

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES

**Consolidated Financial Statements
And
Supplementary Schedules**

June 30, 2009 and 2008

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
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And
Supplementary Schedules
June 30, 2009 and 2008

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Independent Auditors' Report

Board of Directors
Volunteers of America Chesapeake, Inc.
Lanham, Maryland

We have audited the accompanying consolidated statements of financial position of Volunteers of America Chesapeake, Inc. (a nonprofit organization) as of June 30, 2009 and 2008, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. 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 – Virginia Beach M/R, a local affiliate, whose statements reflect total assets of \$451,900 and \$464,179, respectively, as of June 30, 2009 and 2008, and total support and revenues of \$101,439 and \$101,001, respectively, for the years then ended. 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 Chesapeake, Inc., is based solely on the reports 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Volunteers of America Chesapeake, Inc. and affiliates as of June 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009, on our consideration of Volunteers of America Chesapeake, Inc. and subsidiaries' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information set forth in Schedules I, II, III, IV, V and VI is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and changes in net assets of the individual entities. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Lochte & Herkalo, P.A.

Lochte & Herkalo, P.A.
Hunt Valley, Maryland

October 28, 2009

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Statements of Financial Position
June 30, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 3,679,915	\$ 2,340,171
Accounts Receivable (Net of Allowance)	4,181,884	3,776,873
Other Receivables	48,793	4,688
Due from Affiliates	11,410	12,444
Prepaid Expenses	<u>80,242</u>	<u>156,636</u>
<i>Total Current Assets</i>	8,002,244	6,290,812
 <i>Property and Equipment (Net)</i>	 15,025,691	 15,690,860
<i>Other Assets</i>		
Designated and Restricted Assets	2,717,294	2,635,065
Long-term Investments	1,013,699	3,767,701
Intangible Assets (Net)	160,356	165,992
Deposits	33,961	33,961
Beneficial Interest in Perpetual Trust	34,703	42,799
Contributions Receivable from Charitable Remainder Trust	<u>405,926</u>	<u>495,376</u>
<i>Total Other Assets</i>	<u>4,365,939</u>	<u>7,140,894</u>
 <i>Total Assets</i>	 <u>\$ 27,393,874</u>	 <u>\$ 29,122,566</u>

These financial statements should be read only in conjunction with the accompanying summary of significant accounting policies and notes to financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Statements of Financial Position (Cont.)
June 30, 2009 and 2008

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
<i>Current Liabilities</i>		
Accounts Payable	\$ 216,760	\$ 712,490
Current Portion of Notes and Mortgages Payable	200,006	218,413
Accrued Expenses	4,650,506	2,678,675
Post Retirement Benefit Liability	681,552	688,450
Contract / Grant Advances	44,191	15,699
Due To Affiliates	279,270	227,111
Client Escrow Funds	<u>57,897</u>	<u>16,812</u>
 <i>Total Current Liabilities</i>	 6,130,182	 4,557,650
 <i>Other Liabilities</i>		
Notes and Mortgages Payable, Non-current	6,828,544	7,024,534
Tenant Security Deposits	46,883	52,570
Refundable Advances	<u>1,145,576</u>	<u>1,145,576</u>
 <i>Total Other Liabilities</i>	 <u>8,021,003</u>	 <u>8,222,680</u>
 <i>Total Liabilities</i>	 14,151,185	 12,780,330
 <i>Net Assets</i>		
Unrestricted - As Restated	7,639,294	9,674,463
Temporarily Restricted	962,504	1,051,954
Permanently Restricted	<u>34,702</u>	<u>42,799</u>
	8,636,500	10,769,216
Minority Interest	<u>4,606,189</u>	<u>5,573,020</u>
 <i>Total Net Assets</i>	 <u>13,242,689</u>	 <u>16,342,236</u>
 <i>Total Liabilities and Net Assets</i>	 <u>\$ 27,393,874</u>	 <u>\$ 29,122,566</u>

These financial statements should be read only in conjunction with the accompanying summary of significant accounting policies and notes to financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2009

CHANGES IN NET ASSETS:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Minority Interest</u>	<u>Total</u>
<u>REVENUE AND SUPPORT</u>					
<i>Public Support</i>					
<i>Public Support Received Directly:</i>					
Contributions - Cash	\$ 360,044	\$ -	\$ -	\$ -	\$ 360,044
Sales to Public	784,840	-	-	-	784,840
Special Events (Net of Direct Benefit Costs)	2,712	-	-	-	2,712
<i>Public Support Received Indirectly:</i>					
United Way	<u>11,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,393</u>
<i>Total Public Support</i>	1,158,989	-	-	-	1,158,989
 <i>Government Revenue & Grants</i>	 20,895,060	 -	 -	 -	 20,895,060
 <i>Net Assets Released from Restrictions</i>	 -	 -	 -	 -	 -
 <i>Other Revenue</i>					
Program Service Fees	2,156,392	-	-	-	2,156,392
Sales of Materials and Services, Net	42,375	-	-	-	42,375
Other Operating Revenue	<u>85,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,296</u>
<i>Total Other Revenue</i>	<u>2,284,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,284,063</u>
 <i>Total Revenue and Support</i>	 \$ 24,338,112	 \$ -	 \$ -	 \$ -	 \$ 24,338,112

These financial statements should be read only in conjunction with the accompanying summary of significant accounting policies and notes to financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Statement of Activities and Changes in Net Assets (Cont.)
For the Year Ended June 30, 2009

<i>CHANGES IN NET ASSETS:</i>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Minority Interest</u>	<u>Total</u>
<u>EXPENSES</u>					
<i>Program Services</i>					
Encouraging Positive Development	\$ 80,645	\$ -	\$ -	\$ -	\$ 80,645
Fostering Independence	10,805,566	-	-	-	10,805,566
Promoting Self-Sufficiency	<u>10,452,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,452,146</u>
<i>Total Program Services</i>	21,338,357	-	-	-	21,338,357
<i>Administration & Fundraising</i>					
Management & General	3,057,649	-	-	-	3,057,649
Fundraising	<u>896,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>896,983</u>
<i>Total Administration & Fundraising</i>	<u>3,954,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,954,632</u>
<i>Total Program & Supporting Services</i>	25,292,989	-	-	-	25,292,989
<i>Administrative Fees Paid to</i>					
<i>National Organization</i>	<u>429,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>429,074</u>
<i>Total Expenses</i>	<u>25,722,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,722,063</u>
(Decrease) in Net Assets from Operations	\$ (1,383,951)	\$ -	\$ -	\$ -	\$ (1,383,951)

These financial statements should be read only in conjunction with the accompanying summary of significant accounting policies and notes to financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Statement of Activities and Changes in Net Assets (Cont.)
For the Year Ended June 30, 2009

<i>CHANGES IN NET ASSETS:</i>	<i><u>Unrestricted</u></i>	<i><u>Temporarily Restricted</u></i>	<i><u>Permanently Restricted</u></i>	<i><u>Minority Interest</u></i>	<i><u>Total</u></i>
<i>Non-Operating Gains & Other Revenue</i>					
Interest and Dividend Income	\$ 137,854	\$ -	\$ -	\$ -	\$ 137,854
Realized and Unrealized Gains on Investments	(291,416)	-	-	-	(291,416)
Change in Value of Split-interest Agreements	-	(89,450)	(8,097)	-	(97,547)
Gain on Sale of Property and Equipment	-	-	-	-	-
Other Income	3,004	-	-	-	3,004
<i>Total Other Revenue</i>	<u>(150,558)</u>	<u>(89,450)</u>	<u>(8,097)</u>	<u>-</u>	<u>(248,105)</u>
(Decrease) in Net Assets before Minority Interest	(1,534,509)	(89,450)	(8,097)	-	(1,632,056)
<i>Minority Interests in Subsidiaries' Earnings</i>	966,831	-	-	(966,831)	-
<i>Minority Interests Capital Contributions</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total (Decrease) in Net Assets	(567,678)	(89,450)	(8,097)	(966,831)	(1,632,056)
<i>Net Assets at Beginning of Year, As Restated</i>	9,674,463	1,051,954	42,799	5,573,020	16,342,236
<i>Other Comprehensive Income</i>					
Minimum Pension Liability Adjustment	<u>(1,467,491)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,467,491)</u>
<i>Net Assets at End of Year</i>	<u>\$ 7,639,294</u>	<u>\$ 962,504</u>	<u>\$ 34,702</u>	<u>\$ 4,606,189</u>	<u>\$ 13,242,689</u>

These financial statements should be read only in conjunction with the accompanying summary of significant accounting policies and notes to financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2008

CHANGES IN NET ASSETS:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Minority Interest</u>	<u>Total</u>
<u>REVENUE AND SUPPORT</u>					
<i>Public Support</i>					
<i>Public Support Received Directly:</i>					
Contributions - Cash	\$ 323,222	\$ -	\$ -	\$ -	\$ 323,222
Sales to Public	1,219,456	-	-	-	1,219,456
Special Events (Net of Direct Benefit Costs)	9,654	-	-	-	9,654
<i>Public Support Received Indirectly:</i>					
United Way	42,270	-	-	-	42,270
<i>Total Public Support</i>	1,594,602	-	-	-	1,594,602
 <i>Government Revenue & Grants</i>	 17,468,159	 -	 -	 -	 17,468,159
 <i>Net Assets Released from Restrictions</i>	 -	 -	 -	 -	 -
 <i>Other Revenue</i>					
Program Service Fees	1,957,810	-	-	-	1,957,810
Sales of Materials and Services, Net	33,053	-	-	-	33,053
Other Operating Revenue	76,211	-	-	-	76,211
<i>Total Other Revenue</i>	2,067,074	-	-	-	2,067,074
 <i>Total Revenue and Support</i>	 \$ 21,129,835	 \$ -	 \$ -	 \$ -	 \$ 21,129,835

These financial statements should be read only in conjunction with the accompanying summary of significant accounting policies and notes to financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Statements of Activities and Changes in Net Assets (Cont.)
For the Year Ended June 30, 2008

<i>CHANGES IN NET ASSETS:</i>	<i><u>Unrestricted</u></i>	<i><u>Temporarily Restricted</u></i>	<i><u>Permanently Restricted</u></i>	<i><u>Minority Interest</u></i>	<i><u>Total</u></i>
 <u>EXPENSES</u>					
<i>Program Services</i>					
Encouraging Positive Development	\$ 116,306	\$ -	\$ -	\$ -	\$ 116,306
Fostering Independence	9,201,375	-	-	-	9,201,375
Promoting Self-Sufficiency	<u>9,831,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,831,727</u>
<i>Total Program Services</i>	19,149,408	-	-	-	19,149,408
 <i>Administration & Fundraising</i>					
Management & General	2,617,599	-	-	-	2,617,599
Fundraising	<u>1,027,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,027,543</u>
<i>Total Administration & Fundraising</i>	<u>3,645,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,645,142</u>
<i>Total Program & Supporting Services</i>	22,794,550	-	-	-	22,794,550
 <i>Administrative Fees Paid to National Organization</i>					
	<u>361,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>361,463</u>
<i>Total Expenses</i>	<u>23,156,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,156,013</u>
 (Decrease) in Net Assets from Operations	 \$ (2,026,178)	 \$ -	 \$ -	 \$ -	 \$ (2,026,178)

These financial statements should be read only in conjunction with the accompanying summary of significant accounting policies and notes to financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Statements of Activities and Changes in Net Assets (Cont.)
For the Year Ended June 30, 2008

