

VOLUNTEERS OF AMERICA CHESAPEAKE, INC., AND SUBSIDIARIES

LANHAM, MARYLAND

**CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY CONSOLIDATING INFORMATION**

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

Report to the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Volunteers of America Chesapeake Inc., and Subsidiaries (VOAC), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We did not audit the financial statements of Volunteers of America - Virginia Beach M/R (Baker House), a local affiliate, which the statements reflect having total assets of \$391,625 and \$402,481, respectively, as of June 30, 2013 and 2012, and total support and revenues of \$104,436 and \$105,393, 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.

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

Auditors' Responsibility (Continued)

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

Opinion

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

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2013 and 2012 consolidating information set forth on pages 42 through 47 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. Such 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 consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
November 8, 2013

Certified Public Accountants

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Consolidated Statements of Financial Position
June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>
Assets			Liabilities and Net Assets		
Current Assets			Current Liabilities		
Cash and Cash Equivalents	\$ 2,753,933	\$ 2,989,601	Accounts Payable	\$ 916,790	\$ 345,361
Accounts Receivable (Net of Allowance)	5,283,223	3,408,975	Current Portion of Notes and Mortgages Payable	165,034	228,513
Due from Related Parties	-	133,000	Accrued Expenses	2,313,165	1,882,258
Prepaid Expenses	184,494	183,131	Due to Related Parties	278,627	316,514
			Client Escrow Funds	101,353	86,847
Total Current Assets	<u>8,221,650</u>	<u>6,714,707</u>	Contract/Grant Advances	18,993	63,992
Land, Buildings, and Equipment (Net)	<u>29,180,125</u>	<u>16,917,775</u>	Total Current Liabilities	<u>3,793,962</u>	<u>2,923,485</u>
Other Assets			Other Liabilities		
Designated Cash	1,937,414	1,902,881	Notes and Mortgages Payable, Non-Current	28,331,227	10,047,597
Long-Term Investments	1,496,356	1,366,517	Tenant Security Deposits	37,903	38,287
Unamortized Mortgage Costs	197,821	143,177	Refundable Advances	1,560,422	1,639,004
Deposits	39,973	31,897	Postretirement Benefit Liability	498,090	608,490
Beneficial Interest in Perpetual Trust	47,951	43,022	Underfunded Pension Obligation	2,092,482	1,156,443
Notes Receivable	7,828,904	-			
Contribution Receivable from Charitable Remainder Trust	575,775	527,696	Total Other Liabilities	<u>32,520,124</u>	<u>13,489,821</u>
Total Other Assets	<u>12,124,194</u>	<u>4,015,190</u>	Total Liabilities	<u>36,314,086</u>	<u>16,413,306</u>
			Net Assets		
			Unrestricted		
			Controlling Interest - Undesignated	8,505,300	6,333,770
			Controlling Interest - Designated	1,937,414	1,902,881
			Noncontrolling Interest in Subsidiaries	2,145,443	2,426,997
			Total Unrestricted	<u>12,588,157</u>	<u>10,663,648</u>
			Temporarily Restricted	575,775	527,696
			Permanently Restricted	47,951	43,022
			Total Net Assets	<u>13,211,883</u>	<u>11,234,366</u>
Total Assets	<u>\$ 49,525,969</u>	<u>\$ 27,647,672</u>	Total Liabilities and Net Assets	<u>\$ 49,525,969</u>	<u>\$ 27,647,672</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, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Noncontrolling Interest	Total
Revenues and Support					
Public Support					
Public Support Received Directly					
Contributions - Cash	\$ 806,653	\$ -	\$ -	\$ -	\$ 806,653
Special Events (Net of Direct Benefit Costs)	35,734	-	-	-	35,734
Public Support Received Indirectly					
United Way	4,485	-	-	-	4,485
	<u>846,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>846,872</u>
Total Public Support	<u>846,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>846,872</u>
Government Revenues and Grants	<u>26,714,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,714,803</u>
Other Revenues					
Program Service Fees	2,960,587	-	-	-	2,960,587
Sales of Materials and Services (Net)	753	-	-	-	753
Other Operating Revenues	129,215	-	-	-	129,215
	<u>3,090,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,090,555</u>
Total Other Revenues	<u>3,090,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,090,555</u>
Total Revenues and Support	<u>30,652,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,652,230</u>
Expenses					
Program Services					
Encouraging Positive Development	68,436	-	-	-	68,436
Fostering Independence	15,081,595	-	-	-	15,081,595
Promoting Self-Sufficiency	10,558,504	-	-	-	10,558,504
	<u>25,708,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,708,535</u>
Total Program Services	<u>25,708,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,708,535</u>
Supporting Services					
Management and General	4,120,567	-	-	-	4,120,567
Fund-Raising	567,920	-	-	-	567,920
Administrative Fees Paid to VOA, Inc.	665,648	-	-	-	665,648
	<u>5,354,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,354,135</u>
Total Supporting Services	<u>5,354,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,354,135</u>
Total Program and Supporting Services	<u>31,062,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,062,670</u>
Decrease in Net Assets from Operations	<u>\$ (410,440)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (410,440)</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, 2013
(Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Noncontrolling Interest	Total
Non-Operating Gains and Other Revenues					
Interest and Dividends	\$ 247,709	\$ -	\$ -	\$ -	\$ 247,709
Unrealized Gains on Investments	89,150	-	-	-	89,150
Contributions - In-Kind	1,880,040	-	-	-	1,880,040
Capital Grants	652,270	-	-	-	652,270
Gain on Sale of Equipment	210,949	-	-	-	210,949
Change in Pension Obligation	(908,186)	-	-	-	(908,186)
Rental Revenue	75,750	-	-	-	75,750
Other Revenues	87,267	-	-	-	87,267
Change in Value of Split-Interest Agreements	-	48,079	4,929	-	53,008
	<u>2,334,949</u>	<u>48,079</u>	<u>4,929</u>	<u>-</u>	<u>2,387,957</u>
Total Non-Operating Gains and Other Revenues (Losses)					
Increase in Net Assets before Noncontrolling Interest	1,924,509	48,079	4,929	-	1,977,517
Increase (Decrease) in Net Assets Attributable to Noncontrolling Interest	<u>281,554</u>	<u>-</u>	<u>-</u>	<u>(281,554)</u>	<u>-</u>
Total Increase (Decrease) in Net Assets	2,206,063	48,079	4,929	(281,554)	1,977,517
Net Assets at Beginning of Year	<u>8,236,651</u>	<u>527,696</u>	<u>43,022</u>	<u>2,426,997</u>	<u>11,234,366</u>
Net Assets at End of Year	<u>\$ 10,442,714</u>	<u>\$ 575,775</u>	<u>\$ 47,951</u>	<u>\$ 2,145,443</u>	<u>\$ 13,211,883</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, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Noncontrolling Interest	Total
Revenues and Support					
Public Support					
Public Support Received Directly					
Contributions - Cash	\$ 309,737	\$ -	\$ -	\$ -	\$ 309,737
Contributions - In-Kind	286,585	-	-	-	286,585
Special Events (Net of Direct Benefit Costs)					
	18,110	-	-	-	18,110
Public Support Received Indirectly					
United Way	8,921	-	-	-	8,921
Total Public Support	623,353	-	-	-	623,353
Government Revenues and Grants	21,454,500	-	-	-	21,454,500
Other Revenues					
Program Service Fees	2,950,061	-	-	-	2,950,061
Sales of Materials and Services (Net)	22,216	-	-	-	22,216
Other Operating Revenues	135,287	-	-	-	135,287
Total Other Revenues	3,107,564	-	-	-	3,107,564
Total Revenues and Support	25,185,417	-	-	-	25,185,417
Expenses					
Program Services					
Encouraging Positive Development	54,957	-	-	-	54,957
Fostering Independence	11,340,769	-	-	-	11,340,769
Promoting Self-Sufficiency	9,532,086	-	-	-	9,532,086
Total Program Services	20,927,812	-	-	-	20,927,812
Supporting Services					
Management and General	3,303,801	-	-	-	3,303,801
Fund-Raising	469,878	-	-	-	469,878
Administrative Fees Paid to VOA, Inc.	499,124	-	-	-	499,124
Total Supporting Services	4,272,803	-	-	-	4,272,803
Total Program and Supporting Services Expenses	25,200,615	-	-	-	25,200,615
Decrease in Net Assets from Operations	\$ (15,198)	\$ -	\$ -	\$ -	\$ (15,198)

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, 2012
(Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Noncontrolling Interest	Total
Non-Operating Gains and Other Revenues					
Interest and Dividends	\$ 16,374	\$ -	\$ -	\$ -	\$ 16,374
Unrealized Losses on Investments	(32,093)	-	-	-	(32,093)
Capital Gains Distributions	(4,608)	-	-	-	(4,608)
Loss on Sale of Equipment	(5,929)	-	-	-	(5,929)
Change in Pension Obligation	(668,326)	-	-	-	(668,326)
Recovery of Bad Debt	368,000	-	-	-	368,000
Other Revenues	44,118	-	-	-	44,118
Change in Value of Split-Interest Agreements	-	(2,651)	(3,432)	-	(6,083)
Total Non-Operating Gains and Other Revenues	(282,464)	(2,651)	(3,432)	-	(288,547)
Decrease in Net Assets before Noncontrolling Interest	(297,662)	(2,651)	(3,432)	-	(303,745)
Increase (Decrease) in Net Assets Attributable to Noncontrolling Interest	113,234	-	-	(113,234)	-
Total (Decrease) Increase in Net Assets	(184,428)	(2,651)	(3,432)	(113,234)	(303,745)
Net Assets at Beginning of Year	8,421,079	530,347	46,454	2,540,231	11,538,111
Net Assets at End of Year	\$ 8,236,651	\$ 527,696	\$ 43,022	\$ 2,426,997	\$ 11,234,366

