

**VOLUNTEERS OF AMERICA
WESTERN WASHINGTON
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Volunteers of America Western Washington and Subsidiary
Everett, Washington

We have audited the accompanying consolidated financial statements of Volunteers of America Western Washington and Subsidiary ("the Organization"), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matter – Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Nonprofit Organizations*, and is not a required part of the financial statements. The Organization's schedule of non-federal governmental awards is presented for purposes of additional analysis and is also not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Peterson Sullivan LLP". The signature is written in a cursive, flowing style.

June 19, 2014

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

ASSETS	2013	2012
Current Assets		
Cash and cash equivalents	\$ 1,521,903	\$ 3,172,950
Accounts receivable	1,628,061	1,755,351
Pledges receivable, net - current	281,491	312,073
Prepaid expenses	300,570	278,872
Land held for sale	475,000	
Other current assets	50,257	58,958
Total current assets	4,257,282	5,578,204
Property and equipment		
Land	3,174,815	3,649,815
Buildings and improvements	7,439,641	7,434,452
Furnishings and equipment	1,402,545	1,351,527
Accumulated depreciation	(4,612,178)	(4,214,636)
Total property and equipment	7,404,823	8,221,158
Other Assets		
Designated/restricted assets	2,908,479	2,480,667
Long-term investments		372,642
Notes receivable - long-term	538,425	546,620
Pledges receivable - long-term	193,705	253,906
Other long-term assets	77,214	77,214
Total other assets	3,717,823	3,731,049
Total assets	<u>\$ 15,379,928</u>	<u>\$ 17,530,411</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 181,345	\$ 366,522
Accrued payroll expenses	786,472	756,456
Current portion of notes and loans payable	73,357	55,533
Refundable advance	145,394	21,193
Other current liabilities	163,579	399,760
Total current liabilities	1,350,147	1,599,464
Accrued Post-Retirement Benefit Costs	240,356	261,388
Notes and Loans Payable, less current portion	5,668,980	5,707,675
Total liabilities	7,259,483	7,568,527
Net Assets		
Unrestricted	6,444,233	8,072,987
Temporarily restricted	945,100	1,165,837
Permanently restricted	731,112	723,060
Total net assets	8,120,445	9,961,884
Total liabilities and net assets	<u>\$ 15,379,928</u>	<u>\$ 17,530,411</u>

See Notes to Consolidated Financial Statements

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue from Operations								
Public support received directly								
Contributions	\$ 305,691	\$ 1,004,775	\$ 9,500	\$ 1,319,966	\$ 1,023,138	\$ 1,254,944	\$ 1,800	\$ 2,279,882
In-kind contributions of food	2,293,544	277,039		2,570,583	3,197,468	384,114		3,581,582
Special events	50,895			50,895	23,380			23,380
Contributed services, at fair value	7,891			7,891	171,166			171,166
Public support received indirectly								
United Way	439,543	100,000		539,543	387,598	113,500		501,098
Volunteers of America awards and grants	37,799			37,799		51,101		51,101
Total public support	3,135,363	1,381,814	9,500	4,526,677	4,802,750	1,803,659	1,800	6,608,209
Revenue and grants from governmental agencies	13,227,383			13,227,383	14,268,780			14,268,780
Other revenue								
Program service fees	802,890			802,890	634,430			634,430
Rental income	151,664			151,664	172,392			172,392
Other operating income	9,639			9,639	10,439			10,439
Total other revenue	964,193			964,193	817,261			817,261
Net Assets Released from Restrictions								
Released from time restrictions	117,808	(117,808)			125,711	(125,711)		
Released from purpose restrictions	1,519,659	(1,519,659)			1,319,627	(1,319,627)		
Total net assets released from restrictions	1,637,467	(1,637,467)			1,445,338	(1,445,338)		
Total public support and revenue from operations	18,964,406	(255,653)	9,500	18,718,253	21,334,129	358,321	1,800	21,694,250

See Notes to Consolidated Financial Statements

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF ACTIVITIES

(Continued)

For the Years Ended June 30, 2013 and 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Total Public Support and Revenue from Operations (carried forward)	18,964,406	(255,653)	9,500	18,718,253	21,334,129	358,321	1,800	21,694,250
Expenses								
Program services								
Encouraging Positive Development	1,483,595			1,483,595	1,337,070			1,337,070
Fostering Independence	9,017,012			9,017,012	9,696,349			9,696,349
Promoting Self-Sufficiency	6,176,578			6,176,578	7,753,693			7,753,693
Total program services	16,677,185			16,677,185	18,787,112			18,787,112
Supporting services								
Management and general	2,873,251			2,873,251	2,322,865			2,322,865
Fundraising	935,764			935,764	765,786			765,786
Total supporting services	3,809,015			3,809,015	3,088,651			3,088,651
Affiliate fees	400,438			400,438	346,467			346,467
Total expenses	20,886,638			20,886,638	22,222,230			22,222,230
Change in Net Assets from Operations	(1,922,232)	(255,653)	9,500	(2,168,385)	(888,101)	358,321	1,800	(527,980)
Non-operating Gains (Losses)								
Interest and dividend income	48,709	18,292		67,001	54,786	18,370		73,156
Gain (loss) on sale of investments	91,851	16,624		108,475	(40,297)	(26,257)		(66,554)
Gain on sale of property and equipment	5,000			5,000	377,840			377,840
Other non-operating gains (losses)	147,918		(1,448)	146,470	235,709		1,334	237,043
Change in Net Assets from Non-Operating Activities	293,478	34,916	(1,448)	326,946	628,038	(7,887)	1,334	621,485
Total Change in Net Assets	(1,628,754)	(220,737)	8,052	(1,841,439)	(260,063)	350,434	3,134	93,505
Net Assets, beginning of year	8,072,987	1,165,837	723,060	9,961,884	8,333,050	815,403	719,926	9,868,379
Net Assets, end of year	<u>\$ 6,444,233</u>	<u>\$ 945,100</u>	<u>\$ 731,112</u>	<u>\$ 8,120,445</u>	<u>\$ 8,072,987</u>	<u>\$ 1,165,837</u>	<u>\$ 723,060</u>	<u>\$ 9,961,884</u>