<i>CHANGES IN NET ASSETS:</i>	<u><i>Unrestricted</i></u>	<u><i>Temporarily Restricted</i></u>	<u><i>Permanently Restricted</i></u>	<u><i>Minority Interest</i></u>	<u><i>Total</i></u>
<i>Non-Operating Gains & Other Revenue</i>					
Interest and Dividend Income	\$ 247,857	\$ -	\$ -	\$ -	\$ 247,857
Realized and Unrealized (Losses) on Investments	(91,867)	-	-	-	(91,867)
Change in Value of Split-interest Agreements	-	(79,664)	(7,872)	-	(87,536)
Gain on Sale of Property and Equipment	-	-	-	-	-
Other Income	240	-	-	-	240
<i>Total Other Revenue</i>	<u>156,230</u>	<u>(79,664)</u>	<u>(7,872)</u>	<u>-</u>	<u>68,694</u>
 (Decrease) in Net Assets before Minority Interest	 (1,869,948)	 (79,664)	 (7,872)	 -	 (1,957,484)
 <i>Minority Interests in Subsidiaries' Earnings</i>	 792,222	 -	 -	 (792,222)	 -
<i>Minority Interests Capital Contributions</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>537,814</u>	<u>537,814</u>
 Total (Decrease) in Net Assets	 (1,077,726)	 (79,664)	 (7,872)	 (254,408)	 (1,419,670)
 <i>Net Assets at Beginning of Year, As Previously Reported</i>	 11,369,051	 1,131,618	 50,671	 5,827,428	 18,378,768
 Prior Period Adjustment - Post Retirement Benefits (See Note V)	 (688,450)	 -	 -	 -	 (688,450)
 <i>Net Assets at Beginning of Year, As Restated</i>	 10,680,601	 1,131,618	 50,671	 5,827,428	 17,690,318
 <i>Other Comprehensive Income</i>					
Minimum Pension Liability Adjustment	<u>71,588</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,588</u>
 <i>Net Assets at End of Year, As Restated</i>	 <u>\$ 9,674,463</u>	 <u>\$ 1,051,954</u>	 <u>\$ 42,799</u>	 <u>\$ 5,573,020</u>	 <u>\$ 16,342,236</u>

These financial statements should be read only in conjunction with the accompanying summary of significant accounting policies and notes to financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Statement of Functional Expenses
For the Year Ended June 30, 2009

	PROGRAM SERVICES				ADMINISTRATION & FUNDRAISING			GRAND TOTAL
	Encouraging Positive Development	Fostering Independence	Promoting Self-Sufficiency		Management and General	Fundraising	TOTAL	
			Development	Sufficiency				
Salaries	\$ 38,044	\$ 6,494,609	\$ 5,374,241	\$ 11,906,894	\$ 1,378,536	\$ 22,741	\$ 1,401,277	\$ 13,308,171
Pension Expense	2,438	189,759	170,425	362,622	52,269	1,432	53,701	416,323
Other Employee Benefits	1,424	773,355	611,080	1,385,859	233,122	5,168	238,290	1,624,149
Payroll Taxes	2,841	478,070	402,624	883,535	83,380	1,746	85,126	968,661
Legal Fees	-	4,788	58,435	63,223	41,196	-	41,196	104,419
Accounting Fees	-	-	33,000	33,000	124,626	-	124,626	157,626
Other Professional Fees	555	173,357	338,832	512,744	579,603	810,085	1,389,688	1,902,432
Supplies	908	415,793	690,128	1,106,829	78,341	470	78,811	1,185,640
Telecommunications	2,537	106,265	96,382	205,184	62,603	4,207	66,810	271,994
Postage	247	4,343	9,950	14,540	25,449	23,613	49,062	63,602
Occupancy Expense	344	1,364,809	1,001,354	2,366,507	111,101	-	111,101	2,477,608
Interest	-	35,466	231,324	266,790	23,317	-	23,317	290,107
Insurance	607	84,806	244,306	329,719	78,180	-	78,180	407,899
Equipment Rental & Maint	29	16,794	73,693	90,516	39,282	-	39,282	129,798
Printing & Publications	-	7,539	8,258	15,797	9,793	21,448	31,241	47,038
Travel	176	180,605	63,212	243,993	22,788	1,147	23,935	267,928
Conferences & Meetings	1,500	12,497	26,145	40,142	34,201	60	34,261	74,403
Specific Assistance	786	73,589	58,749	133,124	4,318	-	4,318	137,442
Other	27,634	279,468	232,748	539,850	34,828	4,866	39,694	579,544
Depreciation & Amortization	575	109,654	727,260	837,489	40,716	-	40,716	878,205
Total Functional Expenses	80,645	10,805,566	10,452,146	21,338,357	3,057,649	896,983	3,954,632	25,292,989
Admin Fees - National	1,248	235,668	174,941	411,857	-	17,217	17,217	429,074
Total Expenses	\$ 81,893	\$ 11,041,234	\$ 10,627,087	\$ 21,750,214	\$ 3,057,649	\$ 914,200	\$ 3,971,849	\$ 25,722,063

These financial statements should be read only in conjunction with the accompanying summary of significant accounting policies and notes to financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Statement of Functional Expenses
For the Year Ended June 30, 2008

	<u>PROGRAM SERVICES</u>				<u>ADMINISTRATION & FUNDRAISING</u>			<u>GRAND TOTAL</u> 2008
	<u>Encouraging Positive Development</u>	<u>Fostering Independence</u>	<u>Promoting Self-Sufficiency</u>	<u>TOTAL</u>	<u>Management and</u>		<u>TOTAL</u>	
					<u>General</u>	<u>Fundraising</u>		
Salaries	\$ 39,249	\$ 5,614,949	\$ 5,142,436	\$ 10,796,634	\$ 1,160,206	\$ 100	\$ 1,160,306	\$ 11,956,940
Pension Expense	2,409	194,828	223,294	420,531	60,163	-	60,163	480,694
Other Employee Benefits	1,450	576,741	617,882	1,196,073	141,745	1,101	142,846	1,338,919
Payroll Taxes	2,897	404,345	361,802	769,044	100,934	-	100,934	869,978
Legal Fees	-	-	13,629	13,629	31,554	-	31,554	45,183
Accounting Fees	-	-	33,346	33,346	68,386	-	68,386	101,732
Other Professional Fees	3,854	144,547	125,518	273,919	462,462	983,380	1,445,842	1,719,761
Supplies	1,410	389,299	641,018	1,031,727	76,207	4,935	81,142	1,112,869
Telecommunications	3,138	84,513	91,832	179,483	53,730	4,058	57,788	237,271
Postage	-	12,146	16,662	28,808	14,455	8,611	23,066	51,874
Occupancy Expense	1,456	1,170,758	920,503	2,092,717	112,313	-	112,313	2,205,030
Interest	-	37,640	211,693	249,333	31,787	-	31,787	281,120
Insurance	488	117,815	264,464	382,767	44,281	-	44,281	427,048
Equipment Rental & Maint	168	21,922	75,774	97,864	24,642	-	24,642	122,506
Printing & Publications	392	8,961	7,940	17,293	18,923	18,834	37,757	55,050
Travel	644	181,556	75,651	257,851	23,019	646	23,665	281,516
Conferences & Meetings	129	26,607	56,452	83,188	81,457	205	81,662	164,850
Specific Assistance	3,028	39,430	42,969	85,427	1,922	-	1,922	87,349
Other	55,019	47,032	179,351	281,402	69,617	5,673	75,290	356,692
Depreciation & Amortization	575	128,286	729,511	858,372	39,796	-	39,796	898,168
Total Functional Expenses	116,306	9,201,375	9,831,727	19,149,408	2,617,599	1,027,543	3,645,142	22,794,550
Admin Fees - National	1,416	184,235	166,639	352,290	-	9,173	9,173	361,463
Total Expenses	\$ 117,722	\$ 9,385,610	\$ 9,998,366	\$ 19,501,698	\$ 2,617,599	\$ 1,036,716	\$ 3,654,315	\$ 23,156,013

These financial statements should be read only in conjunction with the accompanying summary of significant accounting policies and notes to financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES

Statements of Cash Flows

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<i>Cash Flows from Operating Activities</i>		
(Decrease) in Net Assets	\$ (665,225)	\$ (1,165,262)
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</i>		
Minority Interest in Subsidiaries' Earnings	(966,831)	(792,222)
Depreciation	872,569	892,688
Amortization of Intangible Assets	5,636	5,479
Bad Debt	396,758	113,460
Net Realized Losses / (Gains) on Investment Sales	238,669	(104,976)
Net Unrealized Losses on Investment Holdings	52,747	196,843
Change in Value of Split-interest Agreements	97,546	87,536
Minimum Pension Liability Adjustment	(1,467,491)	71,588
<i>(Increase) / Decrease in Operating Assets:</i>		
Accounts Receivable	(801,769)	(1,592,481)
Other Receivables	(44,105)	231,957
Prepaid Expenses	76,394	2,776
Deposits	-	-
Designated and Restricted Assets	(82,229)	(311,256)
<i>Increase / (Decrease) in Operating Liabilities:</i>		
Accounts Payable and Accrued Expenses	1,476,101	228,600
Post Retirement Benefit Liability	(6,898)	-
Contract / Grant Advances	28,492	(11,214)
Client Escrow Funds	41,085	(9,405)
Tenant Security Deposits	<u>(5,687)</u>	<u>(2,092)</u>
<i>Net Cash (Used) in Operating Activities</i>	(754,238)	(2,157,981)

These financial statements should be read only in conjunction with the accompanying summary of significant accounting policies and notes to financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES

Statements of Cash Flows (Cont.)

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<i>Cash Flows from Investing Activities</i>		
Purchase of Buildings and Leasehold Improvements	\$ (144,630)	\$ (464,123)
Purchase of Furniture and Equipment	(62,770)	(51,285)
Purchase of Vehicles	-	(21,217)
Proceeds from Redemption of Certificates of Deposits	1,091,638	
Purchase of Investments	(70,361)	(2,884,396)
Proceeds from Sale of Investments	1,441,309	2,598,885
Net Advances Due to / from Affiliates	53,193	204,667
<i>Net Cash Provided by / (Used in) Investing Activities</i>	<u>2,308,379</u>	<u>(617,469)</u>
<i>Cash Flows from Financing Activities</i>		
Minority Interest Capital Contributions	-	537,814
New Long-term Borrowings	-	1,592,000
Repayment of Long-term Borrowings	(214,397)	(1,395,048)
Loan Acquisition Costs	-	(20,575)
<i>Net Cash (Used in) / Provided by Financing Activities</i>	<u>(214,397)</u>	<u>714,191</u>
Net Increase / (Decrease) in Cash and Cash Equivalents	1,339,744	(2,061,259)
Cash and Cash Equivalents, Beginning of Year	<u>2,340,171</u>	<u>4,401,430</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,679,915</u>	<u>\$ 2,340,171</u>
Supplemental Disclosures:		
Interest Paid	<u>\$ 209,703</u>	<u>\$ 194,903</u>
Noncash Transactions at June 30 were:		
Amount of Vehicle Acquisitions Financed by Bank	<u>\$ -</u>	<u>\$ 82,122</u>
Imputed Interest on Non-interest Bearing Note to Purchase Building	<u>\$ 3,226</u>	<u>\$ 3,827</u>

These financial statements should be read only in conjunction with the accompanying summary of significant accounting policies and notes to financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Summary of Significant Accounting Policies
June 30, 2009 and 2008

Volunteers of America Chesapeake, Inc. (VOAC) is a non-profit spiritually based human services organization recognized as a church, incorporated in Maryland. The Organization provides social services within Maryland, Washington, D.C., and Virginia as a subsidiary of Volunteers of America, Inc., a national non-profit spiritually based organization providing local human service programs, and opportunities for individual and community involvement. VOAC provides services to children in order to encourage positive development. Services are also provided to individuals with mental health problems, those that are developmentally disabled and elderly members of the community, which helps in fostering their independence. Finally, the Organization provides substance abuse treatment, community corrections services, affordable housing and homeless services in order to promote self-sufficiency for affected individuals. Affiliated organizations controlled by VOAC include Volunteers of America Chesapeake Holding Corporation (Holding Corp), Volunteers of America – Virginia Beach M/R (Baker House), VOA PACA House, Inc., PACA Housing Limited Partnership II (PACA House), Pratt Street Housing Corporation, Pratt Street Housing Limited Partnership (Pratt Street), VOA Irvington Woods Housing Corp., Inc. and VOA Irvington Woods Limited Partnership (Irvington Woods).