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, 2013**

	Program Services				Supporting Services			2013 Total
	Encouraging Positive Development	Fostering Independence	Promoting Self- Sufficiency	Total	Management and General	Fund-Raising	Total	
Salaries	\$ 44,472	\$ 9,505,341	\$ 4,865,637	\$ 14,415,450	\$ 2,075,838	\$ 355,849	\$ 2,431,687	\$ 16,847,137
Pension Expense	1,065	115,331	77,802	194,198	15,403	3,381	18,784	212,982
Other Employee Benefits	10,685	634,070	433,194	1,077,949	211,754	43,255	255,009	1,332,958
Payroll Taxes	2,980	594,582	340,521	938,083	96,879	19,985	116,864	1,054,947
Legal Fees	-	8,366	18,062	26,428	74,751	675	75,426	101,854
Accounting Fees	-	-	36,113	36,113	68,863	-	68,863	104,976
Other Professional Fees	(229)	303,413	453,061	756,245	479,934	49,261	529,195	1,285,440
Supplies	1,691	650,961	662,810	1,315,462	90,684	8,573	99,257	1,414,719
Telecommunications	3,603	152,401	96,484	252,488	81,933	2,365	84,298	336,786
Postage	-	3,125	3,933	7,058	17,690	74	17,764	24,822
Occupancy Expense	-	1,750,937	1,868,954	3,619,891	196,546	84	196,630	3,816,521
Interest	-	191,983	308,856	500,839	180,365	-	180,365	681,204
Insurance	1,312	262,806	246,487	510,605	81,217	1,632	82,849	593,454
Equipment Rental and Maintenance	-	46,880	84,944	131,824	19,440	485	19,925	151,749
Printing and Publications	176	16,999	36,488	53,663	22,908	46,680	69,588	123,251
Travel and Transportation	996	387,987	130,112	519,095	42,197	11,000	53,197	572,292
Conferences and Meetings	550	102,328	37,837	140,715	69,298	20,237	89,535	230,250
Specific Assistance	1,051	52,361	250,571	303,983	-	-	-	303,983
Other	84	67,549	30,343	97,976	81,357	4,384	85,741	183,717
Depreciation and Amortization	-	234,175	576,295	810,470	213,510	-	213,510	1,023,980
Total Functional Expenses	68,436	15,081,595	10,558,504	25,708,535	4,120,567	567,920	4,688,487	30,397,022
Administrative Fees - VOA, Inc.	-	-	-	-	665,648	-	665,648	665,648
Total Expenses	\$ 68,436	\$ 15,081,595	\$ 10,558,504	\$ 25,708,535	\$ 4,786,215	\$ 567,920	\$ 5,354,135	\$ 31,062,670

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, 2012**

	Program Services				Supporting Services			2012 Total
	Encouraging Positive Development	Fostering Independence	Promoting Self- Sufficiency	Total	Management and General	Fund-Raising	Total	
Salaries	\$ 37,712	\$ 6,844,560	\$ 4,659,541	\$ 11,541,813	\$ 1,737,534	\$ 299,974	\$ 2,037,508	\$ 13,579,321
Pension Expense	251	82,268	64,178	146,697	25,434	1,402	26,836	173,533
Other Employee Benefits	6,695	546,161	479,677	1,032,533	136,989	16,044	153,033	1,185,566
Payroll Taxes	2,846	489,556	347,221	839,623	89,394	14,690	104,084	943,707
Legal Fees	-	107,432	56,910	164,342	49,607	1,933	51,540	215,882
Accounting Fees	-	-	30,413	30,413	63,073	-	63,073	93,486
Other Professional Fees	46	168,798	353,540	522,384	587,363	56,907	644,270	1,166,654
Supplies	2,088	393,470	592,603	988,161	82,479	11,346	93,825	1,081,986
Telecommunications	3,713	135,898	84,967	224,578	64,155	1,436	65,591	290,169
Postage	4	2,805	2,971	5,780	21,590	387	21,977	27,757
Occupancy Expense	-	1,529,376	1,170,675	2,700,051	167,937	560	168,497	2,868,548
Interest	-	93,713	265,686	359,399	12,908	-	12,908	372,307
Insurance	665	204,099	218,829	423,593	80,363	1,263	81,626	505,219
Equipment Rental and Maintenance	-	28,316	87,741	116,057	32,162	-	32,162	148,219
Printing and Publications	-	8,913	8,513	17,426	6,105	45,857	51,962	69,388
Travel and Transportation	302	284,117	79,802	364,221	31,832	5,033	36,865	401,086
Conferences and Meetings	224	41,987	30,849	73,060	40,437	9,244	49,681	122,741
Specific Assistance	250	94,955	240,548	335,753	598	69	667	336,420
Other	161	108,052	31,085	139,298	118,743	3,733	122,476	261,774
Depreciation and Amortization	-	176,293	726,337	902,630	(44,902)	-	(44,902)	857,728
Total Functional Expenses	54,957	11,340,769	9,532,086	20,927,812	3,303,801	469,878	3,773,679	24,701,491
Administrative Fees - VOA, Inc.	-	-	-	-	499,124	-	499,124	499,124
Total Expenses	\$ 54,957	\$ 11,340,769	\$ 9,532,086	\$ 20,927,812	\$ 3,802,925	\$ 469,878	\$ 4,272,803	\$ 25,200,615

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, 2013 and 2012**

	2013	2012
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets Attributable to the Controlling Interest	\$ 2,259,071	\$ (190,511)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities		
Loss Attributable to the Noncontrolling Interest	(281,554)	(113,234)
Depreciation	1,008,624	852,369
(Gain) Loss on Disposal of Assets	(210,949)	5,929
Contributions - In-Kind	(1,880,040)	-
Amortization of Mortgage Costs	15,356	5,359
Net Unrealized Losses on Investment Holdings	142,158	32,093
Change in Value of Split-Interest Agreements	(53,008)	3,495
Change in Pension Obligation	908,186	640,533
<u>(Increase) Decrease in Assets</u>		
Accounts Receivable	(1,874,248)	(259,603)
Prepaid Expenses	(1,363)	(109,799)
Designated and Restricted Cash	(34,533)	313,369
Deposits	(8,076)	(13,607)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable	599,282	115,509
Accrued Expenses	217,825	(374,030)
Contract/Grant Advances	(44,999)	18,159
Client Escrow Funds	14,506	6,414
Tenant Security Deposits	(384)	(3,674)
Refundable Advances	(78,582)	87,266
Post Retirement Benefit Liability	(110,400)	(60,892)
Net Cash Provided by Operating Activities	\$ 586,872	\$ 955,145

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, 2013 and 2012
(Continued)**

	2013	2012
Cash Flows from Investing Activities		
Purchases of Land, Buildings, and Equipment	\$(11,109,985)	\$ (1,054,556)
Net Advances Due from/to Related Parties	95,311	25,308
Purchase of Investments	(40,689)	(50,445)
Notes Receivable from Affiliates	(7,828,904)	-
	(18,884,267)	(1,079,693)
Net Cash Used in Investing Activities		
Cash Flows from Financing Activities		
Mortgage Costs Capitalized	(70,000)	-
Proceeds of Notes and Mortgages Payable	21,010,494	939,920
Repayments of Notes and Mortgages Payable	(2,878,767)	(343,621)
	18,061,727	596,299
Net Cash Provided by Financing Activities		
Increase (Decrease) in Cash and Cash Equivalents	(235,668)	471,751
Cash and Cash Equivalents, Beginning of Year	2,989,601	2,517,850
	\$ 2,753,933	\$ 2,989,601
Cash and Cash Equivalents, End of Year		
Supplementary Disclosure of Cash Flow Information		
Interest Paid	\$ 681,204	\$ 408,466
Noncash Transactions from Investing and Financing Activities		
Imputed Interest on Noninterest-Bearing Note to Purchase Building	\$ 2,593	\$ 2,593
In-Kind Contributions, Received and Used	1,880,040	286,585

See accompanying Notes to Consolidated Financial Statements.

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

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. VOAC 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 health and 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, and those that are developmentally disabled, which help in fostering their independence. Finally, VOAC provides substance abuse treatment, community corrections, and homeless services including transitional housing, emergency shelter, and supportive housing to promote self-sufficiency among those served. 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 Housing Corporation, PACA Supportive Housing, Inc. (PACA Housing, Inc.), PACA Housing Limited Partnership II (PACA House), VOA Pratt Street Housing Corporation, Pratt Street Housing Limited Partnership (Pratt Street), VOA Irvington Woods Housing Corp., Inc., (Irvington Woods Corp), VOA Irvington Woods Limited Partnership (Irvington Woods), VOAC RRC QALICB, LLC (RRC), and VOAC RRC, Inc. (RRC Corp), (collectively, the "Organization").

