

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

**LANHAM, MARYLAND**

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**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY CONSOLIDATING INFORMATION**

**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

# **Volunteers of America Chesapeake, Inc., and Subsidiaries**

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## **Independent Auditors' Report**

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

We have audited the accompanying consolidated statement of financial position of Volunteers of America Chesapeake, Inc., and Subsidiaries as of June 30, 2011, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We did not audit the financial statements of Volunteers of America - Virginia Beach M/R, a local affiliate, which statements reflect total assets of \$413,906 and \$430,732, respectively, as of June 30, 2011 and 2010, and total support and revenues of \$97,762 and \$91,937, 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 - Virginia Beach M/R, is based solely on the report of the other auditors. The consolidated financial statements of Volunteers of America Chesapeake, Inc., as of and for the year ended June 30, 2010, were audited by other auditors whose report dated October 25, 2010, expressed an unqualified opinion on those consolidated statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the 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 Subsidiaries as of June 30, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Board of Directors  
Volunteers of America Chesapeake, Inc.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2011 consolidating information set forth on pages 44, 46, and 48 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, or results of operations of the individual entities, and it is not a required part of the consolidated financial statements. The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 2011 consolidating information has been subjected to the auditing procedures applied in the 2011 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling the consolidating information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 consolidating information is fairly stated in all material respects in relation to the 2011 consolidated financial statements as a whole. The 2010 consolidating information set forth on pages 45, 47, and 49 was subjected to the auditing procedures applied in the 2010 audit of the consolidated financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2010 consolidated financial statements as a whole.

*Councilor, Buchanan + Mitchell, P.C.*

Bethesda, Maryland  
December 1, 2011

Certified Public Accountants

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Consolidated Statements of Financial Position  
June 30, 2011**

	2011	2010
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 2,517,850	\$ 3,187,751
Accounts Receivable (Net of Allowance)	3,027,869	3,139,832
Other Receivables	1,503	21,669
Due from Affiliates	253,000	106,041
Prepaid Expenses	73,332	120,992
Total Current Assets	5,873,554	6,576,285
<b>Land, Buildings, and Equipment (Net)</b>	<b>16,721,517</b>	<b>15,203,872</b>
<b>Other Assets</b>		
Designated and Restricted Assets	2,216,250	2,435,705
Long-Term Investments	1,348,165	1,143,676
Unamortized Mortgage Costs	148,536	154,723
Deposits	18,290	10,126
Beneficial Interest in Perpetual Trust	43,866	35,957
Contribution Receivable from Charitable Remainder Trust	530,347	443,957
Total Other Assets	4,305,454	4,224,144
<b>Total Assets</b>	<b>\$ 26,900,525</b>	<b>\$ 26,004,301</b>

*See accompanying Notes to Consolidated Financial Statements.*

	<u>2011</u>	<u>2010</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 229,852	\$ 420,597
Current Portion of Notes and Mortgages Payable	318,399	303,785
Accrued Expenses	2,256,288	2,101,599
Contract/Grant Advances	45,833	9,346
Due to Affiliates	291,206	291,624
Client Escrow Funds	80,433	91,353
	<u>3,222,011</u>	<u>3,218,304</u>
<b>Other Liabilities</b>		
Notes and Mortgages Payable, Non-Current	9,361,412	8,475,566
Tenant Security Deposits	41,961	46,823
Refundable Advances	1,551,738	1,145,576
Postretirement Benefit Liability	669,322	730,155
Underfunded Pension Obligation	515,970	886,043
	<u>12,140,403</u>	<u>11,284,163</u>
Total Other Liabilities	<u>12,140,403</u>	<u>11,284,163</u>
Total Liabilities	<u>15,362,414</u>	<u>14,502,467</u>
<b>Net Assets</b>		
Unrestricted		
Controlling Interest	8,421,079	8,113,632
Noncontrolling Interest in Subsidiaries	2,540,231	2,908,289
	<u>10,961,310</u>	<u>11,021,921</u>
Total Unrestricted	<u>10,961,310</u>	<u>11,021,921</u>
Temporarily Restricted	530,347	443,957
Permanently Restricted	46,454	35,956
	<u>576,801</u>	<u>479,913</u>
Total Net Assets	<u>11,538,111</u>	<u>11,501,834</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 26,900,525</u></u>	<u><u>\$ 26,004,301</u></u>

## Volunteers of America Chesapeake, Inc., and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Noncontrolling Interest	Total
<b>Revenues and Support</b>					
Public Support					
Public Support Received Directly					
Contributions - Cash	\$ 279,436	\$ -	\$ -	\$ -	\$ 279,436
Contributions - In-Kind	305,072	-	-	-	305,072
Sales to Public	9,816	-	-	-	9,816
Special Events (Net of Direct Benefit Costs)	28,729	-	-	-	28,729
Legacies and Bequests	1,270	-	-	-	1,270
Public Support Received Indirectly					
United Way	4,267	-	-	-	4,267
Total Public Support	628,590	-	-	-	628,590
Government Revenues and Grants	21,912,211	-	-	-	21,912,211
Other Revenues					
Program Service Fees	1,784,034	-	-	-	1,784,034
Sales of Materials and Services, Net	1,587	-	-	-	1,587
Other Operating Revenues	324,666	-	-	-	324,666
Total Other Revenues	2,110,287	-	-	-	2,110,287
Total Revenues and Support	24,651,088	-	-	-	24,651,088
<b>Expenses</b>					
Program Services					
Encouraging Positive Development	40,928	-	-	-	40,928
Fostering Independence	10,971,579	-	-	-	10,971,579
Promoting Self-Sufficiency	10,208,376	-	-	-	10,208,376
Total Program Services	21,220,883	-	-	-	21,220,883
Supporting Services					
Management and General	3,130,158	-	-	-	3,130,158
Fund-Raising	499,710	-	-	-	499,710
Total Supporting Services	3,629,868	-	-	-	3,629,868
Total Program and Supporting Services	24,850,751	-	-	-	24,850,751
Administrative Fees Paid to VOA, Inc.	489,019	-	-	-	489,019
Total Expenses	25,339,770	-	-	-	25,339,770
Decrease in Net Assets from Operations	(688,682)	-	-	-	(688,682)

See accompanying Notes to Consolidated Financial Statements.

## Volunteers of America Chesapeake, Inc., and Subsidiaries

Consolidated Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
<b>Non-Operating Gains and Other Revenues</b>					
Interest and Dividends	\$ 77,539	\$ -	\$ -	\$ -	\$ 77,539
Unrealized Gains on Investments	131,016	-	-	-	131,016
Capital Gains Distributions	45,606	-	-	-	45,606
Pension Gain	373,910	-	-	-	373,910
Change in Value of Split-Interest Agreements	-	86,390	10,498	-	96,888
	<u>628,071</u>	<u>86,390</u>	<u>10,498</u>	<u>-</u>	<u>724,959</u>
Total Non-Operating Gains and Other Revenues					
(Decrease) Increase in Net Assets Before Noncontrolling Interest	(60,611)	86,390	10,498	-	36,277
Increase (Decrease) in Net Assets Attributable to Noncontrolling Interest	<u>368,058</u>	<u>-</u>	<u>-</u>	<u>(368,058)</u>	<u>-</u>
Total (Decrease) Increase in Net Assets	307,447	86,390	10,498	(368,058)	36,277
Net Assets at Beginning of Year	<u>8,113,632</u>	<u>443,957</u>	<u>35,956</u>	<u>2,908,289</u>	<u>11,501,834</u>
<b>Net Assets at End of Year</b>	<u>\$ 8,421,079</u>	<u>\$ 530,347</u>	<u>\$ 46,454</u>	<u>\$ 2,540,231</u>	<u>\$ 11,538,111</u>

See accompanying Notes to Consolidated Financial Statements.



## Volunteers of America Chesapeake, Inc., and Subsidiaries

**Consolidated Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
<b>Revenues and Support</b>					
Public Support					
Public Support Received Directly					
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
Public Support Received Indirectly					
United Way	11,108	-	-	-	11,108
Total Public Support	<u>1,011,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,011,236</u>
Government Revenues and Grants	<u>20,839,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,839,297</u>
Net Assets Released from Restrictions	<u>556,578</u>	<u>(556,578)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Revenues					
Program Service Fees	1,597,591	-	-	-	1,597,591
Sales of Materials and Services, Net	20,752	-	-	-	20,752
Other Operating Revenues	134,337	-	-	-	134,337
Total Other Revenues	<u>1,752,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,752,680</u>
Total Revenues and Support	<u>24,159,791</u>	<u>(556,578)</u>	<u>-</u>	<u>-</u>	<u>23,603,213</u>
<b>Expenses</b>					
Program Services					
Encouraging Positive Development	124,134	-	-	-	124,134
Fostering Independence	10,584,735	-	-	-	10,584,735
Promoting Self-Sufficiency	12,785,398	-	-	-	12,785,398
Total Program Services	<u>23,494,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,494,267</u>
Supporting Services					
Management and General	3,283,443	-	-	-	3,283,443
Fund-Raising	742,086	-	-	-	742,086
Total Supporting Services	<u>4,025,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,025,529</u>
Total Program and Supporting Services	27,519,796	-	-	-	27,519,796
Administrative Fees Paid to VOA, Inc.	457,757	-	-	-	457,757
Total Expenses	<u>27,977,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,977,553</u>
Decrease in Net Assets from Operations	<u>(3,817,762)</u>	<u>(556,578)</u>	<u>-</u>	<u>-</u>	<u>(4,374,340)</u>