Volunteers of America Chesapeake Holding Corporation (Holding Corp) was incorporated in 1993 in the State of Maryland. The Organization is recognized as a church operating as a subsidiary of Volunteers of America, Inc. The Corporation's primary purpose is to purchase, sell, and lease property as a 501(c)(3) corporation. The Organization is a nonstock corporation whose directors are predominately employees of Volunteers of America Chesapeake, Inc.

Volunteers of America – Virginia Beach M/R (Baker House) was organized in December 1979 and operates as a program of Volunteers of America, Inc., a nonprofit organization. The program was organized to construct and operate an apartment project of 12 units in Virginia Beach, Virginia under Section 8 of the National Housing Act. This Project is regulated by the Virginia Housing and Development Authority (VHDA). The Organization is a non-stock corporation who is controlled by Holding Corp through having identical directors.

VOA PACA House, Inc. was incorporated in 1994 under the laws of the State of Maryland to be the general, .1% partner in PACA Housing Limited Partnership II. The Corporation's only income or loss is the result of its investment in the Partnership. VOA Chesapeake is the sole shareholder in this Corporation.

PACA Housing Limited Partnership II (PACA House) was formed as a limited partnership under the laws of the State of Maryland in July 1994 for the purpose of constructing and operating single room occupancy (SRO) and efficiency housing for the homeless and elderly, under regulations defined by the Maryland Department of Housing and Community Development (DHCD), Community Development Administration (CDA). All leases between the Partnership and tenants of the property are operating leases. The project consists of 76 SRO units and 30 efficiency apartments located in Baltimore, Maryland. Operations are conducted under the name of PACA House.

Cash distributions related to operations from PACA House are limited by agreements between the Project and CDA to \$375,049 per year (10% of the initial equity investment as defined by CDA) to the extent of surplus cash as defined by CDA. Undistributed amounts are cumulative and may be distributed in subsequent years if future operations provide surplus cash in excess of current requirements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Summary of Significant Accounting Policies
June 30, 2009 and 2008

The Project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The Project must meet the provisions of these regulations during each of fifteen consecutive years in order to continue to qualify to receive tax credits. Failure to comply with occupant eligibility and/or unit gross rents, or to correct noncompliance within a specified time period could result in recapture of previously taken low-income housing tax credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the limited partners. In addition, PACA House has executed an Extended Low-Income Housing Covenant with the Community Development Administration, which requires the utilization of the Project pursuant to Section 42 for a minimum of 30 years, even after the disposition of the Project by the Partnership.

Pratt Street Housing Corporation was incorporated in December 1998 under the laws of the State of Maryland to be the general partner in VOA Pratt Street Limited Partnership. The Corporation's primary income or loss is the result of its investment in the Partnership. The Partnership's operations commenced in December 2001. VOA Chesapeake is the sole member of this Corporation.

VOA Pratt Street Limited Partnership (Pratt Street) was formed as a limited partnership under the laws of the state of Maryland in December 1998 for the purpose of constructing and operating 35 units located in Baltimore, Maryland for the homeless and elderly. VOA Chesapeake was the 99.99% limited partner in VOA Pratt Street Limited Partnership until December 29, 2000. Effective on that date, Volunteers of America Chesapeake, Inc. withdrew as limited partner and a new limited partner was admitted. VOA Pratt Street Housing Corporation is the .01% general partner, of which VOA Chesapeake is the sole member. Rehabilitation of the building from which the Project rents units was completed in December 2001. At that time, the Project began operating as a low-income rental housing provider. The Project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The Project must meet the provisions of these regulations during each of fifteen consecutive years in order to continue to qualify to receive tax credits. Failure to comply with occupant eligibility and/or unit gross rents, or to correct noncompliance within a specified time period could result in recapture of previously taken low-income housing tax credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the limited partners.

VOA Irvington Woods Housing Corp., Inc. was incorporated in 2005 under the laws of the State of Maryland to be the general, .01% partner in VOA Irvington Woods Limited Partnership. The Corporation's only income or loss is the result of its investment in the Partnership. VOA Chesapeake is the sole shareholder in this Corporation.

VOA Irvington Woods Limited Partnership (Irvington Woods) was formed as a limited partnership under the laws of the State of Maryland on September 15, 2005 for the purpose of acquiring, owning, developing, constructing, and/or rehabilitating, leasing, managing and operating a low-income housing project under regulations defined by the Maryland Department of Housing and Community Development (DHCD), Community Development Administration (CDA). The project consists of 71 units located in Baltimore, Maryland, and is currently operating under the name of Irvington Woods Apartments.

Cash distributions related to operations are limited by agreements between the project and CDA to the extent of surplus cash as defined by CDA. Undistributed amounts are cumulative and may be distributed in subsequent years if future operations provide surplus cash in excess of current requirements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Summary of Significant Accounting Policies
June 30, 2009 and 2008

The Project has qualified for and been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42), which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The Project must meet the provisions of these regulations during each of fifteen consecutive years in order to continue to qualify to receive the tax credits. Failure to comply with occupant eligibility and/or unit gross rents, or to correct noncompliance within a specified time period could result in recapture of previously taken low-income housing tax credits plus interest. Such potential noncompliance may require an adjustment to the contributed capital by the limited partners. In addition, VOA Irvington Woods Limited Partnership has executed an Extended Low-Income Housing Covenant with CDA, which requires the utilization of the Project pursuant to Section 42 for a minimum of 30 years, even after the disposition of the project by the Partnership.

Significant accounting policies are presented below:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other assets and liabilities.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization, its wholly owned nonprofit subsidiaries, Holding Corp, Baker House, VOA PACA House, Inc., VOA Pratt Street Housing Corporation, VOA Irvington Woods Housing Corporation, and the For-Profit entities of PACA House, VOA Pratt Street Limited Partnership and VOA Irvington Woods Limited Partnership in which the Organization has a controlling financial interest. All material inter-organizational transactions have been eliminated.

Contributions

The Corporation has adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Corporation has adopted Statement of Financial Accounting Standards (SFAS) No. 136 "Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others." In accordance with SFAS No. 136, the Organization recognizes gross revenues earned and the related expenses associated with its Direct Mail and Enterprise Auto Programs through its national affiliate.

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 statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. It is the policy of the Organization to treat as unrestricted, the temporarily restricted contributions for which the restrictions were satisfied in the year received.

Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all of the investment income earned on the contributions.

This information is an integral part of the accompanying financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Summary of Significant Accounting Policies
June 30, 2009 and 2008

Operations

The Organization defines operations 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 fixed or other assets, are reported as non-operating.

Cash and Cash Equivalents

The Corporation considers all liquid investments with maturities of three months or less when purchased to be cash equivalents. Restricted deposits are not considered cash for the statement of cash flows.

Allowance for Doubtful Accounts

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on grant and fee for service receivables using the allowance method. The allowance is based on experience, a review of each individual receivable, and the Organization's history of uncollectible accounts. It is the Organization's policy to charge off accounts receivable when management determines the receivable will not be collected.

Investments

Investments in all debt and equity securities with readily determinable fair value are reported at their fair value. All other investments are reported at historical cost, if purchased, or, if contributed, at fair value at the date of contribution.

Investment income, gains, and losses are reported as increases or decreases in unrestricted net assets, unless a donor or law temporarily or permanently restricts their use.

Property and Equipment

Property and equipment are carried at cost and are depreciated on a straight-line basis over their estimated useful lives ranging from three to twenty-seven years for financial reporting purposes. It is the policy of the Organization to capitalize equipment costing over \$2,000 and has a useful life of over one year. Depreciation expense amounted to \$872,572 and \$892,689 at June 30, 2009 and 2008, respectively.

Intangible Assets

Intangible assets are comprised of mortgage costs. Mortgage costs are amortized using the straight-line method of accounting over the term of the associated debt upon the commencement of the permanent loan period. Amortization expense amounted to \$5,633 and \$5,479 at June 30, 2009 and 2008, respectively.

Donated Goods and Services

Donated materials and equipment are recorded at their estimated value at date of receipt. No amounts are recognized for donated services since no objective basis is available to measure the value of such services.

Income Taxes

The nonprofit organizations are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the nonprofit organizations have been classified as organizations that are not private foundations under Section 509(a)(2).

Under the provisions of the Internal Revenue Code, the Partnerships are taxable entities and accordingly, the net income/(loss) of the Partnerships are included in the income tax returns of the partners.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Summary of Significant Accounting Policies
June 30, 2009 and 2008

Public Support and Revenue

A significant portion of support for the Organization is provided by fees from federal, state and local governmental agencies. The Organization relies on continued funding in order to provide ongoing and continued programs.

Advertising Costs

Non-direct response advertising costs are expensed as incurred. Total non-direct advertising costs for the years ended June 30, 2009 and 2008 were \$48,237 and \$88,676, respectively.

Direct response advertising costs totaled \$479,925 and \$773,943 for the years ended June 30, 2009 and 2008, respectively, and relate to the enterprise car donation program through the Organization's national affiliate. These costs are expensed as incurred since the advertising is primarily fund-raising in nature.

Donor-imposed Restrictions

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Rental Requirements

Buildings and rental units in PACA House, Pratt Street, Baker House, and Irvington Woods are subject to regulation by governmental agencies as to rents and operating methods.

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and tenants are operating leases.

Use of Estimates in Financial Statement Preparation

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

Reclassifications

Certain 2008 amounts have been reclassified to conform to the 2009 financial statement presentation.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE A – Accounts Receivable

Accounts receivable for the years ended June 30, 2009 and 2008 includes the following:

	<u>2009</u>	<u>2008</u>
Grants and Contracts	\$ 469,240	\$ 565,914
Fee for Service	3,897,533	3,178,941
Rent Receivables	<u>140,680</u>	<u>84,293</u>
	4,507,453	3,829,148
Less: Allowance for Doubtful Accounts	<u>(325,569)</u>	<u>(52,275)</u>
<i>Net Accounts Receivable</i>	<u>\$ 4,181,884</u>	<u>\$ 3,776,873</u>

NOTE B – Other Receivables

Other receivables are comprised of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Employee Loans	\$ 1,909	\$ 1,960
Reimbursable Insurance Premiums – Other Non-Profit Organization	2,656	2,656
Other Reimbursable Receivables	<u>44,228</u>	<u>72</u>
Total	<u>\$ 48,793</u>	<u>\$ 4,688</u>

The employee loans and other receivables are interest free and due on demand.

NOTE C – Due from Affiliates

Due from affiliates totaled \$11,410 and \$12,444 at June 30, 2009 and 2008, respectively. The balances are comprised of the following:

	<u>2009</u>	<u>2008</u>
Affiliate Fee Receivable (VOA, Inc.)	\$ 9,865	\$ 0
Contributions Withheld from Employees of VOA, Inc.	1,020	0
Enterprise Program Receivable (VOA, Inc.)	0	10,736
Direct Mail Program Receivable (VOA, Inc.)	<u>525</u>	<u>1,708</u>
Total	<u>\$ 11,410</u>	<u>\$ 12,444</u>

This information is an integral part of the accompanying financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE D – Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost and consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Land	\$ 1,183,250	\$ 1,183,250
Buildings and Improvements	19,414,032	19,269,402
Furniture and Equipment	1,343,839	1,281,069
Vehicles	<u>771,716</u>	<u>771,716</u>
 Total Cost	 22,712,837	 22,505,437
 Less: Accumulated Depreciation	 <u>(7,687,146)</u>	 <u>(6,814,577)</u>
 Net Land, Buildings and Equipment	 <u>\$ 15,025,691</u>	 <u>\$ 15,690,860</u>

Certain land, buildings, improvements, furniture and equipment are restricted as to use and disposition by various regulatory agencies.

NOTE E – Designated and Restricted Assets

The Organization, through its affiliates, has agreements with several agencies that require funded reserves and the restriction of certain deposits.

Virginia Housing and Development Authority (VHDA) held mortgages on certain properties belonging to Baker House. Under terms of the mortgages, payments include, in addition to monthly principal and interest payments, amounts necessary to cover real estate taxes, insurance and operating reserves.

