

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

**Consolidated Financial Statements  
And  
Supplementary Schedules**

**June 30, 2010 and 2009**

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Consolidated Financial Statements**  
**And**  
**Supplementary Schedules**  
**June 30, 2010 and 2009**

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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, 2010 and 2009, 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 \$430,732 and \$451,900, respectively, as of June 30, 2010 and 2009, and total support and revenues of \$91,937 and \$101,439, 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, 2010 and 2009, 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 25, 2010 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*

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

October 25, 2010

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Statements of Financial Position**  
**June 30, 2010 and 2009**

*ASSETS*

	<u>2010</u>	<u>2009</u>
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 3,187,751	\$ 3,679,915
Accounts Receivable (Net of Allowance)	3,139,832	4,181,884
Other Receivables	21,669	48,793
Due from Affiliates	106,041	11,410
Prepaid Expenses	<u>120,992</u>	<u>80,242</u>
<i>Total Current Assets</i>	6,576,285	8,002,244
 <i>Property and Equipment (Net)</i>	 15,203,872	 15,025,691
<i>Other Assets</i>		
Designated and Restricted Assets	2,435,705	2,717,294
Long-term Investments	1,143,676	1,013,699
Intangible Assets (Net)	154,723	160,356
Deposits	10,126	33,961
Beneficial Interest in Perpetual Trust	35,957	34,703
Contributions Receivable from Charitable Remainder Trust	<u>443,957</u>	<u>405,926</u>
<i>Total Other Assets</i>	<u>4,224,144</u>	<u>4,365,939</u>
 <i>Total Assets</i>	 <u>\$ 26,004,301</u>	 <u>\$ 27,393,874</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, 2010 and 2009**

***LIABILITIES AND NET ASSETS***

	<u>2010</u>	<u>2009</u>
<b><i>Current Liabilities</i></b>		
Accounts Payable	\$ 420,597	\$ 216,760
Current Portion of Notes and Mortgages Payable	303,785	200,006
Accrued Expenses	2,987,642	4,650,506
Post Retirement Benefit Liability	730,155	681,552
Contract / Grant Advances	9,346	44,191
Due To Affiliates	291,624	279,270
Client Escrow Funds	<u>91,353</u>	<u>57,897</u>
 <i>Total Current Liabilities</i>	 4,834,502	 6,130,182
 <b><i>Other Liabilities</i></b>		
Notes and Mortgages Payable, Non-current	8,475,566	6,828,544
Tenant Security Deposits	46,823	46,883
Refundable Advances	<u>1,145,576</u>	<u>1,145,576</u>
 <i>Total Other Liabilities</i>	 <u>9,667,965</u>	 <u>8,021,003</u>
 <i>Total Liabilities</i>	 14,502,467	 14,151,185
 <b><i>Net Assets</i></b>		
Unrestricted	8,113,632	7,639,294
Temporarily Restricted	443,957	962,504
Permanently Restricted	<u>35,956</u>	<u>34,702</u>
	8,593,545	8,636,500
Minority Interest	<u>2,908,289</u>	<u>4,606,189</u>
 <i>Total Net Assets</i>	 <u>11,501,834</u>	 <u>13,242,689</u>
 <i>Total Liabilities and Net Assets</i>	 <u>\$ 26,004,301</u>	 <u>\$ 27,393,874</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, 2010**

<b>CHANGES IN NET ASSETS:</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Minority Interest</u>	<u>Total</u>
<b><u>REVENUE AND SUPPORT</u></b>					
<b><i>Public Support</i></b>					
<i>Public Support Received Directly:</i>					
Contributions - Cash	\$ 351,811	\$ -	\$ -	\$ -	\$ 351,811
Contributions - In Kind	628,919	-	-	-	628,919
Sales to Public	348	-	-	-	348
Special Events (Net of Direct Benefit Costs)	7,834	-	-	-	7,834
Legacies and Bequests	11,216	-	-	-	11,216
<i>Public Support Received Indirectly:</i>					
United Way	11,108	-	-	-	11,108
<i>Total Public Support</i>	1,011,236	-	-	-	1,011,236
 <i>Government Revenue and Grants</i>	 20,839,297	 -	 -	 -	 20,839,297
 <i>Net Assets Released from Restrictions</i>	 556,578	 (556,578)	 -	 -	 -
 <b><i>Other Revenue</i></b>					
Program Service Fees	1,597,591	-	-	-	1,597,591
Sales of Materials and Services, Net	20,752	-	-	-	20,752
Other Operating Revenue	134,337	-	-	-	134,337
<i>Total Other Revenue</i>	1,752,680	-	-	-	1,752,680
 <i>Total Revenue and Support</i>	 \$ 24,159,791	 \$ (556,578)	 \$ -	 \$ -	 \$ 23,603,213

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, 2010**

<i><b>CHANGES IN NET ASSETS:</b></i>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Minority Interest</u>	<u>Total</u>
 <b><u>EXPENSES</u></b>					
<i><b>Program Services</b></i>					
Encouraging Positive Development	\$ 124,134	\$ -	\$ -	\$ -	\$ 124,134
Fostering Independence	10,584,735	-	-	-	10,584,735
Promoting Self-Sufficiency	<u>12,785,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,785,398</u>
<i>Total Program Services</i>	23,494,267	-	-	-	23,494,267
 <i><b>Administration and Fundraising</b></i>					
Management and General	3,283,443	-	-	-	3,283,443
Fundraising	<u>742,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>742,086</u>
<i>Total Administration and Fundraising</i>	<u>4,025,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,025,529</u>
<i>Total Program and Supporting Services</i>	27,519,796	-	-	-	27,519,796
 <i><b>Administrative Fees Paid to National Organization</b></i>					
	<u>457,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>457,757</u>
<i>Total Expenses</i>	<u>27,977,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,977,553</u>
 (Decrease) in Net Assets from Operations	 \$ (3,817,762)	 \$ (556,578)	 \$ -	 \$ -	 \$ (4,374,340)

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, 2010**

<i>CHANGES IN NET ASSETS:</i>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Minority Interest</u>	<u>Total</u>
<i>Non-Operating Gains &amp; Other Revenue</i>					
Interest and Dividend Income	\$ 50,434	\$ -	\$ -	\$ -	\$ 50,434
Realized and Unrealized Gains on Investments	100,379	-	-	-	100,379
Change in Value of Split-interest Agreements		38,031	1,254	-	39,285
Gain on Sale of Property and Equipment	2,500	-	-	-	2,500
Other Income	-	-	-	-	-
<i>Total Other Revenue</i>	<u>153,313</u>	<u>38,031</u>	<u>1,254</u>	<u>-</u>	<u>192,598</u>
 (Decrease) / Increase in Net Assets before Minority Interest	 (3,664,449)	 (518,547)	 1,254	 -	 (4,181,742)
 <i>Minority Interests in Subsidiaries' Earnings</i>	 <u>1,697,900</u>	 <u>-</u>	 <u>-</u>	 <u>(1,697,900)</u>	 <u>-</u>
 Total (Decrease) / Increase in Net Assets	 (1,966,549)	 (518,547)	 1,254	 (1,697,900)	 (4,181,742)
<i>Other Comprehensive Income</i>					
Minimum Pension Liability Adjustment	2,440,887	-	-	-	2,440,887
 <i>Net Assets at Beginning 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>
 <i>Net Assets at End of Year</i>	 <u>\$ 8,113,632</u>	 <u>\$ 443,957</u>	 <u>\$ 35,956</u>	 <u>\$ 2,908,289</u>	 <u>\$ 11,501,834</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**

<b>CHANGES IN NET ASSETS:</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Minority Interest</u>	<u>Total</u>
<b><u>REVENUE AND SUPPORT</u></b>					
<b><i>Public Support</i></b>					
<i>Public Support Received Directly:</i>					
Contributions - Cash	\$ 360,044	\$ -	\$ -	\$ -	\$ 360,044
Contributions - In Kind	-	-	-	-	-
Sales to Public	784,840	-	-	-	784,840
Special Events (Net of Direct Benefit Costs)	2,712	-	-	-	2,712
Legacies and Bequests	-	-	-	-	-
<i>Public Support Received Indirectly:</i>					
United Way	11,393	-	-	-	11,393
<i>Total Public Support</i>	1,158,989	-	-	-	1,158,989
 <i>Government Revenue and Grants</i>	 21,427,460	 -	 -	 -	 21,427,460
 <i>Net Assets Released from Restrictions</i>	 -	 -	 -	 -	 -
 <i>Other Revenue</i>					
Program Service Fees	1,623,992	-	-	-	1,623,992
Sales of Materials and Services, Net	42,375	-	-	-	42,375
Other Operating Revenue	85,296	-	-	-	85,296
<i>Total Other Revenue</i>	1,751,663	-	-	-	1,751,663
 <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**