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
<b>Non-Operating Gains and Other Revenues</b>					
Interest and Dividends	\$ 50,434	\$ -	\$ -	\$ -	\$ 50,434
Capital Gains Distributions	31,668	-	-	-	31,668
Unrealized Gains on Investments	68,711	-	-	-	68,711
Pension Gain	2,440,887	-	-	-	2,440,887
Change in Value of Split-Interest Agreements	-	38,031	1,254	-	39,285
Gain on Disposal of Assets	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
 Total Non-Operating Gains and Other Revenues	<u>2,594,200</u>	<u>38,031</u>	<u>1,254</u>	<u>-</u>	<u>2,633,485</u>
 (Decrease) Increase in Net Assets Before Noncontrolling Interest	 (1,223,562)	 (518,547)	 1,254	 -	 (1,740,855)
 Increase (Decrease) in Net Assets Attributable to Noncontrolling Interest	 <u>1,697,900</u>	 <u>-</u>	 <u>-</u>	 <u>(1,697,900)</u>	 <u>-</u>
 Total (Decrease) Increase in Net Assets	 474,338	 (518,547)	 1,254	 (1,697,900)	 (1,740,855)
 Net Assets at Beginning of Year	 <u>7,639,294</u>	 <u>962,504</u>	 <u>34,702</u>	 <u>4,606,189</u>	 <u>13,242,689</u>
 <b>Net Assets at End of Year</b>	 <u><u>\$ 8,113,632</u></u>	 <u><u>\$ 443,957</u></u>	 <u><u>\$ 35,956</u></u>	 <u><u>\$ 2,908,289</u></u>	 <u><u>\$ 11,501,834</u></u>

*See accompanying Notes to Consolidated Financial Statements.*

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2011**

	Program Services				Supporting Services			2011 Total
	Encouraging Positive Development	Fostering Independence	Promoting Self- Sufficiency	Total	Management and General	Fund-Raising	Total	
Salaries	\$ 30,429	\$ 6,560,210	\$ 5,268,764	\$ 11,859,403	\$ 1,604,388	\$ 233,585	\$ 1,837,973	\$ 13,697,376
Pension Expense	548	91,375	89,944	181,867	30,247	1,518	31,765	213,632
Other Employee Benefits	-	630,756	569,689	1,200,445	131,074	6,439	137,513	1,337,958
Payroll Taxes	2,351	446,579	381,120	830,050	96,386	15,957	112,343	942,393
Legal Fees	-	11,993	25,355	37,348	39,649	313	39,962	77,310
Accounting Fees	-	-	54,630	54,630	66,816	-	66,816	121,446
Other Professional Fees	50	200,945	356,979	557,974	510,337	150,444	660,781	1,218,755
Supplies	2,539	355,277	651,309	1,009,125	95,100	1,158	96,258	1,105,383
Telecommunications	3,922	137,821	86,425	228,168	47,094	549	47,643	275,811
Postage	14	3,660	2,953	6,627	25,461	2,502	27,963	34,590
Occupancy Expense	-	1,419,444	1,070,861	2,490,305	85,424	80	85,504	2,575,809
Interest	-	115,199	222,292	337,491	12,305	-	12,305	349,796
Insurance	608	150,679	220,063	371,350	50,831	1,500	52,331	423,681
Equipment Rental and Maintenance	-	21,493	75,359	96,852	34,061	1,177	35,238	132,090
Printing and Publications	66	5,261	4,996	10,323	11,472	12,355	23,827	34,150
Travel and Transportation	-	222,822	71,691	294,513	20,227	819	21,046	315,559
Conferences and Meetings	-	19,887	20,371	40,258	35,913	5,353	41,266	81,524
Specific Assistance	176	94,644	290,414	385,234	-	-	-	385,234
Other	225	321,950	90,369	412,544	74,135	65,961	140,096	552,640
Depreciation and Amortization	-	161,584	654,792	816,376	159,238	-	159,238	975,614
<b>Total Functional Expenses</b>	<b>40,928</b>	<b>10,971,579</b>	<b>10,208,376</b>	<b>21,220,883</b>	<b>3,130,158</b>	<b>499,710</b>	<b>3,629,868</b>	<b>24,850,751</b>
Administrative Fees - VOA, Inc.	-	-	-	-	489,019	-	489,019	489,019
<b>Total Expenses</b>	<b>\$ 40,928</b>	<b>\$ 10,971,579</b>	<b>\$ 10,208,376</b>	<b>\$ 21,220,883</b>	<b>\$ 3,619,177</b>	<b>\$ 499,710</b>	<b>\$ 4,118,887</b>	<b>\$ 25,339,770</b>

See accompanying Notes to Consolidated Financial Statements.

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

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

	Program Services				Supporting Services			2010 Total
	Encouraging Positive Development	Fostering Independence	Promoting Self- Sufficiency	Total	Management and General	Fund-Raising	Total	
Salaries	\$ 56,281	\$ 6,327,516	\$ 5,303,322	\$ 11,687,119	\$ 1,532,729	\$ 156,968	\$ 1,689,697	\$ 13,376,816
Pension Expense	5,687	286,172	297,524	589,383	231,897	6,279	238,176	827,559
Other Employee Benefits	-	641,129	544,059	1,185,188	203,865	-	203,865	1,389,053
Payroll Taxes	4,135	463,107	393,264	860,506	100,146	11,332	111,478	971,984
Legal Fees	-	14,306	16,036	30,342	12,682	978	13,660	44,002
Accounting Fees	-	-	31,243	31,243	91,911	-	91,911	123,154
Other Professional Fees	2,893	197,865	407,553	608,311	537,666	420,020	957,686	1,565,997
Supplies	18,656	390,885	706,433	1,115,974	107,355	72,024	179,379	1,295,353
Telecommunications	4,244	122,158	94,282	220,684	45,506	454	45,960	266,644
Postage	14	2,570	2,122	4,706	21,469	8,798	30,267	34,973
Occupancy Expense	-	1,413,321	1,072,691	2,486,012	124,569	1,517	126,086	2,612,098
Interest	-	54,554	230,772	285,326	15,209	-	15,209	300,535
Insurance	428	158,190	238,091	396,709	53,420	-	53,420	450,129
Equipment Rental and Maintenance	697	9,807	49,869	60,373	30,452	-	30,452	90,825
Printing and Publications	-	4,281	7,302	11,583	11,171	29,807	40,978	52,561
Travel and Transportation	-	202,416	77,563	279,979	29,011	63	29,074	309,053
Conferences and Meetings	137	9,677	14,961	24,775	19,483	1,293	20,776	45,551
Specific Assistance	246	82,114	62,753	145,113	-	30,101	30,101	175,214
Other	30,141	98,559	2,533,662	2,662,362	70,308	2,452	72,760	2,735,122
Depreciation and Amortization	575	106,108	701,896	808,579	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>23,494,267</b>	<b>3,283,443</b>	<b>742,086</b>	<b>4,025,529</b>	<b>27,519,796</b>
Administrative Fees - VOA, Inc.	1,935	252,769	191,287	445,991	-	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>\$ 23,940,258</b>	<b>\$ 3,283,443</b>	<b>\$ 753,852</b>	<b>\$ 4,037,295</b>	<b>\$ 27,977,553</b>

See accompanying Notes to Consolidated Financial Statements.

## Volunteers of America Chesapeake, Inc., and Subsidiaries

**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in Net Assets Attributable to the Controlling Interest	\$ 404,335	\$ (42,955)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Loss Attributable to the Noncontrolling Interest	(368,058)	(1,697,900)
Depreciation	969,427	847,540
Loss on Impairment of Real Property	-	2,362,885
Gain on Disposal of Assets	-	(2,500)
Amortization of Mortgage Costs	6,187	5,633
Bad Debts	269,148	146,260
Net Unrealized Gains on Investment Holdings	(131,016)	(68,711)
Change in Value of Split-Interest Agreements	(94,299)	(39,285)
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(277,185)	868,292
Other Receivables	20,166	27,124
Prepaid Expenses	47,660	(40,750)
Designated and Restricted Assets	219,455	281,589
Deposits	(8,164)	23,835
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	(190,745)	203,837
Accrued Expenses	154,689	179,571
Post Retirement Benefit Liability	(60,833)	48,603
Contract/Grant Advances	36,487	(34,845)
Client Escrow Funds	(10,920)	33,456
Tenant Security Deposits	(4,862)	(60)
Refundable Advances	406,162	-
Underfunded Pension Obligation	(370,073)	(1,842,435)
Net Cash Provided by Operating Activities	<u>1,017,561</u>	<u>1,259,184</u>

See accompanying Notes to Consolidated Financial Statements.

## Volunteers of America Chesapeake, Inc., and Subsidiaries

**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Land	\$ (329,287)	\$ -
Purchases of Building and Leasehold Improvements	(2,116,567)	(1,074,787)
Purchases of Furniture and Equipment	(12,945)	(23,960)
Purchases of Vehicles	(28,273)	(71,559)
Net Advances Due from/to Affiliates	(27,377)	(54,777)
Purchases of Investments	(73,473)	(61,266)
Sales of Vehicles	-	2,500
	<u>(2,587,922)</u>	<u>(1,283,849)</u>
Net Cash Used in Investing Activities		
<b>Cash Flows from Financing Activities</b>		
Proceeds of Long-Term Borrowings	1,200,000	-
Repayments of Long-Term Borrowings	(299,540)	(467,499)
	<u>900,460</u>	<u>(467,499)</u>
Net Cash Provided by (Used in) Financing Activities		
Decrease in Cash and Cash Equivalents	(669,901)	(492,164)
Cash and Cash Equivalents, Beginning of Year	<u>3,187,751</u>	<u>3,679,915</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 2,517,850</u></u>	<u><u>\$ 3,187,751</u></u>
<b>Supplementary Disclosure of Cash Flow Information</b>		
Interest Paid	\$ 385,955	\$ 217,064
<b>Noncash Transactions from Investing and Financing Activities</b>		
Amount of Vehicle Acquisitions Financed by Bank	\$ 22,292	\$ 323,300
Imputed Interest on Noninterest-Bearing Note to Purchase Building	2,593	2,593
Buildings and Improvements Acquisitions Financed by Bank	-	1,895,000

*See accompanying Notes to Consolidated Financial Statements.*

## **Volunteers of America Chesapeake, Inc., and Subsidiaries**

### **Notes to Consolidated Financial Statements June 30, 2011 and 2010**

#### **1. ORGANIZATION**

Volunteers of America Chesapeake, Inc., (VOAC), founded in 1896, 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 an affiliate of Volunteers of America, Inc., (VOA, 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. VOAC also provides services to individuals with mental health problems, those that are developmentally disabled, and elderly members of the community, which help in fostering their independence. Finally, VOAC provides substance abuse treatment and community corrections services. 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) (collectively, the "Organization").

In June 2008, VOA, Inc., revoked the charter of VOAC 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 VOAC's board of directors and the appointment of interim directors who are all directors of VOA, Inc. VOA, Inc. intends to reinstate the charter of VOAC once the concerns identified during the charter review are satisfactorily resolved and a new permanent board of directors is identified.