See Notes to Consolidated Financial Statements

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2013

	Program Services				Supporting Services			Total
	Encouraging Positive Development	Fostering Independence	Promoting Self- Sufficiency	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 820,440	\$ 6,713,259	\$ 1,367,672	\$ 8,901,371	\$ 1,293,907	\$ 301,371	\$ 1,595,278	\$ 10,496,649
Payroll taxes	72,707	851,900	113,213	1,037,820	147,403	25,262	172,665	1,210,485
Employee benefits	76,079	440,016	152,753	668,848	241,604	19,227	260,831	929,679
Total payroll expenses	969,226	8,005,175	1,633,638	10,608,039	1,682,914	345,860	2,028,774	12,636,813
Specific assistance to individuals	9,293	203,804	3,536,161	3,749,258				3,749,258
Other professional fees	47,648	91,149	209,393	348,190	423,141	415,518	838,659	1,186,849
Occupancy	200,991	149,579	143,187	493,757	286,179	16,616	302,795	796,552
Telecommunications	44,592	227,384	120,006	391,982	69,401	12,459	81,860	473,842
Depreciation	30,601	60,230	164,031	254,862	147,973	9,707	157,680	412,542
Supplies	47,737	123,757	119,412	290,906	70,659	40,052	110,711	401,617
Travel and transportation	26,800	99,626	84,711	211,137	55,905	9,833	65,738	276,875
Interest	47,499		95,555	143,054		19,731	19,731	162,785
Equipment rental and maintenance	14,670	14,391	20,553	49,614	41,672	2,943	44,615	94,229
Postage	6,828	8,433	10,871	26,132	9,396	31,671	41,067	67,199
Insurance	2,071	7,311	6,076	15,458	19,720	10,532	30,252	45,710
Accounting fees					35,500		35,500	35,500
Conferences and meetings	625	7,207	3,180	11,012	5,726	10,219	15,945	26,957
Printing and publications	2,137	3,876	8,571	14,584	2,284	8,107	10,391	24,975
Legal fees					22,607		22,607	22,607
Other	32,877	15,090	21,233	69,200	174	2,516	2,690	71,890
Total functional expenses	\$ 1,483,595	\$ 9,017,012	\$ 6,176,578	\$ 16,677,185	\$ 2,873,251	\$ 935,764	\$ 3,809,015	20,486,200
Affiliate fees								400,438
Total expenses								\$ 20,886,638

See Notes to Consolidated Financial Statements

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2012

	Program Services				Supporting Services			Total
	Encouraging Positive Development	Fostering Independence	Promoting Self- Sufficiency	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 761,073	\$ 6,668,533	\$ 1,412,618	\$ 8,842,224	\$ 1,271,457	\$ 220,907	\$ 1,492,364	\$ 10,334,588
Payroll taxes	86,055	1,045,130	156,148	1,287,333	108,848	23,977	132,825	1,420,158
Employee benefits	83,161	525,468	159,127	767,756	179,474	32,155	211,629	979,385
Total payroll expenses	930,289	8,239,131	1,727,893	10,897,313	1,559,779	277,039	1,836,818	12,734,131
Specific assistance to individuals	20,352	180,946	4,896,077	5,097,375				5,097,375
Other professional fees	98,463	139,158	211,522	449,143	276,646	353,002	629,648	1,078,791
Occupancy	93,146	313,268	271,970	678,384	106,646	10,299	116,945	795,329
Depreciation	11,780	312,174	43,877	367,831	52,790	3,276	56,066	423,897
Supplies	97,584	57,517	253,494	408,595	48,510	19,778	68,288	476,883
Telecommunications	18,431	206,524	70,623	295,578	71,144	9,900	81,044	376,622
Travel and transportation	24,771	121,476	61,040	207,287	49,217	16,661	65,878	273,165
Interest		47,738	113,400	161,138	9,750	5,850	15,600	176,738
Insurance		1,636	7,263	8,899	8,691	5,215	13,906	22,805
Equipment rental and maintenance	20,805	49,692	50,929	121,426	17,637	3,561	21,198	142,624
Conferences and meetings	4,634	6,112	5,180	15,926	6,375	5,941	12,316	28,242
Accounting fees					48,723		48,723	48,723
Postage	6,049	9,844	10,801	26,694	9,623	5,394	15,017	41,711
Printing and publications	2,704	4,407	18,217	25,328	2,685	12,218	14,903	40,231
Legal fees		1,098		1,098	34,166		34,166	35,264
Other	8,062	5,628	11,407	25,097	20,483	37,652	58,135	83,232
Total functional expenses	<u>\$ 1,337,070</u>	<u>\$ 9,696,349</u>	<u>\$ 7,753,693</u>	<u>\$ 18,787,112</u>	<u>\$ 2,322,865</u>	<u>\$ 765,786</u>	<u>\$ 3,088,651</u>	21,875,763
Affiliate fees								346,467
Total expenses								<u>\$ 22,222,230</u>

See Notes to Consolidated Financial Statements

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ (1,841,439)	\$ 93,505
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	412,542	423,897
Gain on sale of property and equipment	(5,000)	(377,840)
Loss (gain) on sale of investments	(108,475)	66,554
Contributions restricted to endowment	(9,500)	(1,800)
Accrued interest payable	161,188	37,500
Changes in operating assets and liabilities		
Accounts receivable	127,290	(58,797)
Pledges receivable	90,783	(213,353)
Prepaid expenses	(21,698)	(87,326)
Other current assets	8,701	75,158
Accounts payable	(185,177)	187,052
Accrued payroll expenses	30,016	(12,056)
Refundable advance	124,201	(102)
Accrued post-retirement benefit costs	(21,032)	(222,098)
Other current liabilities	(236,181)	144,621
Net cash flows from operating activities	(1,473,781)	54,915
Cash Flows from Investing Activities		
Collections on notes receivable	8,195	10,181
Proceeds from sales of investments and designated/restricted assets	53,305	758,397
Proceeds from sale of property and equipment	17,434	45,000
Purchases of property and equipment	(83,641)	(104,828)
Net cash flows from investing activities	(4,707)	708,750
Cash Flows from Financing Activities		
Principal payments on notes and loans payable	(2,232,059)	(23,305)
Proceeds from notes payable	2,050,000	
Receipt of contributions restricted to endowment	9,500	1,800
Net cash flows from financing activities	(172,559)	(21,505)
Net change in cash and cash equivalents	(1,651,047)	742,160
Cash and cash equivalents, beginning of year	3,172,950	2,430,790
Cash and cash equivalents, end of year	<u>\$ 1,521,903</u>	<u>\$ 3,172,950</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 95,347</u>	<u>\$ 139,238</u>
Non-cash investing activity		
Issuance of notes receivable on sale of property and equipment	<u>\$ -</u>	<u>\$ 395,000</u>

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization

The consolidated financial statements for Volunteers of America Western Washington include Volunteers of America Western Washington and its Subsidiary, VOA Property Corporation of NWW, which collectively are referred to as "the Organization." Volunteers of America Western Washington is a nonprofit spiritually-based human services organization, incorporated in Washington, that provides social services within Western Washington under a charter from Volunteers of America, Inc., a national nonprofit spiritually-based organization providing local human service programs, and opportunities for individual and community involvement. VOA Property Corporation of NWW is a nonprofit organization, incorporated in Washington, that holds property for use by Volunteers of America Western Washington.

The staff and volunteers of the Organization reach, uplift, and empower those we serve. Services from any of the Organization's programs have a lasting impact on the individual, family, the community, and future generations. People get the help they need as well as the support and resources to help themselves into the future.