In 2011, VOAC nominated 15 new Board of Director Members from the region and one member from VOA, Inc., that served as Board Chair. The VOA, Inc. Board of Directors approved the nomination of all 15 Board of Director Members. On June 26, 2012, VOAC expanded the Board of Directors to 18 members serving staggered three year terms. As of June 26, 2013, the Board of Directors expanded to 21 members. VOAC requested the reinstatement of the affiliate's charter, once the concerns that were identified during the 2008 charter review were satisfactorily resolved. VOAC underwent charter review by VOA, Inc., in March 2013 and the charter was restored for a term of three years.

A substantial portion of support for the Organization is provided by fees and grants 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 to construct and operate an apartment project of 12 units to serve the intellectually disabled in Virginia Beach, Virginia, under

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

1. ORGANIZATION (CONTINUED)

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 VOAC through having the same director.

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 affordable housing for the homeless, 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. 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 40 years, even after the disposition of the housing units by PACA House.

On May 7, 2012, PACA House's partnership agreement was amended to assign the then limited partners' 99.9% interest to PACA Supportive Housing, Inc., a Maryland non-stock corporation, which is 100% owned by VOAC.

VOA 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 VOA Pratt Street Housing Corporation.

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

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. VOA 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.

VOAC RRC, Inc., (RRC Corporation) is a not-for-profit corporation formed in June 2012 under the laws of the State of Maryland to be the member manager of VOAC RRC QALICB, LLC, with a 1% ownership and to promote the creation of the Residential Re-Entry Center in Baltimore, Maryland. VOAC is the sole shareholder in VOAC RRC, Inc.

VOAC RRC QALICB, LLC, (RRC) was formed as a limited liability company under the laws of the State of Maryland in June 2012 for the purpose of constructing a 146 bed community corrections facility located in Baltimore, Maryland, in partnership with JP

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

1. ORGANIZATION (CONTINUED)

Morgan Chase and volunteers of America National Services. VOA RCC, Inc. is the member manager with 1% ownership while VOAC is the limited member with 99% ownership. VOAC will operate the community corrections program while leasing the facility from VOAC RRC QALICB, LLC.

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, PACA Supportive Housing, Inc., Pratt Street Housing Corporation, Irvington Woods Corp, and RRC Corporation, and the for-profit entities PACA House, Pratt Street, Irvington Woods, and RRC. All material inter-organizational 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 Equivalents

The Corporation considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents. Designated and 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

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

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

Allowance for Doubtful Accounts (Continued)

Organization's policy is to charge off accounts receivable when management determines the receivables will not be collected.

Land, Buildings, and Equipment

Land, buildings, and equipment are carried at cost with the exceptions mentioned in the next paragraph, and are depreciated on the straight-line method over their estimated useful lives ranging from three to twenty-seven years for financial reporting purposes. Construction in progress is capitalized as costs are incurred and is depreciated beginning in the period when placed in service. 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 \$1,008,624 and \$852,369 for the years ended June 30, 2013 and 2012, respectively.

In September 28, 2012, VOAC purchased eight homes at substantially less than market value in Washington, D.C., for the purpose of operating Intermediate Care Facilities for the intellectually disabled. The Organization recorded the asset at its appraised value and recorded an in-kind contribution of \$1,467,462. In addition, the Organization received twelve donated vehicles that were recorded at fair market value with a corresponding in-kind contribution of \$207,903 and donated renovations of \$204,675 to a transitional housing facility.

Additionally, during the year ended June 30, 2010, the Organization recorded an impairment loss of \$2,362,885 on the Pratt Street Property. Accordingly, the cost exceeds carrying value.

Long-Term Investments

Investments in all debt and equity securities with readily determinable fair values are reported at their fair values.

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 \$282,655 and \$212,655 at June 30, 2013 and 2012, respectively, 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 \$84,834 and \$69,478 at June 30, 2013 and 2012, respectively. Amortization expense amounted to \$15,356 and \$5,359 for the years ended June 30, 2013 and 2012, respectively.

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

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

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.

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.

Contributions-In-Kind

Contributions-in-kind 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.) In the year ended December 31, 2013, all in-kind contributions were of a singular nature, consisting of below market purchase of appraised real estate and vehicles. In the year ended December 31, 2012, donated materials are reflected as contributions-in-kind, consisting of food and clothing, on the statements of activities and as specific assistance on the statement of functional expenses.

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

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

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.

Advertising Costs

Non-direct response advertising costs are expensed as incurred. Total non-direct advertising costs for the years ended June 30, 2013 and 2012, were \$98,854 and \$61,113, respectively.

There were no direct response advertising costs for the years ended June 30, 2013 and 2012.

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, changes in the amount of the underfunded pension obligation, and recoveries of debts written-off in prior years as a result of administrative efforts are reported as non-operating activities. Non-recurring large contributions and like-kind contributions are excluded from operations on the Statement of Activities and Changes in Net Assets.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as a nonprofit, tax-exempt organization. The income of the partnerships are included in the tax returns of the partners.

Uncertainty in Income Taxes

The Organization follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. As of June 30, 2013 and 2012, the Organization had no uncertain tax positions that qualified for either recognition or disclosure in its financial statements.

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

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

Uncertainty in Income Taxes (Continued)

The Organization's policy would be to recognize interest and penalties on tax positions related to its unrecognized tax benefits in income tax expense in the consolidated financial statements. Through June 30, 2013, there have been no matters that would have resulted in an accrual for interest and/or penalties.

As a church, the Organization is not required to file any informational returns with the Internal Revenue Service. This position could be open to examination by the Internal Revenue Service at any time.

Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 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 of \$250,000, per financial institution. At June 30, 2013 and 2012, the Organization's uninsured cash balances totaled \$243,511 and \$56,159, 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, 2013 and 2012, consisted of the following:

	<u>2013</u>	<u>2012</u>
Grants and Contracts	\$ 1,117,109	\$ 1,097,766
Fees for Services	4,123,389	2,282,760
Rents Receivable	<u>50,644</u>	<u>36,368</u>
	5,291,142	3,416,894
Less Allowance for Doubtful Accounts	<u>(7,919)</u>	<u>(7,919)</u>
Net Accounts Receivable	<u>\$ 5,283,223</u>	<u>\$ 3,408,975</u>

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

5. DUE FROM RELATED PARTIES

Due from affiliates totaled \$-0- and \$133,000 at June 30, 2013 and 2012, respectively. The balances consisted of the following:

	<u>2013</u>	<u>2012</u>
Management Fees (VOA Eastern Avenue)	\$ -	\$ 120,000
Operating Advance (VOA Eastern Avenue)	-	13,000
Total	<u>\$ -</u>	<u>\$ 133,000</u>

6. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are recorded at cost, with the exception of the assets aforementioned in Note 2 and consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 3,588,809	\$ 2,924,776
Buildings and Improvements	22,094,880	20,252,905
Construction in Progress	10,491,574	770,454
Furniture and Equipment	1,771,588	1,462,277
Vehicles	<u>1,162,730</u>	<u>942,682</u>
Total Cost	39,109,581	26,353,094
Less Accumulated Depreciation	<u>(9,929,456)</u>	<u>(9,435,319)</u>
Net Land, Buildings, and Equipment	<u>\$ 29,180,125</u>	<u>\$ 16,917,775</u>

Construction in progress represents pre-development costs incurred in connection with the acquisition and development of real estate located at 4900 East Monument Street in Baltimore, Maryland, for a residential re-entry program. The real estate was placed in service in July 2013.

Certain land, buildings, improvements, furniture, and equipment are restricted as to use and disposition by various regulatory agencies as disclosed in Notes 1 and 14.

7. DESIGNATED ASSETS

The Organization has agreements with several agencies that require funded reserves and the designation of certain deposits. The designated assets are in separate cash accounts with financial institutions.

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

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

7. DESIGNATED ASSETS (CONTINUED)

were no monies withdrawn from the replacement reserve for the years ended June 30, 2013 and 2012. The balance in the replacement reserve at June 30, 2013 and 2012, was \$44,198 and \$41,141, respectively. The operating reserve was funded at \$184,264 and \$187,280 for the years ended June 30, 2013 and 2012, 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 \$3,016 and \$8,639 withdrawn from the operating reserve during the years ended June 30, 2013 and 2012, respectively.

Under the provisions of the regulatory agreement with the 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, 2013 and 2012, 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, an insurance 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 \$200,497 and \$212,675 at June 30, 2013 and 2012, 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, 2013 and 2012, the combined balances in these reserves account totaled \$842,136 and \$953,058, respectively.

PACA House maintains an insurance reserve, also called a mortgage escrow deposit, with a balance of \$18,295 and \$15,614 at June 30, 2013 and 2012, respectively.

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 balance in this account at June 30, 2013 and 2012, was \$102,767 and \$102,623, 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, 2013 and 2012, was \$34,326 and \$47,227, respectively.

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

7. DESIGNATED ASSETS (CONTINUED)

Pratt maintains an insurance reserve, also called a mortgage escrow deposit, of \$9,860 and \$11,268 at June 30, 2013 and 2012, respectively.

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 \$-0- and \$9,269 for the years ended June 30, 2013 and 2012. The balances in this account at June 30, 2013 and 2012, amounted to \$77,159 and \$55,578, 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, 2013 and 2012, was \$168,125 and \$136,927, respectively.