<b>CHANGES IN NET ASSETS:</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Minority Interest</u>	<u>Total</u>
<b><u>EXPENSES</u></b>					
<i>Program Services</i>					
Encouraging Positive Development	\$ 80,645	\$ -	\$ -	\$ -	\$ 80,645
Fostering Independence	10,805,566	-	-	-	10,805,566
Promoting Self-Sufficiency	10,452,146	-	-	-	10,452,146
<i>Total Program Services</i>	21,338,357	-	-	-	21,338,357
<i>Administration and Fundraising</i>					
Management and General	3,057,649	-	-	-	3,057,649
Fundraising	896,983	-	-	-	896,983
<i>Total Administration and Fundraising</i>	3,954,632	-	-	-	3,954,632
<i>Total Program and Supporting Services</i>	25,292,989	-	-	-	25,292,989
<i>Administrative Fees Paid to National Organization</i>					
	429,074	-	-	-	429,074
<i>Total Expenses</i>	25,722,063	-	-	-	25,722,063
(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>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Minority Interest</u>	<u>Total</u>
<i>Non-Operating Gains &amp; 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>	 <u>966,831</u>	 <u>-</u>	 <u>-</u>	 <u>(966,831)</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	(1,467,491)	-	-	-	(1,467,491)
 <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**

Statement of Functional Expenses  
For the Year Ended June 30, 2010

	<u>PROGRAM SERVICES</u>			<u>ADMINISTRATION &amp; FUNDRAISING</u>			<b>GRAND TOTAL</b>
	Encouraging Positive Development	Fostering Independence	Promoting Self-Sufficiency	Management and General	Fundraising	TOTAL	
Salaries	\$ 56,281	\$ 6,327,516	\$ 5,303,322	\$ 1,532,729	\$ 156,968	\$ 1,689,697	\$ 13,376,816
Pension Expense	5,687	286,172	297,524	231,897	6,279	238,176	827,559
Other Employee Benefits	-	641,129	544,059	203,865	-	203,865	1,389,053
Payroll Taxes	4,135	463,107	393,264	100,146	11,332	111,478	971,984
Legal Fees	-	14,306	16,036	12,682	978	13,660	44,002
Accounting Fees	-	-	31,243	91,911	-	91,911	123,154
Other Professional Fees	2,893	197,865	407,553	537,666	420,020	957,686	1,565,997
Supplies	18,656	390,885	706,433	107,355	72,024	179,379	1,295,353
Telecommunications	4,244	122,158	94,282	45,506	454	45,960	266,644
Postage	14	2,570	2,122	21,469	8,798	30,267	34,973
Occupancy Expense	-	1,413,321	1,072,691	124,569	1,517	126,086	2,612,098
Interest	-	54,554	230,772	15,209	-	15,209	300,535
Insurance	428	158,190	238,091	53,420	-	53,420	450,129
Equipment Rental & Maint	697	9,807	49,869	30,452	-	30,452	90,825
Printing & Publications	-	4,281	7,302	11,171	29,807	40,978	52,561
Travel	-	202,416	77,563	29,011	63	29,074	309,053
Conferences & Meetings	137	9,677	14,961	19,483	1,293	20,776	45,551
Specific Assistance	246	82,114	62,753	-	30,101	30,101	175,214
Other	30,141	98,559	2,533,662	70,308	2,452	72,760	2,735,122
Depreciation & Amortization	575	106,108	701,896	44,594	-	44,594	853,173
<b>Total Functional Expenses</b>	<b>124,134</b>	<b>10,584,735</b>	<b>12,785,398</b>	<b>3,283,443</b>	<b>742,086</b>	<b>4,025,529</b>	<b>27,519,796</b>
Admin Fees - National	1,935	252,769	191,287	-	11,766	11,766	457,757
<b>Total Expenses</b>	<b>\$ 126,069</b>	<b>\$ 10,837,504</b>	<b>\$ 12,976,685</b>	<b>\$ 3,283,443</b>	<b>\$ 753,852</b>	<b>\$ 4,037,295</b>	<b>\$ 27,977,553</b>

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

	<u>PROGRAM SERVICES</u>				<u>ADMINISTRATION &amp; FUNDRAISING</u>			<b>GRAND TOTAL</b>
	Encouraging Positive Development	Fostering Independence	Promoting Self- Sufficiency	TOTAL	Management and		TOTAL	
					General	Fundraising		
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
<b>Total Functional Expenses</b>	<b>80,645</b>	<b>10,805,566</b>	<b>10,452,146</b>	<b>21,338,357</b>	<b>3,057,649</b>	<b>896,983</b>	<b>3,954,632</b>	<b>25,292,989</b>
Admin Fees - National	1,248	235,668	174,941	411,857	-	17,217	17,217	429,074
<b>Total Expenses</b>	<b>\$ 81,893</b>	<b>\$ 11,041,234</b>	<b>\$ 10,627,087</b>	<b>\$ 21,750,214</b>	<b>\$ 3,057,649</b>	<b>\$ 914,200</b>	<b>\$ 3,971,849</b>	<b>\$ 25,722,063</b>

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, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b><i>Cash Flows from Operating Activities</i></b>		
(Decrease) in Net Assets	\$ (2,483,842)	\$ (665,225)
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</i>		
Minority Interest in Subsidiaries' Earnings	(1,697,900)	(966,831)
Depreciation	847,540	872,569
Loss on Impairment of Real Property	2,362,885	-
Gain on Disposal of Assets	(2,500)	-
Amortization of Intangible Assets	5,633	5,636
Bad Debt	146,260	396,758
Net Realized Losses on Investment Sales	-	238,669
Net Unrealized (Gains) / Losses on Investment Holdings	(68,711)	52,747
Change in Value of Split-interest Agreements	(39,285)	97,546
Minimum Pension Liability Adjustment	2,440,887	(1,467,491)
<i>(Increase) / Decrease in Operating Assets:</i>		
Accounts Receivable	895,792	(801,769)
Other Receivables	27,124	(44,105)
Prepaid Expenses	(40,750)	76,394
Deposits	23,835	-
Designated and Restricted Assets	281,589	(82,229)
<i>Increase / (Decrease) in Operating Liabilities:</i>		
Accounts Payable and Accrued Expenses	(1,459,027)	1,476,101
Post Retirement Benefit Liability	48,603	(6,898)
Contract / Grant Advances	(34,845)	28,492
Client Escrow Funds	33,456	41,085
Tenant Security Deposits	(60)	(5,687)
<i>Net Cash Provided by / (Used in) Operating Activities</i>	<u>1,286,684</u>	<u>(754,238)</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 Cash Flows (Cont.)**  
**For the Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b><i>Cash Flows from Investing Activities</i></b>		
Purchase of Buildings and Leasehold Improvements	\$ (1,074,787)	\$ (144,630)
Purchase of Furniture and Equipment	(23,960)	(62,770)
Purchase of Vehicles	(71,559)	-
Proceeds from Redemption of Certificates of Deposits	-	1,091,638
Purchase of Investments	(61,266)	(70,361)
Proceeds from Sale of Vehicles	2,500	-
Proceeds from Sale of Investments	-	1,441,309
Net Advances Due to / from Affiliates	<u>(82,277)</u>	<u>53,193</u>
<i>Net Cash (Used in) / Provided by Investing Activities</i>	(1,311,349)	2,308,379
 <b><i>Cash Flows from Financing Activities</i></b>		
Repayment of Long-term Borrowings	<u>(467,499)</u>	<u>(214,397)</u>
<i>Net Cash (Used in) Financing Activities</i>	<u>(467,499)</u>	<u>(214,397)</u>
 <b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>		
	(492,164)	1,339,744
 <b>Cash and Cash Equivalents, Beginning of Year</b>		
	<u>3,679,915</u>	<u>2,340,171</u>
 <b>Cash and Cash Equivalents, End of Year</b>		
	<u>\$ 3,187,751</u>	<u>\$ 3,679,915</u>
 <b>Supplemental Disclosures:</b>		
Interest Paid	<u>\$ 217,064</u>	<u>\$ 209,703</u>
 <b>Noncash Transactions at June 30 were:</b>		
Amount of Vehicle Acquisitions Financed by Bank	<u>\$ 323,300</u>	<u>\$ -</u>
Imputed Interest on Non-interest Bearing Note to Purchase Building	<u>\$ 2,593</u>	<u>\$ 3,226</u>
Amount of Buildings and Improvements Financed by Bank	<u>\$ 1,895,000</u>	<u>\$ -</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, 2010 and 2009**

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, 2010 and 2009**

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, 2010 and 2009**

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***

As required by the Classification of Revenue, Expenses, Gains and Losses Topic of FASB ASC, 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.

As required by the Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others topic of FASB ASC, the Organization recognizes gross revenues earned and the related expenses associated with its Direct Mail Program 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.

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Summary of Significant Accounting Policies**  
**June 30, 2010 and 2009**

***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 \$847,540 and \$872,572 at June 30, 2010 and 2009, respectively.

***Intangible Assets***

Intangible assets are comprised of mortgage costs. Gross mortgage costs totaled \$212,655 at June 30, 2010 and 2009 and are amortized using the straight-line method of accounting over the term of the associated debt upon the commencement of the permanent loan period. Accumulated amortization totaled \$57,932 and \$52,299 at June 30, 2010 and 2009, respectively. Amortization expense amounted to \$5,633 at June 30, 2010 and 2009.

***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, 2010 and 2009**

***Income Taxes (Cont.)***

As required by the Financial Accounting Standards Codification, *Accounting for Income Taxes*, the Organization is required to disclose any tax positions that would result in unrecognized tax benefits. The Organization has no positions that would require disclosure or recognition under the topic.

