,106	-	-	-	-	-	2,106
Net cash (used in) provided by investing activities	1,543	-	(20)	7	(17,936)	(420)	(16,826)

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018  
(IN THOUSANDS)

	Volunteers of America, Inc.	Volunteers of America, Inc Futures Fund	Volunteers of America Correctional Services	Volunteers of America Texas, Inc.	Volunteers of America National Services	Eliminations	Total
Cash flows from financing activities:							
Increase in lines of credit	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ 1,000
Long-term debt and capital lease liability:							
Proceeds	4,700	-	-	361	49,438	-	54,499
Payments	(5,087)	-	(195)	(402)	(5,845)	338	(11,191)
Decrease in:							
Other long-term assets	-	-	(44)	(119)	(414)		(577)
Bond trust funds	-	-	-	-	(23,043)	1,589	(21,454)
Net cash (used in) provided by financing activities	(387)	-	(239)	(160)	21,136	1,927	22,277
Net (decrease) increase in cash and cash equivalents	(1,270)	1,418	(396)	686	8,881	-	9,319
Cash and cash equivalents, beginning	6,394	-	728	1,016	45,915	-	54,053
Cash and cash equivalents, ending	<u>\$ 5,124</u>	<u>\$ 1,418</u>	<u>\$ 332</u>	<u>\$ 1,702</u>	<u>\$ 54,796</u>	<u>\$ -</u>	<u>\$ 63,372</u>
Supplemental disclosures of cash flow information:							
Cash paid for interest	<u>\$ 227</u>	<u>\$ -</u>	<u>\$ 201</u>	<u>\$ 119</u>	<u>\$ 21,065</u>	<u>\$ -</u>	<u>\$ 21,612</u>
Non-cash financing activity:							
Property and equipment financed through debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 545</u>	<u>\$ -</u>	<u>\$ 545</u>



**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

**CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018  
(IN THOUSANDS)**

	Volunteers of America, Inc.							Volunteers of America, Inc Futures Fund			Volunteers of America Correctional Services		
	Program services			Support services				Program services	Support services		Program services	Support services	
	Fostering independence	Promoting self sufficiency	Total program services	Management and general	Fundraising	Total support services	Subtotal	Promoting self sufficiency	Management and general	Subtotal	Promoting self sufficiency	Management and general	Subtotal
Salaries	\$ 5	\$ 4,923	\$ 4,928	\$ 1,988	\$ -	\$ 1,988	\$ 6,916	\$ -	\$ -	\$ -	\$ 848	\$ -	\$ 848
Pension	-	358	358	2,063	-	2,063	2,421	-	-	-	-	-	-
Other employee benefits	-	667	667	134	-	134	801	-	-	-	212	-	212
Payroll taxes	-	323	323	132	-	132	455	-	-	-	84	-	84
Legal fees	-	13	13	167	-	167	180	-	-	-	55	-	55
Accounting fees	-	-	-	22	-	22	22	-	-	-	15	-	15
Other professional fees	-	7,305	7,305	246	586	832	8,137	53	-	53	107	-	107
Other professional fees - In-kind	-	16,941	16,941	-	-	-	16,941	-	-	-	-	-	-
Supplies and office	-	457	457	352	-	352	809	-	-	-	44	-	44
Telecommunications	-	47	47	125	-	125	172	-	-	-	33	-	33
Postage	-	40	40	13	276	289	329	-	-	-	1	-	1
Occupancy	-	134	134	166	-	166	300	-	-	-	402	-	402
Interest	-	149	149	78	-	78	227	-	-	-	201	-	201
Insurance	7	-	7	189	27	216	223	-	-	-	68	-	68
Equipment rental and maintenance	1	159	160	38	-	38	198	-	-	-	50	-	50
Printing and publications	-	83	83	7	209	216	299	-	-	-	7	-	7
Travel and transportation	-	1,656	1,656	94	-	94	1,750	-	-	-	79	-	79
Conferences and meetings	-	385	385	18	-	18	403	-	-	-	14	-	14
Specific assistance to individuals	-	243	243	-	252	252	495	-	-	-	-	-	-
Awards and grants to affiliates:													
Development awards	-	3,107	3,107	5	146	151	3,258	34	-	34	-	-	-
Endowment awards	-	139	139	-	-	-	139	-	-	-	-	-	-
Other	-	272	272	543	16	559	831	-	3	3	603	425	1,028
Depreciation and amortization	11	219	230	115	-	115	345	-	-	-	309	-	309
	<u>\$ 24</u>	<u>\$ 37,620</u>	<u>\$ 37,644</u>	<u>\$ 6,495</u>	<u>\$ 1,512</u>	<u>\$ 8,007</u>	<u>\$ 45,651</u>	<u>\$ 87</u>	<u>\$ 3</u>	<u>\$ 90</u>	<u>\$ 3,132</u>	<u>\$ 425</u>	<u>\$ 3,557</u>

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018  
(IN THOUSANDS)

Volunteers of America Texas, Inc.