Irvington Woods maintains a transition reserve, also called a mortgage escrow deposit, to be held by Irvington Woods, in an initial amount of \$30,000. The balance in this account at June 30, 2013 and 2012, was \$41,753 and \$31,117, respectively.

RRC maintains a fee reserve with a balance of \$168,248 at June 30, 2013.

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

	<u>2013</u>	<u>2012</u>
Mortgage Escrow Deposit	\$ 69,908	\$ 77,880
Client Escrow Funds	-	14,979
Replacement Reserves	356,180	356,621
Operating Reserves	1,297,292	1,377,358
Transition Reserve	-	31,177
Tenant Security Deposits	45,786	44,866
Fee Reserve	<u>168,248</u>	<u>-</u>
Total	<u>\$ 1,937,414</u>	<u>\$ 1,902,881</u>

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

8. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization's investments, split-interest agreements, and post-retirement benefit obligations are recorded at fair value on a recurring basis and are summarized below:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
<u>June 30, 2013</u>				
Marketable Equities Securities	\$ 14,702	\$ 928,005	\$ -	\$ 942,707
Fixed Income Funds	-	553,649	-	553,649
Beneficial Interest in Perpetual Trust	-	-	47,951	47,951
Contribution Receivable from Charitable Remainder Trust	-	575,775	-	575,775
Total	<u>\$ 14,702</u>	<u>\$ 2,057,429</u>	<u>\$ 47,951</u>	<u>\$ 2,120,082</u>
<u>June 30, 2012</u>				
Marketable Equities Securities	\$ 14,702	\$ 989,470	\$ -	\$ 1,004,172
Fixed Income Funds	-	373,470	-	373,470
Beneficial Interest in Perpetual Trust	-	-	43,022	43,022
Contribution Receivable from Charitable Remainder Trust	-	527,696	-	527,696
Total	<u>\$ 14,702</u>	<u>\$ 1,890,636</u>	<u>\$ 43,022</u>	<u>\$ 1,948,360</u>

Investment return is summarized for the years ended June 30, 2013 and 2012, as follows:

	<u>2013</u>	<u>2012</u>
Interest and Dividends	\$ 247,709	\$ 16,374
Net Unrealized and Realized Gains (Losses)	<u>89,150</u>	<u>(32,093)</u>
	336,859	(15,719)
Less Investment Expenses	<u>(6,513)</u>	<u>(3,158)</u>
Net Investment Return	<u>\$ 330,346</u>	<u>\$ (18,877)</u>

Expenses relating to investment revenues, consisting of custodial fees and investment advisory fees, amounted to \$6,513 and \$3,158 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012

8. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Activity within Level 3 Inputs is as follows:

Balance, July 1, 2011	\$ 43,866
Losses	<u>(844)</u>
Balance, June 30, 2012	43,022
Gains	<u>4,929</u>
Balance, June 30, 2013	<u>\$ 47,951</u>

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.

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 \$4,929 and \$1,134 for the years ended June 30, 2013 and 2012, respectively, and was recorded as change in value of split-interest agreements. The assets held in the perpetual trust are non-

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

9. SPLIT-INTEREST AGREEMENTS (CONTINUED)

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 \$47,951 and \$43,022 at June 30, 2013 and 2012, 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 \$575,775 and \$527,696 at June 30, 2013 and 2012, respectively. Income received from the trust was reported as change in value of split-interest agreements and amounted to \$48,079 and \$6,861 for the years ended June 30, 2013 and 2012, respectively.

All investments from the split interest agreements are measured within Level 2 of the fair value hierarchy and are classified at June 30, 2013 and 2012, as follows:

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 11,530	\$ 14,295
Marketable Equities	373,218	348,318
Fixed Income Funds	<u>238,978</u>	<u>208,105</u>
Total	<u>\$ 623,726</u>	<u>\$ 570,718</u>

10. NOTES RECEIVABLE

The Organization has two notes receivable from Chase NMTC VOA Chesapeake Investment Fund, LLC. The first loan of \$7,000,000 is an interest only loan at 5.25% and due in July 2019. The second loan of \$828,904 is an interest only loan payable quarterly at 1% until July 2019 at which time quarterly payments of \$10,000 including principal and interest at 1% are payable until July 2042.

11. NEW MARKET TAX CREDITS

In July 2012, VOAC entered into a financial arrangement to help fund the cost of a new residential re-entry facility at 4900 East Monument Street in Baltimore, Maryland, through the use of the New Market Tax Credits. Under this arrangement, VOAC received a loan of \$7,000,000 from JP Morgan Chase. The note payable requires monthly interest payments

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

11. NEW MARKET TAX CREDITS (CONTINUED)

of \$30,625 at 5.25% until July 2014. Beginning in August 2014, the note payable requires monthly principal and interest payments of \$50,162 at 5.25% until July 2015. Thereafter, monthly principal and interest payments of \$56,271 at 5.25% are due until July 2019, at which point the remaining principal balance of \$5,171,272 is due. Another loan of \$2,186,855 from JP Morgan Chase requires monthly payments of principal and interest at 4.39% until September 2022. The loans are secured by a deed of trust in VOAC's interest in the ICF properties and a note receivable from Chase NMTC VOA Chesapeake Investment Fund, LLC.

In July 2012, VOAC made two loans of \$7,000,000 and \$828,904 to the Chase NMTC VOA Chesapeake Investment Fund, LLC (NMTC). VOAC does not hold any ownership interest in the NMTC. The first loan (Leveraged Loan A) requires quarterly interest payments of \$91,875 at 5.25% until July 2019, at which point the principal of \$7,000,000 is due to VOAC. The second loan (Leveraged Loan B) requires quarterly interest payments of \$2,072 at 1% until July 2019. Thereafter, quarterly principal and interest payments of \$10,000 at 1% are due until the loan is satisfied in July 2042.

Chase Community Equity, LLC (CCE), the tax credit investor, invested \$3,289,711 in tax credits in the NMTC. The NMTC combined the funds from VOAC and CCE and invested the funds in VOANS CDE Subsidiary 2, LLC (CDE), a limited liability company organized by Volunteers of America National Services for the purpose of loaning funds to VOAC RRC QALICB, LLC (RRC) for the construction of the residential re-entry center in Baltimore, Maryland. RRC received three loans from CDE. The first loan (QLICI Loan A) for \$7,000,000 requires quarterly interest payments of \$73,135 at 4.1791% interest until July 2019 at which point the principal balance of \$7,000,000 is due. The second loan (QLICI Loan B) for \$814,960 requires quarterly interest payments of \$8,136 at 4.1791% until July 2019. Thereafter, quarterly principal and interest payments of \$13,655 at 4.1791% are due until the loan is satisfied in July 2042. The third loan (QLICI Loan C) for \$2,841,040 requires quarterly interest payments of \$29,683 at 4.1791% until July 2019. Thereafter, quarterly principal and interest payments of \$47,602 at 4.1791% are due until the loan is satisfied in July 2042.

As of June 30, 2013, restricted cash and cash equivalents were composed of a fee reserve in the amount of \$168,248.

12. LINE OF CREDIT

The Organization has a line of credit from a bank in the amount of \$1.5 million. 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, and equipment of the Organization. No amount was outstanding under the line of credit at June 30, 2013 or 2012.

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

13. ACCRUED EXPENSES

Accrued expenses consisted of the following at June 30, 2013 and 2012:

	2013	2012
Accrued Vacation	\$ 320,360	\$ 268,124
Accrued Salaries	738,756	573,035
Accrued Interest	856,617	881,414
Other Payables and Accrued Expenses	397,432	159,685
Total	\$ 2,313,165	\$ 1,882,258

As of February 1, 2011, the vacation accrual policy allows a rollover of 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.

Accrued interest payable of \$856,617 and \$881,414 at June 30, 2013 and 2012, 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.

14. NOTES AND MORTGAGES PAYABLE

Obligations under notes and mortgages payable at June 30, 2013 and 2012, consisted of the following:

	2013	2012
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). Note 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	\$ -	\$ 38,269
Note to bank. Due in 60 monthly installments of \$2,977 (including interest of 4.7% per annum). Matures in September 2016. Secured by property at Leegate Road in Washington, D.C.	432,298	448,395
Note to bank. Due in 60 monthly installments of \$2,367 (including interest of 5.25% per annum). Matures in November 2016. Secured by property in Riverdale, Bowie, and Baltimore, Maryland	383,400	407,015

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

14. NOTES AND MORTGAGES PAYABLE (CONTINUED)

Obligations under notes and mortgages payable at June 30, 2013 and 2012, consisted of the following: (Continued)

	2013	2012
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	\$ 19,725
Note payable to foundation. Payment was made in full	-	1,200,000
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	-	24,328
Mortgage payable to bank. Due in 180 monthly installments of \$1,699 (including interest at 6.00% per annum). Secured by real estate on Evergreen Drive. Matures in May 2018	88,579	103,095
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	-	30,021
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	147,637	163,930
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, 2013 and 2012, is 3.25%	432,727	444,427
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, 2013 and 2012, is 6.125%. Secured by real estate at Kensington Avenue. The prime rate at June 30, 2013 and 2012, is 3.25%	520,778	535,285

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

14. NOTES AND MORTGAGES PAYABLE (CONTINUED)

Obligations under notes and mortgages payable at June 30, 2013 and 2012, consisted of the following: (Continued)

