

Volunteers of America Chesapeake, Inc. And Subsidiaries

Consolidated Financial Statements

**For The Years Ended
June 30, 2016 And 2015**



HERTZBACH
certified public accountants · consultants

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

Table Of Contents

For The Years Ended June 30, 2016 And 2015

Independent Auditor’s Report.....	1-2
Consolidated Financial Statements	
Consolidated Statements Of Financial Position.....	3-3A
Consolidated Statements Of Activities	4-5A
Consolidated Statements Of Functional Expenses	6-7
Consolidated Statements Of Cash Flows	8-8A
Notes To Consolidated Financial Statements.....	9-36
Consolidating Supplementary Information	
Consolidating Schedules Of Financial Position	37-38A
Consolidating Schedules Of Unrestricted Activities	39-40
Consolidating Schedules Of Expenses.....	41-42

Independent Auditor's Report

**To The Officers And Board Of Directors
Volunteers of America Chesapeake, Inc.
And Subsidiaries**

7901 Annapolis Road
Lanham, MD 20706

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Volunteers of America Chesapeake, Inc. (a nonprofit organization) And Subsidiaries (collectively, the Organization) which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, 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 internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of the Subsidiaries were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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.

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, 2016 and 2015, and the changes in their net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters:

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, for the year ended June 30, 2016, management has adopted the provision of Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU) No. 2015-07, which removed the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share as a practical expedient. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating supplementary information shown on pages 38 to 43 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and change in unrestricted net assets of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating supplementary information has been subjected to the auditing procedures applied in the audit 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 consolidating supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2016, on our consideration of Volunteers of America Chesapeake, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Volunteers of America Chesapeake, Inc.'s internal control over financial reporting and compliance.

Hertzbach & Company, P.A.

Rockville, Maryland
November 3, 2016

**CONSOLIDATED
FINANCIAL
STATEMENTS**

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidated Statements Of Financial Position

June 30,	2016	2015
CURRENT ASSETS		
Cash And Cash Equivalents	\$ 2,021,848	\$ 1,813,078
Accounts Receivable (Net Of Allowance)	4,342,479	3,614,420
Prepaid Expenses	510,479	222,376
Reimbursement Receivable	142,580	158,519
Interest Receivable	135,280	81,608
Other Receivable	<u>462,207</u>	<u>158,658</u>
Total Current Assets	<u>7,614,873</u>	<u>6,048,659</u>
PROPERTY AND EQUIPMENT, NET	<u>25,851,083</u>	<u>27,252,665</u>
OTHER ASSETS		
Designated And Restricted Cash	1,886,734	1,715,331
Investments	1,498,163	1,502,936
Unamortized Mortgage Costs, Net	500,903	530,524
Deposits	140,755	40,893
Beneficial Interest In Perpetual Trust	54,454	57,984
Beneficial Interest In Charitable Remainder Trust	646,535	671,385
Notes Receivable (Net Of Allowance)	<u>8,143,016</u>	<u>8,143,016</u>
Total Other Assets	<u>12,870,560</u>	<u>12,662,069</u>
TOTAL ASSETS	<u>\$ 46,336,516</u>	<u>\$ 45,963,393</u>

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidated Statements Of Financial Position
(Continued)

June 30,	2016	2015
CURRENT LIABILITIES		
Accounts Payable	\$ 771,857	\$ 490,021
Current Maturities Of Long-Term Debt	1,594,098	1,717,810
Accrued Expenses	2,465,043	2,455,858
Deferred Gain on Sale-Leaseback, Current	80,084	-
Due To Related Parties	47,127	-
Other Current Liabilities	-	1,657
Client Escrow Funds	97,865	106,773
Tenant Security Deposits	19,656	23,861
Refundable Advances	468,348	1,615,207
	<u>5,544,078</u>	<u>6,411,187</u>
Total Current Liabilities		
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Maturities	25,852,074	25,851,208
Post-Retirement Benefit Liability	388,528	479,613
Other Long-Term Liabilities	18,992	18,992
Deferred Gain on Sale-Leaseback, Net Of Current Portion	654,016	-
Deferred Rent	64,545	1,110
Underfunded Pension Obligation	2,806,163	2,342,549
	<u>29,784,318</u>	<u>28,693,472</u>
Total Long-Term Liabilities		
Total Liabilities	<u>35,328,396</u>	<u>35,104,659</u>
NET ASSETS		
Unrestricted		
Controlling Interest	10,683,873	10,077,163
Non-controlling Interest	(1,025,413)	(596,469)
	<u>9,658,460</u>	<u>9,480,694</u>
Total Unrestricted		
Temporarily Restricted	1,295,206	1,320,056
Permanently Restricted	54,454	57,984
	<u>11,008,120</u>	<u>10,858,734</u>
Total Net Assets		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 46,336,516</u>	<u>\$ 45,963,393</u>