***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, 2010 and 2009 were \$39,465 and \$48,237, respectively.

Direct response advertising costs totaled \$0 and \$479,925 for the years ended June 30, 2010 and 2009, 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 2009 amounts have been reclassified to conform to the 2010 financial statement presentation.

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE A – Accounts Receivable**

Accounts receivable for the years ended June 30, 2010 and 2009 includes the following:

	<u>2010</u>	<u>2009</u>
Grants and Contracts	\$ 474,505	\$ 469,240
Fee for Service	2,755,875	3,897,533
Rent Receivables	<u>44,282</u>	<u>140,680</u>
	3,274,662	4,507,453
Less: Allowance for Doubtful Accounts	<u>(134,830)</u>	<u>(325,569)</u>
<i>Net Accounts Receivable</i>	<u>\$ 3,139,832</u>	<u>\$ 4,181,884</u>

**NOTE B – Other Receivables**

Other receivables are comprised of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Employee Loans	\$ 0	\$ 1,909
Reimbursable Insurance Premiums – Other Non-Profit Organization	0	2,656
Reimbursable Receivables – VOA Living Centers	17,519	0
Manage Fess Receivable – VOA Living Centers	4,060	0
Other Reimbursable Receivables	<u>90</u>	<u>44,228</u>
Total	<u>\$ 21,669</u>	<u>\$ 48,793</u>

The receivables are interest free and due on demand.

**NOTE C – Due from Affiliates**

Due from affiliates totaled \$106,041 and \$11,410 at June 30, 2010 and 2009, respectively. The balances are comprised of the following:

	<u>2010</u>	<u>2009</u>
Affiliate Fee Receivable (VOA, Inc.)	\$ 0	\$ 9,865
Management Fees (VOA Eastern Avenue)	87,500	0
Operating Advance (VOA Eastern Avenue)	13,000	0
Contributions Withheld from Employees of VOA, Inc.	0	1,020
Enterprise Program Receivable (VOA, Inc.)	5,541	0
Direct Mail Program Receivable (VOA, Inc.)	<u>0</u>	<u>525</u>
Total	<u>\$ 106,041</u>	<u>\$ 11,410</u>

These receivables are non-interest bearing and due on demand, except for receivables relating to Eastern Avenue which are subject to regulatory approval.

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE D – Land, Buildings and Equipment**

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

	<u>2010</u>	<u>2009</u>
Land	\$ 2,365,180	\$ 1,183,250
Buildings and Improvements	17,604,002	19,414,032
Construction in Progress	380,953	0
Furniture and Equipment	1,367,801	1,343,839
Vehicles	<u>974,882</u>	<u>771,716</u>
 Total Cost	 22,692,818	 22,712,837
 Less: Accumulated Depreciation	 <u>(7,488,946)</u>	 <u>(7,687,146)</u>
 Net Land, Buildings and Equipment	 <u>\$ 15,203,872</u>	 <u>\$ 15,025,691</u>

Construction in progress represents pre-development costs incurred in connection with the planned acquisition of real estate located at 4900 East Monument Street in Baltimore City for a residential re-entry program.

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

The real estate in VOA Pratt Street L.P. was deemed impaired during fiscal year 2010 (See Note Z).

**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, 2010 and 2009. The balance in the replacement reserve at June 30, 2010 and 2009 amounted to \$35,270 and \$32,190, respectively. The operating reserve was funded at \$0 and \$6,117 for the years ended June 30, 2010 and 2009, 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 \$5,343 and \$13,782 withdrawn from the operating reserve during the years ended June 30, 2010 and 2009, respectively. The balance in the operating reserve at June 30, 2010 and 2009 was \$206,816 and \$211,432, 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, 2010 and 2009, 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, 2010 and 2009**

**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 271,931 and \$260,229 at June 30, 2010 and 2009, 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, 2010 and 2009 totaled \$0 and \$42,857, respectively. The account was closed during fiscal year 2010 and the funds were used to pay liabilities.

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, 2010 and 2009 the balances in this reserve account totaled \$1,062,814 and \$1,374,436, respectively. The Limited Partner and the Regulatory Agency authorized a withdrawal of \$315,695 during fiscal year 2010 to pay down debt and liabilities.

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, 2010. As of June 30, 2010 and 2009 the balances in this reserve account totaled \$235,442 and \$234,642, 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, 2010 and 2009 amounted to \$142,316 and \$142,240, 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, 2010 and 2009 amounted to \$37,521 and \$43,684, respectively. The regulatory authorized \$17,998 to be withdrawn for qualified expenditures in fiscal year 2010.

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, 2010 and 2009 amounted to \$53,190 and \$33,684, respectively.

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**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, 2010 and 2009 amounted to \$136,883 and \$136,846, 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, 2010 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, 2010 and 2009 amounted to \$31,177 and \$31,158, respectively.

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

	<u>2010</u>	<u>2009</u>
Mortgage Escrow Deposits	\$ 107,429	\$ 90,128
Client Escrow Funds	72,442	57,768
Replacement Reserves	397,912	412,644
Operating Reserves	1,548,839	1,864,954
Transition Reserve Fund	31,177	31,158
Tenant Security Deposits	42,464	26,000
Net Worth Reserve	<u>235,442</u>	<u>234,642</u>
Total	<u>\$ 2,435,705</u>	<u>\$ 2,717,294</u>

**NOTE F – Investments**

The Organization's investments are recorded at market value as summarized below at June 30, 2010:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Marketable Equity Securities	\$ 777,103	\$ 773,502	\$ 3,601
Fixed Income Funds	366,573	364,001	2,572
Money Market Funds	<u>34,019</u>	<u>34,019</u>	<u>0</u>
	1,177,695	1,171,522	6,173
Less: Short-term Investments Recorded as Cash Equivalents	<u>(34,019)</u>	<u>(34,019)</u>	<u>0</u>
Long-term Investments	<u>\$ 1,143,676</u>	<u>\$ 1,137,503</u>	<u>\$ 6,173</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, 2010 and 2009**

**NOTE F – Investments (Cont.)**

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

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Marketable Equity Securities	\$ 669,041	\$ 710,316	\$ (41,275)
Fixed Income Funds	344,658	365,921	(21,263)
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>

Investment return is summarized as follows:

	<u>2010</u>	<u>2009</u>
Interest and Dividend Income	\$ 80,112	\$ 70,361
Net Unrealized Gains/(Losses) on Investment Holdings	68,711	(52,747)
Net Realized Gains/ (Losses)	<u>31,668</u>	<u>(238,669)</u>
	180,491	(221,055)
Less: Investment Expenses	<u>(5,764)</u>	<u>(151)</u>
	<u>\$ 174,727</u>	<u>\$ (221,206)</u>

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

	<u>2010</u>	<u>2009</u>
Investment Income – Split Interest Agreements	\$ 12,667	\$ 12,617
Interest and Dividends – Investment (net)	25,000	70,210
Interest – Bank, Money Market & Certificate of Deposit	<u>12,767</u>	<u>55,027</u>
Total Interest and Dividends	<u>\$ 50,434</u>	<u>\$ 137,854</u>

Expenses relating to investment revenues including custodial fees and investment advisory fees, amounted to \$5,764 and \$151 at June 30, 2010 and 2009, respectively, and have been netted against investment revenues in the accompanying statement of activities.

As discussed in Note W, investments must be presented at their fair value by asset category and their level within the fair value hierarchy, as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 6/30/10</u>
Cash & Cash Equivalents	\$ 34,019	\$ 0	\$ 0	\$ 34,019
Marketable Equity Securities	723,042	54,061	0	777,103
Fixed Income Funds	<u>366,573</u>	<u>0</u>	<u>0</u>	<u>366,573</u>
Total	<u>\$ 1,123,634</u>	<u>\$ 54,061</u>	<u>\$ 0</u>	<u>\$ 1,177,695</u>

  

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 6/30/09</u>
Cash & Cash Equivalents	\$ 34,019	\$ 0	\$ 0	\$ 34,019
Marketable Equity Securities	618,357	50,684	0	669,041
Fixed Income Funds	<u>344,658</u>	<u>0</u>	<u>0</u>	<u>344,658</u>
Total	<u>\$ 997,034</u>	<u>\$ 50,684</u>	<u>\$ 0</u>	<u>\$ 1,047,718</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, 2010 and 2009**

**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 \$1,159 and \$1,390 at June 30, 2010 and 2009, 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 \$35,957 and \$34,703 at June 30, 2010 and 2009, respectively, and are reported at fair market value in the Organization's Statement of Financial Position.

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. Trust assets are adjusted 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 \$443,957 and \$405,926 at June 30, 2010 and 2009, respectively. Income received from the trust was reported as investment income and amounted to \$9,274 and \$11,227 for the years ended June 30, 2010 and 2009, respectively.