	<u>2013</u>	<u>2012</u>
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, 2013 and 2012, is 4.75%. The prime rate at June 30, 2013 and 2012, is 3.25%. Secured by real estate at Verbena Avenue	\$ 528,764	\$ 548,414
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, 2013 and 2012, is 4.75%. The prime rate at June 30, 2013 and 2012, is 3.25%. Secured by real estate at Frost Avenue	244,045	253,114
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	746,249	776,619
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 interest rate is the annual applicable federal rate. Annual principal and interest payments shall be made upon commencement of the permanent loan. 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, 2013 and 2012, was 3.89% and 4.05%, respectively	700,000	700,000

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

14. NOTES AND MORTGAGES PAYABLE (CONTINUED)

Obligations under notes and mortgages payable at June 30, 2013 and 2012, consisted of the following: (Continued)

	2013	2012
Various loans secured by vehicles with rates ranging from 4.25% to 7.5% and maturing up to May 2015	\$ 90,649	\$ 171,496
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. During 2012, DHCD agreed to add interest accrued to the principal balance. On June 1, 2042, the entire indebtedness shall be due and payable. The loan is secured by Pratt Street real estate	660,725	681,292
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.	-	50,649
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	1,482,009	1,504,245

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

14. NOTES AND MORTGAGES PAYABLE (CONTINUED)

Obligations under notes and mortgages payable at June 30, 2013 and 2012, consisted of the following: (Continued)

	2013	2012
<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, 2013 and 2012, was 3.89% and 4.05%, respectively</p>	\$ 100,000	\$ 100,000
<p>Note payable to VOANS CDE Subsidiary 2, LLC, due in July 2019, interest payable quarterly at 4.1791%</p>	7,000,000	-
<p>Note payable to Note payable to VOANS CDE Subsidiary 2, LLC, interest payable quarterly at 4.1791% until July 2019, monthly payments of \$13,655, including principal, thereafter until paid in July 2042</p>	814,960	-
<p>Note payable to Note payable to VOANS CDE Subsidiary 2, LLC, interest payable quarterly at 4.1791% until 2019, monthly payments of \$47,602, including principal, thereafter until paid in July 2042</p>	2,841,040	-
<p>Note to Bank. Due in 120 monthly installments of \$14,114, including interest at 4.39%. Matures in September 2022. Secured by ICF Homes</p>	2,186,885	-

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

14. NOTES AND MORTGAGES PAYABLE (CONTINUED)

Obligations under notes and mortgages payable at June 30, 2013 and 2012, consisted of the following: (Continued)

	2013	2012
Note to Bank. Interest payments at 5.25% until July 2013. Monthly payments of \$50,162 from August 2013 until July 2014, including principal and interest. Monthly payments of \$56,271 from August 2014 until June 2019. Remainder due in July 2019. Secured by Note Receivable from Chase NMTC Investment Fund	\$ 7,000,000	\$ -
	28,496,261	10,276,110
Less Current Portion	(165,034)	(228,513)
Net Long-Term Portion	\$ 28,331,227	\$ 10,047,597
<u>For the Years Ending June 30,</u>		
2014		\$ 165,034
2015		1,813,999
2016		127,330
2017		765,626
Thereafter		25,624,272
Total		\$ 28,496,261

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, 2013 and 2012, the Organization met both the minimum tangible net worth and debt service coverage ratio requirements.

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

15. 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, 2013 and 2012, amounted to \$414,846 and \$493,428, respectively.

Pratt Street Housing 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, ending in August 2016. Therefore, these amounts are recorded as refundable advances, until the possibility of repayment is remote.

Pratt Street Housing 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, ending in August 2016, then Pratt Street Housing Corporation may be obligated to reimburse the full amount of the subsidy. Therefore, this subsidy is recorded as refundable advances, until the possibility of repayment is remote.

16. 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 \$577,775 and \$527,696 at June 30, 2013 and 2012, 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."

Permanently restricted net assets represent support from a perpetual trust in the form of investments administered by a bank and totaled \$47,951 and \$43,022 at June 30, 2013 and 2012, 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 gain on investments.

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

17. NONCONTROLLING INTERESTS

Noncontrolling interests represents the 99.99% limited partnership interests in Pratt Street and Irvington Woods.

18. 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 \$665,647 and \$499,124 for the years ended June 30, 2013 and 2012, respectively. VOAC owed VOA, Inc.'s affiliate \$135,763 and \$51,476 related to these fees as of June 30, 2013 and 2012, respectively, which are included in the amount VOAC owes VOA, Inc., as discussed below.

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. At June 30, 2013 and 2012, VOAC is owed \$-0- and \$13,589 by VOA, Inc., respectively.

The net revenues under this agreement totaled \$-0- and \$-0- for the years ended June 30, 2013 and 2012, respectively. These revenues would be reported as contributions support.

VOAC owes VOA, Inc., \$278,627 and \$316,514 in operating advances and accrued affiliate fee that are noninterest-bearing and are due on demand as of June 30, 2013 and 2012, 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.

VOA Eastern Avenue entered into various agreements with Eastern Avenue Corp concerning management, development, and social services. VOAC sold its interest in Eastern Avenue Corp in 2013. VOAC accounted for its investment in Eastern Avenue Corp

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

18. RELATED PARTY TRANSACTIONS (CONTINUED)

by the equity method of accounting, which was \$-0- at June 30, 2012. VOAC recognized \$60,000 in social service fee revenue for the year ended June 30, 2012, of which \$5,000 is still receivable at June 30, 2013. These amounts were eliminated in the consolidating financial statements.

19. 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.

20. OPERATING LEASES - LEASEE

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 \$2,026,585 and \$429,870 for the years ended June 30, 2013 and 2012, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2013, are as follows:

<u>For the Years Ending June 30,</u>	
2014	\$ 1,766,221
2015	<u>1,342,086</u>
Total	<u>\$ 3,108,307</u>

21. 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 and subsidiaries. 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 may be required to meet the projected future benefit obligations of the Plan.

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

21. RETIREMENT PLANS (CONTINUED)

Defined Benefit Plans (Continued)

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>2013</u>	<u>2012</u>
Benefit Obligation		
Benefit Obligation at Beginning of Year	\$ 5,905,950	\$ 5,593,196
Service Cost	-	-
Interest Cost	359,434	340,200
Actuarial (Gain) Loss	994,199	229,643
Benefits Paid	<u>(272,598)</u>	<u>(257,089)</u>
Benefit Obligation at End of Year	<u>6,986,985</u>	<u>5,905,950</u>
Plan Assets		
Fair Market Value at Beginning of Year	4,749,507	5,077,226
Contributions	-	-
Benefits Paid	(272,598)	(257,089)
Gains (Losses)	<u>417,594</u>	<u>(70,630)</u>
Fair Market Value at End of Year	<u>4,894,503</u>	<u>4,749,507</u>
Funded Status at End of Year	<u>\$ (2,092,482)</u>	<u>\$ (1,156,443)</u>
Amounts Recognized in the Statements of Financial Position		
Non-Current Liabilities	<u>\$ (2,092,482)</u>	<u>\$ (1,156,443)</u>
Amounts Not Yet Reflected in Net Periodic Pension Cost and Included in Unrestricted Net Assets		
Accumulated Loss	<u>\$ (1,892,495)</u>	<u>\$ (1,116,336)</u>
Net Periodic Pension Cost		
Service Cost	\$ -	\$ -
Interest Cost	359,434	340,200
Expected Return on Assets	337,561	369,178
Amortizations	<u>-</u>	<u>-</u>
Net Periodic Pension Cost	<u>21,873</u>	<u>(28,978)</u>
Other Changes Recognized in Changes in Unrestricted Net Assets		
Net Loss	908,186	668,236
Amortization of Net Gain (Loss)	<u>-</u>	<u>-</u>
Total Recognized in Changes in Unrestricted Net Assets	<u>908,186</u>	<u>668,236</u>
Net Recognized in Net Periodic Pension Cost and Changes in Unrestricted Net Assets	<u>\$ 930,059</u>	<u>\$ 639,258</u>

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

21. RETIREMENT PLANS (CONTINUED)

Defined Benefit Plans (Continued)

	2013	2012
Amortization		
Greater of Benefit Obligation or Plan Assets	\$ 6,986,985	\$ 5,905,950
10 Percent	698,699	590,595
Unrecognized (Gains) Losses	(1,892,495)	(1,116,336)
(Gains) Losses Subject to Amortization	-	-
Average Future Service Period	5.22	6.09
Minimum Required Amortization for Next Year	-	-
Plan Asset Allocation		
Cash and Cash Equivalents	1.0%	0.0%
Debt Securities	44.0%	24.0%
Equity Securities	52.5%	62.4%
Real Estate	2.5%	2.9%
Other	0.0%	10.7%
	100.00%	100.00%
Expected Contribution for Next Plan Year (2013 and 2012)		
	-	-
Expected Benefits Payments		
2013/2012	\$ 390,000	\$ 300,000
2014/2013	400,000	370,000
2015/2014	425,000	400,000
2016/2015	440,000	410,000
2017/2016	475,000	440,000
Next 5 Years	3,200,000	2,870,000
Assumptions		
<i>Weighted-Average Assumptions Used to Determine Benefit Obligation at Year End</i>		
Discount Rate	5.75%	6.25%
Rate of Compensation Increase	0.00%	0.00%
<i>Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost for Years Ended</i>		
Discount Rate	5.75%	6.25%
Expected Long-Term Return on Plan Assets	8.00%	8.00%
Rate of Compensation Increase	0.00%	0.00%

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.