The Baker House operating and replacement reserves are regulated by VHDA. Withdrawals must be approved by VHDA and may only be used for the purposes designated by the agreement between Baker House and VHDA. The replacement reserve is funded at \$247 per month and is available for repairs and significant replacements. There were no monies withdrawn from the replacement reserve at June 30, 2009 and 2008. The balance in the replacement reserve at June 30, 2009 and 2008 amounted to \$32,190 and \$28,704, respectively. The operating reserve was funded at \$6,117 and \$0 for the years ended June 30, 2009 and 2008, respectively, and is available to pay for apartment complex amenities and any replacement and repair costs in excess of funds on deposit in the replacement reserve. There were \$13,782 and \$18,883 withdrawn from the operating reserve during the years ended June 30, 2009 and 2008, respectively. The balance in the operating reserve at June 30, 2009 and 2008 was \$211,432 and \$215,444, respectively.

Under the provisions of the regulatory agreement with HUD, Baker House is required to establish a Residual Receipts account for their surplus cash (if any). Disbursements and withdrawals can be made from this account only with prior HUD approval. At June 30, 2009 and 2008, no residual receipts accounts were required for the entity.

PACA Housing Limited Partnership II has several reserve commitments with the Maryland Department of Housing and Community Development (DHCD). The Partnership is required to maintain a replacement reserve, a working capital fund, a social services reserve and an operating reserve.

This information is an integral part of the accompanying financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE E – Designated and Restricted Assets (Cont.)

Upon commencement of the permanent loan period, the Partnership was required to establish a replacement reserve by depositing an initial amount of \$26,496 (twelve monthly installments of \$2,208) which is increased three percent (3%) per annum. The balances in this account totaled \$260,229 and \$238,486 at June 30, 2009 and 2008, respectively.

In addition, the Partnership has funded a second reserve for replacements' account and makes payments at management's discretion. The balances in this account at June 30, 2009 and 2008 totaled \$42,857 and \$25,000, respectively.

The Partnership shall make deposits into an operating reserve fund to be held by the Partnership in an aggregate amount of \$375,000 (the General Operating Reserve) and shall make deposits into a Section 8 reserve fund in the amount of \$725,000 (the Section 8 Reserve) on or before the earlier to occur of the end of the pay-in period for capital contributions per the Partnership Agreement or April 1, 2005. Investment and disbursement of the funds are detailed in the second addendum to the regulatory agreement, dated May 13, 1996. As of June 30, 2009 and 2008 the balances in this reserve account totaled \$1,374,436 and \$1,362,948, respectively.

Volunteers of America Chesapeake, Inc. has agreed to deposit \$200,000 to a segregated account to cover operating deficits as an inducement for the limited partner to become a partner in PACA House Limited Partnership II, an affiliate. At June 30, 2001, the Organization had contributed the total amount of \$200,000. The pledged funds, plus interest, shall remain in the account until the earlier of December 31, 2011 or events occur beginning March 1, 2005 specified in the operating reserve pledge agreement. No operating deficit contributions have been made or required by the Organization as of June 30, 2009. As of June 30, 2009 and 2008 the balances in this reserve account totaled \$234,642 and \$232,663, respectively.

VOA Pratt Street Limited Partnership has several reserve commitments as stipulated in the Agreement of Limited Partnership, as amended and restated. The Partnership is required to establish and maintain an operating reserve and a replacement reserve.

The Partnership shall establish an operating reserve of at least \$137,000 as specified in the Partnership Agreement. The account was fully funded at June 30, 2003. The balances in this account at June 30, 2009 and 2008 amounted to \$142,240 and \$141,802, respectively.

A replacement reserve shall also be funded in the amount of \$250 per unit per year, increasing at 4% per annum. Funds in this account shall be utilized for major repairs, capital expenditures and the replacement of capital items in the Project. The Limited Partner must approve expenditures costing \$5,000 or more before they are made. The balances in this account at June 30, 2009 and 2008 amounted to \$43,684 and \$32,103, respectively.

Under the terms of DHCD's Regulatory Agreement, VOA Irvington Woods Limited Partnership is required to place tenant deposits into separate accounts. They are also required to set aside specified amounts for the replacement of property and other project expenditures, as approved by DHCD, and to maintain an escrow account with a mortgage company.

Pursuant to DHCD's Loan and Regulatory Agreement, the Partnership is required to establish a reserve for replacements and must make annual payments to this reserve beginning on the date of achievement of 100% qualified occupancy. Monthly payments of \$1,479 are required during the first year after this achievement. Thereafter, the monthly payment amount should be increased by 3% each year, compounded annually. The balances in this account at June 30, 2009 and 2008 amounted to \$33,684 and \$14,935, respectively.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE E -- Designated and Restricted Assets (Cont.)

The Partnership shall make deposits into an operating reserve fund to be held by the Partnership, in an aggregate amount of \$131,761 (the General Operating Reserve) on or before the limited partner's fourth capital contribution installment, or February 1, 2007. Under the terms of the Partnership Agreement, the Partnership is required to set aside specified amounts as an operating reserve which cannot be accessed without the express written approval of the limited partner. The balances in this account at June 30, 2009 and 2008 amounted to \$136,846 and \$135,520, respectively.

The Partnership shall make deposits into a lease-up reserve fund to be held by the Partnership, in an aggregate amount of \$30,000 on or before the limited partner's second capital contribution installment or December 1, 2006. As of June 30, 2009 no payment has been remitted.

The Partnership shall make deposits into a transition reserve fund to be held by the Partnership, in an aggregate amount of \$30,000 on or before the limited partner's fifth capital contribution installment or May 1, 2007. The balances in this account at June 30, 2009 and 2008 amounted to \$31,158 and \$30,856, respectively.

Balances in the designated and restricted accounts at June 30 are as follows:

	<u>2009</u>	<u>2008</u>
Mortgage Escrow Deposits	\$ 90,128	\$ 80,296
Client Escrow Funds	57,768	16,812
Replacement Reserves	412,644	339,228
Operating Reserves	1,864,954	1,855,714
Transition Reserve Fund	31,158	30,856
Tenant Security Deposits	26,000	79,496
Net Worth Reserve	<u>234,642</u>	<u>232,663</u>
Total	<u>\$ 2,717,294</u>	<u>\$ 2,635,065</u>

NOTE F -- Investments

The Organization's investments are recorded at market value as summarized below at June 30, 2009:

	<u>Fair</u> <u>Value</u>	<u>Cost</u>	<u>Unrealized</u> <u>Gain/(Loss)</u>
Marketable Equity Securities	\$ 1,013,699	\$ 1,076,237	\$ (62,538)
Money Market Funds	<u>34,019</u>	<u>34,019</u>	<u>0</u>
	1,047,718	1,110,256	(62,538)
Less: Short-term Investments Recorded as Cash Equivalents	<u>(34,019)</u>	<u>(34,019)</u>	<u>0</u>
Long-term Investments	<u>\$ 1,013,699</u>	<u>\$ 1,076,237</u>	<u>\$ (62,538)</u>

This information is an integral part of the accompanying financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE F – Investments (Cont.)

The Organization's investments are recorded at market value as summarized below at June 30, 2008:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Marketable Equity Securities	\$ 2,676,063	\$ 2,745,054	\$ (68,991)
Certificates of Deposit (Matures Annually)	1,091,638	1,091,638	0
Money Market Funds	<u>92,862</u>	<u>92,862</u>	<u>0</u>
	3,860,563	3,929,554	(68,991)
Less: Short-term Investments Recorded as Cash Equivalents	<u>(92,862)</u>	<u>(92,862)</u>	<u>0</u>
Long-term Investments	<u>\$ 3,767,701</u>	<u>\$ 3,836,692</u>	<u>\$ (68,991)</u>

Investment return is summarized as follows:

	<u>2009</u>	<u>2008</u>
Interest and Dividend Income	\$ 70,361	\$ 51,919
Net Unrealized (Losses)	(52,747)	(196,843)
Net Realized (Loss) / Gains	<u>(238,669)</u>	<u>104,976</u>
	(221,055)	(39,948)
Less: Investment Expenses	<u>(151)</u>	<u>(18,965)</u>
	<u>\$ (221,206)</u>	<u>\$ (58,913)</u>

Investment and dividend income as reported in the Statement of Activities is summarized as follows:

	<u>2009</u>	<u>2008</u>
Investment Income – Split Interest Agreements	\$ 12,617	\$ 22,104
Interest and Dividends – Investment (net)	70,210	32,954
Interest Income – Purchase Money Note Receivable	0	4,251
Interest – Bank, Money Market & Certificate of Deposit	<u>55,027</u>	<u>188,548</u>
Total Interest and Dividends	<u>\$ 137,854</u>	<u>\$ 247,857</u>

Expenses relating to investment revenues including custodial fees and investment advisory fees, amounted to \$151 and \$18,965 at June 30, 2009 and 2008, respectively, and have been netted against investment revenues in the accompanying statement of activities.

NOTE G – Split Interest Agreements

The Organization is the beneficiary under a perpetual trust administered by a bank. The perpetual trust provides for the total distribution of the Trust's earnings annually to various designated beneficiaries. The Organization is entitled to receive .5% of the annual distribution. The income received from the Trust by the Organization amounted to \$1,390 and \$2,367 at June 30, 2009 and 2008, respectively, and was recorded as investment income. The Organization's share of assets held in the trust, which are non-distributable and permanently restricted, amounted to \$34,703 and \$42,799 at June 30, 2009 and 2008, respectively, and are reported at fair market value in the Organization's Statement of Financial Position.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE G – Split Interest Agreements (Cont.)

The Organization is also the beneficiary under a charitable remainder trust administered by a bank. Under terms of the Split-Interest agreement the Organization receives 33% of monthly income earned by the trust after designated dollar payments to other beneficiaries. After the death of the last beneficiary receiving designated dollar payments, the Trust is terminated and the corpus is distributed with VOA Chesapeake receiving 33% of the corpus. During 2008, the Organization discovered an error in its method of recording charitable remainder trusts (see Note X describing prior period adjustment). Instead of amortizing the previously computed fair market value discount based on the life expectancy of the beneficiaries, they are revaluing the trust asset annually based on the current fair market value of the underlying assets.

The Organization's share of assets held in the trust, which are classified as temporarily restricted, amounted to \$405,926 and \$495,376 at June 30, 2009 and 2008, respectively. Income received from the trust was reported as investment income and amounted to \$11,227 and \$19,737 for the years ended June 30, 2009 and 2008, respectively.

NOTE H – Line of Credit

The Organization secured a line of credit from a bank in the amount of \$750,000 and \$500,000 in November, 2008 and 2007, respectively. The lines of credit expire annually each November. Interest is payable monthly at the prime rate. The amount borrowed cannot exceed 80% of the value of the Organization's accounts receivable outstanding less than ninety days from the invoice date. The only security for the line of credit is accounts receivable. There was no outstanding obligation under this agreement at June 30, 2009 or 2008.

NOTE I – Accrued Expenses

Accrued expenses are comprised of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Accrued Vacation	\$ 445,737	\$ 342,558
Accrued Salaries	466,887	277,985
Other Accrued Pension Liability (Under-funded Balance)	2,728,478	1,115,813
Other Payables and Accrued Expenses	<u>1,009,404</u>	<u>942,319</u>
Total	<u>\$ 4,650,506</u>	<u>\$ 2,678,675</u>

Employees can accumulate a limited amount of earned, but unused vacation. Vacation time can typically be carried to the next fiscal year with a maximum of 240 hours payable at termination. Vacation time vests with the employees and accordingly, a liability in the amounts shown above for each year is reflected in the accompanying financial statements.

NOTE J – Long-term Debt

	<u>2009</u>	<u>2008</u>
Note payable to auto financing company. Due in 60 monthly installments of \$557 (including interest at 7.95% per annum). Secured by a vehicle. Matures in November 2011.	\$ 15,208	\$ 21,062

This information is an integral part of the accompanying financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE J – Long-term Debt (Cont.)