A substantial 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.

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 VOAC. Holding Corp's primary purpose is to purchase, sell, and lease property as a 501(c)(3) corporation. Holding Corp is a nonstock corporation whose directors are predominately employees of VOAC.

Volunteers of America - Virginia Beach M/R (Baker House) was organized in December 1979 and operates as a program of VOAC. Baker House was organized to construct and operate an apartment project of 12 units in Virginia Beach, Virginia, under Section 8 of the National Housing Act. Baker House is regulated by the Virginia Housing and Development Authority (VHDA). Baker House is a nonstock corporation controlled by Holding Corp through having the same director.

# **Volunteers of America Chesapeake, Inc., and Subsidiaries**

## **Notes to Consolidated Financial Statements June 30, 2011 and 2010**

### **1. ORGANIZATION (CONTINUED)**

VOA PACA House, Inc., was incorporated in 1994 under the laws of the State of Maryland to be the general, 0.10% partner in PACA House. VOA PACA House, Inc.'s only income or loss is the result of its investment in PACA House. VOAC is the sole shareholder in VOA PACA House, Inc.

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 Community Development Administration (CDA) of the Maryland Department of Housing and Community Development (DHCD). All leases between PACA House and tenants of the property are operating leases. PACA House 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 PACA House 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.

PACA House 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 PACA House as to occupant eligibility and unit gross rents, among other requirements. PACA House 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 CDA, which requires the utilization of the housing units pursuant to Section 42 for a minimum of 30 years, even after the disposition of the housing units by PACA House.

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



**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**1. ORGANIZATION (CONTINUED)**

Pratt Street Housing 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. VOAC was the 99.99% limited partner in Pratt Street until December 29, 2010. Effective on that date, VOAC withdrew as limited partner and a new limited partner was admitted. Pratt Street Housing Corporation is the .01% general partner, of which VOAC is the sole member. Rehabilitation of the building in which Pratt Street rents units was completed in December 2001. At that time, Pratt Street began operating as a low-income rental housing provider. Pratt Street has qualified for and been allocated low-income housing tax credits pursuant to Section 42, as discussed above for PACA House. In addition, Pratt Street is required by a regulatory agreement with DHCD to maintain certain operating and replacement reserves under a loan agreement.

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

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 CDA. Irvington Woods consists of 71 units located in Baltimore, Maryland, and is currently operating under the name of Irving Woods Apartments.

Cash distributions related to operations are limited by agreements between Irvington Woods 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.

Irvington Woods has qualified for and been allocated low-income housing tax credits pursuant to Section 42, as discussed above for PACA House. In addition, Irvington Woods has executed an Extended Low-Income Housing Covenant with CDA, which requires the utilization of the housing units pursuant to Section 42 for a minimum of 30 years, even after the disposition of the housing units by Irvington Woods.

## **Volunteers of America Chesapeake, Inc., and Subsidiaries**

### **Notes to Consolidated Financial Statements June 30, 2011 and 2010**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

##### **Basis of Accounting**

The consolidated 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 VOAC and its wholly-owned nonprofit subsidiaries, Holding Corp, Baker House, VOA PACA House, Inc., Pratt Street Housing Corporation, VOA Irvington Woods Housing Corp., Inc., and the for-profit entities PACA House, Pratt Street, and Irvington Woods in which VOAC has a controlling financial interest. All material interorganizational transactions have been eliminated in the consolidation.

##### **Use of Estimates**

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

##### **Cash and Cash Equivalents**

The Corporation considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents. Restricted deposits are not considered cash on the consolidated statements 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. The Organization considers accounts to be past due based on management's determination. The Organization's policy is to charge off accounts receivable when management determines the receivables will not be collected.

## **Volunteers of America Chesapeake, Inc., and Subsidiaries**

### **Notes to Consolidated Financial Statements June 30, 2011 and 2010**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (CONTINUED)**

##### **Land, Buildings, and Equipment**

Land, buildings, and equipment are carried at cost and are depreciated on the straight-line method over their estimated useful lives ranging from three to twenty-seven years for financial reporting purposes. The policy of the Organization is to capitalize equipment costing over \$2,000 and having a useful life of over one year. Depreciation expense amounted to \$969,427 and \$847,540 for the years ended June 30, 2011 and 2010, respectively.

##### **Investments**

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

##### **Unamortized Mortgage Costs**

Gross mortgage costs totaled \$212,655 at June 30, 2011 and 2010, 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 \$64,119 and \$57,932 at June 30, 2011 and 2010, respectively. Amortization expense amounted to \$6,187 and \$5,633 for the years ended June 30, 2011 and 2010, respectively.

##### **Net Assets**

The Organization classifies net assets into three categories: unrestricted, temporarily restricted, and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statements of activities and changes in net assets as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purposes. The Organization's policy is to treat as unrestricted the temporarily restricted contributions for which the restrictions were satisfied in the year received.

## Volunteers of America Chesapeake, Inc., and Subsidiaries

### Notes to Consolidated Financial Statements June 30, 2011 and 2010

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (CONTINUED)

##### Net Assets (Continued)

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 related investments.

##### Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donors for future periods or specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

As required by the *Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others* Topic for Not-for-Profit Entities of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-605-25-24), the Organization recognized in its consolidated financial statements gross support received and the related expenses incurred associated with its direct mail program conducted through VOA, Inc.

##### 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 they do not meet the support recognition criteria of the *Contributed Services* Topic of FASB ASC (958-605-25-16).

##### Rental Revenue and Requirements

Rental revenue 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.

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

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(CONTINUED)**

**Advertising Costs**

Non-direct response advertising costs are expensed as incurred. Total non-direct advertising costs for the years ended June 30, 2011 and 2010, were \$59,812 and \$39,465, respectively.

There were no direct response advertising costs for the years ended June 30, 2011 and 2010.

**Operations**

The Organization defines operations as all program and supporting services activities undertaken. Revenues and support that result from these activities and their related expenses are reported as operating activities that produce changes in net assets from operations. Investment income, gains, and losses, other revenues or expenses that result from ancillary activities, such as disposing of assets, changes in the values of split-interest agreements, and changes in the amount of the underfunded pension obligation are reported as non-operating activities.

**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 incomes or losses of the partnerships are included in the income tax returns of the partners.

As required by FASB ASC Topic 740, *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.

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(CONTINUED)**

**Reclassifications**

Certain 2010 amounts have been reclassified to conform to the 2011 consolidated financial statements presentation.

**3. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK**

The Organization maintains cash balances at several financial institutions in Maryland and Virginia that are insured by the Federal Deposit Insurance Corporation. The Organization is exposed to concentrations of credit risk when cash balances exceed the FDIC limit. At June 30, 2011 and 2010, the Organization's uninsured cash balances totaled \$55,876 and \$3,817,650, respectively. Management believes that the Organization is not exposed to significant risk of loss from uninsured balances.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
Grants and Contracts	\$ 703,561	\$ 474,505
Fees for Services	2,397,911	2,755,875
Rents Receivable	<u>49,392</u>	<u>44,282</u>
	3,150,864	3,274,662
Less Allowance for Doubtful Accounts	<u>(2,995)</u>	<u>(134,830)</u>
Net Accounts Receivable	<u>\$ 3,147,869</u>	<u>\$ 3,139,832</u>

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**5. DUE FROM AFFILIATES**

Due from affiliates totaled \$13,000 and \$106,041 at June 30, 2011 and 2010, respectively. The balances consisted of the following:

	<u>2011</u>	<u>2010</u>
Management Fees (VOA Eastern Avenue)	\$ 120,000	\$ 60,000
Operating Advance (VOA Eastern Avenue)	13,000	13,000
Enterprise Program Receivable (VOA, Inc.)	<u>-</u>	<u>33,041</u>
Total	<u>\$ 133,000</u>	<u>\$ 106,041</u>

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

**6. LAND, BUILDINGS, AND EQUIPMENT**

Land, buildings, and equipment are recorded at cost and consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 2,694,467	\$ 2,365,180
Buildings and Improvements	19,527,203	17,604,002
Construction in Progress	605,615	380,953
Furniture and Equipment	1,349,450	1,367,801
Vehicles	<u>1,003,155</u>	<u>974,882</u>
Total Cost	25,179,890	22,692,818
Less Accumulated Depreciation	<u>(8,458,373)</u>	<u>(7,488,946)</u>
Net Land, Buildings, and Equipment	<u>\$ 16,721,517</u>	<u>\$ 15,203,872</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, Maryland, for a residential re-entry program.

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

## **Volunteers of America Chesapeake, Inc., and Subsidiaries**

### **Notes to Consolidated Financial Statements June 30, 2011 and 2010**

#### **6. LAND, BUILDINGS, AND EQUIPMENT (CONTINUED)**

During the year ended June 30, 2010, the Organization assessed whether any of its real estate was potentially impaired. Management determined that the real property in Pratt Street 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 Pratt Street 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, exceeded 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 consolidated statement of activities and changes in net assets and is included in "other" on the consolidated statement of functional expenses for the year ended June 30, 2010. Assets to be disposed, if any, are reported 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, 2011 and 2010.

#### **7. 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 Development Authority (VHDA) holds a mortgage on certain properties belonging to Baker House. Under terms of the mortgage, payments include, in addition to monthly principal and interest payments, amounts necessary to cover real estate taxes, insurance, and operating and replacement 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 for the years ended June 30, 2011 and 2010. The balance in the replacement reserve at June 30, 2011 and 2010, was \$38,352 and \$35,270, respectively. The operating reserve was funded at \$195,919 and \$-0- for the years ended June 30, 2011 and 2010, 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 \$-0- and \$5,343 withdrawn from the operating reserve during the years ended June 30, 2011 and 2010, respectively. The balance in the operating reserve at June 30, 2011 and 2010, was \$195,919 and \$206,816, respectively.



## **Volunteers of America Chesapeake, Inc., and Subsidiaries**

### **Notes to Consolidated Financial Statements June 30, 2011 and 2010**

#### **7. DESIGNATED AND RESTRICTED ASSETS (CONTINUED)**

Under the provisions of the regulatory agreement with U.S. Department of Housing and Urban Development (HUD), Baker House is required to establish a residual receipts account for its surplus cash, if any. Disbursements and withdrawals may be made from this account only with prior HUD approval. At June 30, 2011 and 2010, no residual receipts account was required for Baker House.