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

21. RETIREMENT PLANS (CONTINUED)

Defined Benefit Plans (Continued)

Plan Assets

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. 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.

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
June 30, 2013				
Cash and Cash Equivalents	\$ 48,945	\$ -	\$ -	\$ 48,945
Equity - Mutual Funds	2,569,614	-	-	2,569,614
Fixed Income -				
Corporate Debt Securities	1,507,506	-	-	1,507,506
Fixed Income -				
U.S. Government Securities	646,075	-	-	646,075
Real Estate	122,363	-	-	122,363
Total	\$ 4,894,503	\$ -	\$ -	\$ 4,894,503
June 30, 2012				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Equity - Mutual Funds	2,965,592	-	-	2,965,592
Fixed Income -				
Corporate Debt Securities	1,138,457	-	-	1,138,457
Fixed Income -				
U.S. Government Securities	508,197	-	-	508,197
Real Estate	137,261	-	-	137,261
Total	\$ 4,749,507	\$ -	\$ -	\$ 4,749,507

Volunteers of America Chesapeake, Inc., and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2013 and 2012

21. RETIREMENT PLANS (CONTINUED)

Defined Benefit Plans (Continued)

Plan Assets (Continued)

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.

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 \$16,803 and \$15,102 for the years ended June 30, 2013 and 2012, respectively.

Participation in VOA, Inc., Defined Benefit Plan

VOA, Inc., participates with its local offices, including VOAC in 2012, in a non-contributory defined benefit pension and retirement plan, called The Volunteers of America National Pension Plan. After 2012, no remaining VOAC employees participated in the plan. The plan's employer identification number is 13-1692595 and the plan year end is December 31. This plan is a multi-employer plan and is not required to record the unfunded pension liability in its financial statements. The plan's disclosure information regarding projected benefit obligation and unfunded status as they relate solely to VOA, Inc., is not available, which is typical for multi-employer plans. Because this plan is a church plan and not subject to the Employment Retirement Security Act of 1974 (ERISA), VOA, Inc., is not required to file a Form 5500. This unfunded liability is collectively the liability of all participating employers. If there were any cash shortfalls in the plan, the plan would look towards the participating employers to fund these amounts. As the participating employers of this plan are affiliated with VOA, Inc., it is not anticipated that any employer will choose to stop participating.

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

21. RETIREMENT PLANS (CONTINUED)

Participation in VOA, Inc., Defined Benefit Plan (Continued)

The financial health of the multi-employer pension plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the plan as certified by the plan's actuary. Plans in the red zone are less than 65% funded, the yellow zone are between 65% and 80% funded, and the green zone are at least 80% funded. Because the plan is not subject to ERISA, a funding improvement plan is not required; however, VOA, Inc., has voluntarily implemented a contribution assessment, as of January 1, 2012, as follows:

	<u>January 1, 2012</u>
Market Value of Plan Assets	\$ 37,283,000
Present Value of Accumulated Plan Benefits	<u>56,235,000</u>
Actuarial Valuation of the Unfunded Pension Liability	<u>\$ 18,952,000</u>
	<u>Fiscal Year</u>
	<u>2012</u>
Zone Status	Red
Employer's Contribution to the Plan	1,049,000
Total Contribution >5% of Total Contributions to the Plan	3,619,000
	Yes
Total Fair Value of Plan Assets at Year End	\$ 38,917,000

22. 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, 2013 and 2012, was \$498,090 and \$608,490, respectively.

23. OPERATING LEASES - LESSOR

Baker House, PACA House, Pratt Street, and Irvington Woods rent units in apartment buildings to tenants under agreements with governmental agencies. All leases are on a month-to-month basis.

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

23. OPERATING LEASES - LESSOR (CONTINUED)

Cost and depreciation/impairment of the apartment buildings for the years ended June 30, 2013 and 2012, is as follows:

	<u>Cost</u>	<u>Depreciation/ Impairment</u>	<u>Net</u>
<u>June 30, 2013</u>			
Baker House	\$ 498,645	\$ 348,208	\$ 150,437
PACA House	7,038,422	3,956,348	3,082,074
Pratt Street	4,003,620	2,765,134	1,238,486
Irvington Woods	7,025,726	1,787,257	5,238,469
 <u>June 30, 2012</u>			
Baker House	\$ 464,762	\$ 319,933	\$ 144,829
PACA House	6,893,525	3,819,788	3,073,737
Pratt Street	3,827,762	2,743,423	1,084,339
Irvington Woods	6,905,437	1,656,735	5,248,702

24. 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 2013 and 2012. The cumulative operating deficit contributions remitted were \$214,050 through June 30, 2013.

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, 2013 and 2012, no such contribution has been requested or required.

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Notes to Consolidated Financial Statements
June 30, 2013 and 2012**

24. CONTINGENCIES (CONTINUED)

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.

25. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 8, 2013, the date on which the consolidated financial statements were available to be issued.

Supplementary Information

Volunteers of America Chesapeake, Inc., and Subsidiaries

Consolidating Schedule of Financial Position Information

June 30, 2013

	VOAC	Holding Corp	Baker House	PACA House, Inc.	PACA House	Pratt Street Housing	Pratt Street	Irvington Woods Corp	Irvington Woods	RRC Corp	RRC	Total	Eliminations	Consolidated Total
Assets														
Cash and Cash Equivalents	\$ 2,663,153	\$ 2,181	\$ 6,510	\$ -	\$ 3,693	\$ -	\$ 2,514	\$ -	\$ 73,881	\$ -	\$ 2,001	\$ 2,753,933	\$ -	\$ 2,753,933
Accounts Receivable (Net of Allowance)	5,241,529	-	688	-	25,714	-	1,053	-	14,239	-	-	5,283,223	-	5,283,223
Due from Related Parties	1,444,670	440,696	-	-	-	235,382	-	-	-	-	-	2,120,748	(2,120,748)	-
Prepaid Expenses	132,701	-	3,637	-	20,832	-	12,693	-	14,631	-	-	184,494	-	184,494
Land, Buildings, and Equipment (Net)	9,861,429	309,131	149,837	-	3,082,074	-	1,238,486	-	5,238,469	-	10,491,573	30,370,999	(1,190,874)	29,180,125
Designated and Restricted Cash	-	-	230,953	-	1,067,553	-	153,841	-	316,819	-	168,248	1,937,414	-	1,937,414
Long-Term Investments	1,496,356	-	-	-	-	-	-	-	-	-	-	1,496,356	-	1,496,356
Unamortized Mortgage Costs	60,000	-	-	-	47,269	-	45,722	-	44,830	-	-	197,821	-	197,821
Deposits	39,973	-	-	-	-	-	-	-	-	-	-	39,973	-	39,973
Beneficial Interest in Perpetual Trust	47,951	-	-	-	-	-	-	-	-	-	-	47,951	-	47,951
Investment in Partnerships	1,266,593	-	-	119,812	-	970,576	-	100	-	-	-	2,357,081	(2,357,081)	-
Contribution Receivable from Charitable Remainder Trust	575,775	-	-	-	-	-	-	-	-	-	-	575,775	-	575,775
Notes Receivable	8,721,869	-	-	-	-	-	-	1,266,293	-	-	-	9,988,162	(2,159,258)	7,828,904
Total Assets	\$ 31,551,999	\$ 752,008	\$ 391,625	\$ 119,812	\$ 4,247,135	\$ 1,205,958	\$ 1,454,309	\$ 1,266,393	\$ 5,702,869	\$ -	\$ 10,661,822	\$ 57,353,930	\$ (7,827,961)	\$ 49,525,969
Liabilities and Net Assets														
Accounts Payable	\$ 681,444	\$ 8,289	\$ 2,229	\$ -	\$ 105,129	\$ -	\$ 99,055	\$ -	\$ 20,644	\$ -	\$ -	\$ 916,790	\$ -	\$ 916,790
Long-Term Debt	11,914,977	12,873	147,637	-	3,237,240	-	1,635,725	-	1,482,009	-	10,656,000	29,086,461	(590,200)	28,496,261
Accrued Expenses	1,289,790	-	1,002	-	890,299	-	613,727	-	38,313	-	-	2,833,131	(519,966)	2,313,165
Post-Retirement Benefit Liability	498,090	-	-	-	-	-	-	-	-	-	-	498,090	-	498,090
Contract/Grant Advances	18,993	-	-	-	-	-	-	-	-	-	-	18,993	-	18,993
Due to Related Parties	719,323	-	-	-	566,990	-	173,718	-	1,988,636	-	-	3,448,667	(3,170,040)	278,627
Client Escrow Funds	101,353	-	-	-	-	-	-	-	-	-	-	101,353	-	101,353
Tenant Security Deposits	-	-	1,283	-	4,551	-	1,545	-	30,524	-	-	37,903	-	37,903
Refundable Advances	410,453	-	-	-	4,823	1,145,576	2,153	-	(2,583)	-	-	1,560,422	-	1,560,422
Underfunded Pension Obligation	2,092,482	-	-	-	-	-	-	-	-	-	-	2,092,482	-	2,092,482
Total Liabilities	17,726,905	21,162	152,151	-	4,809,032	1,145,576	2,525,923	-	3,557,543	-	10,656,000	40,594,292	(4,280,206)	36,314,086
Net Assets (Deficit)														
Unrestricted														
Controlling Interest	13,201,368	730,846	239,474	119,812	(561,897)	60,382	(1,071,614)	1,266,393	(117)	-	5,822	13,990,469	(3,547,755)	10,442,714
Noncontrolling Interest	-	-	-	-	-	-	-	-	2,145,443	-	-	2,145,443	-	2,145,443
Total Unrestricted	13,201,368	730,846	239,474	119,812	(561,897)	60,382	(1,071,614)	1,266,393	2,145,326	-	5,822	16,135,912	(3,547,755)	12,588,157
Temporarily Restricted	575,775	-	-	-	-	-	-	-	-	-	-	575,775	-	575,775
Permanently Restricted	47,951	-	-	-	-	-	-	-	-	-	-	47,951	-	47,951
Total Net Assets (Deficit)	13,825,094	730,846	239,474	119,812	(561,897)	60,382	(1,071,614)	1,266,393	2,145,326	-	5,822	16,759,638	(3,547,755)	13,211,883
Total Liabilities and Net Assets	\$ 31,551,999	\$ 752,008	\$ 391,625	\$ 119,812	\$ 4,247,135	\$ 1,205,958	\$ 1,454,309	\$ 1,266,393	\$ 5,702,869	\$ -	\$ 10,661,822	\$ 57,353,930	\$ (7,827,961)	\$ 49,525,969