Our programs and services create a comprehensive framework that:

- Encourages positive development
- Fosters independence, and
- Promotes self-sufficiency

Encouraging Positive Development

The Organization provides services to encourage positive development for troubled and at-risk children and youth, while also promoting the healthy development of all children, adolescents, and their families. Our 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.

Our programs and services in this impact area include:

- **Children and Youth**
 - **Early Childhood Education and Assistance Program (ECEAP)** (located in Everett and Sultan, Washington) – Free preschool for qualifying families, particularly those with English as a Second Language. Kids from low-income families get the opportunity to start kindergarten at the same level of development as their more affluent peers.
 - **Safe Stop Youth Group** (located in Sultan and Gold Bar, Washington) – Youth group that offers regular Friday night activities. A safe and healthy alternative to typical teen small town activities that prevents vandalism, violence, and other negative behaviors.
 - **Scholastic Books** (Skagit and Snohomish Counties) – Community book distribution program that gives away thousands of books per year.

- **Sky Valley Family Resource Center** (Snohomish County) – Family support center that connects Skykomish Valley residents with youth programs, as well as emergency and family support services.
- **Washington Regional Afterschool Project (WRAP)** (Skagit, Island, San Juan, Whatcom, and Snohomish counties) – Training and resources for parents looking for out-of-school programs and providers offering after school care and programs.
- **Community Enhancement**
 - **North Sound 2-1-1** (Skagit, Island, San Juan, Whatcom and Snohomish Counties) – Comprehensive information and referral connecting individuals with health and human service resource information. The first and best place to find out where to go for the help you need.
 - **Care Crisis Response Services** (Skagit, Island, San Juan, Whatcom and Snohomish Counties) Crisis line for the greater community, and triage line for emergency service professionals, providing 24/7 access to crisis intervention and mental health emergency services.

Fostering Independence

The Organization fosters the health and independence of the elderly and persons with disabilities, mental illness, and HIV/AIDS through quality affordable housing, health care services, and a wide range of community services.

Our programs and services in this impact area include:

- **Community Enhancement**
 - **North Sound 2-1-1** (Skagit, Island, San Juan, Whatcom, and Snohomish Counties) – Comprehensive information and referral connecting individuals with health and human service resource information.
- **Disabilities Services**
 - **Accessible Recreational Travel** (greater community) – Escorted recreational trips for adults with developmental disabilities who enjoy the social interaction and excitement of "real" vacations at interesting locations. This service decreases isolation, improves socialization skills, and promotes positive community acceptance of people with disabilities.
 - **Disability Services** (King, Skagit, Snohomish, and Whatcom Counties) – Supported living program for adults with developmental disabilities emphasizing self-determination, dignity, and the development of independent living skills.
- **Elderly Services**
 - **Senior Companion Program** (King County) – Program matches seniors one-on-one with other seniors for companionship, and more. Allows seniors to stay in their homes and gives caregivers of frail seniors a break so that the family can stay together.
 - **Sultan Senior Center** (Snohomish County) – Program provides activities and meals for seniors in Skykomish Valley (East Snohomish County). The program gives seniors multiple opportunities to gather each week. It also encourages getting out of the house and looking after each other.

Promoting Self-sufficiency

The Organization promotes self-sufficiency for individuals and families who have experienced homelessness, or other personal crisis, including chemical dependency, involvement with the corrections system, and unemployment. We focus on solution-oriented approaches, using a continuum of services from prevention to intervention to long-term support.

Our programs and services in this impact area include:

- **Community Enhancement**

- **North Sound 2-1-1** (Skagit, Island, San Juan, Whatcom, and Snohomish Counties) – Comprehensive information and referral connecting individuals with health and human service resource information.
- **Dispute Resolution Center of Snohomish, Skagit, and Island Counties** – Nationally acclaimed conflict resolution training and mediation services for issues related to landlord/tenant, home and family, school, courts, and the workplace.
- **Sky Valley Family Resource Center** (Snohomish County) – This family support center reaches out to all community members, particularly youth, seniors, people with disabilities, and homeless and low-income families in the Skykomish Valley. Events, programs, basic needs services such as housing and clothing, and educational opportunities are provided to strengthen individuals and families resulting in a healthier, safer, more inclusive community.
- **Sultan Senior Center** (Snohomish County) – Program provides activities and meals for seniors in Skykomish Valley (East Snohomish County). The program gives seniors multiple opportunities to gather each week. It also encourages getting out of the house and looking after each other.

- **Emergency Services**

- **Care Crisis Response Services** (Skagit, Island, San Juan, Whatcom, and Snohomish Counties) – Crisis line for the greater community, and triage line for emergency service professionals, providing 24/7 access to crisis intervention and mental health emergency services.
- **Emergency Services** (Snohomish County) – Voucher program provides individuals and families with access to clothes, furniture, household goods, eyeglasses, prescriptions, gas, bus tickets and more.
- **Food Banks** (located in Everett and Sultan in Snohomish County, and Seattle's Greenwood neighborhood in King County) – Supplemental food supply for those in need throughout the areas served.
- **Snohomish County Food Bank Distribution Center** – Distribution center feeds those that are hungry in their own neighborhoods by receiving, processing, and distributing more than 3 million pounds of food annually to 20 community food banks and 23 local feeding programs. It also coordinates monthly home deliveries of fresh produce to seniors and the annual Holiday Food Basket Program that provides food and gifts for families in need at Thanksgiving and the end of December.

- **Employment and Training Services**

- **Dispute Resolution Center of Snohomish, Skagit, and Island Counties** – Nationally acclaimed conflict resolution training and mediation services for issues related to landlord/tenant, home and family, school, courts, and the workplace.

- **Homeless Services**

- **Community Voice Mail** (Snohomish County) – Provides a private voicemail box so that low-income, homeless, and isolated individuals can connect with vital services and employment.

- **Housing**

- **Housing and Transitional Services** (Snohomish County) – Homeless families and individuals work with expert case managers to achieve self-sufficiency and secure permanent, affordable housing. Individualized services include homelessness prevention services, shelter and transitional housing resources, as well as case management.

Note 2. Significant Accounting Policies

Basis of Accounting

The accounting policies of the Organization conform to generally accepted accounting principles as applicable to voluntary health and welfare organizations.

Principles of Consolidation

The consolidated financial statements include the accounts of Volunteers of America Western Washington and its wholly-owned subsidiary, VOA Property Corporation of NWW. All material inter-organization transactions have been eliminated.

Property and Equipment/Land Held for Sale

Land, buildings, and equipment purchased by the Organization are recorded at cost. All expenditures for land, buildings, and equipment over \$3,000 are capitalized; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed on the straight-line method based upon the estimated useful lives of the assets as follows:

Furniture and equipment	5 - 15 years
Transportation vehicles	3 - 7 years
Buildings and improvements	5 - 40 years

In August 2012, the Organization closed its auto sales lot and plans to list the property for sale for approximately \$600,000. The auto lot had a total net book value of \$475,000 at June 30, 2013, and is shown as land held for sale on the 2013 consolidated statement of financial position.