The Organization's obligations under mortgages and other notes payable consist of the following:

	<u>2009</u>	<u>2008</u>
Note payable to bank. Originally due in 60 monthly installments of \$1,358 (including interest at 6.56% per annum). Original note had a 30-year amortization period with a balloon payment due in 5 years. Original note matured in October 2004 and was refinanced. Refinanced note payable is due in 120 monthly installments of \$1,349 (including interest at 6.125% per annum). Matures in December 2013. Secured by real estate on East Fayette Street.	\$ 63,383	\$ 75,226
Note payable to bank. Due in 180 monthly installments of \$1,271 (including interest at 8.0% per annum, modified in December 2004 to lower rate to 6.125%). Secured by real estate on Sheridan Street. Matures in April 2017.	87,844	95,851
Refinanced note payable to bank in October 2006 for \$77,148. Due in 120 monthly installments of \$920 (including interest at 7.61% per annum). Secured by real estate at 12611 Kemmerton Lane. Matures in October 2016.	61,593	67,697
Note payable to bank. Due in 178 monthly installments of \$1,270 (including interest at 8.00% per annum, modified in December 2004 to lower rate to 6.125%). Secured by real estate on Sequoia Avenue. Matures in August 2017.	90,278	98,048
Note payable to bank. Due in 180 monthly installments of \$474 (including interest at 6.25% per annum). Secured by real estate on Aurora Drive. Matures in June 2018.	35,636	38,955
Note payable to bank. Due in 180 monthly installments of \$1,725 (including interest at 6.25% per annum), Secured by real estate on Evergreen Drive. Matures in June 2018.	141,678	153,006
Note payable to a charitable organization. Due in 120 monthly installments of \$1,250 (0.0% interest per note, imputed interest at 5.25% per annum). Secured by real estate on Aurora Drive. Matures in June 2013.	55,022	66,796
Mortgage payable to Virginia Housing and Development Authority. Due in monthly installments of \$2,421 (including interest at 8.1478% per annum). Secured by real property owned by Baker House. Matures in January 2020.	205,574	217,349
Note payable to Ford Motor Credit. Annual stated interest rate of 1.9% with monthly principal and interest payments of \$635. Matured in December 2008. Secured by a vehicle.	0	3,798

This information is an integral part of the accompanying financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE J – Long-term Debt (Cont.)

	<u>2009</u>	<u>2008</u>
Note payable to Daimler Chrysler. Annual stated interest rate of 7.13% with monthly principal and interest payment of \$1,078. Matures in April 2010. Secured by three vehicles.	\$ 4,026	\$ 16,657
Note payable to BB&T of Maryland. Annual stated interest rate of 7.75% with monthly principal and interest payment of \$596. Matured in February 2009. Secured by a vehicle.	0	4,584
Note payable to Ford Motor Credit. Annual stated interest rate of 1.90% with monthly principal and interest payment of \$585. Matures in June 2010. Secured by a vehicle.	6,954	13,767
Note payable to Daimler Chrysler. Annual stated interest rate of 7.49% with monthly principal and interest payment of \$1,152. Matures in April 2010. Secured by two vehicles.	10,521	22,249
Note payable to Daimler Chrysler. Annual stated interest rate of 7.54% with monthly principal and interest payment of \$348. Matured in June 2009. Secured by a vehicle.	0	7,035
Mortgage payable to DHCD. Annual stated interest rate of 1.0%. Minimum annual payments of \$45,514 are required. Matures in 2037. Secured by real property owned by PACA House. In addition, a payment equal to the amount due on a twenty-year amortization schedule shall be paid to the extent of surplus cash.	1,144,884	1,178,765
Mortgage payable to City of Baltimore. Annual stated interest rate of 1.0% with interest only payable to the extent of surplus cash. Repayment of principal is deferred until maturity in 2020. Secured by real property owned by PACA House.	2,075,791	2,075,791
A home loan was obtained from Maryland DHCD. The loan was interest-free through construction completion or Aug. 21, 2004, whichever occurred first. The note is secured by the Pratt Street real estate and matures in 2043. The permanent loan interest rate is the annual applicable federal rate. Annual principal and interest payments shall be made upon commencement of the permanent loan period if the Organization has surplus cash, which is defined in the note agreement. Any principal and interest not paid due to insufficient surplus cash shall be deferred and paid on the next annual payment date to the extent there is sufficient surplus cash. Outstanding principal and accrued interest shall be due and payable on the maturity date.	700,000	700,000
Note payable to a bank. Due in 60 monthly installments of \$1,193 (including interest at 7.5% per annum). Secured by 3 vehicles. Matures in September 2012.	42,426	51,947

This information is an integral part of the accompanying financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE J – Long-term Debt (Cont.)

	<u>2009</u>	<u>2008</u>
Note payable to a bank. Due in 60 monthly installments of \$442 (including interest at 6.5% per annum). Secured by a vehicle. Matures in February 2013.	\$ 17,273	\$ 21,312
A mortgage payable was obtained from the Maryland DHCD. The loan was interest-free through May 31, 2004. Interest then accrues at 4% per annum. Interest and principal are due in annual installments commencing April 1, 2005 in an amount equal to the lesser of surplus cash or scheduled payments. If the scheduled payments are greater than surplus cash, the unpaid difference shall be deferred and all accrued and unpaid interest shall be added to the principal amount of the note and shall accrue interest at 4% per annum. On June 1, 2042, the entire indebtedness shall be due and payable. The loan is secured by Pratt Street real estate.	470,098	470,098
Mortgage payable to bank. Due in monthly installments of \$2,950 (including interest at 6.56% per annum). Secured by real property on Annapolis Road. Mortgage was refinanced in August 2005. Revised terms are monthly payments of principal and interest of \$2,940 at 6.125% per annum, maturing August 2013.	138,159	164,018
Permanent mortgage payable to Enterprise Mortgage Investments, Inc. was settled on August 1, 2007 for \$1,592,000. The loan paid off the construction loan with BB&T. Interest is computed at 7.13% per annum and matures 30 years after the closing date of the loan. The mortgage requires monthly principal and interest payments of \$10,731. Secured by real property located on Potter Street.	1,562,202	1,578,936
A mortgage payable was obtained from the Maryland DHCD under its Housing Opportunities for Persons with AIDS program. The loan was interest-free through construction completion or Aug. 21, 2004, whichever occurred first. The note is secured by the Pratt Street real estate and matures in 2043. The permanent loan interest rate is the annual applicable federal rate. Annual principal and interest payments shall be made upon commencement of the permanent loan period if the Organization has surplus cash, which is defined in the note. Any principal and interest not paid because of insufficient surplus cash shall be deferred and paid on the next annual payment date to the extent there is sufficient surplus cash. Outstanding principal and accrued interest shall be due and payable on the maturity date.	\$ <u>100,000</u>	\$ <u>100,000</u>
Total Long-term Debt	7,028,550	7,242,947
Less: Current Portion	<u>(200,006)</u>	<u>(218,413)</u>
Long-term Portion	\$ <u>6,828,544</u>	\$ <u>7,024,534</u>

This information is an integral part of the accompanying financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE J – Long-term Debt (Cont.)

Annual maturities for the long-term debt at June 30, 2009 are as follows:

2010		\$	200,006
2011			189,051
2012			196,871
2013			193,620
2014			154,857
Thereafter			<u>6,094,145</u>
 Total			 \$ <u>7,028,550</u>

Mortgages payable from surplus cash are assumed payable at loan maturity for purposes of this schedule.

NOTE K – Refundable Advances

The Organization records grant awards accounted for as exchange transactions as refundable advances until related services are performed at which time they are recognized as revenue. Refundable advances for grant awards received but not yet earned as of June 30, 2009 and 2008 amounted to \$8,017 and \$4,544, respectively. Prepaid rent has been treated as a refundable advance and amounted to \$36,174 and \$11,155 at June 30, 2009 and 2008, respectively.

VOA Pratt Street Housing Corporation has entered into an agreement with the Maryland Department of Housing & Community Development to receive a shelter and transitional housing facilities grant totaling \$970,576 in connection with the construction and renovation of the Pratt Street building. There shall be no interest charged on the financial assistance. The Organization has agreed that all units in the facility will be occupied by homeless residents whose length of stay may not exceed two years. Repayment is not required as long as the Organization complies with these requirements for fifteen years. Therefore, these amounts are recorded as refundable advances until the possibility of repayment is remote.

NOTE K – Refundable Advances (Cont.)

VOA Pratt Street Housing Corporation has entered into an affordable housing program agreement with a bank and the federal home loan bank of Atlanta in which the Organization received a \$175,000 subsidy to be used for construction of the Pratt Street building. The Organization has agreed to restrict housing in the project as to type, number of housing units, and affordability levels of tenants for a period of fifteen years. If the project is sold or not in compliance with the agreed use prior to the expiration of the fifteen year period, then the Organization may be obligated to reimburse the full amount of the subsidy. Therefore, this is recorded as a refundable advance until the possibility of repayment is remote.

NOTE L – Minority Interest

Minority interest represents the 99.9% limited partnership interest in PACA Housing Limited Partnership II and the 99.99% limited partnership interests in VOA Pratt Street Limited Partnership and Irvington Woods Limited Partnership.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE M – Restrictions on Net Assets

As discussed in Note G, temporarily restricted net assets are comprised of investments held by a third-party trustee under a split-interest agreement totaling \$405,926 and \$495,376 at June 30, 2009 and 2008, respectively. The trust corpus will be distributed to the Organization upon the death of the last beneficiary receiving a stipulated monthly amount. The variance in the Organization's share of trust assets from year to year is recorded in the Statement of Activities and Changes in Net Assets as "change in value of split interest agreements". Also, development grants from the Organization's national affiliate in connection with the direct mail program are recorded as temporarily restricted and cumulatively totaled \$556,578 at June 30, 2009 and 2008.

As discussed in Note G, permanently restricted net assets consist of assets in a perpetual trust administered by a bank and total \$34,703 and \$42,799 at June 30, 2009 and 2008, respectively. Changes in value are recorded in the Statement of Activities and Changes in Net Assets as "change in value of split interest agreements".

The cash distributions received from both trusts are recorded as unrestricted investment income.

NOTE N – Compliance with Grantor or Donor Restrictions

Financial assistance from federal, state, and local governmental entities in the form of grants are subject to special audit procedures. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE O – Functional Allocation of Expense

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

NOTE P – Related Party Transactions

Volunteers of America Chesapeake, Inc. is a locally incorporated affiliate of Volunteers of America, Inc., a National Christian Human Services Organization. VOA Chesapeake incurred administrative fees to the National Organization totaling \$429,074 and \$361,463 at June 30, 2009 and 2008, respectively. The Organization overpaid these fees to the national affiliate by \$9,865 at June 30, 2009; as of June 30, 2008 the Organization owed the national affiliate \$78,671 for these fees.

VOAC entered into a direct mail program with Volunteers of America, Inc. in May 2000. The program generated deficits through June 30, 2005, which were funded by the National Organization and treated as development grants. In fiscal years 2009 and 2008, the program generated net revenue of \$11,095 and \$17,109, respectively, of which the entire amounts were distributed to VOA Chesapeake; nothing was retained by National to offset previous development grants. In previous years, any amounts retained by VOA National were recorded as reductions in temporarily restricted net assets each year. At June 30, 2009 and 2008, the Organization was owed \$525 and \$1,708, respectively, under this program.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE P – Related Party Transactions (Cont.)

In July 1998, the Organization entered into a twenty-four month contract with Volunteers of America, Inc., which allowed the National Organization to operate the enterprise program. Per the terms of the agreement, the contract could be renewed at the end of the term by the affiliate. Under this arrangement, the Organization received 75% of net revenue. Net revenue is defined as gross receipts and towing donations, less all local Program operating expenses. Effective March 1, 2009, the National Organization updated this agreement. For an initial period of 4 months, the affiliate will receive 50% of the net revenue, while National will retain the balance. Any operating deficits will be funded by National and cumulative losses at the end of a period will be applied against subsequent net revenues. At the end of this initial period, National decided to continue operating the local program. Therefore, the agreement automatically renewed for an additional five-year period and will continue to renew annually thereafter, unless terminated earlier by either party for reasons indicated in the agreement.