As discussed in Note W, investments must be presented at their fair value by asset category and their level within the fair value hierarchy. All investments from the split interest agreements are measured within level 1 of the fair value hierarchy and are classified as follows:

	<u>6/30/10</u>	<u>6/30/09</u>
Cash & Cash Equivalents	\$ 5,878	\$ 3,245
Marketable Equity Securities	291,309	264,845
Fixed Income Funds	<u>182,727</u>	<u>172,539</u>
Total	<u>\$ 479,914</u>	<u>\$ 440,629</u>

**NOTE H – Line of Credit**

The Organization secured a line of credit from a bank in the amount of \$500,000 in November 2007 and increased it to \$750,000 in November 2008. The line of credit was terminated in April 2010. Interest was payable monthly at the prime rate. The amount borrowed could not 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 was accounts receivable, along with maintaining financial covenants. There was no outstanding obligation under this agreement at June 30, 2010 or 2009.

**NOTE I – Accrued Expenses**

Accrued expenses are comprised of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Accrued Vacation	\$ 509,665	\$ 445,737
Accrued Salaries	499,591	466,887
Accrued Interest	810,405	726,934
Other Accrued Pension Liability (Under-funded Balance)	886,043	2,728,478
Other Payables and Accrued Expenses	<u>281,938</u>	<u>282,470</u>
Total	<u>\$ 2,987,642</u>	<u>\$ 4,650,506</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, 2010 and 2009**

**NOTE I – Accrued Expenses (Cont.)**

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.

Accrued interest payable of \$809,096 and \$727,538 at June 30, 2010 and 2009, respectively, relates to the Paca and Pratt partnerships. This accrued interest is only payable if the partnerships have surplus cash at the end of the calendar year as defined in the regulatory agreement.

**NOTE J – Long-term Debt**

Obligations under mortgages and other notes payable consist of the following at June 30:

	<u>2010</u>	<u>2009</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.	\$ 0	\$ 15,208
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 payments of \$1,349 (including interest of 6.125% per annum). Loan was modified in January 2010. Modified note payable is due in 73 monthly installments of \$872.25 (including interest at 6.0% per annum). Secured by real estate on East Fayette Street. Matures in July 2016.	53,164	63,383
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. Loan was modified in December 2009 to lower interest rate to 6% and change payment to \$1,173. Loan matures in March 2017.	79,063	87,844
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). The loan was modified in December 2009 in which the interest rate was decreased to 6% per annum. All other terms remain unchanged. Secured by real estate at 12611 Kemmerton Lane. Matures in April 2016.	54,649	61,593
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%). The loan was modified in December 2009 in which the interest rate was decreased to 6% and the monthly payment was decreased to \$1,175. All other terms remain the same. Secured by real estate on Sequoia Avenue. Matures in July 2017.	81,640	90,278

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

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE J – Long-term Debt (Cont.)**

	<u>2010</u>	<u>2009</u>
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.	\$ 32,101	\$ 35,636
Note payable to bank. Due in 180 monthly installments of \$1,725 (including interest at 6.25% per annum). The loan was modified in December 2009 in which the interest rate was decreased to 6% and the monthly payment was decreased to \$1,699. All other terms remain the same. Secured by real estate on Evergreen Drive. Matures in May 2018.	129,598	141,678
Note payable to a charitable organization. Due in 120 monthly installments of \$1,250 (0.0% APR per note, 5.25% APR imputed per annum). Secured by real estate on Aurora Drive. Matures in June 2013.	42,615	55,022
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.	192,803	205,574
Note payable to bank. Due in 83 payments of \$2,496. Interest accrues that the prime rate, but not below 4%. Principal balance is due and payable in March 2017. Secured by real estate at Blagden Avenue.	467,256	0
Note payable to bank. Due in 59 payments of \$3,107. Interest accrues that the prime rate plus.25%, but not below 4.25%. Principal balance is due and payable November, 2014. Secured by real estate at Kensington Avenue.	562,432	0
Note payable to bank. Due in 59 payments of \$3,803. Interest accrues that the prime rate plus.50%, but not below 4.75%. Principal balance is due and payable in June, 2015. Secured by real estate at Verbena Avenue.	585,000	0
Note payable to bank. Due in 59 payments of \$1,755. Interest accrues at the prime rate plus.50%, but not below 4.75%. Principal balance is due and payable in June, 2015. Secured by real estate at Frost Avenue.	270,000	0
Note payable to bank. Due in 60 monthly installments of \$372 (including a variable interest rate at prime plus .25% not less than 4.25% per annum). Secured by a vehicle. Matures in November 2014.	17,931	0
Note payable to bank. Due in 60 monthly installments of \$575 (including a variable interest rate at prime plus .25% not less than 4.25% per annum). Secured by a vehicle. Matures in November 2014.	27,719	0

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

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE J – Long-term Debt (Cont.)**

	<u>2010</u>	<u>2009</u>
Note payable to bank. Due in 60 monthly installments of \$570 (including a variable interest rate at prime plus .25% not less than 4.25% per annum). Secured by a vehicle. Matures in November 2014.	\$ 27,438	\$ 0
Note payable to bank. Due in 60 monthly installments of \$429 (including a variable interest rate at prime plus .25% not less than 4.25% per annum). Secured by a vehicle. Matures in November 2014.	20,977	0
Note payable to bank. Due in 60 monthly installments of \$464 (including a variable interest rate at prime plus .25% not less than 4.25% per annum). Secured by a vehicle. Matures in December 2014.	23,092	0
Note payable to bank. Due in 60 monthly installments of \$496 (including a variable interest rate at prime plus .25% not less than 4.25% per annum). Secured by a vehicle. Matures in January 2015.	24,782	0
Note payable to bank. Due in 60 monthly installments of \$378 (including a variable interest rate at prime plus .25% not less than 4.25% per annum). Secured by a vehicle. Matures in March 2015.	19,441	0
Note payable to bank. Due in 60 monthly installments of \$559 (including a variable interest rate at prime plus .25% not less than 4.25% per annum). Secured by a vehicle. Matures in March 2015.	28,767	0
Note payable to bank. Due in 60 monthly installments of \$526 (including a variable interest rate at prime plus .25% not less than 4.25% per annum). Secured by a vehicle. Matures in March 2015.	27,065	0
Note payable to bank. Due in 60 monthly installments of \$463 (including a variable interest rate at prime plus .25% not less than 4.25% per annum). Secured by a vehicle. Matures in April 2015.	24,152	0
Note payable to bank. Due in 36 monthly installments of \$709 (including a variable interest rate at prime plus .25% not less than 4.25% per annum). Secured by a vehicle. Matures in May 2013.	23,201	0
Note payable to bank. Due in 36 monthly installments of \$731 (including a variable interest rate at prime plus .25% not less than 4.25% per annum). Secured by a vehicle. Matures in June 2013.	24,466	0

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

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE J – Long-term Debt (Cont.)**

	<u>2010</u>	<u>2009</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.	\$ 0	\$ 4,026
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.	0	6,954
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.	0	10,521
Note payable to bank. Annual stated interest rate of 4.25% with monthly principal and interest payment of \$743. Matures in November 2014. Secured by two vehicles.	36,349	0
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.	858,709	1,144,884
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). Loan refinanced in December 2009 in which monthly payments reduced to \$1,097 and interest rate is variable with a minimum rate of 4.25%. Secured by 3 vehicles. Matures in November 2012.	31,072	42,426
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.	12,961	17,273

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

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE J – Long-term Debt (Cont.)**

	<u>2010</u>	<u>2009</u>
<p>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.</p>	\$ 470,098	\$ 470,098
<p>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. The loan was modified in December 2009 to lower the interest rate to 6% per annum and the monthly payment to \$2,918 per month. The loan matures in November 2013.</p>	110,783	138,159
<p>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&amp;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.</p>	1,544,236	1,562,202
<p>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.</p>	<u>100,000</u>	<u>100,000</u>
Total Long-term Debt	8,779,351	7,028,550
Less: Current Portion	<u>(303,785)</u>	<u>(200,006)</u>
Long-term Portion	<u>\$ 8,475,566</u>	<u>\$ 6,828,544</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, 2010 and 2009**

**NOTE J – Long-term Debt (Cont.)**

Annual maturities for the long-term debt at June 30, 2010 are as follows:

2011		\$ 303,785
2012		318,399
2013		324,829
2014		282,427
2015		1,443,445
Thereafter		<u>6,106,466</u>
 Total		 \$ <u>8,779,351</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, 2010 and 2009 amounted to \$0 and \$8,017, respectively. Prepaid rent has been treated as a refundable advance and amounted to \$9,346 and \$36,174 at June 30, 2010 and 2009, 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.

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.

**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 \$443,957 and \$405,926 at June 30, 2010 and 2009, 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 were recorded as temporarily restricted and cumulatively totaled \$556,578 through June 30, 2009. It was deemed that these assets were released from restrictions in fiscal year 2010.

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



**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE M** – Restrictions on Net Assets (Cont.)

As discussed in Note G, permanently restricted net assets consist of assets in a perpetual trust administered by a bank and total \$35,957 and \$34,703 at June 30, 2010 and 2009, 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 \$457,757 and \$429,074 at June 30, 2010 and 2009, respectively. VOAC owed the national affiliate \$40,772 related to these fees as of June 30, 2010. The Organization overpaid these fees by \$9,865 as of June 30, 2009.