Volunteers of America Chesapeake, Inc., and Subsidiaries

Consolidating Schedule of Financial Position Information
June 30, 2012

	VOAC	Holding Corp	Baker House	PACA House, Inc.	PACA House	Pratt Street Housing	Pratt Street	Irvington Woods Corp	Irvington Woods	Total	Eliminations	Consolidated Total
Assets												
Cash and Cash Equivalents	\$ 2,883,101	\$ 1,739	\$ 13,847	\$ -	\$ 4,146	\$ -	\$ 1,970	\$ -	\$ 84,798	\$ 2,989,601	\$ -	\$ 2,989,601
Accounts Receivable (Net)	3,380,221	431,406	-	-	20,430	-	877	-	7,447	3,840,381	(431,406)	3,408,975
Due from Related Parties	1,475,330	-	-	-	-	230,132	-	-	100	1,705,562	(1,572,562)	133,000
Prepaid Expenses	137,504	-	3,384	-	19,825	-	9,698	-	12,720	183,131	-	183,131
Land, Buildings, and Equipment	7,526,411	344,392	156,654	-	3,335,569	-	1,285,315	-	5,460,308	18,108,649	(1,190,874)	16,917,775
Designated and Restricted Cash	-	-	228,596	-	1,187,402	-	168,337	-	318,546	1,902,881	-	1,902,881
Long-Term Investments	1,366,517	-	-	-	-	-	-	-	-	1,366,517	-	1,366,517
Unamortized Mortgage Costs	-	-	-	-	49,160	-	47,327	-	46,690	143,177	-	143,177
Deposits	31,897	-	-	-	-	-	-	-	-	31,897	-	31,897
Beneficial Interest in Perpetual Trust	43,022	-	-	-	-	-	-	-	-	43,022	-	43,022
Investment in Partnerships	1,266,493	-	-	119,812	-	970,576	-	100	-	2,356,981	(2,356,981)	-
Contribution Receivable from Charitable Remainder Trust	527,696	-	-	-	-	-	-	-	-	527,696	-	527,696
Notes Receivable from Affiliates	892,965	-	-	-	-	-	-	1,266,293	-	2,159,258	(2,159,258)	-
Total Assets	\$ 19,531,157	\$ 777,537	\$ 402,481	\$ 119,812	\$ 4,616,532	\$ 1,200,708	\$ 1,513,524	\$ 1,266,393	\$ 5,930,609	\$ 35,358,753	\$ (7,711,081)	\$ 27,647,672
Liabilities and Net Assets												
Accounts Payable	\$ 278,014	\$ (782)	\$ 2,866	\$ -	\$ 35,292	\$ -	\$ 22,355	\$ -	\$ 7,616	\$ 345,361	\$ -	\$ 345,361
Long-Term Debt	4,192,834	73,877	163,930	-	3,275,132	-	1,656,292	-	1,504,245	10,866,310	(590,200)	10,276,110
Accrued Expenses	934,903	-	1,113	-	800,823	-	546,667	-	30,158	2,313,664	(431,406)	1,882,258
Post-Retirement Benefit Liability	608,490	-	-	-	-	-	-	-	-	608,490	-	608,490
Contract/Grant Advances	63,992	-	-	-	-	-	-	-	-	63,992	-	63,992
Due to Related Parties	779,570	-	-	-	572,238	-	173,718	-	1,932,708	3,458,234	(3,141,720)	316,514
Client Escrow Funds	86,847	-	-	-	-	-	-	-	-	86,847	-	86,847
Tenant Security Deposits	-	-	1,169	-	4,621	-	1,650	-	30,847	38,287	-	38,287
Refundable Advances	477,334	-	-	-	12,286	1,145,576	5,681	-	(1,873)	1,639,004	-	1,639,004
Underfunded Pension Obligation	1,156,443	-	-	-	-	-	-	-	-	1,156,443	-	1,156,443
Total Liabilities	8,578,427	73,095	169,078	-	4,700,392	1,145,576	2,406,363	-	3,503,701	20,576,632	(4,163,326)	16,413,306
Net Assets (Deficit)												
Unrestricted												
Controlling Interest	10,382,012	704,442	233,403	119,812	(83,860)	55,132	(892,839)	1,266,393	(89)	11,784,406	(3,547,755)	8,236,651
Noncontrolling Interest	-	-	-	-	-	-	-	-	2,426,997	2,426,997	-	2,426,997
Total Unrestricted	10,382,012	704,442	233,403	119,812	(83,860)	55,132	(892,839)	1,266,393	2,426,908	14,211,403	(3,547,755)	10,663,648
Temporarily Restricted	527,696	-	-	-	-	-	-	-	-	527,696	-	527,696
Permanently Restricted	43,022	-	-	-	-	-	-	-	-	43,022	-	43,022
Total Net Assets (Deficit)	10,952,730	704,442	233,403	119,812	(83,860)	55,132	(892,839)	1,266,393	2,426,908	14,782,121	(3,547,755)	11,234,366
Total Liabilities and Net Assets	\$ 19,531,157	\$ 777,537	\$ 402,481	\$ 119,812	\$ 4,616,532	\$ 1,200,708	\$ 1,513,524	\$ 1,266,393	\$ 5,930,609	\$ 35,358,753	\$ (7,711,081)	\$ 27,647,672

Volunteers of America Chesapeake, Inc., and Subsidiaries

Consolidating Schedule of Unrestricted Activities Information
For the Year Ended June 30, 2013

	VOAC	Holding Corp	Baker House	PACA House, Inc.	PACA House	Pratt Street Housing	Pratt Street	Irvington Woods Corp	Irvington Woods	RRC Corp	RRC	Total	Eliminations	Consolidated Total
Revenues and Support														
Contributions	\$ 806,653	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 806,653	\$ -	\$ 806,653
Contributions, In-Kind	1,880,040	-	-	-	-	-	-	-	-	-	-	1,880,040	-	1,880,040
Special Events	35,734	-	-	-	-	-	-	-	-	-	-	35,734	-	35,734
United Way	4,485	-	-	-	-	-	-	-	-	-	-	4,485	-	4,485
Government Revenues and Grants	27,367,073	-	-	-	-	-	-	-	-	-	-	27,367,073	-	27,367,073
Program Service Fees	1,223,184	-	103,838	-	629,854	-	378,927	-	624,784	-	-	2,960,587	-	2,960,587
Sales of Materials and Services	-	-	-	-	-	-	-	-	753	-	-	753	-	753
Other Operating Revenues	79,027	18,062	103	-	9,356	-	11,989	-	10,678	-	-	129,215	-	129,215
Interest and Dividends	233,273	-	495	-	2,441	5,250	387	-	41	-	5,822	247,709	-	247,709
Gain on Investments	89,150	-	-	-	-	-	-	-	-	-	-	89,150	-	89,150
Gain on Disposal of Assets	210,949	-	-	-	-	-	-	-	-	-	-	210,949	-	210,949
Rental Revenue	75,750	180,511	-	-	-	-	-	-	-	-	-	256,261	(180,511)	75,750
Vehicle Lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Revenues	169,314	-	-	-	-	-	-	-	-	-	-	169,314	(82,047)	87,267
Total Revenues and Support	32,174,632	198,573	104,436	-	641,651	5,250	391,303	-	636,256	-	5,822	34,157,923	(262,558)	33,895,365
Expenses	28,447,090	172,169	98,365	-	1,119,688	-	570,078	-	917,838	-	-	31,325,228	(262,558)	31,062,670
Change in Pension Obligation	(908,186)	-	-	-	-	-	-	-	-	-	-	(908,186)	-	(908,186)
(Decrease) Increase in Unrestricted Net Assets (Deficit) before Noncontrolling Interest	2,819,356	26,404	6,071	-	(478,037)	5,250	(178,775)	-	(281,582)	-	5,822	1,924,509	-	1,924,509
Increase in Net Assets (Deficit) Attributable to Noncontrolling Interest in Subsidiary	-	-	-	-	-	-	-	-	281,554	-	-	281,554	-	281,554
	2,819,356	26,404	6,071	-	(478,037)	5,250	(178,775)	-	(28)	-	5,822	2,206,063	-	2,206,063
Unrestricted Net Assets (Deficit) - Beginning of Year	10,382,012	704,442	233,403	119,812	(83,860)	55,132	(892,839)	1,266,393	(89)	-	-	11,784,406	(3,547,755)	8,236,651
Unrestricted Net Assets (Deficit) - End of Year	\$ 13,201,368	\$ 730,846	\$ 239,474	\$ 119,812	\$ (561,897)	\$ 60,382	\$ (1,071,614)	\$ 1,266,393	\$ (117)	\$ -	\$ 5,822	\$ 13,990,469	\$ (3,547,755)	\$ 10,442,714