The net revenues under this agreement totaled \$11,516 and \$287,786 for the fiscal years ended June 30, 2009 and 2008, respectively. VOAC owes the National Office \$30,053 in cumulative net operating deficits from this program at June 30, 2009. At June 30, 2008, National owed the Organization \$10,736 in net revenues.

VOA Eastern Avenue Housing Corporation is a non-stock corporation with two directors appointed by Volunteers of America, Inc. and two directors appointed by VOA Chesapeake. The corporation is the 1% general partner in VOA Eastern Avenue Limited Partnership. The Partnership's purpose is to own and operate an apartment project.

The Partnership has entered into various agreements with VOA Eastern Avenue Housing Corporation concerning management, development, and social service fees. VOA Chesapeake accounts for its investment in the Housing Corporation by the equity method of accounting, which was \$0 at June 30, 2009 and 2008. Social service fees paid amounted to \$2,500 in 2009 and \$0 in 2008.

The Organization maintains its non-multi-employer defined benefit pension plan, its two 403(b) tax deferred annuity plans and its group health insurance plan through a company in which one of the Organization's former board members is the sole shareholder.

NOTE Q – Operating Leases

The Organization has several non-cancelable operating leases, primarily for administrative and residential real estate, that expire at various dates through June 2013. Some leases have renewal options. Rental expenses for these leases totaled \$1,139,145 and \$999,755 for the years ended June 30, 2009 and 2008, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2009 are:

<u>Years Ending June 30,</u>	
2010	\$ 456,800
2011	421,600
2012	394,500
2013	316,400
2014	<u>128,000</u>
Total	<u>\$ 1,717,300</u>

This information is an integral part of the accompanying financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE R – Retirement Plans

Defined Benefit Plans

The Organization sponsors a non-contributory defined benefit plan covering all full-time employees at least 21 years of age who are not commissioned ministers with Volunteers of America Chesapeake, Inc. The benefits are based on actuarial recommendations as to funding requirements.

The following table sets forth the plan's funded status and amounts recognized in the Organization's financial statements as of and for the years ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Benefit Obligation	\$ (6,453,341)	\$ (5,855,366)
Plan Assets at Fair Value	<u>3,726,863</u>	<u>4,739,553</u>
Funded Status	<u>\$ (2,726,478)</u>	<u>\$ (1,115,813)</u>
Accumulated Benefit Obligation	\$ 5,899,826	\$ 5,301,162
Benefit Cost	\$ 429,558	\$ 448,793
Employer Contribution	\$ 284,384	\$ 340,891
Benefits Paid	\$ 103,796	\$ 73,378
Accumulated Other Comprehensive Income	\$ 2,215,474	\$ 747,983
Net Periodic Benefit Cost	\$ 429,558	\$ 448,793

Assumptions:

Weighted-average assumptions used to determine benefit obligations at:

	<u>6/30/09</u>	<u>6/30/08</u>
Discount Rate	6.25%	6.25%
Rate of Compensation Increase	3.66%	3.66%

Defined Benefit Plans (Cont.)

Weighted-average assumptions used to determine net periodic benefit costs for years ended:

	<u>6/30/09</u>	<u>6/30/08</u>
Discount Rate	6.25%	6.00%
Expected Long-term Return on Plan Assets	8.00%	8.00%
Rate of Compensation Increase	3.66%	3.58%

This information is an integral part of the accompanying financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE R – Retirement Plans (Cont.)

Measurement Period:

The measurement period for each fiscal year is the year-end date. The value of assets and liabilities are calculated at this date.

The Organization's expected rate of return on plan assets was developed by combining a long-term inflation component, the risk free real rate of return, and the associated risk premium. A weighted average rate was developed based on those overall rates and the target asset allocation of the plan.

Plan assets were invested in the following categories at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
<i>Debt Securities</i>		
Bond & Mortgage	\$ 446,327	\$ 1,001,791
Preferred Securities	0	74,104
High Yield	161,179	204,699
Inflation Protection	186,897	224,810
PIMCO Core Plus Bond I	444,042	0
<i>Equity Securities</i>		
Principal Financial Group, Inc. Stock	115,471	246,335
International Emerging Markets	50,699	63,290
International Growth	153,007	285,264
Large Company Growth	254,491	326,256
Medium Company Value	65,594	81,866
Partners Large-Cap Blend I	319,640	394,955
Partners Large-Cap Growth I	254,639	328,290
Partners Large-Cap Value	174,886	201,925
Partners Mid-Cap Growth	65,283	84,445
Partners Small-Cap Growth II	65,633	86,604
Partners Small-Cap Value I	65,624	79,728
Partners International	149,525	284,174
Partners Large-Cap Value I	335,869	407,386
International Value I	153,119	0
<i>Real Estate</i>		
U.S. Property	186,916	269,510
Real Estate Securities	<u>78,022</u>	<u>94,121</u>
	<u>\$ 3,726,863</u>	<u>\$ 4,739,553</u>

The Organization's investment strategy encompasses a long-term, risk-controlled approach using diversified investment options with a minimal exposure to volatile investment options like derivatives. The strategy utilizes a diversified allocation of equity, debt, and real estate. Equity securities comprised 60% and 60%, while debt securities comprised 33% and 32%, and real estate comprised 7% and 8% of total portfolio assets in 2009 and 2008, respectively.

The Organization expects to contribute \$425,000 to its defined benefit plan in 2010.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE R – Retirement Plans (Cont.)

Defined Benefit Plans (Cont.)

The following benefit payments, which reflect expected future service, as appropriate, are anticipated:

<u>Year Ending</u>	<u>Benefits Paid</u>
2010	\$ 250,000
2011	270,000
2012	280,000
2013	340,000
2014	380,000
2015 – 2018	<u>2,410,000</u>
Total	<u>\$ 3,930,000</u>

Tax Deferred Annuity Plans

The Organization maintains two separate tax-deferred annuity plans qualified under Section 403(b) of the Internal Revenue Code. One plan is for full-time employees at least 21 years of age employed as ministers of VOAC. The employer matches contributions at 5% of salary for the ministers. Plan expenses amounted to \$22,262 and \$24,775 for the years ended June 30, 2009 and 2008, respectively. The second plan is available for all employees of the Organization and has no required employer matching contribution.

NOTE S – Concentrations

The Organization provides services to individuals in Maryland, Washington D.C. and Virginia.

Since the Organization receives a substantial amount of its support from federal, state and local governmental agencies, a significant reduction in the level of this support, if it were to occur, may have a significant impact on the Organization's operations.

NOTE T – Significant Concentrations of Credit Risk

The Organization maintains cash balances at several financial institutions in Maryland and Virginia which are insured by the Federal Deposit Insurance Corporation for up to \$250,000 at each institution. The Organization is exposed to concentrations of credit risk when cash balances exceed the FDIC limit. At June 30, 2009 and 2008, the Organization's uninsured cash balances totaled \$2,505,024 and \$3,538,585, respectively. The Organization has not experienced any losses and believes they are not exposed to significant risk.

The Organization has invested \$0 and \$691,757 at June 30, 2009 and 2008, respectively, in overnight investment accounts, which invest in U.S. government securities that are unsecured, but guaranteed by the U.S. government and U.S. governmental agencies. The Organization has also invested \$34,019 and \$92,862 at a brokerage house money market account at June 30, 2009 and 2008, respectively, which was unsecured.

NOTE U – Revocation of Charter

In June 2008, Volunteers of America, Inc., the National Affiliate, revoked the charter of Volunteers of America Chesapeake, Inc. as a result of operational, organizational, and governance concerns identified during the normal affiliate charter review process. The result of this charter revocation was the dissolution of Volunteers of America Chesapeake, Inc.'s Board of Directors and the appointment of interim Directors who are all Directors of the National Organization. The National Organization intends to reinstate the charter of Volunteers of America Chesapeake, Inc. once the concerns identified during the charter review are satisfactorily resolved and a new permanent Board of Directors is identified.

This information is an integral part of the accompanying financial statements.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Notes to Financial Statements
June 30, 2009 and 2008

NOTE V – Prior Period Adjustments

The Organization provided a self-funded non-qualified post retirement benefit to two former retired chief executive officers. In one case, the benefit consisted of a housing allowance and the other benefit provided for health insurance. The liability for the benefit obligations were determined by present valuing the future cash requirements and in the case of the health insurance an escalator of eight percent was utilized for expected future health insurance increases. During 2009, the Organization discovered that these post retirement benefit obligations had not been recorded. The effect of the restatement as of June 30, 2007 was a decrease in unrestricted net assets and an increase in post retirement benefit liability amounting to \$688,450. The cumulative post retirement benefit liabilities for the years ended June 30, 2009 and 2008 amounted to \$681,552 and \$688,450, respectively. The post retirement benefits for the years 2009 and 2008 amounted to \$32,102 and \$39,000, respectively.

During 2009, the Organization discovered that it had not billed its Medicaid revenues in Virginia at an increased rate which became effective July 1, 2007. The Organization is currently in the process of correcting these billings. As a result, Program Service Fee revenues and the related Accounts Receivable and Unrestricted Net Assets were under stated by \$371,805 in 2008. This restatement is reflected in these financial statements.

NOTE W -- Contingencies

The PACA House, Irvington Woods and Pratt Street Projects' low-income housing tax credits are contingent on their ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rents, or to correct noncompliance within a specified time period, could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the limited partner.

Volunteers of America Chesapeake, Inc. is required to make certain operating deficit contributions to VOA Pratt Street Limited Partnership as defined in the Partnership Agreement. The Organization has agreed to advance funds up to a cumulative maximum of \$335,000 to the Partnership to cover any operating deficits. During the years ended June 30, 2009 and 2008, VOAC was required to contribute \$214,050 and \$0, respectively, in operating deficit contributions. The cumulative total to date per this agreement is \$214,050.

Volunteers of America Chesapeake, Inc. is required to make certain operating deficit contributions to Irvington Woods Limited Partnership as defined in the Partnership Agreement. The General Partner, pursuant to the terms of the Partnership Agreement, is required to fund additional capital contributions for any operating deficits through the stabilization date. The General Partner's obligation to make operating deficit contributions after the stabilization date which is not funded from the operating reserves is limited to \$280,000. To the extent the general partner cannot meet this obligation, Volunteers of America Chesapeake, Inc., an affiliate, has provided a guarantee to advance funds to the general partner to cover any shortfall. As of June 30, 2009 no such contribution has been requested or required.