PACA House has several reserve commitments with DHCD. PACA House is required to maintain a replacement reserve, a working capital fund, a social services reserve, and an operating reserve.

Upon commencement of the permanent loan period, PACA House 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 balance in this account was \$186,773 and \$271,931 at June 30, 2011 and 2010, respectively.

PACA House maintains a general operating reserve in the initial amount of \$375,000 and a Section 8 reserve in the initial amount of \$725,000. Investment and disbursement of the reserves are detailed in the second addendum to the regulatory agreement, dated May 13, 1996. As of June 30, 2011 and 2010, the combined balances in these reserves account totaled \$951,241 and \$1,062,814, respectively. The limited partner and HUD authorized a withdrawal of \$315,695 from the reserves during fiscal year 2010 to pay down debt and liabilities.

Pratt Street has several reserve commitments as stipulated in the Agreement of Limited Partnership and required by DHCD's Regulatory Agreement, as amended and restated. Pratt Street is required to establish and maintain an operating reserve and a replacement reserve. Pratt Street shall establish an operating reserve of at least \$137,000 as specified in the partnership agreement and required by DHCD's Regulatory Agreement. The account was fully funded at June 30, 2003. DHCD approved a withdrawal of \$39,609 during the year ended June 30, 2011. The balance in this account at June 30, 2011 and 2010, was \$102,714 and \$142,316, respectively. Pratt Street shall also fund a replacement reserve in the amount of \$250 per unit per year, increasing at 4% per annum. Funds in this account shall be used for major repairs, capital expenditures, and the replacement of capital items in the property. The limited partner must approve expenditures costing \$5,000 or more before they are made. The balance in this account at June 30, 2011 and 2010, was \$35,556 and \$37,521, respectively. DHCD and the limited partner authorized \$17,998 to be withdrawn for qualified expenditures in fiscal year 2010.

# Volunteers of America Chesapeake, Inc., and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2011 and 2010

### 7. DESIGNATED AND RESTRICTED ASSETS (CONTINUED)

Under the terms of DHCD's Regulatory Agreement, Irvington Woods is required to place tenant deposits into separate accounts. It is 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, Irvington Woods 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. DHCD approved withdrawals of \$36,235 and \$-0- for the years ended June 30, 2011 and 2010. The balances in this account at June 30, 2011 and 2010, amounted to \$37,043 and \$53,190, respectively.

Irvington Woods maintains an operating reserve to be held by Irvington Woods, in an initial amount of \$131,761. Under the terms of the partnership agreement, Irvington Woods is required to set aside specified amounts in the operating reserve that cannot be accessed without the express written approval of the limited partner. The balance in this account at June 30, 2011 and 2010, was \$136,904 and \$136,883, respectively.

Irvington Woods shall make deposits into a lease-up reserve held by Irvington Woods, in an initial amount of \$30,000 on or before the limited partner's second capital contribution installment or December 1, 2006. As of June 30, 2011, no payment has been remitted.

Irvington Woods maintains a transition reserve to be held by Irvington Woods, in an initial amount of \$30,000. The balance in this account at June 30, 2011 and 2010, was \$31,107 and \$31,177, respectively.

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

	<u>2011</u>	<u>2010</u>
Mortgage Escrow Deposit	\$ 138,139	\$ 107,429
Client Escrow Funds	80,433	72,442
Replacement Reserves	297,724	397,912
Operating Reserves	1,388,779	1,548,839
Transition Reserve	32,343	31,177
Tenant Security Deposits	42,906	42,464
Net Worth Reserve	<u>235,926</u>	<u>235,442</u>
Total	<u>\$ 2,216,250</u>	<u>\$ 2,435,705</u>

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**8. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

The Organization's investments and split-interest agreements are recorded at fair value on a recurring basis and are summarized below at June 30, 2011 and 2010:

	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Total</u>
<b><u>June 30, 2011</u></b>			
Equities	\$ 727,086	\$ 66,177	\$ 793,263
Fixed Income	554,902	-	554,902
Beneficial Interest in Perpetual Trust	-	43,866	43,866
Contribution Receivable from Charitable Remainder Trust	<u>-</u>	<u>530,347</u>	<u>530,347</u>
<b>Total</b>	<b><u>\$ 1,281,988</u></b>	<b><u>\$ 640,390</u></b>	<b><u>\$ 1,922,378</u></b>
<b><u>June 30, 2010</u></b>			
Equities	\$ 723,042	\$ 54,061	\$ 777,103
Fixed Income	366,573	-	366,573
Beneficial Interest in Perpetual Trust	-	35,957	35,957
Contribution Receivable from Charitable Remainder Trust	<u>-</u>	<u>443,957</u>	<u>443,957</u>
<b>Total</b>	<b><u>\$ 1,089,615</u></b>	<b><u>\$ 533,975</u></b>	<b><u>\$ 1,623,590</u></b>

Investment return is summarized for the years ended June 30, 2011 and 2010, as follows:

	<u>2011</u>	<u>2010</u>
Interest and Dividends	\$ 77,539	\$ 50,434
Capital Gains Distributions	45,606	31,668
Net Unrealized Gains	<u>135,001</u>	<u>74,475</u>
	<b>258,146</b>	156,577
Less Investment Expenses	<u>(3,985)</u>	<u>(5,764)</u>
<b>Net Investment Return</b>	<b><u>\$ 254,161</u></b>	<b><u>\$ 150,813</u></b>

Expenses relating to investment revenues, consisting of custodial fees and investment advisory fees, amounted to \$3,985 and \$5,764 for the years ended June 30, 2011 and 2010, respectively, and have been netted against investment revenues in the accompanying consolidated statements of activities and changes in net assets.

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**8. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

Investments at their fair value by asset category and level within the fair value hierarchy, at June 30, 2011 and 2010, are as follows:

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	<u>Total</u>
<b><u>June 30, 2011</u></b>			
Marketable Equity Securities	\$ 727,086	\$ 66,177	\$ 793,263
Fixed Income Funds	<u>554,902</u>	<u>-</u>	<u>554,902</u>
<b>Total</b>	<b><u>\$ 1,281,988</u></b>	<b><u>\$ 66,177</u></b>	<b><u>\$ 1,348,165</u></b>
 <u>June 30, 2010</u>			
Marketable Equity Securities	\$ 723,042	\$ 54,061	\$ 777,103
Fixed Income Funds	<u>366,573</u>	<u>-</u>	<u>366,573</u>
<b>Total</b>	<b><u>\$ 1,089,615</u></b>	<b><u>\$ 54,061</u></b>	<b><u>\$ 1,143,676</u></b>

The Organization presents its financial assets and liabilities required to be measured at fair value on a recurring basis by the *Fair Value Measurements and Disclosures* Topic of FASB ASC (820) using the following hierarchy:

- Level 1 Inputs - Values are based on quoted prices for identical investments in active markets as of the reporting date. This designation includes unrestricted securities listed on active exchanges.
- Level 2 Inputs - Values are 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 Inputs- Values are based on unobservable inputs that are significant to the valuation of particular assets or liabilities. The inputs into the determination of fair value in this level require significant management judgment or estimates.

## **Volunteers of America Chesapeake, Inc., and Subsidiaries**

### **Notes to Consolidated Financial Statements June 30, 2011 and 2010**

#### **8. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

In determining the appropriate levels for assets or liabilities, management performs a detailed analysis of the assets and liabilities that are subject to the standard. In some instances, assets or liabilities may be valued using a combination of inputs. In such instances, the assets or liabilities are 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 assets or liabilities requires judgment and considers factors specific to the assets or liabilities. Split-interest agreements are valued at the fair values of the assets underlying the agreements, as provided by the trustees holding the assets.

#### **9. 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 0.5% of the annual distribution. The income received from the trust by the Organization amounted to \$1,098 and \$1,159 for the years ended June 30, 2011 and 2010, respectively, and was recorded as investment income. The assets held in the perpetual trust are non-distributable and permanently restricted. The Organization reports in its consolidated statements of financial position the Organization's proportionate share of the fair value of the trust's assets as an estimate of the present value of the Organization's future cash distributions from the trust. The Organization's proportionate share of the fair value of the trust's assets was \$43,866 and \$35,957 at June 30, 2011 and 2010, respectively.

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 VOAC 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 reflected in temporarily restricted net assets, amounted to \$530,347 and \$443,957 at June 30, 2011 and 2010, respectively. Income received from the trust was reported as investment income and amounted to \$9,121 and \$9,274 for the years ended June 30, 2011 and 2010, respectively.

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**9. SPLIT-INTEREST AGREEMENTS (CONTINUED)**

All investments from the split interest agreements are measured within Level 2 of the fair value hierarchy and are classified at June 30, 2011 and 2010, as follows:

	<u>2011</u>	<u>2010</u>
Cash and Cash Equivalents	\$ 2,679	\$ 5,878
Marketable Equity Securities	189,392	291,309
Fixed Income Funds	<u>382,142</u>	<u>182,727</u>
Total	<u>\$ 574,213</u>	<u>\$ 479,914</u>

**10. LINE OF CREDIT**

The Organization secured a line of credit from a bank in the amount of \$1.5 million in May 2011. Interest is payable monthly at the prime rate plus one percent, with a minimum interest rate of 5.25%. The Organization must maintain a tangible net worth of \$9.5 million, a debt to worth ratio of not greater than 2.0 and a debt service coverage ratio of at least 1.2. The security for the line of credit is the accounts receivable, inventory, and equipment of the Organization. No amount was outstanding under the line of credit at June 30, 2011.

**11. ACCRUED EXPENSES**

Accrued expenses consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Accrued Vacation	\$ 287,325	\$ 509,665
Accrued Salaries	539,791	499,591
Accrued Interest	883,162	810,405
Other Payables and Accrued Expenses	<u>546,010</u>	<u>281,938</u>
Total	<u>\$ 2,256,288</u>	<u>\$ 2,101,599</u>

Employees can accumulate a limited amount of earned but unused vacation. For 2010 and prior years, vacation time was typically carried to the next fiscal year with a maximum of 240 hours payable at termination. As of February 1, 2011, the vacation accrual policy was changed to reduce the maximum hours of carryover to 160 hours and lower based on years of service. Vacation time vests with the employees and, accordingly, a liability in the amount shown above for each year is reflected in the accompanying consolidated financial statements.