Cash Equivalents

Cash equivalents are all highly liquid investments with a 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 restricted or designated. The carrying amount approximates fair value because of the short maturity of those instruments. On occasion, the Organization has cash balances in excess of federally insured limits.

Accounts Receivable

Accounts receivable are stated at net realizable value and consist primarily of amounts due from government agencies.

Contributions/Pledges Receivable

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 using an estimated discount rate (the discount was not significant at June 30, 2013 or 2012). Unconditional promises expected to be collected in the future are also discounted for potentially uncollectable amounts. This results in long-term pledges being recorded at fair value. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Promises to give are due as follows as of June 30:

	2013	2012
Less than one year	\$ 283,491	\$ 314,073
One to five years	193,705	253,906
	477,196	567,979
Less: allowance for doubtful accounts	(2,000)	(2,000)
	<u>\$ 475,196</u>	<u>\$ 565,979</u>

Designated/Restricted Assets/Investments

Designated and restricted assets represent the total of all assets that are encumbered by donor restrictions, legal agreements, and board designation, or are otherwise unavailable for the general use of the Organization. This category generally includes client/custodial funds, escrow/reserve funds, temporarily and permanently restricted assets, and securities that are pledged and held by the lender as collateral for financing.

Designated and restricted assets were categorized as follows as of June 30:

	2013	2012
Future development and capital improvements	\$ 1,168,174	\$ 792,216
Endowment fund	1,296,610	1,261,694
Assets held in trust	443,695	426,757
	<u>\$ 2,908,479</u>	<u>\$ 2,480,667</u>

Designated and restricted assets consisted of the following at June 30:

	2013	2012
Cash and cash equivalents	\$ 289,231	\$ 129,118
Investment in certificates of deposit	878,943	663,098
Investment in mutual funds		
Bond/fixed income funds	464,876	509,627
International equity funds	114,476	96,538
Equity mutual funds	203,007	214,856
Equity growth funds	276,743	236,242
Equity value funds	99,067	81,817
Other global asset funds	138,441	122,614
Total mutual funds	1,296,610	1,261,694
Assets held in trust	443,695	426,757
	<u>\$ 2,908,479</u>	<u>\$ 2,480,667</u>

Investments (including long-term investments) consist of certificates of deposit, which are recorded at cost plus accrued interest and represent debt agreements with original maturities of longer than three months. Certificates of deposit have maturities up to 18 months with interest rates between 0.30% and 0.50%. Certificates of deposit are held at multiple banks so that the deposits do not exceed federally insured limits.

Investments also include a variety of mutual funds (which are listed above) and are recorded at fair value (see Note 12) using Level 1 inputs (which consist of quoted market prices for identical assets) and Level 2 inputs (which consists of quoted market prices for similar assets).

Assets held in trust are discussed in Note 12.

Other Revenue

Other revenue is recognized as follows:

- Program service fees are recognized when the service is performed and amounts are due.
- Rental income is recognized on a straight-line basis in accordance with rental terms.

Contributed Goods and Services

The Organization receives donations of food for distribution from the Federal government, area businesses, and individuals. Federal commodities are valued based on pricing lists published by the U.S. Department of Agriculture. Food donations from non-federal sources are recognized based on an average value per pound basis, as determined by the State of Washington, Emergency Food Assistance Program ("EFAP"). Food contributed for the years ended June 30, 2013 and 2012, was \$2,570,583 and \$3,581,582, respectively, of which, \$1,530,900 and \$3,111,759, respectively, was from non-federal sources.

The Organization also recognizes contribution revenue for certain services received at the fair value of those services provided those services create or enhance non-financial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Contributed services to the Retired Senior Volunteers and Dispute Resolution Center ("DRC") programs were \$7,891 and \$171,166 for the years ended June 30, 2013 and 2012, respectively. Decrease from fiscal year 2012 to 2013 was a result of a decrease in volunteer hours. Particularly for the DRC program the Organization's foreclosure mediation assistance increased and many of the volunteers became paid contractors in accordance with Washington State regulations.

A number of volunteers donated services with an estimated value of \$1,922,000 and \$1,823,000 to other programs for the years ended June 30, 2013 and 2012, respectively. The contributed services to these programs are not reflected in the consolidated financial statements, as they do not meet the recognition criteria.

Net Assets

The Organization classifies net assets 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 statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions.

Temporarily restricted net assets are available for the following purposes as of June 30:

	2013	2012
Promoting self-sufficiency programs	\$ 488,976	\$ 648,840
Unappropriated endowment earnings	322,919	288,003
United Way: 2-1-1 program	100,000	113,500
Future periods	24,640	21,958
Volunteer management/development	7,701	72,521
Encouraging positive development programs	864	21,015
	<u>\$ 945,100</u>	<u>\$ 1,165,837</u>

Permanently restricted net assets consist of the following as of June 30:

	2013	2012
Endowment fund	\$ 216,359	\$ 206,859
Assets held in trust (permanent corpus)	437,539	437,539
Other	77,214	78,662
	<u>\$ 731,112</u>	<u>\$ 723,060</u>

Operations

The Organization defines operations as all program and supporting activity undertaken (see Note 1). Revenues that result from these activities, and their related expenses, are reported as operations. Gains, losses, and other revenue that results from ancillary activities, such as investing liquid assets and disposing of fixed or other assets, are reported as non-operating.

Income Taxes

Under provision of Section 501(c)(3) of the Internal Revenue Code and the applicable tax regulations of the State of Washington, Volunteers of America Western Washington is exempt from income taxes, except for net income from unrelated business income, as a subordinate unit of Volunteers of America, Inc. Volunteers of America, Inc. is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3). There were no unrelated business activities in 2013 and 2012, so no tax expense was incurred during the years ended June 30, 2013 and 2012.

VOA Property Corporation of NWW is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(3).

Based on the discussions above, no provision for income tax is reflected in these consolidated financial statements.

Both Volunteers of America Western Washington and VOA Property Corporation of NWW's federal tax returns are open to inspection by federal taxing authorities for the previous three years.

Allocation of Functional Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the various functions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Notes Receivable

Notes receivable are stated at the amount of unpaid principal, reduced by general and specific allowances for losses. Interest income on notes is recognized when earned. Notes receivable consists of receivables from third parties and are collateralized by first deed of trust on real property.

A note is placed on non-accrual status when it is specifically determined to be impaired and when, in the opinion of management, there is an indication that the borrower may be unable to make payments as they become due. Also, the Organization's policy requires that a loan be placed on non-accrual status when payments are 90 or more days past due.