VOAC entered into a direct mail program with National in May 2000. The program generated cumulative deficits of \$556,578 through June 30, 2009, which were funded by National and treated as temporarily restricted development grants. During fiscal year 2010, the restriction was released by National and the balance was reclassified to unrestricted net assets. This program generated gross revenue of \$39,315 for the year ended June 30, 2010, of which \$1,632 was payable to National for operating deficits as of June 30, 2010. The Organization owed the National affiliate \$525 as of June 30, 2009 related to this program.

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 \$35,592 and \$11,516 for the fiscal years ended June 30, 2010 and 2009, respectively. These revenues are reported as contributions revenue. VOAC is owed \$5,541 and \$30,053 from the national affiliate at June 30, 2010 and 2009, respectively, for this program.

VOAC received a grant from the National Endowment Fund totaling \$10,866 and \$0 for the years ended June 30, 2010 and 2009, respectively.

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

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE P – Related Party Transactions (Cont.)**

VOAC owes National \$249,220 in operating advances that are non-interest bearing and are due on demand as of June 30, 2010 and 2009.

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 entered into various agreements with VOA Eastern Avenue Housing Corporation concerning management, development, and social services. VOAC accounts for its investment in the Housing Corporation by the equity method of accounting, which was \$0 at June 30, 2010 and 2009. VOAC recognized \$60,000 and \$27,500 in management fee income for the years ended June 30, 2010 and 2009, respectively, which are both still receivable at June 30, 2010. In fiscal year 2010, VOAC paid \$13,000 to the corporation as a non-interest bearing operating advance. It remains unpaid at June 30, 2010.

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 \$1,376,736 and \$1,139,145 for the years ended June 30, 2010 and 2009, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2010 are:

<u>Years Ending June 30,</u>	
2011	\$ 751,450
2012	372,850
2013	175,319
2014	78,318
2015	<u>63,918</u>
Total	<u>\$ 1,441,855</u>

**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 Board of Directors froze the defined benefit pension plan as of May 31, 2010. No new participants will be enrolled in the plan. Additional contributions are being made to meet the projected future benefit obligations of the plan.

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE R – Retirement Plans (Cont.)**

**Defined Benefit Plans (Cont.)**

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:

	<u>2010</u>	<u>2009</u>
<b>Benefit Obligation</b>		
Benefit Obligation at Beginning of Year	\$ 6,455,341	\$ 5,855,366
Service Cost	461,071	432,601
Interest Cost	395,647	359,397
Actuarial (Gain) / Loss	(1,867,158)	(88,227)
Benefits Paid and Expected Expenses	(149,357)	(103,796)
Benefit Obligation at End of Year	5,295,547	6,455,341
 <b>Plan Assets</b>		
Fair Market Value at Beginning of Year	3,726,863	4,739,553
Contributions	179,013	284,384
Benefits Paid	(149,357)	(103,796)
Gains / (Losses)	652,985	(1,193,278)
Fair Market Value at End of Year	4,409,504	3,726,863
 <b>Funded Status at End of Year</b>	 (886,043)	 (2,728,478)
 <b>Amounts Recognized in the Statement of Financial Position</b>		
Non-current Liabilities	(886,043)	(2,728,478)
Net Amount Recognized	(886,043)	(2,728,478)
 <b>Amounts Not Yet Reflected in Net Periodic Cost and Included in Accumulated Other Comprehensive Income</b>		
Accumulated Gain / (Loss)	(225,413)	2,215,474
Accumulated Other Comprehensive Income	(225,413)	2,215,474
 <b>Net Periodic Cost</b>		
Service Cost	461,074	432,601
Interest Cost	395,647	359,397
Expected Return on Assets	277,983	382,925
Amortizations	198,727	20,485
Net Periodic Cost	777,465	429,558
 <b>Other Changes Recognized in OCI</b>		
Net (Gain) / Loss	(2,242,160)	1,487,976
Amortization of Net Gain / (Loss)	(198,727)	(20,485)
Total Recognized in Other Comprehensive Income	(2,440,887)	1,467,491
 <b>Net Recognized in Net Periodic Benefit Cost and OCI</b>	 (1,663,422)	 1,897,049
 <b>Amortization</b>		
Greater of Benefit Obligation or Plan Assets	5,295,547	6,455,341
10 Percent	529,555	645,534
Unrecognized (Gains) / Losses	(225,413)	2,215,474
(Gains) / Losses Subject to Amortization	0	1,569,940
Average Future Service	7.80	7.90
Minimum Required Amortization for Next Year	0	198,727

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

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE R – Retirement Plans (Cont.)**

**Defined Benefit Plans (Cont.)**

	<u>2010</u>	<u>2009</u>
<b>Plan Asset Allocation</b>		
Debt Securities	37.5%	33.0%
Equity Securities	52.8%	60.0%
Real Estate	6.8%	7.0%
Other	2.9%	0.0%
Total	100.0%	100.0%
<b>Expected Contribution for Next Plan Year (2011/2010)</b>	175,000	420,000
<b>Expected Benefit Payments</b>		
2011/2010	\$ 300,000	\$ 250,000
2012/2011	320,000	270,000
2013/2012	360,000	280,000
2014/2013	380,000	340,000
2015/2014	400,000	380,000
Next 5 years	2,500,000	2,410,000

***Assumptions:***

***Weighted-average assumptions used to determine benefit obligations at:***

Discount Rate	6.25%	6.25%
Rate of Compensation Increase	-	3.66%

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

Discount Rate	6.25%	6.25%
Expected Long-term Return on Plan Assets	8.00%	8.00%
Rate of Compensation Increase	-	3.66%

***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 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:***

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.

**Fair value of plan assets** – Beginning in 2009, the rules related to accounting for postretirement benefit plans under GAAP require certain fair value disclosures related to postretirement benefit plan assets, even though those assets are not included on our Balance Sheet. The following table presents the fair value of the assets of our qualified defined benefit pension plan by asset category and their level within the fair value hierarchy. See Note W for the description of each level within the fair value hierarchy.

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE R – Retirement Plans (Cont.)**

**Defined Benefit Plans (Cont.)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance</u> <u>6/30/10</u>
Cash & Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 0
Equity – Mutual Funds	2,458,740	0	0	2,458,740
Fixed Income – Corporate Debt Securities	1,012,646	0	0	1,012,646
Fixed Income – US Government Securities	640,321	0	0	640,321
Real Estate	<u>177,349</u>	<u>120,448</u>	<u>0</u>	<u>297,797</u>
Total	<u>\$ 4,289,056</u>	<u>\$ 120,448</u>	<u>\$ 0</u>	<u>\$ 4,409,504</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance</u> <u>6/30/09</u>
Cash & Cash Equivalents	\$ 0	\$ 0	\$ 0	\$ 0
Equity – Common Stock	115,471	0	0	115,471
Equity – Mutual funds	2,108,009	0	0	2,108,009
Fixed Income – Corporate Debt Securities	1,238,445	0	0	1,238,445
Real Estate	<u>186,916</u>	<u>78,022</u>	<u>0</u>	<u>264,938</u>
Total	<u>\$ 3,648,841</u>	<u>\$ 78,022</u>	<u>\$ 0</u>	<u>\$ 3,726,863</u>

**Valuation techniques** – Cash equivalents are mostly comprised of short-term money-market instruments and are valued at cost, which approximates fair value.

U.S. equity securities and international equity securities categorized as Level 1 are traded on national and international exchanges and are valued at their closing prices on the last day of the year. For U.S. equity securities and international equity securities not traded on an active exchange, or if the closing price is not available, the trustee obtains indicative quotes from a pricing vendor, broker, or investment manager. These securities are categorized as Level 2 if the custodian obtains corroborated quotes from a pricing vendor.

Fixed income securities categorized as Level 2 are valued by the trustee using pricing models that use verifiable observable market data (e.g. interest rates and yield curves observable at commonly quoted intervals), bids provided by brokers or dealers, or quoted prices of securities with similar characteristics.

The Organization also sponsors a multi-employer defined benefit plan covering only commissioned ministers. The plan is administered through a commercial insurance company and covers all commissioned ministers of Volunteers of America Chesapeake, Inc. Plan expenses for the year ended June 30, 2010 and 2009 amounted to \$7,043 and \$7,625, respectively. Since the plan is a multi-employer plan, the funded status and other pertinent plan information as they relate solely to the Organization are not readily available.

**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. The second plan is available for all employees of the Organization and has no required employer matching contribution. Effective June 1, 2010, the organization amended the second 403(b) plan to require a 2% employer contribution and up to a 3% discretionary profit sharing contribution after one year of service and 1,500 hours worked. Employer contributions vest at 20% for each year of service. Participants enrolled in the plan as of January 1, 2010 and have been with the organization for over one year and have completed 2,000 hours of service will be grandfathered into the match and will not have to wait for the additional year. Plan expenses amounted to \$14,770 and \$14,637 for the years ended June 30, 2010 and 2009, respectively.

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE S – Post Retirement Benefits**

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 term life insurance. In the second case, the benefit consisted of annual health insurance and level premium and term life insurance. The liability for the benefit obligations was determined by present valuing the future cash requirements for the life expectancies of the beneficiaries at the current US Treasury 20-year interest rate. In the case of the health insurance, an escalator of six percent was utilized for expected future health insurance increases, and Medicare supplemental insurance was assumed at age 65. The post retirement benefits for the years ended June 30, 2010 and 2009 amounted to \$730,155 and \$681,552, respectively.