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**11. ACCRUED EXPENSES (CONTINUED)**

Accrued interest payable of \$881,162 and \$809,096 at June 30, 2011 and 2010, respectively, related to PACA House and Pratt Street. This accrued interest is only payable if PACA House and Pratt Street have surplus cash at the end of the calendar year as defined in the regulatory agreements.

**12. NOTES AND MORTGAGES PAYABLE**

Obligations under notes and mortgages payable at June 30, 2011 and 2010, consisted of the following:

	<u>2011</u>	<u>2010</u>
<p>Mortgage payable to bank. Original 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 five years. Original note matured in October 2004 and was refinanced. Refinanced payable is due in 120 monthly payments of \$1,349 (including interest of 6.125% per annum). Loan was modified in January 2010. Modified payable is due in 73 monthly installments of \$872 (including interest at 6.0% per annum). Secured by real estate on East Payette Street. Matures in July 2016.</p>	\$	\$
	<b>45,929</b>	53,164
<p>Mortgage payable to bank. Due in 180 monthly installments of \$1,271 (including interest at 8% 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.</p>	\$	\$
	<b>69,532</b>	79,063

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**12. NOTES AND MORTGAGES PAYABLE (CONTINUED)**

Obligations under notes and mortgages payable at June 30, 2011 and 2010, consisted of the following: (Continued)

	<u>2011</u>	<u>2010</u>
Refinanced mortgage 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 October 2016.	\$ 47,120	\$ 54,649
Note Payable to Foundation. Payments may be made at any time but no later than September 2012. Interest accrues at 12%. The note is secured by pooled investments managed by VOA, Inc.	1,200,000	-
Mortgage payable to bank. Secured by Evergreen property. Payment is due on transfer of the property and not due if property is not transferred within 15 years, interest accrues at 0%.	19,725	-
Mortgage payable to bank. Due in 178 monthly installments of \$1,270 (including interest at 8% 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.	72,254	81,640
Mortgage 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.	28,335	32,101
Mortgage 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.	116,280	129,598



**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**12. NOTES AND MORTGAGES PAYABLE (CONTINUED)**

Obligations under notes and mortgages payable at June 30, 2011 and 2010, consisted of the following: (Continued)

	<u><b>2011</b></u>	<u><b>2010</b></u>
Mortgage payable to a charitable organization. Due in 120 monthly installments of \$1,250 (0% APR per note, 5.25% APR imputed per annum). Secured by real estate on Aurora Drive. Matures in June 2013.	\$ <b>45,021</b>	\$ 42,615
Mortgage payable to Virginia Housing 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.	<b>178,592</b>	192,803
Mortgage payable to bank. Due in 83 payments of \$2,496. Interest accrues at the prime rate, but not below 4%. Principal balance is due and payable March 2017. Rate at June 30, 2011 and 2010, is 4%. Secured by real estate at Blagden Avenue. The prime rate at June 30, 2011 and 2010, is 3.25%.	<b>467,256</b>	467,256
Mortgage payable to bank. Due in 59 payments of \$3,107. Interest accrues at the prime rate plus 0.25%, but not below 6.125%. Principal balance is due and payable November 2014. Rate at June 30, 2011 and 2010, is 6.125%. Secured by real estate at Kensington Avenue. The prime rate at June 30, 2011 and 2010, is 3.25%.	<b>551,224</b>	562,432
Mortgage payable to bank. Due in 59 payments of \$3,803. Interest accrues at the prime rate plus .50%, but not below 4.75%. Principal balance is due and payable June 2015. Rate at June 30, 2011 and 2010, is 4.75%. The prime rate at June 30, 2011 and 2010, is 3.25%. Secured by real estate at Verbena Avenue.	<b>567,327</b>	585,000
Mortgage 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 June 2015. Rate at June 30, 2011 and 2010, is 4.75%. The prime rate at June 30, 2011 and 2010, is 3.25%. Secured by real estate at Frost Avenue.	<b>261,725</b>	270,000

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**12. NOTES AND MORTGAGES PAYABLE (CONTINUED)**

Obligations under notes and mortgages payable at June 30, 2011 and 2010, consisted of the following: (Continued)

	<u>2011</u>	<u>2010</u>
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 20-year amortization schedule shall be paid to the extent of surplus cash.	\$ 784,699	\$ 858,709
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
Mortgage payable to Maryland DHCD. The loan was interest-free through construction completion or August 21, 2004, whichever occurred first. The mortgage is secured by Pratt Street real estate and matures in 2043. The permanent 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 loan 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. The rate at June 30, 2011 and 2010, was 4.05% and 4.30%, respectively.	700,000	700,000

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**12. NOTES AND MORTGAGES PAYABLE (CONTINUED)**

Obligations under notes and mortgages payable at June 30, 2011 and 2010, consisted of the following: (Continued)

	<u>2011</u>	<u>2010</u>
Various loans secured by vehicles with rates ranging from 4.25% to 7.5% and maturing up to May 2015.	\$ 272,244	\$ 369,413
A mortgage payable was obtained from Maryland DHCD. The loan was interest-free through May 31, 2004. Interest then accrues at 4% per annum. Interest and principal are due in annual installments commencing April 1, 2005, in an amount equal to the lesser of surplus cash or scheduled payments. If the scheduled payments are greater than surplus cash, the unpaid difference shall be deferred and all accrued and unpaid interest shall be added to the principal amount of the note and shall accrue interest at 4% per annum. On June 1, 2042, the entire indebtedness shall be due and payable. The loan is secured by Pratt Street real estate.	470,098	470,098
Mortgage payable to bank. Due in monthly installments of \$2,950 (including interest at 6.56% per annum). Secured by real property on Annapolis Road. Mortgage was refinanced in August 2005. Revised terms are monthly payments of principal and interest of \$2,940 at 6.125% per annum. 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.	81,713	110,783
Permanent mortgage payable to Enterprise Mortgage Investments, Inc., was settled on August 1, 2007, for \$1,592,000. The loan paid off the construction loan with BB&T. Interest is computed at 7.13% per annum and matures 30 years after the closing date of the loan. The Mortgage requires monthly principal and interest payments of \$10,371. Secured by real property located on Potter Street.	1,524,946	1,544,236

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**12. NOTES AND MORTGAGES PAYABLE (CONTINUED)**

Obligations under notes and mortgages payable at June 30, 2011 and 2010, consisted of the following: (Continued)

	<u>2011</u>	<u>2010</u>
<p>A mortgage payable was obtained from Maryland DHCD under its Housing Opportunities for Persons with AIDS program. The loan was interest-free through construction completion or August 21, 2004, whichever occurred first. The note is secured by 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. The rate at June 30, 2011 and 2010, was 4.05% and 4.30%, respectively.</p>		
	<u>\$ 100,000</u>	\$ 100,000
Total Long-Term Debt	<b>9,679,811</b>	8,779,351
Less Current Portion	<u>(318,399)</u>	<u>(303,785)</u>
Net Long-Term Portion	<u><b>\$ 9,361,412</b></u>	<u>\$ 8,475,566</u>

Annual maturities for the long-term debt at June 30, 2011, are as follows:

For the Years Ending June 30,

2012	\$ 318,399
2013	324,829
2014	282,427
2015	1,443,445
2016	82,103
Thereafter	<u>7,228,608</u>
Total	<u>\$ 9,679,811</u>

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**12. NOTES AND MORTGAGES PAYABLE (CONTINUED)**

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

The Organization agreed to maintain a minimum tangible net worth and a debt service coverage ratio regarding its mortgage and real estate loans with one bank. Per the terms of the loan agreements, tangible net worth shall not be less than \$9.5 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 the 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, 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 the 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%. At June 30, 2011 and 2010, the Organization met both the minimum tangible net worth and debt service coverage ratio requirements.

**13. 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, 2011 and 2010, amounted to \$408,271 and \$-0-, respectively.

Pratt Street Housing Corporation has entered into an agreement with DHCD 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. Pratt Street Housing Corporation 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 Pratt Street Housing Corporation complies with these requirements for 15 years. Therefore, these amounts are recorded as refundable advances until the possibility of repayment is remote.

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**13. REFUNDABLE ADVANCES (CONTINUED)**

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 Pratt Street Housing Corporation received a \$175,000 subsidy to be used for construction of the Pratt Street building. Pratt Street Housing Corporation has agreed to restrict housing in the building as to type, number of housing units, and affordability levels of tenants for a period of 15 years. If the building is sold or not in compliance with the agreed use prior to the expiration of the 15-year period, then Pratt Street Housing Corporation may be obligated to reimburse the full amount of the subsidy. Therefore, this subsidy is recorded as a refundable advance until the possibility of repayment is remote.

**14. RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets represent support from a charitable remainder trust in the form of investments held by a third-party trustee under a split-interest agreement totaling \$530,347 and \$443,957 at June 30, 2011 and 2010, respectively, as described in Note 9. 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 consolidated statements of activities and changes in net assets as "change in value of split-interest agreements." Also, development grants from VOA, Inc., in connection with the direct mail program were recorded as temporarily restricted and cumulatively totaled \$556,578 through June 30, 2009. Management deemed that these assets were released from restrictions in fiscal year 2010.

Permanently restricted net assets represent support from a perpetual trust in the form of investments administered by a bank and totaled \$46,454 and \$35,956 at June 30, 2011 and 2010, respectively. Changes in value are recorded in the consolidated statements 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.

**15. NONCONTROLLING INTERESTS**

Noncontrolling interests represents the 99.90% limited partnership interest in PACA House and the 99.99% limited partnership interests in Pratt Street and Irvington Woods.

## **Volunteers of America Chesapeake, Inc., and Subsidiaries**

### **Notes to Consolidated Financial Statements June 30, 2011 and 2010**

#### **16. RELATED PARTY TRANSACTIONS**

VOAC is a locally incorporated affiliate of VOA, Inc., a national Christian human services organization. VOAC incurred administrative fees to VOA, Inc., totaling \$489,019 and \$457,757 for the years ended June 30, 2011 and 2010, respectively. VOAC owed VOA, Inc.'s affiliate \$58,709 and \$40,772 related to these fees as of June 30, 2011 and 2010, respectively.