One note is due in monthly payments of \$964 including interest at 5% through March 1, 2016; this note has an option to extend the maturity date to March 2021 that has not been exercised. The total outstanding balance of this note receivable as of June 30, 2013 and 2012, was \$157,036 and \$161,646, respectively.

One note is due in monthly payments of \$2,120 including interest at 5% through June 15, 2015. The total outstanding balance on this net receivable as of June 30, 2013 and 2012, was \$391,298 and \$395,000, respectively.

Future principal payments scheduled to be received on loans receivable for years ending June 30 are as follows:

2014	\$	9,909
2015		389,167
2016		149,258
	\$	548,334

Current portion of notes receivable is classified as an other current asset on the consolidated statements of financial position.

Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 financial statement presentation. Reclassifications include classification of unrestricted and temporarily restricted contributions in 2012.

Note 3. Notes and Loans Payable

Notes and loans payable consist of the following at June 30:

	2013	2012
Notes and Loans:		
Promissory note payable to Whidbey Island Bank, collateralized by first deed of trust on real property and certificates of deposit. Interest is based on a five year index plus 2.75%, resulting in a rate of 4.25% as of June 30, 2013. Payments of \$11,173 (including interest) are due monthly. The note is due in full in October 2022.	\$ 1,920,898	\$ -
Promissory note payable to Lynnwood Rotary Community Foundation, collateralized by first deed of trust on real property. Monthly interest incurred at 5% is \$3,958. Payments are interest-only until maturity on July 23, 2015.	950,000	950,000
Non-interest bearing notes payable to the State of Washington, due in annual installments of \$8,130 through January 1, 2055, and secured by a deed of trust on real property. Notes expire and the remaining debt of \$250,000 shall be forgiven on January 1, 2055, provided that no default has occurred. The Organization fully intends to comply with the terms of the notes.	591,436	599,567
Note payable to Union Bank, collateralized by certificate of deposit of \$200,000, due in monthly payments of \$2,736 including interest at 4.64% through March 31, 2016.	398,642	411,742
Non-interest bearing note payable to the State of Washington, due in annual installments of \$1,789 through January 1, 2055. Note is secured by a deed of trust on real property.	75,145	76,933
Promissory note payable to Gail and Dean Douma, the note was refinanced during 2013.		1,918,750
Total non-forgivable loans	3,936,121	3,956,992
Forgivable Loans:		
Non-interest bearing mortgage note payable to Snohomish County secured by a deed of trust on real property. The note expires and the debt shall be forgiven on December 31, 2018, provided that no default has occurred. The Organization fully intends to comply with the terms of this and all other forgivable loans. This and all forgivable loans were funded by the Federal Community Development Block Grant Program.	845,774	845,774
Non-interest bearing note payable to City of Everett, secured by a deed of trust on real property. The note expires and the debt shall be forgiven on July 1, 2024, provided that no default has occurred.	250,000	250,000

	2013	2012
Non-interest bearing note payable to Snohomish County, secured by a deed of trust on real property. The note expires and the debt shall be forgiven on May 31, 2023, provided that no default has occurred.	225,000	225,000
Non-interest bearing note payable to Snohomish County, secured by a deed of trust on real property. The note expires and the debt shall be forgiven on September 1, 2024, provided that no default has occurred.	167,969	167,969
Non-interest bearing notes payable to Snohomish County, secured by a deed of trust on real property. The notes expire and the debt shall be forgiven on December 31, 2046, provided that no default has occurred.	317,473	317,473
Total forgivable loans	1,806,216	1,806,216
Total notes and loans payable	5,742,337	5,763,208
Less current maturities	73,357	55,533
	<u>\$ 5,668,980</u>	<u>\$ 5,707,675</u>

Scheduled principal reductions are as follows for the years ending June 30:

2014	\$ 73,357
2015	76,158
2016	1,381,546
2017	65,623
2018	67,653
Thereafter	4,078,000
	<u>\$ 5,742,337</u>

Note 4. Related Party

The Organization is affiliated with Volunteers of America, Inc., which provides supporting services to the Organization for a fee. Affiliate fees for the fiscal years ended June 30, 2013 and 2012, totaled \$400,438 and \$346,467, respectively. Amounts due to Volunteers of America, Inc. totaled \$35,120 and \$209,320 at June 30, 2013 and 2012, respectively, and are included in accounts payable on the consolidated statements of financial position. As of June 30, 2013, \$190,000 was due from Volunteers of America, Inc. which is included in accounts receivable on the consolidated statements of financial position. There was no receivable from Volunteers of America, Inc. as of June 30, 2012.

The Organization received grants from Volunteers of America, Inc. of \$37,799 and \$51,101 for the years ended June 30, 2013 and 2012.

Note 5. Operating Leases

The Organization has certain non-cancelable leases for office space that expire through 2016, with certain options to renew. Rent expense was \$206,549 and \$190,566 for office space included in occupancy expenses for the years ended June 30, 2013 and 2012, respectively. Future minimum lease payments under operating leases with remaining lease terms greater than one year are as follows for the years ending June 30:

2014	\$	206,488
2015		40,745
2016		32,270
2017		9,649
	\$	289,152

The Organization also has agreements to lease space to other non-profit entities. Rental income for these leases was \$151,664 and \$172,392 for the years ended June 30, 2013 and 2012, respectively. All agreements are currently month-to-month.

Note 6. Deferred Compensation Plans

The Organization offers a tax deferred annuity program for its employees. The Organization collects and remits the employee-designated contributions to the contracting insurance company, and does not make contributions to the program.

The Organization offers a tax deferred annuity thrift program for employees who have completed two years of employment. The Organization matches an amount equal to \$0.50 on the dollar for employees with two to five years of tenure, \$0.60 on the dollar for employees with five to ten years of tenure and \$0.70 on the dollar for employees with ten or more years' tenure. This match is made on all employee contributions up to 5% of the employee's salary. Employer contributions for the years ended June 30, 2013 and 2012, totaled \$63,775 and \$74,851, respectively.

The Organization participates in a non-contributory defined benefit pension and retirement plan. The plan is administered through a commercial insurance company and covers all ministers commissioned through December 31, 1999. Pension plan expense was \$16,533 and \$31,655 for the years ended June 30, 2013 and 2012, respectively. Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits as they relate solely to the Organization are not readily available.