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidated Statement Of Activities

For The Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Non-controlling Interest	Total
Revenues And Support					
Public Support					
Public Support Received Directly					
Contributions - Cash	\$ 504,699	\$ -	\$ -	\$ -	\$ 504,699
Contributions - In-Kind	280,000	-	-	-	280,000
Special Events (Net Of Direct Benefit Costs)	139,480	-	-	-	139,480
Public Support Received Indirectly					
United Way	21,939	-	-	-	21,939
Total Public Support	946,118	-	-	-	946,118
Government Revenues And Grants	29,451,864	-	-	-	29,451,864
Other Revenues					
Program Service Fees	3,149,287	-	-	-	3,149,287
Rental Revenue	100,092	-	-	-	100,092
Other Operating Revenues	42,489	-	-	-	42,489
Total Other Revenues	3,291,868	-	-	-	3,291,868
	33,689,850	-	-	-	33,689,850
Expenses					
Program Services					
Encouraging Positive Development	133,033	-	-	-	133,033
Fostering Independence	19,256,576	-	-	-	19,256,576
Promoting Self-Sufficiency	9,791,828	-	-	-	9,791,828
Total Program Services	29,181,437	-	-	-	29,181,437
Supporting Services					
Management And General	4,759,091	-	-	-	4,759,091
Fundraising	432,302	-	-	-	432,302
Administrative Fees Paid To VOA, Inc.	715,523	-	-	-	715,523
Total Supporting Services	5,906,916	-	-	-	5,906,916
Total Program And Supporting Services	35,088,353	-	-	-	35,088,353
Decrease In Net Assets From Operations	\$ (1,398,503)	\$ -	\$ -	\$ -	\$ (1,398,503)

See Independent Auditor's Report And Accompanying Notes To The Consolidated Financial Statements

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidated Statement Of Activities
(Continued)

For The Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Non-controlling Interest	Total
Non-Operating Gains And Other					
Revenues (Losses)					
Interest And Dividends	\$ 466,320	\$ 31,838	\$ 1,150	\$ -	\$ 499,308
Net Losses On Investments	(36,111)	-	-	-	(36,111)
Gain On Sale Of Property And Equipment	53,405	-	-	-	53,405
Recovery Of Bad Debt	89	-	-	-	89
Increase In Pension Obligation	(458,288)	-	-	-	(458,288)
Other Net Revenues	46,835	-	-	-	46,835
Change In Value Of Split-Interest Agreements	-	(46,570)	(1,875)	-	(48,445)
Developers Fee	345,520	-	-	-	345,520
Forgiveness Of Refundable Advances	1,145,576	-	-	-	1,145,576
Satisfaction Of Program Restrictions	12,923	(10,118)	(2,805)	-	-
Total Non-Operating Gains And Other Revenues (Losses)	1,576,269	(24,850)	(3,530)	-	1,547,889
Increase (Decrease) In Net Assets Before Non-controlling Interest	177,766	(24,850)	(3,530)	-	149,386
Increase (Decrease) In Net Assets Attributable To Non-controlling Interest	428,944	-	-	(428,944)	-
Total Increase (Decrease) In Net Assets	606,710	(24,850)	(3,530)	(428,944)	149,386
Net Assets - Beginning Of Year	10,077,163	1,320,056	57,984	(596,469)	10,858,734
Net Assets - End Of Year	\$ 10,683,873	\$ 1,295,206	\$ 54,454	\$ (1,025,413)	\$ 11,008,120

See Independent Auditor's Report And Accompanying Notes To The Consolidated Financial Statements

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidated Statement Of Activities