NOTE X – Litigation

The Organization is subject to various commitments and contingent liabilities, including general litigation. Legal counsel cannot presently determine the merits of these potential claims or the potential for losses not covered by existing insurance until such time that additional information is made available.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC., AND SUBSIDIARIES
Consolidating Statement of Financial Position
June 30, 2009

Schedule I

ASSETS	Chesapeake	Holding Corp		Baker House		PACA House Corp		PACA House Partnership		Pratt St Corp		Pratt St Partnership		Irv Woods Housing Corp		Irv Woods L.P.		Total	Eliminations	Consolidated Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$			
Cash and Cash Equivalents	\$ 3,376,739	\$ 2,766	\$ 9,721	\$ -	\$ 101,234	\$ -	\$ 51,639	\$ -	\$ 137,816	\$ -	\$ 3,679,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,679,915	\$ -	\$ 3,679,915
Accounts Receivable (Net)	4,127,994	-	-	-	13,426	-	12,147	-	61,946	-	4,215,513	-	(33,629)	-	-	-	-	4,181,884	(33,629)	4,148,255
Other Receivables	48,793	-	-	-	-	-	-	-	-	-	48,793	-	-	-	-	-	-	48,793	-	48,793
Due from Affiliate	1,437,505	483,495	-	-	2,165	-	39,382	-	100	-	1,962,647	-	(1,951,237)	-	-	-	-	11,410	(1,951,237)	9,458,760
Prepaid Expenses	26,635	-	3,035	-	25,004	-	13,407	-	12,161	-	80,242	-	-	-	-	-	-	80,242	-	80,242
Property and Equipment	1,672,939	392,029	192,570	-	3,941,226	-	4,300,471	-	6,330,111	-	16,829,346	-	(1,803,655)	-	-	-	-	15,025,691	(1,803,655)	13,222,036
Designated & Restricted Assets	292,410	-	246,574	-	1,708,076	-	235,408	-	234,826	-	2,717,294	-	-	-	-	-	-	2,717,294	-	2,717,294
Long-term Investments	1,013,699	-	-	-	-	-	-	-	-	-	1,013,699	-	-	-	-	-	-	1,013,699	-	1,013,699
Intangible Assets (Net)	-	1,110	-	-	54,829	-	52,147	-	52,270	-	160,356	-	-	-	-	-	-	160,356	-	160,356
Deposits	33,961	-	-	-	-	-	-	-	-	-	33,961	-	-	-	-	-	-	33,961	-	33,961
Beneficial Interest in Perpetual Trust	34,703	-	-	-	-	-	-	-	-	-	34,703	-	-	-	-	-	-	34,703	-	34,703
Investment in Partnership	1,266,393	-	-	621,174	-	-	970,576	-	100	-	2,858,243	-	(2,858,243)	-	-	-	-	-	(2,858,243)	-
Contributions from Charitable Trust	405,926	-	-	-	-	-	-	-	-	-	405,926	-	-	-	-	-	-	405,926	-	405,926
Notes Receivable from Affiliates	853,495	-	-	-	-	-	175,000	-	1,266,293	-	2,294,788	-	(2,294,788)	-	-	-	-	-	(2,294,788)	-
Total Assets	\$ 14,591,192	\$ 879,400	\$ 451,900	\$ 621,174	\$ 5,845,960	\$ 1,184,958	\$ 4,665,219	\$ 6,829,230	\$ 6,829,230	\$ 36,335,426	\$ 8,941,552	\$ 27,393,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,393,874	\$ -	\$ 27,393,874
LIABILITIES																				
Accounts Payable	\$ 143,984	\$ 12,872	\$ 5,072	\$ -	\$ 22,324	\$ -	\$ 10,184	\$ -	\$ 22,304	\$ -	\$ 216,740	\$ -	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ 216,760	\$ 20	\$ 216,760
Long-Term Debt	550,642	259,359	205,574	-	3,655,875	-	1,445,098	-	1,562,202	-	7,658,750	-	(630,200)	-	-	-	-	7,028,550	(630,200)	6,398,350
Accrued Expenses	3,887,820	12,977	1,447	-	711,861	-	526,520	-	13,867	-	5,154,492	-	(503,986)	-	-	-	-	4,650,506	(503,986)	4,146,520
Post-Retirement Benefit Liability	681,552	-	-	-	-	-	-	-	-	-	681,552	-	-	-	-	-	-	681,552	-	681,552
Refundable Advances	8,017	-	-	-	6,892	-	3,721	-	25,561	-	1,189,767	-	-	-	-	-	-	1,189,767	-	1,189,767
Client Escrow Funds	57,897	-	-	-	-	-	-	-	-	-	57,897	-	-	-	-	-	-	57,897	-	57,897
Tenant Security Deposits	-	-	1,240	-	5,190	-	5,800	-	34,653	-	46,883	-	-	-	-	-	-	46,883	-	46,883
Due to Affiliates	762,765	-	-	-	631,472	-	184,852	-	1,845,549	-	3,424,638	-	(3,145,368)	-	-	-	-	279,270	(3,145,368)	(279,270)
Total Liabilities	6,092,677	285,208	213,333	-	5,013,614	1,145,576	2,176,175	3,504,136	3,504,136	18,430,719	(4,279,534)	14,151,185	\$ -	\$ -	\$ -	\$ -	\$ -	14,151,185	\$ -	14,151,185
NET ASSETS																				
Unrestricted	7,501,309	594,192	238,567	621,174	621,174	39,382	1,419,119	1,266,393	2	12,301,312	(4,662,018)	7,639,294	-	-	-	-	-	7,639,294	(4,662,018)	2,977,276
Temporarily Restricted	962,504	-	-	-	-	-	-	-	-	962,504	-	-	-	-	-	-	-	962,504	-	962,504
Permanently Restricted	34,702	-	-	-	-	-	-	-	-	34,702	-	-	-	-	-	-	-	34,702	-	34,702
Minority Interest	-	-	-	-	211,172	-	1,069,925	-	3,325,092	-	4,606,189	-	-	-	-	-	-	4,606,189	-	4,606,189
Total Net Assets	8,498,515	594,192	238,567	621,174	832,346	39,382	2,489,044	1,266,393	3,325,094	17,904,707	(4,662,018)	13,242,689	\$ -	\$ -	\$ -	\$ -	\$ -	13,242,689	(4,662,018)	8,579,671
Total Liabilities & Net Assets	\$ 14,591,192	\$ 879,400	\$ 451,900	\$ 621,174	\$ 5,845,960	\$ 1,184,958	\$ 4,665,219	\$ 6,829,230	\$ 6,829,230	\$ 36,335,426	\$ (8,941,552)	\$ 27,393,874	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,393,874	\$ (8,941,552)	\$ 27,393,874

NOTE: Consolidating eliminations represent removal of intercompany receivables, payables, revenues and expenses.

See accompanying independent auditors' report and note above.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Consolidating Statement of Activities
For the Year Ended June 30, 2009

Schedule II

INCOME	Chesapeake	Holding Corp	Baker House	PACA House		PACA House		Pratt St Corp	Pratt St Partnership	Irv Woods Housing Corp		Irv Woods L.P.	Total	Eliminations	Consolidated Total
				Corp	Partnership	Corp	Partnership								
Contributions	\$ 360,044	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 360,044	\$ -	\$ 360,044
Sales to Public	784,840	-	-	-	-	-	-	-	-	-	-	-	784,840	-	784,840
Special Events	2,712	-	-	-	-	-	-	-	-	-	-	-	2,712	-	2,712
United Way	11,393	-	-	-	-	-	-	-	-	-	-	-	11,393	-	11,393
Government Grants	19,858,898	-	60,825	-	418,872	-	251,352	-	365,964	-	203,587	-	20,955,911	(60,851)	20,895,060
Program Service Fees	1,771,405	-	35,439	-	148,680	-	75,864	-	203,587	-	2,234,975	-	2,234,975	(78,583)	2,156,392
Sales of Materials & Services	39,521	-	-	-	-	-	-	-	-	-	2,854	-	42,375	-	42,375
Other Operating Revenue	64,297	-	-	-	-	-	-	-	20,999	-	20,999	-	85,296	-	85,296
Interest & Dividend Income	140,870	-	4,175	-	16,579	-	1,064	-	9,182	-	177,120	-	177,120	(39,266)	137,854
Realized & Unrealized Gains Invest	(291,416)	-	-	-	-	-	-	-	-	-	-	-	(291,416)	-	(291,416)
Gain on Asset Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental Income	-	182,580	-	-	-	-	-	-	-	-	-	-	182,580	(182,580)	-
Other Income	-	-	1,000	-	831	-	1,173	-	-	-	-	-	3,004	-	3,004
Vehicle Lease	-	119,609	-	-	-	-	-	-	-	-	-	-	119,609	(119,609)	-
Income from Investment	-	-	-	(335)	-	-	-	-	-	-	-	-	(335)	335	-
Assets Released From Restrictions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Income	22,742,564	302,189	101,439	(335)	584,962	5,250	329,453	-	602,586	-	24,668,108	-	24,668,108	(480,554)	24,187,554
EXPENSES	23,738,779	185,125	104,179	-	919,869	-	616,557	-	947,805	-	26,512,314	-	26,512,314	(790,251)	25,722,063
Increase in Unrestricted Net Assets before Minority Interest	(996,215)	117,064	(2,740)	(335)	(334,907)	5,250	(287,104)	-	(345,219)	-	(1,844,206)	-	(1,844,206)	309,697	(1,534,509)
Minority Interest	-	-	-	-	334,572	-	287,075	-	345,184	-	966,831	-	966,831	-	966,831
Increase in Unrestricted Net Assets	(996,215)	117,064	(2,740)	(335)	(335)	5,250	(29)	-	(35)	-	(877,375)	-	(877,375)	309,697	(567,678)
Unrestricted Net Assets - Beg of Year	9,965,015	477,128	241,307	621,509	621,509	34,132	1,194,434	-	37	-	14,421,464	-	14,421,464	(4,747,001)	9,674,463
Pension Liability Adjustment	(1,467,491)	-	-	-	-	-	-	-	-	-	(1,467,491)	-	(1,467,491)	-	(1,467,491)
Capital Contributions	-	-	-	-	-	-	224,714	-	-	-	224,714	-	224,714	(224,714)	-
Unrestricted Net Assets - End of Year	\$ 7,501,309	\$ 594,192	\$ 238,567	\$ 621,174	\$ 621,174	\$ 39,382	\$ 1,419,119	\$ 1,266,393	\$ 2	\$ 12,301,312	\$ (4,662,018)	\$ 7,639,294	\$ 7,639,294		

NOTE: Consolidating eliminations represent removal of intercompany receivables, payables, revenues and expenses.

See accompanying independent auditors' report and note above.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Consolidating Schedule of Expenses
For the Year Ended June 30, 2009

Schedule III

EXPENSES	PACA						Eliminations	Consolidated Total
	Chesapeake Corp	Holding Corp	Baker House	House Partnership	Pratt St Partnership	Irv Woods L.P.		
Salaries	\$ 12,926,808	\$ -	\$ 7,373	\$ 176,343	\$ 103,498	\$ 120,404	\$ (26,255)	\$ 13,308,171
Pension Expense	416,323	-	-	-	-	-	-	416,323
Other Employee Benefits	1,595,570	-	-	13,018	5,163	10,398	-	1,624,149
Payroll Taxes	931,780	-	612	17,420	11,331	7,518	-	968,661
Legal Fees	100,092	-	-	-	1,494	2,833	-	104,419
Accounting Fees	119,126	5,500	5,324	9,113	9,390	9,173	-	157,626
Other Professional Fees	1,803,517	360	6,000	43,979	16,441	145,674	(113,179)	1,902,432
Supplies	1,174,730	360	1,826	6,450	570	1,704	-	1,185,640
Telecommunications	258,952	55	-	4,187	1,296	7,504	-	271,994
Postage	63,064	-	-	-	-	538	-	63,602
Occupancy Expense	2,014,894	50,489	44,979	207,551	155,355	186,920	(182,580)	2,477,608
Interest	43,413	18,773	17,196	68,584	67,894	113,513	(39,266)	290,107
Insurance	322,798	11,319	3,898	36,769	18,939	14,176	-	407,899
Equipment Rental & Maintenance	128,810	675	-	-	313	-	-	129,798
Printing & Publications	47,038	-	-	-	-	-	-	47,038
Travel and Transportation	384,949	915	-	-	-	1,673	(119,609)	267,928
Conferences & Meetings	74,203	200	-	-	-	-	-	74,403
Specific Assistance	137,442	-	-	-	-	-	-	137,442
Other	633,741	1,317	606	93,112	55,246	20,236	(224,714)	579,544
Depreciation & Amortization	132,455	95,522	16,365	243,343	169,627	305,541	(84,648)	878,205
Administrative Fees	429,074	-	-	-	-	-	-	429,074
Total Expenses	\$ 23,738,779	\$ 185,125	\$ 104,179	\$ 919,869	\$ 616,557	\$ 947,805	\$ (790,251)	\$ 25,722,063

NOTE: Consolidating eliminations represent removal of intercompany receivables, payables, revenues and expenses.