Note 7. Post-Retirement Health Benefits Plan

Effective January 1, 2003, the Organization adopted a non-funded, non-contributory Post-retirement Health Benefit Plan. The Plan provides defined healthcare benefits to executive level employees, based on years of service, employee classification, and attainment of minimum age requirements. The Plan measurement date is June 30. The Organization does not require employee contributions to the Plan. There are no unrecognized prior service costs to date. The activity relating to the Plan for the years ended June 30, 2013 and 2012, is summarized as follows:

	Accumulated Post-Retirement Benefit Obligation
As of June 30, 2011	\$ 483,486
Net Periodic post-retirement (benefit) cost included in Employee benefits	(203,032)
Benefit payments	(19,066)
Net Change	(222,098)
As of June 30, 2012	261,388
Net Periodic post-retirement (benefit) cost included in Employee benefits	(5,511)
Benefit payments	(15,521)
Net Change	(21,032)
As of June 30, 2013	\$ 240,356

The Plan used a 4.1% discount rate and health care costs were estimated to increase by 7% next year and then decrease by 0.5% per year down to 4.5% for future years. The accumulated post-retirement benefit obligation decreased from June 30, 2012, to June 30, 2013, primarily as a result of the increase in the discount rate from 3.5% in 2012 to 4.1% in the current year. The decrease in and change in net periodic post-retirement benefit costs above of \$203,032 (for the year ended June 30, 2012) is primarily caused by management's change in estimate of future healthcare costs. Prior to 2012, management had been estimating future costs to increase by 10% in the next year and to continue increasing by an average of 10% in future years.

The Organization expects to contribute approximately \$18,000 to the Plan in fiscal year 2014.

Benefits expected to be paid in the next five years and in the aggregate for the five years thereafter are as follows for the years ending June 30:

2014	\$ 18,294
2015	18,722
2016	19,112
2017	21,229
2018	23,269
2019 - 2023	81,806

Note 8. Advertising

The Organization uses advertising to promote its programs among the community it serves. The cost of advertising is expensed as incurred. For the years ended June 30, 2013 and 2012, advertising costs totaled \$51,396 and \$282,764, respectively, and are included with other professional fees on the consolidated statements of functional expenses. The advertising costs for the year ended June 30, 2012, were primarily related to the Organization's auto program, this program was transferred to Volunteers of America, Inc. in August 2012, causing the decrease in related advertising costs.

Note 9. Revenue and Grants from Governmental Agencies

Revenue from grants and governmental agencies consist of grants and contracts administered by various federal, state, and local agencies. Revenue is recognized based on grant and contract terms. Fee based grants and contracts are recognized when services are performed and amounts are due. Cost reimbursement grant revenue is recognized when the related expenditure is made.

The following schedule reconciles Federal and Non-federal awards to total revenue and grants from governmental agencies for the years ended June 30:

	2013	2012
Total federal awards	\$ 2,566,830	\$ 2,711,598
Less: federal food commodities included with in-kind contributions	(1,039,683)	(669,914)
	1,527,147	2,041,684
Non-federal awards (state and local)	11,700,236	12,227,096
Revenue and grants from governmental agencies	<u>\$ 13,227,383</u>	<u>\$ 14,268,780</u>

Note 10. Federal Emergency Food and Shelter Grant

The financial activity of the Federal Emergency Food and Shelter Grant ("FEMA") is required to be disclosed in these consolidated financial statements by terms of the contract. The following is the activity for the years ended June 30:

	2013	2012
Revenues	<u>\$ 237,159</u>	<u>\$ 248,384</u>
Shelter expenditures	\$ 130,082	\$ 129,455
Food expenditures	103,518	114,444
Administrative fee	3,559	4,485
	<u>\$ 237,159</u>	<u>\$ 248,384</u>

Note 11. Self-Insurance Programs

The Organization is self-insured for state unemployment insurance. The ultimate costs of claims are accrued when incidents occur that give rise to claims. At June 30, 2013 and 2012, respectively, \$275,490 and \$253,359 was held on deposit with 501(c) Agencies Trust and are included in prepaid expenses. Management's estimate of claims incurred but not reported totaled \$36,267 and \$133,471 at June 30, 2013 and 2012, respectively, which is included with other current liabilities in the consolidated statements of financial position.

Note 12. Fair Value Measurements

The Organization values at fair value certain financial assets included in designated and restricted assets that are remeasured and reported at fair value at each reporting period.

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels which prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Fair values of assets measured on a recurring basis at June 30, 2013 and 2012, were as follows:

	Fair Value Measurements at June 30, 2013			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 1,227,806	\$ 68,804	\$ -	\$ 1,296,610
Assets held in trust			443,695	443,695
	<u>\$ 1,227,806</u>	<u>\$ 68,804</u>	<u>\$ 443,695</u>	<u>\$ 1,740,305</u>

	Fair Value Measurements at June 30, 2012			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 1,164,619	\$ 97,075	\$ -	\$ 1,261,694
Assets held in trust			426,757	426,757
	<u>\$ 1,164,619</u>	<u>\$ 97,075</u>	<u>\$ 426,757</u>	<u>\$ 1,688,451</u>

Assets held in trust consist of a 30% interest in a charitable trust fund. Interests in the trust fund is not readily transferable but the investments in the trust have readily determinable fair values. The trust is invested into equities (62%) and various other investment pools, and the value of the trust was supplied by the trustee. The following is a reconciliation of the assets held in trust for the years ended June 30:

Fair value as of June 30, 2011	\$ 453,013
Change in fair value of underlying assets	(7,886)
Payments received from trust	<u>(18,370)</u>
Fair value as of June 30, 2012	426,757
Change in fair value of underlying assets	35,393
Payments received from trust	<u>(18,455)</u>
Fair value as of June 30, 2013	<u><u>\$ 443,695</u></u>

Note 13. Endowments

The Organization's endowment fund includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment ("quasi-endowment"), the income is considered unrestricted. Both the donor-restricted and board designated funds are to provide investment returns for the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization have interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, plus (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the endowment fund
- The purposes of the Organization and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment Net Assets consisted of the following at June 30:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds - general	\$ -	\$ 322,919	\$ 216,359	\$ 539,278
Board-designated funds	757,332			757,332
	<u>\$ 757,332</u>	<u>\$ 322,919</u>	<u>\$ 216,359</u>	<u>\$ 1,296,610</u>

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds - general	\$ -	\$ 288,003	\$ 206,859	\$ 494,862
Board-designated funds	766,832			766,832
	<u>\$ 766,832</u>	<u>\$ 288,003</u>	<u>\$ 206,859</u>	<u>\$ 1,261,694</u>

The beneficial interest in a perpetual trust included in permanently restricted net assets of \$437,539 of the years ended June 30, 2013 and 2012, is not included in these disclosures as it is managed by a trustee and the Board of Directors does not have any ability to determine how the assets are invested.