VOAC entered into a direct mail program with VOA, Inc., in May 2000. The program generated cumulative deficits of \$556,578 through June 30, 2009, which were funded by VOA, Inc., and treated as temporarily restricted development grants. During fiscal year 2010, the restriction was released by VOA, Inc., 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 VOA, Inc., for operating deficits as of June 30, 2010.

In July 1998, VOAC entered into a twenty-four month contract with VOA, Inc., which allowed VOA, Inc., to operate the enterprise program. Per the terms of the agreement, the contract could be renewed at the end of the term by VOAC. Under this arrangement, VOAC received 75% of net revenue. Net revenue is defined as gross receipts and vehicle towing donations, less all local program operating expenses. Effective March 1, 2009, VOA, Inc., updated this agreement. For an initial period of four months, VOAC will receive 50% of the net revenue, while VOA, Inc., will retain the balance. Any operating deficits will be funded by VOA, Inc., and cumulative losses at the end of the period will be applied against subsequent net revenues. At the end of this initial period, VOA, Inc., 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 \$9,816 and \$35,592 for the years ended June 30, 2011 and 2010, respectively. These revenues are reported as contributions support. VOAC is owed \$-0- and \$33,041 from VOA, Inc.'s affiliate at June 30, 2011 and 2010, respectively, for this program.

VOAC owes VOA, Inc., \$232,497 and \$249,220 in operating advances that are noninterest-bearing and are due on demand as of June 30, 2011 and 2010, respectively.

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

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**16. RELATED PARTY TRANSACTIONS (CONTINUED)**

VOA Eastern Avenue entered into various agreements with Eastern Avenue Corp concerning management, development, and social services. VOAC accounts for its investment in Eastern Avenue Corp by the equity method of accounting, which was \$-0- at June 30, 2011 and 2010. VOAC recognized \$60,000 in management fee revenue for each of the years ended June 30, 2011 and 2010, which are both still receivable at June 30, 2011. In fiscal year 2010, VOAC paid \$13,000 to Eastern Avenue Corp as a noninterest-bearing operating advance. It remains unpaid at both June 30, 2011 and 2010.

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

**17. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**18. OPERATING LEASES**

The Organization has several noncancellable operating leases, primarily for administrative and residential real estate, that expire at various dates through June 2015. Leases have renewal options of up to five years. Rental expenses for these leases totaled \$1,429,870 and \$1,376,736 for the years ended June 30, 2011 and 2010, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2011, are as follows:

For the Years Ending June 30,

2012	\$ 372,850
2013	175,319
2014	78,318
2015	<u>63,918</u>
Total	<u>\$ 690,405</u>



**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**19. 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 VOAC. 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.

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

	<u>2011</u>	<u>2010</u>
<b>Benefit Obligation</b>		
Benefit Obligation at Beginning of Year	\$ 5,295,547	\$ 6,455,341
Service Cost	-	461,071
Interest Cost	321,597	395,647
Actuarial (Gain) Loss	193,517	(1,867,158)
Benefits Paid	<u>(217,525)</u>	<u>(149,357)</u>
Benefit Obligation at End of Year	<u>5,593,196</u>	<u>5,295,547</u>
<b>Plan Assets</b>		
Fair Market Value at Beginning of Year	4,409,504	3,726,863
Contributions	-	179,013
Benefits Paid	(217,525)	(149,357)
Gains	<u>885,247</u>	<u>652,985</u>
Fair Market Value at End of Year	<u>5,077,226</u>	<u>4,409,504</u>
<b>Funded Status at End of Year</b>	<u>(515,970)</u>	<u>(886,043)</u>
<b>Amounts Recognized in the Statements of Financial Position</b>		
Non-Current Liabilities	(515,970)	(886,043)
<b>Amounts Not Yet Reflected in Net Periodic Pension Cost and Included in Unrestricted Net Assets</b>		
Accumulated Gain	(475,863)	(225,413)

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**19. RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plans (Continued)**

	<u>2011</u>	<u>2010</u>
<b>Net Periodic Pension Cost</b>		
Service Cost	\$ -	\$ 461,074
Interest Cost	321,597	395,647
Expected Return on Assets	317,760	277,983
Amortizations	<u>-</u>	<u>198,727</u>
Net Periodic Pension Cost	<u>3,837</u>	<u>777,465</u>
 <b>Other Changes Recognized in Changes in Unrestricted Net Assets</b>		
Net Gain	(250,450)	(2,242,160)
Amortization of Net Gain (Loss)	<u>-</u>	<u>(198,727)</u>
Total Recognized in Changes in Unrestricted Net Assets	<u>(250,450)</u>	<u>(2,440,887)</u>
 <b>Net Recognized in Net Periodic Pension Cost and Changes in Unrestricted Net Assets</b>	<u>(246,613)</u>	<u>(1,663,422)</u>
 <b>Amortization</b>		
Greater of Benefit Obligation or Plan Assets	5,593,196	5,295,547
10 Percent	559,320	529,555
Unrecognized (Gains) Losses	(475,863)	(225,413)
(Gains) Losses Subject to Amortization	-	-
Average Future Service Period	7.80	7.80
Minimum Required Amortization for Next Year	-	-
 <b>Plan Asset Allocation</b>		
Cash and Cash Equivalents	0.2%	-%
Debt Securities	23.8%	37.5%
Equity Securities	62.4%	52.8%
Real Estate	10.7%	6.8%
Other	<u>2.9%</u>	<u>2.9%</u>
Total	<u>100.00%</u>	<u>100.0%</u>

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**19. RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plans (Continued)**

	<u>2011</u>	<u>2010</u>
<b>Expected Contribution for Next Plan Year (2012 and 2011)</b>	<b>\$ 125,000</b>	<b>\$ 175,000</b>
<b>Expected Benefits Payments</b>		
2012/2011	<b>300,000</b>	300,000
2013/2012	<b>310,000</b>	320,000
2014/2013	<b>350,000</b>	360,000
2015/2014	<b>370,000</b>	380,000
2016/2015	<b>390,000</b>	400,000
Next 5 Years	<b>2,380,000</b>	2,500,000

**Assumptions:**

*Weighted-Average Assumptions Used to Determine  
Benefit Obligation at Year-End*

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

*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	-%	-%

**Measurement Date**

The measurement date for each fiscal year is the year-end date. The values 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 adjusted 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.

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**19. RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plans (Continued)**

*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 accounting principles generally accepted in the United States of America require certain fair value disclosures related to postretirement benefit plan assets, even though those assets are not included on the consolidated statements of financial position. The following table presents the fair values of the assets of the Organization's qualified defined benefit pension plan by asset category and their levels within the fair value hierarchy. See Note 8 for the description of each level within the fair value hierarchy.

	<b><u>Level 1</u></b> <b><u>Inputs</u></b>	<b><u>Level 2</u></b> <b><u>Inputs</u></b>	<b><u>Level 3</u></b> <b><u>Inputs</u></b>	<b><u>Total</u></b>
<b><u>June 30, 2011</u></b>				
<b>Cash and Cash</b>				
<b>Equivalents</b>	\$ 9,647	\$ -	\$ -	\$ 9,647
<b>Equity - Mutual</b>				
<b>Funds</b>	3,170,220	-	-	3,170,220
<b>Fixed Income -</b>				
<b>Corporate Debt</b>				
<b>Securities</b>	1,207,364	-	-	1,207,364
<b>Fixed Income -</b>				
<b>U.S. Government</b>				
<b>Securities</b>	543,263	-	-	543,263
<b>Real Estate</b>	<u>146,732</u>	<u>-</u>	<u>-</u>	<u>146,732</u>
<b>Total</b>	<b><u>\$ 5,077,226</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,077,226</u></b>

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**19. RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plans (Continued)**

*Plan Assets (Continued)*

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
<u>June 30, 2010</u>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Equity - Mutual Funds	2,458,740	-	-	2,458,740
Fixed Income - Corporate Debt Securities	1,012,646	-	-	1,012,646
Fixed Income - U.S. Government Securities	640,321	-	-	640,321
Real Estate	<u>297,797</u>	<u>-</u>	<u>-</u>	<u>297,797</u>
Total	<u>\$ 4,409,504</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,409,504</u>

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

U.S. equity securities and international equity securities, fixed income securities, and real estate based securities are categorized as Level 1 and are traded on national and international exchanges and are valued at their closing prices on the last day of the year.

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 VOAC. Plan expenses for the years ended June 30, 2011 and 2010, amounted to \$20,059 and \$13,940, 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.

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**19. RETIREMENT PLANS (CONTINUED)**

**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 who 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 \$14,936 and \$14,770 for the years ended June 30, 2011 and 2010, respectively.

**20. POSTRETIREMENT BENEFIT**

The Organization provides a self-funded, non-qualified postretirement benefit to two retired chief executive officers. In one case, the benefit consists of a housing allowance and term life insurance. In the second case, the benefit consists of annual health insurance and level premium and term life insurance. The liability for the benefit obligation is determined as the present value of the future cash requirements for the life expectancies of the beneficiaries at the current U.S. Treasury 20-year interest rate. In the case of the health insurance, an escalator of six percent is used for expected future health insurance increases, and Medicare supplemental insurance is assumed at age 65. The postretirement benefit obligation at June 30, 2011 and 2010, was \$669,322 and \$730,155, respectively.

**21. CONTINGENCIES**

PACA House's, Pratt Street's, and Irvington Woods' 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 partners.

VOAC is required to make certain operating deficit contributions to Pratt Street as defined in the partnership agreement. The Organization has agreed to advance funds up to a cumulative maximum of \$335,000 to Pratt Street to cover any operating deficits. No such contributions were required during fiscal years 2011 and 2010. The cumulative operating deficit contributions remitted are \$214,050 through June 30, 2011.

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Notes to Consolidated Financial Statements  
June 30, 2011 and 2010**

**21. CONTINGENCIES (CONTINUED)**

VOAC is required to make certain operating deficit contributions to Irvington Woods 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 after the stabilization date to make operating deficit contributions that are not funded from the operating reserves is limited to \$280,000. To the extent the general partner cannot meet this obligation, VOAC has provided a guarantee to advance funds to the general partner to cover any shortfall. As of June 30, 2011, no such contribution has been requested or required.