**NOTE T – Financial Debt Covenants**

The Organization agreed to maintain a tangible net worth covenant and a debt service coverage ratio in regards to its mortgage and real estate loans with one bank. Per the terms of the loan agreement, tangible net worth shall not be less than \$13.5 million as exhibited in the annual consolidated financial audit. Tangible net worth is defined as net worth, plus obligations contractually subordinated to debts owed to Bank, minus goodwill, contract rights, and assets representing claims on stockholders or affiliated entities. The debt service coverage ratio shall not be less than 1.2X for the respective programs that are the end users of the related properties. Cash flow is defined as net profit before taxes, plus depreciation and amortization and interest minus owner withdrawals and advances to stockholders. Debt Service is defined as current maturities of long term debt plus interest expense. If the loans were deemed in default by the bank, then the bank has at its option to declare the balances on the notes immediately due and payable, require the organization to pledge additional collateral, take immediate possession and foreclose on the properties, and/ or charge a default rate of interest on the mortgages which is defined as the prime rate plus 5%. The Organization was not in compliance with its tangible net worth coverage ratio at June 30, 2010. However, the bank has subsequently waived this reporting requirement for the 2010 reporting period. The bank is currently working with the Organization to modify these financial covenants, but no formal agreement has been enacted.

**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.

**NOTE V – Option to Purchase Real Estate**

In March 2010 the Organization executed a purchase and sale agreement which gives it the option to purchase real estate in Baltimore, Maryland for the purchase price of \$1,650,000 through July 31, 2010 in exchange for a \$50,000 refundable deposit which was deposited with an escrow agent. If the option is not exercised by that date, the organization has the option to extend the period to consummate the sale through December 1, 2010 by escrowing an additional \$50,000. The initial \$50,000 deposit becomes non-refundable upon the extension of the option period. These deposits will be applied against the sales price if the option is exercised. If the buyer is unable to obtain a commitment for financing by December 1, 2010, then the second deposit will be refunded.

**NOTE W – Concentrations**

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.

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE W** – Concentrations (Cont.)

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

**NOTE X** – Fair Value Measurements

As required by the Fair Value Measurements and Disclosures Topic of FASB ASC, the Organization values and discloses its financial assets and liabilities to be valued and disclosed based on the following structure:

*LEVEL 1* – Investments included in this designation are valued based on quoted prices for identical investments in active markets as of the reporting date. This designation would include unrestricted securities listed on active exchanges.

*LEVEL 2* – Investments included in this designation are valued based on observable market based inputs or unobservable inputs that are corroborated by market data. This designation would include options and real estate investments.

*LEVEL 3* – Investments included in this designation are valued based on unobservable inputs that are significant to the valuation of a particular investment. The inputs into the determination of fair value in this level require significant management judgment or estimates.

In determining the appropriate levels for each investment, management performs a detailed analysis of the assets and liabilities that are subject to the standard. In some instances, an investment may be valued using a combination of inputs. In such instances, the investment is to be classified based on the lowest significant level used in the valuation. Management's assessment of the significance of a particular input in the fair value measurement of an investment requires judgment and considers factors specific to the investment.

**NOTE Y** – 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. No such contributions were required during fiscal years 2010 and 2009. The cumulative total to date operating deficit contributions remitted cumulatively totals \$214,050 through June 30, 2010.

Volunteers of America Chesapeake, Inc. is required to make certain operating deficit contributions to PACA House as defined in the Partnership Agreement. The Organization has agreed to advance funds up to a cumulative maximum of \$200,000 to the Partnership to cover any operating deficits. At June 30, 2010, no such contribution has been requested or required.

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, 2010 no such contribution has been requested or required.

**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**NOTE Z – Impairment of Real Estate**

During the year ended June 30, 2010, the Organization assessed whether any of its real estate was potentially impaired. It was determined that the real property in VOA Pratt Street Limited Partnership was impaired as a result of continuing to sustain operating losses from its real estate operations, coupled with the perceived decline in the fair market value of the building. This assessment resulted in the Partnership recognizing a real estate impairment loss of \$2,362,885 for the year ended June 30, 2010. This loss reflects the amount by which the carrying value of the asset on December 31, 2009 exceeds its estimated fair value as determined from the most recent results of an assessment of the property made by the Maryland Department of Assessments and Taxation on January 1, 2009. The impairment loss is reported as part of income from continuing operations in the statement of activities and is included in 'Other' on the statement of functional expenses for the year ended June 30, 2010. Assets to be disposed are reportable at the lower of the carrying amount or fair value, less costs to sell. The Organization has no assets intended for disposal as of June 30, 2010.

**NOTE AA – 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, 2010 and 2009, the Organization's uninsured cash balances totaled \$3,817,650 and \$2,505,024, respectively. The Organization has not experienced any losses and believes they are not exposed to significant risk.

The Organization has also invested \$34,019 at a brokerage house money market account at June 30, 2010 and 2009, respectively, which was unsecured.

**NOTE AB – Litigation**

As of June 30, 2010, the organization had two cases of litigation pending related to property damages in which plaintiffs were seeking damages totaling 107,000, of which the Organization's legal counsel estimates that potential losses not covered by insurance will not exceed \$40,000. The organization is also the defendant in a personal injury case in which the plaintiff was injured on a property owned by the Organization. The case is in the late stages of discovery and is scheduled for trial in March, 2011. The Organization is vigorously defending this matter. Legal counsel estimates that potential liability in this case will be in the \$50,000 - \$100,000 range if liability is found. Contribution and/or indemnification from other defendants may also be available to the Organization in the event of an unfavorable outcome. These items are not presently recorded in the organization's financial statements until such time that additional information is made available to further clarify the merits of these potential claims or the potential for losses not covered by existing insurance.

**NOTE AC – Subsequent Events**

Subsequent events were evaluated through October 25, 2010, the date the financial statements were available to be issued.

The Organization subsequently extended its option to purchase real estate in Baltimore City as described in Note AA by escrowing an additional \$50,000 and turning the initial deposit on the option to purchase the property into non-refundable deposit.

VOAC purchased real estate in Woodbridge, Virginia for a sales price of \$405,000 in which a mortgage in the amount of \$385,840 was obtained.

As discussed in Note Z, the Organization was in violation of its financial debt covenants required on its mortgage and real estate loans as of June 30, 2010. Subsequently, the bank has agreed to waive these reporting requirements for the 2010 reporting period.



**VOLUNTEERS OF AMERICA CHESAPEAKE, INC. AND SUBSIDIARIES**  
**Consolidating Statement of Financial Position**  
**June 30, 2010**