Changes in endowment net assets for the years ended June 30 are as follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 766,832	\$ 288,003	\$ 206,859	\$ 1,261,694
Investment return				
Investment income	8,669	18,292		26,961
Net gain (realized and unrealized)	(18,169)	16,624		(1,545)
Total investment return	(9,500)	34,916		25,416
Contributions			9,500	9,500
Endowment net assets, end of year	<u>\$ 757,332</u>	<u>\$ 322,919</u>	<u>\$ 216,359</u>	<u>\$ 1,296,610</u>

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,570,460	\$ 289,161	\$ 205,059	\$ 2,064,680
Investment return				
Investment income	9,237	8,068		17,305
Net gain (realized and unrealized)	(10,813)	(9,226)		(20,039)
Total investment return	(1,576)	(1,158)		(2,734)
Contributions			1,800	1,800
Transfers	(802,052)			(802,052)
Endowment net assets, end of year	<u>\$ 766,832</u>	<u>\$ 288,003</u>	<u>\$ 206,859</u>	<u>\$ 1,261,694</u>

Return Objectives and Risk Parameters

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods as well as quasi-endowment funds. Under the policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to prevent the fixed income returns from under performing the Lehman Govt. - Corporate fixed income index by 3% in any quarter. Also, the Organization expects to maintain the equity portfolio at a risk level equivalent to that of the equity market as a whole, with the objective of exceeding its results annually over a three year moving time period.

The general investment objectives of the endowment accounts are to 1) limit risk exposure through adequate diversification and credit quality; 2) manage for current income in income only endowment accounts; 3) protect principal by managing for total return in growth and income accounts; and 4) control costs of administering and managing the portfolio.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk bases. The Organization's investment policy guidelines for all investments is reviewed and reconfirmed or revised on at least an annual basis. Performance of the Organization's investments and the Organization's Investment Manager is reviewed by the Finance Committee of the Board of Directors and reported to the Organization's Board of Directors on a regular basis.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization does not have a formal spending policy with regard to endowment funds.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires. There were no deficiencies as of June 30, 2013 and 2012.

Note 14. Subsequent Events

In November 2013, the Organization settled litigation with the City of Everett regarding construction of a railroad bridge near one of the Organization's buildings. The City of Everett agreed to pay \$309,000 in fees to the Organization in 2014. The accompanying financial statements at June 30, 2013, do not include the effects of the settlement.

Management has evaluated events through the date these consolidated financial statements were available to be issued, which is the same date as the independent auditors' report.

S U P P L E M E N T A R Y R E P O R T S A N D S C H E D U L E S
I N A C C O R D A N C E W I T H G O V E R N M E N T
A U D I T I N G S T A N D A R D S A N D
O M B C I R C U L A R A - 1 3 3

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

To the Board of Directors
Volunteers of America Western Washington and Subsidiary
Everett, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Volunteers of America Western Washington and Subsidiary ("the Organization"), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Organization in a separate letter dated June 19, 2014.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Peterson Sullivan LLP". The signature is written in a cursive, flowing style.

June 19, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Volunteers of America Western Washington and Subsidiary
Everett, Washington

Report on Compliance for Each Major Federal Program

We have audited Volunteers of America Western Washington and Subsidiary's ("the Organization") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2013. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Peterson Sullivan LLP". The signature is written in a cursive, flowing style.

June 19, 2014

VOLUNTEERS OF AMERICA WESTERN WASHINGTON
AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor	Contract	Federal CFDA Number	Contract Number	Federal Expenditures
U.S. Department of Agriculture Food and Nutrition Service				
<i>State of Washington</i> Child and Adult Care Food Program	OSPI Child Nutrition - ECEAP	10.558	31070363	\$ 51,840
<i>Emergency Food Services Cluster</i>				
<i>State of Washington</i> Commodity Supplemental Food Program	Commodity Supplemental Food Program (Administrative Costs)	10.565*	K1187	51,436
Commodity Supplemental Food Program	Commodity Supplemental Food Program (Food Commodities)	10.565*	K1187	232,146
				283,582
Emergency Food Assistance Program (Administrative Costs)	TEFAP (Greenwood Food Bank)	10.568*	Sub-contract	519
<i>State of Washington</i> Emergency Food Assistance Program (Administrative Costs)	TEFAP Commodities Distribution	10.568*	99586	78,560
				79,079
Emergency Food Assistance Program (Food Commodities)	TEFAP Commodities Distribution - Food Inventory	10.569*	99586	807,537
Total emergency food services cluster				1,170,198
Total U.S. Department of Agriculture Food and Nutrition Service				1,222,038
U.S. Department of Housing and Urban Development Office of Community Planning and Development				
<i>Community Development Block Grants - Entitlement Cluster</i>				
<i>Snohomish County</i> Community Development Block Grants/Entitlement Grants	Sky Valley Resource Center	14.218	HCS-11-24-1114-018	17,939
Community Development Block Grants/Entitlement Grants	Emergency Housing Assistance	14.218	HCD-11-24-1012-018	34,133
<i>City of Everett</i> Community Development Block Grants/Entitlement Grants	Outreach/Family & Children's Services	14.218	None	4,704
Community Development Block Grants/Entitlement Grants	Rental Housing Meditation Service	14.218	None	10,897
Total community development block grants - entitlement cluster				67,673
<i>Snohomish County</i> Emergency Shelter Grants Program	ESG Transitional Housing for Families	14.231	HCD-12-31-1205-018	20,861
			Page Subtotal	1,310,572

* Program tested as major

See Notes to Schedule of Expenditures of Federal Awards

VOLUNTEERS OF AMERICA WESTERN WASHINGTON
AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor	Contract	Federal CFDA Number	Contract Number	Federal Expenditures
U.S. Department of Housing and Urban Development Office of Community Planning and Development (Continued)				
<i>Snohomish County</i> Supportive Housing Program	HUD Supportive Housing (Transitional Housing)	14.235	HCD-12-50-1182-018	73,435
<i>State of Washington</i> ARRA - Homelessness Prevention and Rapid Re-Housing	Department of Commerce - ARRA	14.231	13-46107-025	217,128
Total from U.S. Department of Housing and Urban Development Office of Community Planning and Development				379,097
U.S. Department of Justice				
<i>Skagit County</i> ARRA - Recovery Act - Edward Byrne Memorial Competitive Grant Program	Mentoring Children of Promise One-on-One - ARRA	16.808	2009-SC-B9-0024	121,084
Total from U.S. Department of Justice				121,084
U.S. Department of Transportation Federal Transit Administration (FTA)				
<i>Transit Services Cluster</i>				
<i>State of Washington</i> Job Access - Reverse Commute	Department of Transportation - Mobility Coordinator	20.516	UC05340	56,800
Total transit services cluster				56,800
Total from U.S. Department of Transportation Federal Transit Administration (FTA)				56,800
U.S. Department of Health and Human Services Administration				
Substance Abuse and Mental Health Services	Social Suicide Prevention	93.243*	5LL79SM060545-02	53,132
Substance Abuse and Mental Health Services	Linked2Health Solutions	93.243*	1LL79SM060778-01	60,375
Substance Abuse and Mental Health Services	Linked2Health Solutions	93.243*	1LL79SM060778-01	40,000
				153,507
Page Subtotal Carried Forward				1,310,572
Page Subtotal				1,932,526