For The Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Non-controlling Interest	Total
Revenues And Support					
Public Support					
Public Support Received Directly					
Contributions - Cash	\$ 817,730	\$ -	\$ -	\$ -	\$ 817,730
Contributions - In-Kind	12,347	-	-	-	12,347
Special Events (Net Of Direct Benefit Costs)	76,591	-	-	-	76,591
Public Support Received Indirectly					
United Way	19,410	-	-	-	19,410
Total Public Support	926,078	-	-	-	926,078
Government Revenues And Grants	30,112,761	-	-	-	30,112,761
Program Service Fees	2,762,573	-	-	-	2,762,573
Rental Revenue	105,092	-	-	-	105,092
Other Operating Revenues	433,048	-	-	-	433,048
Total Other Revenues	3,300,713	-	-	-	3,300,713
Total Revenues And Support	34,339,552	-	-	-	34,339,552
Expenses					
Program Services					
Encouraging Positive Development	131,854	-	-	-	131,854
Fostering Independence	18,303,171	-	-	-	18,303,171
Promoting Self-Sufficiency	10,823,374	-	-	-	10,823,374
Total Program Services	29,258,399	-	-	-	29,258,399
Supporting Services					
Management And General	5,078,777	-	-	-	5,078,777
Fundraising	939,137	-	-	-	939,137
Administrative Fees Paid To VOA, Inc.	733,958	-	-	-	733,958
Total Supporting Services	6,751,872	-	-	-	6,751,872
Total Program And Supporting Services	36,010,271	-	-	-	36,010,271
Decrease In Net Assets From Operations	\$ (1,670,719)	\$ -	\$ -	\$ -	\$ (1,670,719)

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidated Statement Of Activities
(Continued)

For The Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Non-controlling Interest	Total
Non-Operating Gains And Other					
Revenues (Losses)					
Interest And Dividends	\$ 105,718	\$ 38,717	\$ 3,070	\$ -	\$ 147,505
Net Losses On Investments	(7,362)	-	-	-	(7,362)
Gain On Sale Of Property And Equipment	11,533	-	-	-	11,533
Recovery Of Bad Debt	149,855	-	-	-	149,855
Increase In Pension Obligation	(415,906)	-	-	-	(415,906)
Capital Project Grant Revenue	-	379,900	-	-	379,900
Other Net Losses	(70,839)	-	-	-	(70,839)
Non-Operational Personnel Costs	(9,955)	-	-	-	(9,955)
Change In Value Of Split-Interest Agreements	-	(18,158)	(1,505)	-	(19,663)
Satisfaction of Program Restrictions	685,974	(683,379)	(2,595)	-	-
Total Non-Operating Gains And Other Revenues (Losses)	449,018	(282,920)	(1,030)	-	165,068
Decrease In Net Assets					
Before Non-controlling Interest	(1,221,701)	(282,920)	(1,030)	-	(1,505,651)
Increase (Decrease) In Net Assets					
Attributable To Non-controlling Interest	526,777	-	-	(526,777)	-
Total Decrease In Net Assets	(694,924)	(282,920)	(1,030)	(526,777)	(1,505,651)
Net Assets - Beginning Of Year	10,772,087	1,602,976	59,014	(69,692)	12,364,385
Net Assets - End Of Year	\$ 10,077,163	\$ 1,320,056	\$ 57,984	\$ (596,469)	\$ 10,858,734

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidated Statement Of Functional Expenses