Volunteers of America Chesapeake, Inc., and Subsidiaries

Consolidating Schedule of Unrestricted Activities Information
For the Year Ended June 30, 2012

	VOAC	Holding Corp	Baker House	PACA House, Inc.	PACA House	Pratt Street Housing	Pratt Street	Irvington Woods Corp	Irvington Woods	Total	Eliminations	Consolidated Total
Revenues and Support												
Contributions	\$ 309,737	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,737	\$ -	\$ 309,737
Contributions, In-Kind	286,585	-	-	-	-	-	-	-	-	286,585	-	286,585
Special Events	18,110	-	-	-	-	-	-	-	-	18,110	-	18,110
United Way	8,921	-	-	-	-	-	-	-	-	8,921	-	8,921
Government Revenues and Grants	21,454,500	-	-	-	-	-	-	-	-	21,454,500	-	21,454,500
Program Service Fees	1,217,049	-	104,718	-	654,141	-	352,671	-	621,482	2,950,061	-	2,950,061
Sales of Materials and Services	-	-	-	-	-	-	-	-	22,216	22,216	-	22,216
Other Operating Revenues	74,971	695	26	-	38,023	-	22,000	-	(428)	135,287	-	135,287
Interest and Dividends	42,492	-	649	-	3,542	5,250	511	-	89	52,533	(36,159)	16,374
Unrealized Gains on Investments	(36,701)	-	-	-	-	-	-	-	-	(36,701)	-	(36,701)
Gain on Disposal of Assets	(8,864)	2,935	-	-	-	-	-	-	-	(5,929)	-	(5,929)
Rental Revenue	-	172,800	-	-	-	-	-	-	-	172,800	(172,800)	-
Vehicle Lease	-	13,940	-	-	-	-	-	-	-	13,940	(13,940)	-
Other Revenue	412,118	-	-	-	-	-	-	-	-	412,118	-	412,118
Total Revenues and Support	23,778,918	190,370	105,393	-	695,706	5,250	375,182	-	643,359	25,794,178	(222,899)	25,571,279
Expenses	23,025,645	116,148	98,575	-	899,378	-	527,164	-	756,604	25,423,514	(222,899)	25,200,615
Change in Pension Obligation	(668,326)	-	-	-	-	-	-	-	-	(668,326)	-	(668,326)
(Decrease) Increase in Unrestricted Net Assets (Deficit) before Noncontrolling Interest	84,947	74,222	6,818	-	(203,672)	5,250	(151,982)	-	(113,245)	(297,662)	-	(297,662)
Increase in Net Assets Attributable to Noncontrolling Interests in Subsidiary	-	-	-	-	-	-	-	-	113,234	113,234	-	113,234
(Decrease) Increase in Unrestricted Net Assets (Deficit)	84,947	74,222	6,818	-	(203,672)	5,250	(151,982)	-	(11)	(184,428)	-	(184,428)
Unrestricted Net Assets (Deficit) - Beginning of Year	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
Unrestricted Net Assets (Deficit) - End of Year	\$ 10,382,012	\$ 704,442	\$ 233,403	\$ 119,812	\$ (83,860)	\$ 55,132	\$ (892,839)	\$ 1,266,393	\$ (89)	\$ 11,784,406	\$ (3,547,755)	\$ 8,236,651

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Consolidating Schedule of Expenses
For the Year Ended June 30, 2013**

	VOAC	Holding Corp	Baker House	PACA House	Pratt Street	Irvington Woods	Total	Eliminations	Total
Salaries	\$ 16,559,908	\$ -	\$ 6,190	\$ 115,417	\$ 84,053	\$ 81,569	\$ 16,847,137	\$ -	\$ 16,847,137
Pension Expense	212,982	-	-	-	-	-	212,982	-	212,982
Other Employee Benefits	1,317,695	-	156	3,545	2,960	8,602	1,332,958	-	1,332,958
Payroll Taxes	1,034,001	-	627	6,258	5,827	8,234	1,054,947	-	1,054,947
Legal Fees	97,530	-	-	(2,816)	4,660	2,480	101,854	-	101,854
Accounting Fees	68,863	-	7,620	6,588	6,579	15,326	104,976	-	104,976
Other Professional Fees	1,097,742	-	9,008	42,016	30,811	157,663	1,337,240	(51,800)	1,285,440
Supplies	1,408,623	-	500	2,288	1,018	2,290	1,414,719	-	1,414,719
Telecommunications	313,794	-	-	9,219	2,701	11,072	336,786	-	336,786
Postage	24,236	-	-	157	239	190	24,822	-	24,822
Occupancy Expense	2,892,583	130,795	40,104	464,535	260,588	200,716	3,989,321	(172,800)	3,816,521
Interest	374,027	753	12,751	110,844	77,343	105,486	681,204	-	681,204
Insurance	476,840	-	4,323	57,881	23,156	31,254	593,454	-	593,454
Equipment Rental and Maintenance	112,308	5,233	259	16,168	15,960	1,821	151,749	-	151,749
Printing and Publications	110,847	-	12,404	-	-	-	123,251	-	123,251
Travel and Transportation	579,955	-	-	48	-	-	580,003	(7,711)	572,292
Conferences and Meetings	227,717	-	232	667	967	667	230,250	-	230,250
Specific Assistance	292,072	-	-	16,948	(9,749)	23,294	322,565	(18,582)	303,983
Other	169,413	127	(12,148)	14,539	15,556	7,895	195,382	(11,665)	183,717
Depreciation and Amortization	410,306	35,261	16,339	255,386	47,409	259,279	1,023,980	-	1,023,980
Administrative Fees - VOA, Inc.	665,648	-	-	-	-	-	665,648	-	665,648
Total Expenses	\$ 28,447,090	\$ 172,169	\$ 98,365	\$ 1,119,688	\$ 570,078	\$ 917,838	\$ 31,325,228	\$ (262,558)	\$ 31,062,670

Volunteers of America Chesapeake, Inc., and Subsidiaries

**Consolidating Schedule of Expenses
For the Year Ended June 30, 2012**

	VOAC	Holding Corp	Baker House	PACA House	Pratt Street	Irvington Woods	Total	Eliminations	Total
Salaries	\$ 13,215,637	\$ -	\$ 2,808	\$ 158,085	\$ 135,077	\$ 67,714	\$ 13,579,321	\$ -	\$ 13,579,321
Pension Expense	173,533	-	-	-	-	-	173,533	-	173,533
Other Employee Benefits	1,168,421	-	-	8,721	4,281	4,143	1,185,566	-	1,185,566
Payroll Taxes	917,094	-	-	11,701	9,813	5,099	943,707	-	943,707
Legal Fees	166,308	-	-	22,285	12,586	14,703	215,882	-	215,882
Accounting Fees	63,070	-	6,824	1,829	13,268	8,495	93,486	-	93,486
Other Professional Fees	961,966	65,118	6,300	61,070	27,175	45,025	1,166,654	-	1,166,654
Supplies	1,072,909	180	4,345	172	3,376	1,004	1,081,986	-	1,081,986
Telecommunications	269,631	-	-	10,106	1,322	9,110	290,169	-	290,169
Postage	26,980	-	-	282	305	190	27,757	-	27,757
Occupancy Expense	2,327,805	116,039	40,324	242,339	135,840	179,001	3,041,348	(172,800)	2,868,548
Interest	113,822	61	13,926	54,419	115,899	110,339	408,466	(36,159)	372,307
Insurance	413,060	(125)	8,652	49,537	30,597	3,498	505,219	-	505,219
Equipment Rental and Maintenance	120,266	4,798	-	17,460	12,880	6,755	162,159	(13,940)	148,219
Printing and Publications	69,388	-	-	-	-	-	69,388	-	69,388
Travel and Transportation	401,059	-	-	27	-	-	401,086	-	401,086
Conferences and Meetings	120,961	-	-	385	970	425	122,741	-	122,741
Specific Assistance	312,904	-	-	10,678	(2,000)	14,838	336,420	-	336,420
Other	259,136	215	165	-	2,258	-	261,774	-	261,774
Depreciation and Amortization	352,571	(70,138)	15,231	250,282	23,517	286,265	857,728	-	857,728
Administrative Fees - VOA, Inc.	499,124	-	-	-	-	-	499,124	-	499,124
Total Expenses	\$ 23,025,645	\$ 116,148	\$ 98,575	\$ 899,378	\$ 527,164	\$ 756,604	\$ 25,423,514	\$ (222,899)	\$ 25,200,615