	Program services			Support services			Subtotal	
	Fostering independence	Promoting self sufficiency	Encouraging positive development	Total program services	Management and general	Fundraising		Total support services
Salaries	\$ 1,400	\$ 5,855	\$ 347	\$ 7,602	\$ 1,322	\$ 366	\$ 1,688	\$ 9,290
Pension	2	55	-	57	94	21	115	172
Other employee benefits	194	1,060	51	1,305	92	50	142	1,447
Payroll taxes	112	498	29	639	66	20	86	725
Legal fees	-	6	-	6	16	-	16	22
Accounting fees	-	-	-	-	191	-	191	191
Other professional fees	4,092	213	20	4,325	290	155	445	4,770
Other professional fees - In-kind	-	-	-	-	-	-	-	-
Supplies and office	99	946	59	1,104	147	5	152	1,256
Telecommunications	41	92	2	135	45	5	50	185
Postage	4	20	-	24	8	4	12	36
Occupancy	93	576	30	699	87	15	102	801
Interest	-	-	-	-	119	-	119	119
Insurance	42	81	6	129	141	2	143	272
Equipment rental and maintenance	12	99	5	116	10	3	13	129
Printing and publications	1	9	-	10	6	21	27	37
Travel and transportation	92	339	24	455	55	25	80	535
Conferences and meetings	6	32	5	43	32	7	39	82
Specific assistance to individuals	134	1,924	10	2,068	-	1	1	2,069
Awards and grants to affiliates:								
Development awards	-	-	-	-	-	-	-	-
Endowment awards	-	-	-	-	-	-	-	-
Other	-	57	-	57	546	12	558	615
Depreciation and amortization	53	38	5	96	309	-	309	405
	<u>\$ 6,377</u>	<u>\$ 11,900</u>	<u>\$ 593</u>	<u>\$ 18,870</u>	<u>\$ 3,576</u>	<u>\$ 712</u>	<u>\$ 4,288</u>	<u>\$ 23,158</u>

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018  
(IN THOUSANDS)

	Volunteers of America National Services								Consolidated operating subtotal
	Program services			Support services			Subtotal	Eliminations	
	Fostering independence	Promoting self sufficiency	Total program services	Management and general	Fundraising	Total support services			
Salaries	\$ 84,657	\$ -	\$ 84,657	\$ 11,918	\$ -	\$ 11,918	\$ 96,575	\$ -	\$ 113,629
Pension	673	-	673	1,023	-	1,023	1,696	(420)	3,869
Other employee benefits	11,153	-	11,153	1,923	-	1,923	13,076	-	15,536
Payroll taxes	5,231	-	5,231	846	-	846	6,077	-	7,341
Legal fees	148	-	148	188	-	188	336	-	593
Accounting fees	298	-	298	835	5	840	1,138	-	1,366
Other professional fees	11,534	-	11,534	2,565	10	2,575	14,109	-	27,176
Other professional fees - In-kind	-	-	-	-	-	-	-	-	16,941
Supplies and office	5,090	60	5,150	173	-	173	5,323	-	7,432
Telecommunications	1,590	-	1,590	183	-	183	1,773	-	2,163
Postage	110	-	110	21	-	21	131	-	497
Occupancy	6,594	-	6,594	555	-	555	7,149	(202)	8,450
Interest	12,905	-	12,905	517	-	517	13,422	(111)	13,858
Insurance	1,756	-	1,756	25	-	25	1,781	-	2,344
Equipment rental and maintenance	2,876	-	2,876	33	-	33	2,909	-	3,286
Printing and publications	81	-	81	6	-	6	87	-	430
Travel and transportation	1,476	-	1,476	869	-	869	2,345	-	4,709
Conferences and meetings	293	-	293	319	-	319	612	-	1,111
Specific assistance to individuals	40,114	-	40,114	-	-	-	40,114	(5)	42,673
Awards and grants to affiliates:									
Development awards	-	-	-	-	-	-	-	(571)	2,721
Endowment awards	-	-	-	-	-	-	-	-	139
Other	8,094	-	8,094	2,823	47	2,870	10,964	(2,683)	10,758
Depreciation and amortization	11,348	-	11,348	90	-	90	11,438	-	12,497
	<u>\$ 206,021</u>	<u>\$ 60</u>	<u>\$ 206,081</u>	<u>\$ 24,912</u>	<u>\$ 62</u>	<u>\$ 24,974</u>	<u>\$ 231,055</u>	<u>\$ (3,992)</u>	<u>\$ 299,519</u>

**VOLUNTEERS OF AMERICA, INC.  
AND SUBSIDIARIES**

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018  
(IN THOUSANDS)

	Limited and General Partnerships			Eliminations	Consolidated total
	VOAT Limited and general partnerships	VOANS Limited and general partnerships	Total Limited and general partnerships		
Salaries	\$ -	\$ 6,763	\$ 6,763	\$ -	\$ 120,392
Pension	-	-	-	-	3,869
Other employee benefits	74	1,144	1,218	-	16,754
Payroll taxes	-	795	795	-	8,136
Legal fees	-	217	217	-	810
Accounting fees	-	1,079	1,079	-	2,445
Other professional fees	17	2,991	3,008	-	30,184
Other professional fees - In-kind	-	-	-	-	16,941
Supplies and office	-	2,276	2,276	-	9,708
Telecommunications	-	36	36	-	2,199
Postage	-	-	-	-	497
Occupancy	148	14,228	14,376	-	22,826
Interest	455	19,626	20,081	(3,704)	30,235
Insurance	295	-	295	-	2,639
Equipment rental and maintenance	323	-	323	-	3,609
Printing and publications	-	-	-	-	430
Travel and transportation	-	18	18	-	4,727
Conferences and meetings	-	305	305	-	1,416
Specific assistance to individuals	-	-	-	-	42,673
Awards and grants to affiliates:					
Development awards	-	-	-	-	2,721
Endowment awards	-	-	-	-	139
Other	417	6,175	6,592	(2,052)	15,298
Depreciation and amortization	338	21,102	21,440	-	33,937
	<u>\$ 2,067</u>	<u>\$ 76,755</u>	<u>\$ 78,822</u>	<u>\$ (5,756)</u>	<u>\$ 372,585</u>