For The Year Ended June 30, 2016

	Program Services				Supporting Services			2016 Total
	Encouraging Positive Development	Fostering Independence	Promoting Self- Sufficiency	Subtotal	Management And General	Fundraising	Subtotal	
Salaries	\$ 89,870	\$ 12,663,881	\$ 4,567,223	\$ 17,320,974	\$ 2,087,601	\$ 185,159	\$ 2,272,760	\$ 19,593,734
Other Employee Benefits	26,890	1,023,453	469,429	1,519,772	328,985	27,714	356,699	1,876,471
Payroll Taxes	5,842	928,137	328,688	1,262,667	121,525	4,546	126,071	1,388,738
Legal Fees	-	-	46,138	46,138	94,278	-	94,278	140,416
Accounting Fees	-	-	51,375	51,375	57,400	-	57,400	108,775
Other Professional Fees	55	438,852	456,968	895,875	475,612	125,875	601,487	1,497,362
Supplies	116	644,141	501,334	1,145,591	101,969	7,789	109,758	1,255,349
Telecommunications	5,571	238,676	89,207	333,454	101,499	2,525	104,024	437,478
Postage	-	1,183	3,728	4,911	6,833	49	6,882	11,793
Occupancy Expense	-	1,971,432	978,259	2,949,691	321,303	2,974	324,277	3,273,968
Interest	-	184,496	590,139	774,635	409,953	-	409,953	1,184,588
Insurance	1,373	333,486	200,037	534,896	107,425	6,939	114,364	649,260
Equipment Rental And Maintenance	1,946	40,527	81,345	123,818	36,631	13	36,644	160,462
Printing And Publications	-	2,609	2,901	5,510	6,485	25,071	31,556	37,066
Travel And Transportation	363	476,988	103,034	580,385	87,617	11,619	99,236	679,621
Conferences And Meetings	324	20,808	24,859	45,991	110,249	5,960	116,209	162,200
Specific Assistance	-	39,887	311,653	351,540	1,711	101	1,812	353,352
Other	400	19,125	37,555	57,080	184,410	25,968	210,378	267,458
Depreciation And Amortization	283	228,895	947,956	1,177,134	117,605	-	117,605	1,294,739
Total Functional Expenses	133,033	19,256,576	9,791,828	29,181,437	4,759,091	432,302	5,191,393	34,372,830
Administrative Fees - VOA, Inc.	-	-	-	-	715,523	-	715,523	715,523
Total Expenses	\$ 133,033	\$ 19,256,576	\$ 9,791,828	\$ 29,181,437	\$ 5,474,614	\$ 432,302	\$ 5,906,916	\$ 35,088,353

See Independent Auditor's Report And Accompanying Notes To The Consolidated Financial Statements

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidated Statement Of Functional Expenses

For The Year Ended June 30, 2015

	Program Services				Supporting Services			2015 Total
	Encouraging Positive Development	Fostering Independence	Promoting Self- Sufficiency	Subtotal	Management And General	Fundraising	Subtotal	
Salaries	\$ 81,581	\$ 11,740,089	\$ 5,196,449	\$ 17,018,119	\$ 2,698,707	\$ 412,444	\$ 3,111,151	\$ 20,129,270
Other Employee Benefits	34,691	1,260,479	629,765	1,924,935	282,755	72,283	355,038	2,279,973
Payroll Taxes	5,695	875,964	382,440	1,264,099	160,026	21,453	181,479	1,445,578
Legal Fees	-	-	20,213	20,213	28,189	-	28,189	48,402
Accounting Fees	-	-	62,230	62,230	68,999	-	68,999	131,229
Other Professional Fees	16	465,800	457,507	923,323	639,143	304,427	943,570	1,866,893
Supplies	457	628,860	604,148	1,233,465	42,611	3,150	45,761	1,279,226
Telecommunications	5,061	219,065	76,092	300,218	77,766	3,793	81,559	381,777
Postage	14	1,793	4,897	6,704	12,303	12,002	24,305	31,009
Occupancy Expense	-	1,775,701	983,311	2,759,012	136,837	4,218	141,055	2,900,067
Interest	-	176,787	707,377	884,164	424,173	-	424,173	1,308,337
Insurance	1,391	317,857	194,904	514,152	94,021	9,334	103,355	617,507
Equipment Rental And Maintenance	1,504	44,877	100,882	147,263	30,050	1,849	31,899	179,162
Printing And Publications	-	2,647	4,558	7,205	5,564	54,031	59,595	66,800
Travel And Transportation	566	474,584	116,050	591,200	55,810	20,583	76,393	667,593
Conferences And Meetings	166	23,174	31,446	54,786	81,341	14,207	95,548	150,334
Specific Assistance	28	30,907	286,197	317,132	1,018	299	1,317	318,449
Other	401	8,764	3,296	12,461	54,975	5,064	60,039	72,500
Depreciation And Amortization	283	255,823	961,612	1,217,718	184,489	-	184,489	1,402,207
Total Functional Expenses	131,854	18,303,171	10,823,374	29,258,399	5,078,777	939,137	6,017,914	35,276,313
Administrative Fees - VOA, Inc.	-	-	-	-	733,958	-	733,958	733,958
Total Expenses	\$ 131,854	\$ 18,303,171	\$ 10,823,374	\$ 29,258,399	\$ 5,812,735	\$ 939,137	\$ 6,751,872	\$ 36,010,271

See Independent Auditor's Report And Accompanying Notes To The Consolidated Financial Statements

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidated Statements Of Cash Flows