Financial assistance from federal, state, and local government 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.

**22. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through December 1, 2011, the date on which the financial statements were available to be issued.

**Supplementary Information**



**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Consolidating Schedule of Financial Position Information**

**June 30, 2011**

	VOAC	Holding Corp	Baker House	VOA PACA House, Inc.	PACA House	Pratt Street Housing	Pratt Street	Irvington Woods Corp	Irvington Woods	Total	Eliminations	Consolidated Total
<b>Assets</b>												
Cash and Cash Equivalents	\$ 2,439,254	\$ (424)	\$ 9,828	\$ -	\$ 20,613	\$ -	\$ 33,151	\$ -	\$ 15,428	\$ 2,517,850	\$ -	\$ 2,517,850
Accounts Receivable (Net)	3,134,832	33,360	240	-	2,020	-	2,488	-	8,289	3,181,229	(33,360)	3,147,869
Other Receivables	3,355	-	-	-	-	-	313	-	-	3,668	(2,165)	1,503
Due from Affiliates	935,470	-	-	-	-	224,882	-	-	100	1,160,452	(1,027,452)	133,000
Prepaid Expenses	38,047	-	3,135	-	18,500	-	-	-	13,650	73,332	-	73,332
Land, Buildings, and Equipment	6,896,750	332,394	163,618	-	3,485,322	-	1,292,562	-	5,741,745	17,912,391	(1,190,874)	16,721,517
Designated and Restricted Assets	316,359	-	237,085	-	1,191,513	-	172,481	-	298,812	2,216,250	-	2,216,250
Long-Term Investments	1,347,317	-	-	-	848	-	-	-	-	1,348,165	-	1,348,165
Unamortized Mortgage Costs	-	-	-	-	51,051	-	48,932	-	48,553	148,536	-	148,536
Deposits	18,290	-	-	-	-	-	-	-	-	18,290	-	18,290
Beneficial Interest in Perpetual Trust	43,866	-	-	-	-	-	-	-	-	43,866	-	43,866
Investment in Partnerships	1,266,393	-	-	119,812	-	970,576	-	100	-	2,356,881	(2,356,881)	-
Contribution Receivable from Charitable Remainder Trust	530,347	-	-	-	-	-	-	-	-	530,347	-	530,347
Notes Receivable from Affiliates	846,741	-	-	-	-	-	-	1,266,293	-	2,113,034	(2,113,034)	-
<b>Total Assets</b>	<b>\$ 17,817,021</b>	<b>\$ 365,330</b>	<b>\$ 413,906</b>	<b>\$ 119,812</b>	<b>\$ 4,769,867</b>	<b>\$ 1,195,458</b>	<b>\$ 1,549,927</b>	<b>\$ 1,266,393</b>	<b>\$ 6,126,577</b>	<b>\$ 33,624,291</b>	<b>\$ (6,723,766)</b>	<b>\$ 26,900,525</b>
<b>Liabilities and Net Assets</b>												
Accounts Payable	\$ 190,332	\$ 2,606	\$ 3,866	\$ -	\$ 19,292	\$ -	\$ 4,889	\$ -	\$ 42,227	\$ 263,212	\$ (33,360)	\$ 229,852
Long-Term Debt	3,706,984	138,341	178,952	-	3,275,690	-	1,445,098	-	1,524,946	10,270,011	(590,200)	9,679,811
Accrued Expenses	1,276,733	-	3,605	-	762,748	-	640,566	-	48,352	2,732,004	(475,716)	2,256,288
Post-Retirement Benefit Liability	669,322	-	-	-	-	-	-	-	-	669,322	-	669,322
Underfunded Pension Obligation	515,970	-	-	-	-	-	-	-	-	515,970	-	515,970
Contract/Grant Advances	45,833	-	-	-	-	-	-	-	-	45,833	-	45,833
Due to Affiliates	49,277	(405,837)	-	-	586,368	-	200,752	-	1,937,381	2,367,941	(2,076,735)	291,206
Client Escrow Funds	80,433	-	-	-	-	-	-	-	-	80,433	-	80,433
Tenant Security Deposits	-	-	827	-	3,826	-	4,349	-	32,959	41,961	-	41,961
Refundable Advances	408,271	-	71	-	2,131	1,145,576	(4,870)	-	559	1,551,738	-	1,551,738
<b>Total Liabilities</b>	<b>6,943,155</b>	<b>(264,890)</b>	<b>187,321</b>	<b>-</b>	<b>4,650,055</b>	<b>1,145,576</b>	<b>2,290,784</b>	<b>-</b>	<b>3,586,424</b>	<b>18,538,425</b>	<b>(3,176,011)</b>	<b>15,362,414</b>
<b>Net Assets</b>												
Unrestricted												
Controlling Interest	10,297,065	630,220	226,585	119,812	119,812	49,882	(740,857)	1,266,393	(78)	11,968,834	(3,547,755)	8,421,079
Noncontrolling Interest	-	-	-	-	-	-	-	-	2,540,231	2,540,231	-	2,540,231
<b>Total Unrestricted</b>	<b>10,297,065</b>	<b>630,220</b>	<b>226,585</b>	<b>119,812</b>	<b>119,812</b>	<b>49,882</b>	<b>(740,857)</b>	<b>1,266,393</b>	<b>2,540,153</b>	<b>14,509,065</b>	<b>(3,547,755)</b>	<b>10,961,310</b>
Temporarily Restricted	530,347	-	-	-	-	-	-	-	-	530,347	-	530,347
Permanently Restricted	46,454	-	-	-	-	-	-	-	-	46,454	-	46,454
<b>Total Net Assets</b>	<b>10,873,866</b>	<b>630,220</b>	<b>226,585</b>	<b>119,812</b>	<b>119,812</b>	<b>49,882</b>	<b>(740,857)</b>	<b>1,266,393</b>	<b>2,540,153</b>	<b>15,085,866</b>	<b>(3,547,755)</b>	<b>11,538,111</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 17,817,021</b>	<b>\$ 365,330</b>	<b>\$ 413,906</b>	<b>\$ 119,812</b>	<b>\$ 4,769,867</b>	<b>\$ 1,195,458</b>	<b>\$ 1,549,927</b>	<b>\$ 1,266,393</b>	<b>\$ 6,126,577</b>	<b>\$ 33,624,291</b>	<b>\$ (6,723,766)</b>	<b>\$ 26,900,525</b>

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Consolidating Schedule of Financial Position Information**

**June 30, 2010**

	VOAC	Holding Corp	Baker House	VOA PACA House Inc.	PACA House	Pratt Street Housing	Pratt Street	Irvington Woods Corp	Irvington Woods	Total	Eliminations	Consolidated Total
<b>Assets</b>												
Cash and Cash Equivalents	\$ 3,149,285	\$ 25,564	\$ 3,306	\$ -	\$ 782	\$ -	\$ 7,637	\$ -	\$ 1,177	\$ 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 Affiliates	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
Land, Buildings, 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 and 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
Unamortized Mortgage Costs	-	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 Partnerships	1,266,393	-	-	402,125	-	970,576	-	100	-	2,639,194	(2,639,194)	-
Contribution Receivable from Charitable Remainder Trust	443,957	-	-	-	-	-	-	-	-	443,957	-	443,957
Notes Receivable from Affiliates	823,630	-	-	-	-	175,000	-	1,266,293	-	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>\$ 1,266,393</b>	<b>\$ 6,406,956</b>	<b>\$ 34,080,411</b>	<b>\$ (8,076,110)</b>	<b>\$ 26,004,301</b>
<b>Liabilities and Net Assets</b>												
Accounts Payable	\$ 260,171	\$ 4,036	\$ 2,134	\$ -	\$ 77,122	\$ -	\$ 53,161	\$ -	\$ 23,953	\$ 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	1,221,160	-	1,309	-	705,669	-	606,642	-	27,585	2,562,365	(460,766)	2,101,599
Post-Retirement Benefit Liability	730,155	-	-	-	-	-	-	-	-	730,155	-	730,155
Underfunded Pension Obligation	886,043	-	-	-	-	-	-	-	-	886,043	-	886,043
Due to Affiliates	721,234	-	-	-	619,021	-	203,731	-	1,864,614	3,408,600	(3,116,976)	291,624
Client Escrow Funds	91,353	-	-	-	-	-	-	-	-	91,353	-	91,353
Tenant Security Deposits	-	-	873	-	5,041	-	6,546	-	34,363	46,823	-	46,823
Refundable Advances	-	-	-	-	4,191	1,145,576	1,199	-	3,956	1,154,922	-	1,154,922
<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>-</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												
Controlling Interest	9,650,198	625,514	233,613	402,125	402,125	44,632	(602,740)	1,266,393	(40)	12,021,820	(3,908,188)	8,113,632
Noncontrolling Interest	-	-	-	-	-	-	-	-	2,908,289	2,908,289	-	2,908,289
<b>Total Unrestricted</b>	<b>9,650,198</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>1,266,393</b>	<b>2,908,249</b>	<b>14,930,109</b>	<b>(3,908,188)</b>	<b>11,021,921</b>
Temporarily Restricted	443,957	-	-	-	-	-	-	-	-	443,957	-	443,957
Permanently Restricted	35,956	-	-	-	-	-	-	-	-	35,956	-	35,956
<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>1,266,393</b>	<b>2,908,249</b>	<b>15,410,022</b>	<b>(3,908,188)</b>	<b>11,501,834</b>
<b>Total Liabilities and 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>\$ 1,266,393</b>	<b>\$ 6,406,956</b>	<b>\$ 34,080,411</b>	<b>\$ (8,076,110)</b>	<b>\$ 26,004,301</b>

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Consolidating Schedule of Unrestricted Activities Information  
For the Year Ended June 30, 2011**