Schedule I

ASSETS	Chesapeake	Holding Corp	Baker House	PACA		Irv Woods		Irv Woods L.P.	Total	Eliminations	Consolidated TOTAL
				House Corp	Partnership	House Corp	Partnership				
Cash and Cash Equivalents	\$ 3,149,285	\$ 25,564	\$ 3,306	\$ -	\$ 782	\$ -	\$ 7,637	\$ -	\$ 3,187,751	\$ -	\$ 3,187,751
Accounts Receivable (Net)	3,130,415	-	-	-	8,233	-	5,285	3,604	3,147,537	(7,705)	3,139,832
Other Receivables	21,579	-	-	-	-	-	90	-	21,669	-	21,669
Due from Affiliate	1,527,113	426,391	3,219	-	-	44,632	-	100	2,001,455	(1,895,414)	106,041
Prepaid Expenses	79,797	-	3,160	-	16,461	-	9,132	12,442	120,992	-	120,992
Property and Equipment	4,746,954	367,926	176,317	-	3,722,819	-	1,413,582	6,045,148	16,472,746	(1,268,874)	15,203,872
Designated & Restricted Assets	307,894	-	244,730	-	1,361,636	-	227,369	294,076	2,435,705	-	2,435,705
Long-term Investments	1,143,676	-	-	-	-	-	-	-	1,143,676	-	1,143,676
Intangible Assets (Net)	-	834	-	-	52,938	-	50,542	50,409	154,723	-	154,723
Deposits	10,126	-	-	-	-	-	-	-	10,126	-	10,126
Beneficial Interest in Perpetual Trust	35,957	-	-	-	-	-	-	-	35,957	-	35,957
Investment in Partnership	1,266,393	-	-	402,125	-	970,576	-	100	2,639,194	(2,639,194)	-
Contributions from Charitable Trust	443,957	-	-	-	-	-	-	-	443,957	-	443,957
Notes Receivable from Affiliates	823,630	-	-	-	-	175,000	-	-	2,264,923	(2,264,923)	-
<b>Total Assets</b>	<b>\$ 16,686,776</b>	<b>\$ 820,715</b>	<b>\$ 430,732</b>	<b>\$ 402,125</b>	<b>\$ 5,162,869</b>	<b>\$ 1,190,208</b>	<b>\$ 1,713,637</b>	<b>\$ 6,406,956</b>	<b>\$ 34,080,411</b>	<b>\$ (8,076,110)</b>	<b>\$ 26,004,301</b>
<b>LIABILITIES</b>											
Accounts Payable	\$ 260,171	\$ 4,036	\$ 2,134	\$ -	\$ 77,122	\$ -	\$ 53,161	\$ -	\$ 420,577	\$ 20	\$ 420,597
Long-Term Debt	2,646,549	191,165	192,803	-	3,349,700	-	1,445,098	1,544,236	9,369,551	(590,200)	8,779,351
Accrued Expenses	2,107,203	-	1,309	-	705,669	-	606,642	27,585	3,448,408	(460,766)	2,987,642
Post-Retirement Benefit Liability	730,155	-	-	-	-	-	-	-	730,155	-	730,155
Refundable Advances	-	-	-	-	4,191	1,145,576	1,199	3,956	1,154,922	-	1,154,922
Client Escrow Funds	91,353	-	-	-	-	-	-	-	91,353	-	91,353
Tenant Security Deposits	-	-	873	-	5,041	-	6,546	34,363	46,823	-	46,823
Due to Affiliates	721,234	-	-	-	619,021	-	203,731	1,864,614	3,408,600	(3,116,976)	291,624
<b>Total Liabilities</b>	<b>6,556,665</b>	<b>195,201</b>	<b>197,119</b>	<b>-</b>	<b>4,760,744</b>	<b>1,145,576</b>	<b>2,316,377</b>	<b>3,498,707</b>	<b>18,670,389</b>	<b>(4,167,922)</b>	<b>14,502,467</b>
<b>NET ASSETS</b>											
Unrestricted	9,650,198	625,514	233,613	402,125	402,125	44,632	(602,740)	(40)	12,021,820	(3,908,188)	8,113,632
Temporarily Restricted	443,957	-	-	-	-	-	-	-	443,957	-	443,957
Permanently Restricted	35,956	-	-	-	-	-	-	-	35,956	-	35,956
Minority Interest	-	-	-	-	-	-	-	2,908,289	2,908,289	-	2,908,289
<b>Total Net Assets</b>	<b>10,130,111</b>	<b>625,514</b>	<b>233,613</b>	<b>402,125</b>	<b>402,125</b>	<b>44,632</b>	<b>(602,740)</b>	<b>2,908,249</b>	<b>15,410,022</b>	<b>(3,908,188)</b>	<b>11,501,834</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 16,686,776</b>	<b>\$ 820,715</b>	<b>\$ 430,732</b>	<b>\$ 402,125</b>	<b>\$ 5,162,869</b>	<b>\$ 1,190,208</b>	<b>\$ 1,713,637</b>	<b>\$ 6,406,956</b>	<b>\$ 34,080,411</b>	<b>\$ (8,076,110)</b>	<b>\$ 26,004,301</b>

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, 2010**

**Schedule II**

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	351,811																				351,811				351,811
Contributions, In-kind	628,919																				628,919				628,919
Sales to Public	348																				348				348
Special Events	7,834																				7,834				7,834
Legacies and Bequests	11,216																				11,216				11,216
United Way	11,108																				11,108				11,108
Government Grants	20,021,082		58,613		403,060		189,514		316,818		20,989,087		(149,790)								20,839,297				20,839,297
Program Service Fees	1,114,873		32,202		198,522		121,164		178,210		1,644,971		(47,380)								1,597,591				1,597,591
Sales of Materials & Services	19,934																				20,752				20,752
Other Operating Revenue	130,143		278		1,156		419		2,341		134,337										134,337				134,337
Interest & Dividend Income	74,348		844		6,987		671				88,100		(37,666)								50,434				50,434
Realized & Unrealized Gains Invest	100,379										100,379										100,379				100,379
Gain on Asset Disposal		2,500																			2,500				2,500
Rental Income		174,864																			174,864				174,864
Vehicle Lease		52,108																			52,108				52,108
Income from Investment																					(219,049)				(219,049)
Assets Released from Restriction		556,578																			556,578				556,578
Total Income	23,028,573		91,937		609,725		311,768		498,187		24,555,863		(242,759)								24,313,104				24,313,104
<b>EXPENSES</b>	<b>23,320,571</b>		<b>198,150</b>		<b>1,039,946</b>		<b>3,403,552</b>		<b>915,032</b>		<b>28,974,142</b>		<b>(996,589)</b>								<b>27,977,553</b>				<b>27,977,553</b>
<i>(Decl)/Inc in Unrestricted Net Assets before Minority Interest</i>	(291,998)		(4,954)		(219,049)		(430,221)		(416,845)		(4,418,279)		753,830								(3,664,449)				(3,664,449)
Minority Interest																					1,697,900				1,697,900
<i>(Decl)/Inc in Unrestricted Net Assets</i>	(291,998)		(4,954)		(219,049)		(430,221)		(42)		(2,720,379)		753,830								(1,966,549)				(1,966,549)
Unrestricted Net Assets - Beg of Year	7,501,309		594,192		621,174		1,419,119		2		12,301,312		(4,662,018)								7,639,294				7,639,294
Pension Liability Adjustment	2,440,887										2,440,887														2,440,887
Capital Contributions																									
Unrestricted Net Assets - End of Year	\$ 9,650,198		\$ 233,613		\$ 402,125		\$ 44,632		\$ (40)		\$ 12,021,820		\$ (3,908,188)								\$ 8,113,632				\$ 8,113,632

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, 2010**

Schedule III

EXPENSES	PACA						Total	Eliminations	Total
	Chesapeake	Holding Corp	Baker House	House Partnership	Pratt St Partnership	Jrv Woods L.P.			
Salaries	\$ 12,915,489	\$ -	\$ 4,412	\$ 181,907	\$ 128,150	\$ 146,858	\$ 13,376,816	\$ -	\$ 13,376,816
Pension Expense	827,559	-	-	-	-	-	827,559	-	827,559
Other Employee Benefits	1,355,634	-	-	19,340	8,228	5,851	1,389,053	-	1,389,053
Payroll Taxes	929,764	-	471	17,158	12,602	11,989	971,984	-	971,984
Legal Fees	31,322	-	-	7,011	5,280	389	44,002	-	44,002
Accounting Fees	86,911	5,000	6,824	8,697	8,847	6,875	123,154	-	123,154
Other Professional Fees	1,447,691	7,412	6,275	146,245	54,062	101,482	1,763,167	(197,170)	1,565,997
Supplies	1,287,436	1,310	1,139	3,289	125	2,054	1,295,353	-	1,295,353
Telecommunications	248,368	722	-	7,372	1,850	8,332	266,644	-	266,644
Postage	34,973	-	-	-	-	-	34,973	-	34,973
Occupancy Expense	2,100,585	81,165	40,871	241,677	161,873	160,791	2,786,962	(174,864)	2,612,098
Interest	59,495	14,896	16,193	62,165	69,042	116,410	338,201	(37,666)	300,535
Insurance	350,334	11,269	3,918	45,997	23,392	15,219	450,129	-	450,129
Equipment Rental & Maintenance	85,660	5,165	-	-	-	-	90,825	-	90,825
Printing & Publications	52,561	-	-	-	-	-	52,561	-	52,561
Travel and Transportation	360,760	131	-	-	-	270	361,161	(52,108)	309,053
Conferences & Meetings	45,551	-	-	-	-	-	45,551	-	45,551
Specific Assistance	175,214	-	-	-	-	-	175,214	-	175,214
Other	249,972	2,233	535	61,057	2,848,730	34,573	3,197,100	(461,978)	2,735,122
Depreciation & Amortization	217,535	68,847	16,253	238,031	81,371	303,939	925,976	(72,803)	853,173
Administrative Fees	457,757	-	-	-	-	-	457,757	-	457,757
<b>Total Expenses</b>	<b>\$ 23,320,571</b>	<b>\$ 198,150</b>	<b>\$ 96,891</b>	<b>\$ 1,039,946</b>	<b>\$ 3,403,552</b>	<b>\$ 915,032</b>	<b>\$ 28,974,142</b>	<b>\$ (996,589)</b>	<b>\$ 27,977,553</b>