See accompanying independent auditors' report and note above.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Consolidating Statement of Financial Position
June 30, 2008

Schedule IV

ASSETS	Chesapeake	Holding Corp	Baker House	PACA		PACA		Pratt St Corp	Pratt St Partnership	Irv Woods Housing Corp	Irv Woods L.P.	Total	Eliminations	Consolidated TOTAL
				House Corp	House Partnership	House Corp	House Partnership							
Cash and Cash Equivalents	\$ 1,416,507	\$ 11,716	\$ 10,727	\$ -	\$ 169,803	\$ -	\$ 88,264	\$ -	\$ 643,154	\$ -	\$ 2,340,171	\$ -	\$ 2,340,171	
Accounts Receivable (Net)	3,744,855	-	-	-	16,029	-	11,311	-	4,678	-	3,776,873	-	3,776,873	
Other Receivables	4,616	-	72	-	-	-	-	-	-	-	4,688	-	4,688	
Due from Affiliate	2,013,349	347,301	-	-	2,165	-	-	-	100	-	2,397,047	(2,384,603)	12,444	
Prepaid Expenses	113,943	-	2,919	-	23,255	-	4,840	-	11,679	-	156,636	-	156,636	
Property and Equipment	1,629,968	487,275	202,672	-	4,163,489	-	4,465,204	-	6,630,555	-	17,579,163	(1,888,303)	15,690,860	
Designated & Restricted Assets	249,475	-	247,789	-	1,647,869	-	213,663	-	276,269	-	2,635,065	-	2,635,065	
Long-term Investments	3,767,701	-	-	-	-	-	-	-	-	-	3,767,701	-	3,767,701	
Intangible Assets (Net)	-	1,386	-	-	56,720	-	53,752	-	54,134	-	165,992	-	165,992	
Deposits	33,961	-	-	-	-	-	-	-	33,961	-	-	-	33,961	
Beneficial Interest in Perpetual Trust	42,799	-	-	-	-	-	-	-	42,799	-	-	-	42,799	
Investment in Partnership	1,266,393	-	-	-	-	-	-	100	-	-	2,858,578	(2,858,578)	-	
Contributions from Charitable Trust	495,376	-	-	-	-	-	-	-	-	-	495,376	-	495,376	
Notes Receivable from Affiliates	819,479	-	-	-	-	-	-	-	-	-	2,260,772	(2,260,772)	-	
Total Assets	\$ 15,598,422	\$ 847,678	\$ 464,179	\$ 621,509	\$ 6,079,330	\$ 1,179,708	\$ 4,837,034	\$ 1,266,393	\$ 7,620,569	\$ 38,514,822	\$ (9,392,256)	\$ 29,122,566	\$ 29,122,566	
LIABILITIES														
Accounts Payable	\$ 658,948	\$ 15,406	\$ 3,150	\$ -	\$ 16,193	\$ -	\$ 12,020	\$ -	\$ 6,753	\$ -	\$ 712,470	\$ 20	\$ 712,490	
Long-Term Debt	616,641	345,367	217,349	-	3,669,756	-	1,445,098	-	1,578,936	-	7,873,147	(630,200)	7,242,947	
Accrued Expenses	1,978,847	-	1,475	-	619,425	-	456,691	-	10,871	-	3,067,309	(388,634)	2,678,675	
Post-Retirement Benefit Liability	688,450	-	-	-	-	-	-	-	-	-	688,450	-	688,450	
Refundable Advances	4,544	-	-	-	5,863	1,145,576	5,292	-	-	-	1,161,275	-	1,161,275	
Client Escrow Funds	16,812	-	-	-	7,064	-	8,604	-	36,004	-	16,812	-	16,812	
Tenant Security Deposits	-	-	898	-	-	-	-	-	-	-	52,570	-	52,570	
Due to Affiliates	574,412	9,777	-	-	593,776	-	357,895	-	2,317,692	-	3,833,552	(3,626,441)	227,111	
Total Liabilities	4,538,654	370,550	222,872	-	4,912,077	1,145,576	2,285,600	-	3,950,256	17,425,585	(4,645,255)	12,780,330	12,780,330	
NET ASSETS														
Unrestricted	9,965,015	477,128	241,307	621,509	621,509	34,132	1,194,434	1,266,393	37	-	14,421,464	(4,747,001)	9,674,463	
Temporarily Restricted	1,051,954	-	-	-	-	-	-	-	-	-	1,051,954	-	1,051,954	
Permanently Restricted	42,799	-	-	-	-	-	-	-	-	-	42,799	-	42,799	
Minority Interest	-	-	-	-	545,744	-	1,357,000	-	3,670,276	-	5,573,020	-	5,573,020	
Total Net Assets	11,059,768	477,128	241,307	621,509	1,167,253	34,132	2,551,434	1,266,393	3,670,313	21,089,237	(4,747,001)	16,342,236	16,342,236	
Total Liabilities & Net Assets	\$ 15,598,422	\$ 847,678	\$ 464,179	\$ 621,509	\$ 6,079,330	\$ 1,179,708	\$ 4,837,034	\$ 1,266,393	\$ 7,620,569	\$ 38,514,822	\$ (9,392,256)	\$ 29,122,566	\$ 29,122,566	

NOTE: Consolidating eliminations represent removal of intercompany receivables, payables, revenues and expenses.

See accompanying independent auditors' report and note above.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Consolidating Statement of Activities
For the Year Ended June 30, 2008

Schedule V

INCOME	Chesapeake	Holding Corp		Baker House		PACA House Corp		PACA House Partnership		Pratt St Corp		Pratt St Partnership		Irr Woods Housing Corp		Irr Woods L.P.		Total	Eliminations	Consolidated TOTAL
Contributions	\$ 323,222	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 323,222	\$ -	\$ 323,222
Sales to Public	1,219,456	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,219,456	-	1,219,456
Special Events	9,654	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,654	-	9,654
United Way	42,270	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	42,270	-	42,270
Government Grants	16,451,454	-	58,043	-	398,222	-	195,821	-	364,619	-	17,468,159	-	182,805	-	17,468,159	-	364,619	17,468,159	(93,594)	1,957,810
Program Service Fees	1,580,423	-	31,569	-	154,668	-	101,939	-	182,805	-	2,051,404	-	12,066	-	2,051,404	-	182,805	2,051,404	-	1,957,810
Sales of Materials & Services	20,987	-	-	-	-	-	-	-	-	-	33,053	-	-	-	33,053	-	12,066	33,053	-	33,053
Other Operating Revenue	71,832	-	-	-	-	-	-	-	-	-	76,211	-	-	-	76,211	-	4,379	76,211	-	76,211
Interest & Dividend Income	218,314	-	11,389	-	43,849	-	1,828	-	6,493	-	287,123	-	-	-	287,123	-	6,493	287,123	(39,266)	247,857
Realized & Unrealized Gains Invest	(91,867)	-	-	-	-	-	-	-	-	-	(91,867)	-	-	-	(91,867)	-	-	(91,867)	-	(91,867)
Gain on Asset Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental Income	-	177,744	-	-	-	-	-	-	-	-	177,744	-	-	-	177,744	-	-	177,744	(177,744)	-
Other Income	-	-	-	-	-	-	-	240	-	-	240	-	-	-	240	-	-	240	-	240
Vehicle Lease	-	148,017	-	-	-	-	-	-	-	-	148,017	-	-	-	148,017	-	-	148,017	(148,017)	-
Income from Investment	-	-	-	(236)	-	-	-	-	-	-	(236)	-	-	-	(236)	-	-	(236)	-	236
Assets Released from Restriction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Income	19,845,745	325,761	101,001	(236)	596,979	5,250	299,588	-	570,362	21,744,450	21,744,450	570,362	299,588	-	21,744,450	570,362	299,588	21,744,450	(458,385)	21,286,065
EXPENSES	21,081,968	266,187	91,684	-	832,638	-	580,755	-	846,050	23,699,282	23,699,282	846,050	580,755	-	23,699,282	846,050	580,755	23,699,282	(543,269)	23,156,013
Increase in Unrestricted Net Assets before Minority Interest	(1,236,223)	59,574	9,317	(236)	(235,659)	5,250	(281,167)	-	(275,688)	(1,954,832)	(1,954,832)	(275,688)	(281,167)	-	(1,954,832)	(275,688)	(281,167)	(1,954,832)	84,884	(1,869,948)
Minority Interest	-	-	-	-	235,423	-	281,139	-	275,660	792,222	792,222	275,660	281,139	-	792,222	275,660	281,139	792,222	-	792,222
Increase in Unrestricted Net Assets	(1,236,223)	59,574	9,317	(236)	(236)	5,250	(28)	-	(28)	(1,162,610)	(1,162,610)	(28)	(28)	-	(1,162,610)	(28)	(28)	(1,162,610)	84,884	(1,077,726)
Unrestricted Net Assets - Beg of Year, As Previously Reported	11,818,100	417,554	231,990	621,745	621,745	28,882	1,194,462	-	1,266,393	16,200,936	16,200,936	65	1,194,462	-	16,200,936	65	1,194,462	16,200,936	(4,831,885)	11,369,051
Prior Period Adjust - Post Retirement	(688,450)	-	-	-	-	-	-	-	-	(688,450)	(688,450)	-	-	-	(688,450)	-	-	(688,450)	-	(688,450)
Unrestricted Net Assets - Beg of Year, As Restated	11,129,650	417,554	231,990	621,745	621,745	28,882	1,194,462	-	1,266,393	15,512,486	15,512,486	65	1,194,462	-	15,512,486	65	1,194,462	15,512,486	(4,831,885)	10,680,601
Minimum Pension Liability Adjustment	71,588	-	-	-	-	-	-	-	-	71,588	71,588	-	-	-	71,588	-	-	71,588	-	71,588
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted Net Assets - End of Year, As Restated	\$ 9,965,015	\$ 477,128	\$ 241,307	\$ 621,509	\$ 621,509	\$ 34,132	\$ 1,194,434	\$ 1,266,393	\$ 37	\$ 14,421,464	\$ 14,421,464	\$ 37	\$ 1,194,434	\$ 1,266,393	\$ 14,421,464	\$ 37	\$ 1,194,434	\$ 14,421,464	\$ (4,747,001)	\$ 9,674,463

NOTE: Consolidating eliminations represent removal of intercompany receivables, payables, revenues and expenses.

See accompanying independent auditors' report and note above.

VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES
Consolidating Schedule of Expenses
For the Year Ended June 30, 2008

Schedule VI

EXPENSES	PACA						Eliminations	Total
	Chesapeake	Holding Corp	Baker House	House Partnership	Pratt St Partnership	Irv Woods L.P.		
Salaries	\$ 11,604,578	\$ -	\$ 3,531	\$ 159,392	\$ 100,697	\$ 88,742	\$ -	\$ 11,956,940
Pension Expense	480,694	-	-	-	-	-	-	480,694
Other Employee Benefits	1,308,156	-	-	7,187	12,584	10,992	-	1,338,919
Payroll Taxes	836,646	-	345	12,923	7,703	12,361	-	869,978
Legal Fees	40,683	-	-	-	-	4,500	-	45,183
Accounting Fees	61,786	6,600	6,724	9,038	8,635	8,949	-	101,732
Other Professional Fees	1,707,772	-	6,000	38,235	18,856	42,492	(93,594)	1,719,761
Supplies and Expenses	1,094,307	-	1,547	3,369	267	13,379	-	1,112,869
Telecommunications	221,724	863	-	5,261	4,480	4,943	-	237,271
Postage	51,346	-	-	-	-	528	-	51,874
Occupancy Expense	1,742,353	90,745	35,020	240,857	117,542	156,257	(177,744)	2,382,774
Interest	44,813	28,897	18,120	57,243	67,894	103,419	(39,266)	281,120
Insurance	329,441	9,500	4,352	38,560	25,455	19,740	-	427,048
Equipment Rental & Maintenance	121,896	-	-	-	610	-	-	122,506
Printing & Publications	55,050	-	-	-	-	-	-	55,050
Travel and Transportation	427,764	-	-	67	-	1,702	(148,017)	281,516
Conferences & Meetings	163,027	-	-	-	-	1,823	-	164,850
Specific Assistance	87,349	-	-	-	-	-	-	87,349
Other	215,286	1,616	1,193	19,193	45,664	73,740	-	356,692
Depreciation & Amortization	125,834	127,966	14,852	241,313	170,368	302,483	(84,648)	898,168
Administrative Fees	361,463	-	-	-	-	-	-	361,463
Total Expenses	\$ 21,081,968	\$ 266,187	\$ 91,684	\$ 832,638	\$ 580,755	\$ 846,050	\$ (543,269)	\$ 23,156,013

NOTE: Consolidating eliminations represent removal of intercompany receivables, payables, revenues and expenses.

See accompanying independent auditors' report and note above.