	VOAC	Holding Corp	Baker House	VOA PACA House Inc.	PACA House	Pratt Street Housing	Pratt Street	Irvington Woods Corp	Irvington Woods	Total	Eliminations	Consolidated Total
<b>Revenues and Support</b>												
Contributions	\$ 279,436	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 279,436	\$ -	\$ 279,436
Contributions, In-Kind	305,072	-	-	-	-	-	-	-	-	305,072	-	305,072
Sales to Public	9,816	-	-	-	-	-	-	-	-	9,816	-	9,816
Special Events	28,729	-	-	-	-	-	-	-	-	28,729	-	28,729
Legacies and Bequests	1,270	-	-	-	-	-	-	-	-	1,270	-	1,270
United Way	4,267	-	-	-	-	-	-	-	-	4,267	-	4,267
Government Revenues and Grants	21,035,182	-	-	-	357,603	-	244,381	-	324,567	21,961,733	(49,522)	21,912,211
Program Service Fees	1,076,712	-	96,971	-	261,545	-	129,001	-	219,805	1,784,034	-	1,784,034
Sales of Materials and Services	3,493	-	-	-	-	-	-	-	(1,906)	1,587	-	1,587
Other Operating Revenues	307,618	84	22	-	8,899	-	3,106	-	4,937	324,666	-	324,666
Interest and Dividends	111,319	-	769	-	(3,982)	5,250	256	-	86	113,698	(36,159)	77,539
Realized and Unrealized												
Gains on Investments	176,622	-	-	-	-	-	-	-	-	176,622	-	176,622
Rental Revenue	-	151,716	-	-	-	-	-	-	-	151,716	(151,716)	-
Vehicle Lease	-	25,504	-	-	-	-	-	-	-	25,504	(25,504)	-
Income from Investment	-	-	-	(282,313)	-	-	-	-	-	(282,313)	282,313	-
<b>Total Revenues and Support</b>	<b>23,339,536</b>	<b>177,304</b>	<b>97,762</b>	<b>(282,313)</b>	<b>624,065</b>	<b>5,250</b>	<b>376,744</b>	<b>-</b>	<b>547,489</b>	<b>24,885,837</b>	<b>19,412</b>	<b>24,905,249</b>
<b>Expenses</b>	<b>23,066,579</b>	<b>172,598</b>	<b>104,790</b>	<b>-</b>	<b>906,378</b>	<b>-</b>	<b>514,861</b>	<b>-</b>	<b>915,585</b>	<b>25,680,791</b>	<b>(341,021)</b>	<b>25,339,770</b>
<b>Pension Gain</b>	<b>373,910</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>373,910</b>	<b>-</b>	<b>373,910</b>
(Decrease) Increase in Unrestricted Net Assets												
Before Noncontrolling Interest	646,867	4,706	(7,028)	(282,313)	(282,313)	5,250	(138,117)	-	(368,096)	(421,044)	360,433	(60,611)
Increase in Net Assets												
Attributable to Noncontrolling Interest in Subsidiary	-	-	-	-	-	-	-	-	368,058	368,058	-	368,058
(Decrease) Increase in Unrestricted Net Assets	646,867	4,706	(7,028)	(282,313)	(282,313)	5,250	(138,117)	-	(38)	(52,986)	360,433	307,447
Unrestricted Net Assets - Beginning of Year	9,650,198	625,514	233,613	402,125	402,125	44,632	(602,740)	1,266,393	(40)	12,021,820	(3,908,188)	8,113,632
<b>Unrestricted Net Assets - End of Year</b>	<b>\$ 10,297,065</b>	<b>\$ 630,220</b>	<b>\$ 226,585</b>	<b>\$ 119,812</b>	<b>\$ 119,812</b>	<b>\$ 49,882</b>	<b>\$ (740,857)</b>	<b>\$ 1,266,393</b>	<b>\$ (78)</b>	<b>\$ 11,968,834</b>	<b>\$ (3,547,755)</b>	<b>\$ 8,421,079</b>

**Volunteers of America Chesapeake, Inc., and Subsidiaries**

**Consolidating Schedule of Unrestricted Activities Information  
For the Year Ended June 30, 2010**

	VOAC	Holding Corp	Baker House	VOA PACA House Inc.	PACA House	Pratt Street Housing	Pratt Street	Irvington Woods Corp	Irvington Woods	Total	Eliminations	Consolidated Total
<b>Revenues and Support</b>												
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 Revenues and Grants	20,021,082	-	58,613	-	403,060	-	189,514	-	316,818	20,989,087	(149,790)	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
Sales of Materials and Services	19,934	-	-	-	-	-	-	-	818	20,752	-	20,752
Other Operating Revenues	130,143	-	278	-	1,156	-	419	-	2,341	134,337	-	134,337
Interest and Dividends	74,348	-	844	-	6,987	5,250	671	-	-	88,100	(37,666)	50,434
Realized and Unrealized Gains on Investments	100,379	-	-	-	-	-	-	-	-	100,379	-	100,379
Gain on Disposal of Assets	-	2,500	-	-	-	-	-	-	-	2,500	-	2,500
Rental Revenue	-	174,864	-	-	-	-	-	-	-	174,864	(174,864)	-
Vehicle Lease	-	52,108	-	-	-	-	-	-	-	52,108	(52,108)	-
Income from Investment	-	-	-	(219,049)	-	-	-	-	-	(219,049)	219,049	-
Net Assets Released from Restrict	556,578	-	-	-	-	-	-	-	-	556,578	-	556,578
<b>Total Revenues and Support</b>	<b>23,028,573</b>	<b>229,472</b>	<b>91,937</b>	<b>(219,049)</b>	<b>609,725</b>	<b>5,250</b>	<b>311,768</b>	<b>-</b>	<b>498,187</b>	<b>24,555,863</b>	<b>(242,759)</b>	<b>24,313,104</b>
<b>Expenses</b>	<b>23,320,571</b>	<b>198,150</b>	<b>96,891</b>	<b>-</b>	<b>1,039,946</b>	<b>-</b>	<b>3,403,552</b>	<b>-</b>	<b>915,032</b>	<b>28,974,142</b>	<b>(996,589)</b>	<b>27,977,553</b>
<b>Pension Gain</b>	<b>2,440,887</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,440,887</b>	<b>-</b>	<b>2,440,887</b>
(Decrease) Increase in Unrestricted Net Assets												
Before Noncontrolling Interest	2,148,889	31,322	(4,954)	(219,049)	(430,221)	5,250	(3,091,784)	-	(416,845)	(1,977,392)	753,830	(1,223,562)
Increase in Net Assets Attributable to Noncontrolling Interests in Subsidiary	-	-	-	-	211,172	-	1,069,925	-	416,803	1,697,900	-	1,697,900
(Decrease) Increase in Unrestricted Net Assets	2,148,889	31,322	(4,954)	(219,049)	(219,049)	5,250	(2,021,859)	-	(42)	(279,492)	753,830	474,338
Unrestricted Net Assets - Beginning of Year	7,501,309	594,192	238,567	621,174	621,174	39,382	1,419,119	1,266,393	2	12,301,312	(4,662,018)	7,639,294
<b>Unrestricted Net Assets - End of Year</b>	<b>\$ 9,650,198</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>\$ 1,266,393</b>	<b>\$ (40)</b>	<b>\$ 12,021,820</b>	<b>\$ (3,908,188)</b>	<b>\$ 8,113,632</b>

**Volunteer of America Chesapeake, Inc., and Subsidiaries**

**Consolidating Schedule of Expenses  
For the Year Ended June 30, 2011**

	VOAC	Holding Corp	Baker House	PACA House	Pratt Street	Irvington Woods	Total	Eliminations	Total
Salaries	\$ 13,314,978	\$ -	\$ 3,167	\$ 143,247	\$ 143,780	\$ 92,203	\$ 13,697,375	\$ -	\$ 13,697,375
Pension Expense	213,632	-	-	-	-	-	213,632	-	213,632
Other Employee Benefits	1,318,886	-	-	21,224	6,104	4,219	1,350,433	-	1,350,433
Payroll Taxes	892,213	-	9,810	16,833	14,013	9,524	942,393	-	942,393
Legal Fees	77,310	-	-	-	-	-	77,310	-	77,310
Accounting Fees	66,731	85	324	20,085	19,231	14,990	121,446	-	121,446
Other Professional Fees	1,007,217	32,452	12,800	61,820	17,897	58,271	1,190,457	-	1,190,457
Supplies	1,140,440	75	2,397	1,233	1,780	1,204	1,147,129	-	1,147,129
Telecommunications	258,096	(1,690)	-	9,224	1,749	8,432	275,811	-	275,811
Postage	34,590	-	-	-	-	-	34,590	-	34,590
Occupancy Expense	2,041,619	1,312	43,253	286,760	147,754	211,161	2,731,859	(151,716)	2,580,143
Interest	123,425	9,663	15,106	59,687	67,783	110,291	385,955	(36,159)	349,796
Insurance	339,084	-	-	47,617	18,897	18,083	423,681	-	423,681
Equipment Rental and Maintenance	128,743	-	-	-	-	-	128,743	-	128,743
Printing and Publications	34,150	-	-	-	-	-	34,150	-	34,150
Travel and Transportation	370,568	-	-	-	-	-	370,568	(25,504)	345,064
Conferences and Meetings	37,201	-	-	-	-	-	37,201	-	37,201
Specific Assistance	385,533	-	-	-	-	-	385,533	-	385,533
Other	492,536	214	2,647	(812)	13,249	32,416	540,250	-	540,250
Depreciation and Amortization	300,608	130,487	15,286	239,460	62,624	305,269	1,053,734	(78,120)	975,614
Administrative Fees - VOA, Inc.	489,019	-	-	-	-	49,522	538,541	(49,522)	489,019
	<u>\$ 23,066,579</u>	<u>\$ 172,598</u>	<u>\$ 104,790</u>	<u>\$ 906,378</u>	<u>\$ 514,861</u>	<u>\$ 915,585</u>	<u>\$ 25,680,791</u>	<u>\$ (341,021)</u>	<u>\$ 25,339,770</u>

**Volunteer of America Chesapeake, Inc., and Subsidiaries**

**Consolidating Schedule of Expenses  
For the Year Ended June 30, 2010**

	VOAC	Holding Corp	Baker House	PACA House	Pratt Street	Irvington Woods	Total	Eliminations	Total
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 and Maintenance	85,660	5,165	-	-	-	-	90,825	-	90,825
Printing and Publications	52,561	-	-	-	-	-	52,561	-	52,561
Travel and Transportation	360,760	131	-	-	-	270	361,161	(52,108)	309,053
Conferences and 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 and Amortization	217,535	68,847	16,253	238,031	81,371	303,939	925,976	(72,803)	853,173
Administrative Fees - VOA, Inc.	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>