* Program tested as major

See Notes to Schedule of Expenditures of Federal Awards

VOLUNTEERS OF AMERICA WESTERN WASHINGTON
AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor	Contract	Federal CFDA Number	Contract Number	Federal Expenditures
U.S. Department of Health and Human Services Administration (Continued)				
<i>Snohomish County</i>				
Community Services Block Grant	Dispute Resolution Center - Investing in Families	93.569	HCS-12-15-03-018	57,959
Block Grants for Community Mental Health Services	Vet Corps	93.958	SA-12-81-15-018	6,000
Block Grants for Prevention and Treatment of Substance Abuse	Sky Valley Treasures Project	93.959	SA-10-81-08-18(1)	4,654
Head Start Cluster				
ARRA - Early Head Start	ARRA Early Head Start	93.709	EL-13-65-04-018	5,315
Total head start cluster				5,315
Child Care and Development Block Grant Cluster				
<i>YWCA of Seattle-King County</i>				
Child Care and Development Block Grant	WRAP (School's Out Washington)	93.575	None	65,988
Total child care and development block grant cluster				65,988
<i>City of Seattle</i>				
National Family Caregiver Support, Title II, Part E	Outreach/Family & Children's Services	93.052	DA2012-4016	6,538
Total from U.S. Department of Health and Human Services Administration				299,961
Corporation for National and Community Service				
Volunteers in Service to America	Retired Senior Volunteer Program	94.002	11SRPWA009	30,649
Volunteers in Service to America	VISTA Administration	94.013	08VSPWA006	1,797
Foster Grandparent / Senior Companion Cluster				
Senior Companion Program	Senior Companion Program	94.016	12SCPWA003	218,245
Total foster grandparent / senior companion cluster				218,245
Total from Corporation for National and Community Service				250,691
Department of Homeland Security				
Emergency Food and Shelter Program Cluster				
Emergency Food and Shelter National Board Program	Phase XXIX	97.024	892400-003	237,159
Total emergency food and shelter program cluster				237,159
Total Department of Homeland Security				237,159
			Page Subtotal Carried Forward	1,932,526
			Total Expenditures of Federal Awards	\$ 2,566,830

* Program tested as major

See Notes to Schedule of Expenditures of Federal Awards

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Volunteers of America Western Washington and Subsidiary ("the Organization") under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2. Summary of Significant Accounting Principles

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

Note 3. Food Distribution

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair value of the commodities received and disbursed. At June 30, 2013, the Organization had food commodities in inventory totaling \$40,348, which is included with other current assets on the consolidated statements of financial position.

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON
AND SUBSIDIARY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

A. Summary of Audit Results

Financial Statements:

Type of auditors' report issued: Unmodified

Internal Control Over Financial Reporting:

Material weaknesses identified: None

Significant deficiencies identified not considered to be material weaknesses: None

Noncompliance material to financial statements noted: None

Federal Awards:

Material weaknesses identified: None

Significant deficiencies identified not considered to be material weaknesses: None reported

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

Any audit findings disclosed that are required to be reported: None

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.565 / 10.568 / 10.569	U.S. Department of Agriculture - Food Distribution Cluster
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance

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

\$ 300,000

Auditee qualified as low-risk auditee:

No

B. Findings - Financial Statement audit
None reported.

C. Findings and Questioned Costs - Major Federal Award Program audit
None reported.

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON
AND SUBSIDIARY**

SCHEDULE OF NON-FEDERAL GOVERNMENTAL AWARDS

For the Year Ended June 30, 2013

Grantor/Program Title	Contract Number	July 1, 2012 - June 30, 2013
State of Washington		
GRO Intensive Tenant Support	1112-30982	\$ 5,721,511
GRO Intensive Tenant Support	1112-298930	1,802,753
EFAP Thru Food Resources	None	2,494
Emergency Food Assistance Program	198524-00-003	295,171
CARE Crisis Response Services	NSMHA-VOA-MEDICAID-11-13	2,089,668
CARE Crisis Response Enhanced DD Services	NSMHA-VOA-DDD-11-13	10,020
Community Service Voice Mail	S12-32102-10	42,675
Washington State Child Care Resource and Referral	Family Friend & Neighbor	2,500
Senior Involvement in Community Programs	012	14,120
Income Tax Call Assistance	None	5,383
State of Washington Subtotal		9,986,295
Snohomish County		
Dispute Resolution Center/Snohomish County	PS-HS-12-03	42,358
Dispute Resolution Center/Snohomish County	PS-HS-13-02	59,187
Dispute Resolution Center/Snohomish County Surcharge	PS-HS-13-02	34,074
Dispute Resolution Center Rental Housing Certificate Program	HCS-12-62-1218-018	72,109
CHG Targeted Prevention	HCS-12-66-1211-018	147,571
Chronically Homeless Housing	HCS-12-62-1216-018	139,750
Housing First	HCS-12-62-1217-018	53,619
Ending Homelessness Program	HCS-12-62-1219-018	112,760
Sky Valley Resource Center	HCS-12-75-05-018	27,530
Sky Valley Resource Center	HCS-13-75-05-018	10,718
Early Childhood Education Assistance Program	CS-11-60-17-018(2)	737,500
Community Information Line	HCS-12-75-08-018	9,025
Community Information Line	HCS-13-75-08-018	19,893
Snohomish County Subtotal		1,466,094

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON
AND SUBSIDIARY**

SCHEDULE OF NON-FEDERAL GOVERNMENTAL AWARDS
(Continued)

For the Year Ended June 30, 2013

Grantor/Program Title	Contract Number	July 1, 2012 - June 30, 2013
Island County		
Dispute Resolution Center/Island County	None	5,647
Dispute Resolution Center/Island County	None	8,623
Island County Subtotal		14,270
Kitsap County		
Dispute Resolution Center/Capacity Improvement	S12-34018-004	24,980
Kitsap County Subtotal		24,980
Skagit County		
DRC Surcharge	C20130056	26,295
General Fund	C20130056	44,804
State Leg Funds	S12-34016-001	22,659
Suicide Prevention and Awareness	C20110452	2,121
Victim Offender Reconciliation	C20130137	5,635
Skagit County Subtotal		101,514
City of Everett		
Emergency Services Food Bank Program	None	17,836
Housing and Transitional Services	None	8,456
Community Information Line	None	7,733
City of Everett Subtotal		34,025
City of Seattle		
VOA (Greenwood) Food Bank	DA12-2991	25,510
VOA (Greenwood) Food Bank	DA13-2991	26,021
Home Delivery (Greenwood Food Bank)	DA12-1380	3,192
Home Delivery (Greenwood Food Bank)	DA13-1380	3,248
City of Seattle Subtotal		57,971
NW Ed Service District		
Infant and Toddler Consulting	1121200034	14,964
NW Ed Service District Subtotal		14,964
City of Sultan		
Safe Stop for Teens Program	None	123
City of Sultan Subtotal		123
Total Non-Federal Governmental Awards		\$ 11,700,236