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, 2009**

Schedule IV

ASSETS	Chesapeake		Holding Corp		Baker House		PACA House Corp		PACA House Partnership		Irv Woods Housing Corp		Irv Woods L.P.		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
Accounts Receivable (Net)	4,127,994	-	-	-	13,426	-	12,147	-	-	-	-	-	61,946	-	(33,629)	-	4,181,884	4,181,884
Other Receivables	48,793	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	48,793	48,793
Due from Affiliate	1,437,505	483,495	-	-	2,165	39,382	-	-	-	-	-	100	-	-	(1,951,237)	-	11,410	11,410
Prepaid Expenses	26,635	-	3,035	-	25,004	-	13,407	-	-	-	-	12,161	-	-	-	-	80,242	80,242
Property and Equipment	1,672,939	392,029	192,570	-	3,941,226	-	4,300,471	-	-	-	-	6,330,111	-	-	(1,803,655)	-	15,025,691	15,025,691
Designated & Restricted Assets	292,410	-	246,574	-	1,708,076	-	235,408	-	-	-	-	234,826	-	-	-	-	2,717,294	2,717,294
Long-term Investments	1,013,699	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,013,699	1,013,699
Intangible Assets (Net)	-	1,110	-	-	54,829	-	52,147	-	-	-	-	52,270	-	-	-	-	160,356	160,356
Deposits	33,961	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33,961	33,961
Beneficial Interest in Perpetual Trust	34,703	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,703	34,703
Investment in Partnership	1,266,393	-	-	621,174	-	970,576	-	-	-	100	-	-	-	-	(2,858,243)	-	-	-
Contributions from Charitable Trust	405,926	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	405,926	405,926
Notes Receivable from Affiliates	853,495	-	-	-	-	175,000	-	-	-	-	1,266,293	-	-	-	(2,294,788)	-	-	-
<b>Total Assets</b>	<b>\$ 14,591,192</b>	<b>\$ 879,400</b>	<b>\$ 451,900</b>	<b>\$ 621,174</b>	<b>\$ 5,845,960</b>	<b>\$ 1,184,958</b>	<b>\$ 4,665,219</b>	<b>\$ 1,266,393</b>	<b>\$ 6,829,230</b>	<b>\$ 36,335,426</b>	<b>\$ (8,941,552)</b>	<b>\$ 27,393,874</b>	<b>\$ 27,393,874</b>	<b>\$ 27,393,874</b>	<b>\$ 27,393,874</b>	<b>\$ 27,393,874</b>	<b>\$ 27,393,874</b>	<b>\$ 27,393,874</b>
<b>LIABILITIES</b>																		
Accounts Payable	143,984	12,872	5,072	-	22,324	-	10,184	-	-	-	-	22,304	-	20	-	216,740	216,760	
Long-Term Debt	550,642	259,359	205,574	-	3,635,875	-	1,445,098	-	-	-	-	1,562,202	-	(630,200)	-	7,028,550	7,028,550	
Accrued Expenses	3,887,820	12,977	1,447	-	711,861	-	526,520	-	-	-	-	13,867	-	(503,986)	-	4,650,506	4,650,506	
Post-Retirement Benefit Liability	681,552	-	-	-	-	-	-	-	-	-	-	-	-	-	-	681,552	681,552	
Refundable Advances	8,017	-	-	-	6,892	1,145,576	3,721	-	-	-	-	25,561	-	-	-	1,189,767	1,189,767	
Client Escrow Funds	57,897	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57,897	57,897	
Tenant Security Deposits	-	-	1,240	-	5,190	-	5,800	-	-	-	-	34,653	-	-	-	46,883	46,883	
Due to Affiliates	762,765	-	-	-	631,472	-	184,852	-	-	-	-	1,845,549	-	(3,145,368)	-	279,270	279,270	
<b>Total Liabilities</b>	<b>6,092,677</b>	<b>285,208</b>	<b>213,333</b>	<b>-</b>	<b>5,013,614</b>	<b>1,145,576</b>	<b>2,176,175</b>	<b>-</b>	<b>3,504,136</b>	<b>18,450,719</b>	<b>(4,279,534)</b>	<b>14,151,185</b>	<b>14,151,185</b>	<b>14,151,185</b>	<b>14,151,185</b>	<b>14,151,185</b>	<b>14,151,185</b>	
<b>NET ASSETS</b>																		
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					
Temporarily Restricted	962,504	-	-	-	-	-	-	-	-	962,504	-	962,504	962,504					
Permanently Restricted	34,702	-	-	-	-	-	-	-	-	34,702	-	34,702	34,702					
Minority Interest	-	-	-	-	-	-	-	-	-	3,325,092	-	4,606,189	4,606,189					
<b>Total Net Assets</b>	<b>8,498,515</b>	<b>594,192</b>	<b>238,567</b>	<b>621,174</b>	<b>832,346</b>	<b>39,382</b>	<b>2,489,044</b>	<b>1,266,393</b>	<b>3,325,094</b>	<b>17,904,707</b>	<b>(4,662,018)</b>	<b>13,242,689</b>	<b>13,242,689</b>					
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 14,591,192</b>	<b>\$ 879,400</b>	<b>\$ 451,900</b>	<b>\$ 621,174</b>	<b>\$ 5,845,960</b>	<b>\$ 1,184,958</b>	<b>\$ 4,665,219</b>	<b>\$ 1,266,393</b>	<b>\$ 6,829,230</b>	<b>\$ 36,335,426</b>	<b>\$ (8,941,552)</b>	<b>\$ 27,393,874</b>	<b>\$ 27,393,874</b>					

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 VI**

INCOME	Chesapeake	Holding Corp	Baker House	PACA		Irv Woods		Total	Eliminations	Consolidated Total
				House Corp	House Partnership	Pratt St Corp	Pratt St 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	20,955,911	(60,851)	(60,851)	20,895,060
Program Service Fees	1,771,405	-	35,439	148,680	75,864	203,587	2,234,975	(78,583)	(78,583)	2,156,392
Sales of Materials & Services	39,521	-	-	-	-	2,854	42,375	42,375	-	42,375
Other Operating Revenue	64,297	-	-	-	-	20,999	85,296	85,296	-	85,296
Interest & Dividend Income	140,870	-	4,175	16,579	1,064	9,182	177,120	(39,266)	(39,266)	137,854
Realized & Unrealized Gains Invest	(291,416)	-	-	-	-	-	(291,416)	-	-	(291,416)
Rental Income	-	182,580	-	-	-	-	182,580	(182,580)	-	-
Other Income	-	-	1,000	831	1,173	-	3,004	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	584,962	329,453	602,586	24,668,108	(480,554)	(480,554)	24,187,554
EXPENSES	23,738,779	185,125	104,179	919,869	616,557	947,805	26,512,314	(790,251)	(790,251)	25,722,063
(Dec)/Inc in Unrestricted Net Assets	(996,215)	117,064	(2,740)	(335)	(287,104)	(345,219)	(1,844,206)	309,697	309,697	(1,534,509)
before Minority Interest	-	-	-	-	287,075	345,184	966,831	-	-	966,831
Minority Interest	(996,215)	117,064	(2,740)	(335)	(29)	(35)	(877,375)	309,697	309,697	(567,678)
(Dec)/Inc in Unrestricted Net Assets	9,965,015	477,128	241,307	621,509	1,194,434	37	14,421,464	(4,747,001)	(4,747,001)	9,674,463
Unrestricted Net Assets - Beg of Year	(1,467,491)	-	-	-	-	-	(1,467,491)	-	-	(1,467,491)
Pension Liability Adjustment	-	-	-	-	224,714	-	224,714	(224,714)	(224,714)	-
Capital Contributions	-	-	-	-	-	-	-	-	-	-
Unrestricted Net Assets - End of Year	\$ 7,501,309	\$ 594,192	\$ 238,567	\$ 621,174	\$ 1,419,119	\$ 1,266,393	\$ 12,301,312	\$ (4,652,018)	\$ (4,652,018)	\$ 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						Total	Eliminations	Consolidated Total
	Chesapeake	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	\$ 13,334,426	\$ (26,255)	\$ 13,308,171
Pension Expense	416,323	-	-	-	-	-	416,323	-	416,323
Other Employee Benefits	1,595,570	-	-	13,018	5,163	10,398	1,624,149	-	1,624,149
Payroll Taxes	931,780	-	612	17,420	11,331	7,518	968,661	-	968,661
Legal Fees	100,092	-	-	-	1,494	2,833	104,419	-	104,419
Accounting Fees	119,126	5,500	5,324	9,113	9,390	9,173	157,626	-	157,626
Other Professional Fees	1,803,517	-	6,000	43,979	16,441	145,674	2,015,611	(113,179)	1,902,432
Supplies	1,174,730	360	1,826	6,450	570	1,704	1,185,640	-	1,185,640
Telecommunications	258,952	55	-	4,187	1,296	7,504	271,994	-	271,994
Postage	63,064	-	-	-	-	538	63,602	-	63,602
Occupancy Expense	2,014,894	50,489	44,979	207,551	155,355	186,920	2,660,188	(182,580)	2,477,608
Interest	43,413	18,773	17,196	68,584	67,894	113,513	329,373	(39,266)	290,107
Insurance	322,798	11,319	3,898	36,769	18,939	14,176	407,899	-	407,899
Equipment Rental & Maintenance	128,810	675	-	-	313	-	129,798	-	129,798
Printing & Publications	47,038	-	-	-	-	-	47,038	-	47,038
Travel and Transportation	384,949	915	-	-	-	1,673	387,537	(119,609)	267,928
Conferences & Meetings	74,203	200	-	-	-	-	74,403	-	74,403
Specific Assistance	137,442	-	-	-	-	-	137,442	-	137,442
Other	633,741	1,317	606	93,112	55,246	20,236	804,258	(224,714)	579,544
Depreciation & Amortization	132,455	95,522	16,365	243,343	169,627	305,541	962,853	(84,648)	878,205
Administrative Fees	429,074	-	-	-	-	-	429,074	-	429,074
<b>Total Expenses</b>	<b>\$ 23,738,779</b>	<b>\$ 185,125</b>	<b>\$ 104,179</b>	<b>\$ 919,869</b>	<b>\$ 616,557</b>	<b>\$ 947,805</b>	<b>\$ 26,512,314</b>	<b>\$ (790,251)</b>	<b>\$ 25,722,063</b>

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

See accompanying independent auditors' report and note above.