For The Years Ended June 30,	2016	2015
CONSOLIDATED CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) In Net Assets	\$ 578,330	\$ (978,874)
Adjustments To Reconcile Increase (Decrease) In Net Assets To Net Cash And Cash Equivalents Used In Operating Activities:		
Loss Attributable To The Non-controlling Interest	(428,944)	(526,777)
Depreciation	1,265,119	1,384,720
Gain On Disposal Of Property And Equipment	(53,405)	(11,533)
Contributions - In-Kind	(280,000)	(12,347)
Supplies Expense	69,600	12,347
Amortization Of Mortgage Costs	29,620	17,487
(Gain) Loss On Sale Of Investments	(8,698)	790
Net Unrealized Losses On Investment Holdings	44,794	81,838
Undistributed Investment Income	(64,311)	(75,186)
Change In Value Of Split-Interest Agreements	48,445	19,663
Change In Pension Obligation	463,614	415,906
Forgiveness Of Refundable Advances	(1,145,576)	-
(Increase) Decrease In Operating Assets:		
Tenants' Security Deposits	(24,536)	10,126
Accounts Receivable	(728,059)	(315,970)
Prepaid Expenses	(77,703)	8,655
Other Receivables	(303,549)	59,935
Reimbursement Receivable	2,608	151,495
Interest Receivable	(53,672)	(70,299)
Increase (Decrease) In Operating Liabilities:		
Accounts Payable	281,836	(5,600)
Accrued Expenses	281,913	(645,538)
Other Current Liabilities	(1,657)	(5,551)
Client Escrow Funds	(8,908)	(43,324)
Tenant Security Deposits	(4,205)	(2,861)
Refundable Advances	(1,283)	22,610
Post Retirement Benefit Liability	(91,085)	(2,682)
Deferred Rent	63,435	3,604
	<u>(146,277)</u>	<u>(507,366)</u>
Net Cash And Cash Equivalents Used In Operating Activities		
CONSOLIDATED CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases Of Land, Buildings, And Equipment	(107,411)	(832,892)
Proceeds From Sale Of Land, Buildings, And Equipment	1,044,710	-
Net Proceeds From (Repayments To) Related Parties	47,127	(161,331)
Proceeds From Sale Of Investments	564,958	249,919
Purchase Of Investments	(552,034)	(60,533)
(Increase) Decrease Of Designated And Restricted Cash	<u>(146,867)</u>	<u>17,336</u>
Net Cash And Cash Equivalents Provided By (Used In) Investing Activities	<u>850,483</u>	<u>(787,501)</u>

See Independent Auditor's Report And Accompanying Notes To The Consolidated Financial Statements

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidated Statements Of Cash Flows
(Continued)

For The Years Ended June 30,	2016	2015
CONSOLIDATED CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits Paid	\$ (99,862)	\$ -
Proceeds Of Notes Payable And Mortgages Payable	1,433,104	345,750
Repayments Of Notes And Mortgages Payable	<u>(1,828,678)</u>	<u>(617,322)</u>
Net Cash And Cash Equivalents Used In Financing Activities	<u>(495,436)</u>	<u>(271,572)</u>
NET INCREASE (DECREASE) IN CONSOLIDATED CASH AND CASH EQUIVALENTS	<u>208,770</u>	<u>(1,566,439)</u>
CONSOLIDATED CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,813,078</u>	<u>3,379,517</u>
CONSOLIDATED CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,021,848</u>	<u>\$ 1,813,078</u>
SUPPLEMENTAL DISCLOSURE OF CONSOLIDATED CASH FLOW INFORMATION:		
Cash Paid During The Year For:		
Interest	<u>\$ 2,269,737</u>	<u>\$ 1,654,116</u>
NON-CASH TRANSACTIONS FROM INVESTING AND FINANCING ACTIVITIES:		
Deferred Gain On The Sale-Leaseback	<u>\$ 734,100</u>	<u>\$ -</u>
Reclassification Of Accrued Interest To Principal On A Loan	<u>\$ 272,728</u>	<u>\$ -</u>

Volunteers of America Chesapeake, Inc. And Subsidiaries

Notes To Consolidated Financial Statements

For The Years Ended June 30, 2016 And 2015

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 under a charter from 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), 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").

VOAC's charter was reviewed by VOA, Inc. on June 25, 2016 and was renewed for five years until June 30, 2021.

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 was to purchase, sell, and lease property as a 501(c)(3) corporation. Holding Corp was a non-stock corporation whose directors are predominately employees of VOAC. Holding Corp was approved to be dissolved by its Board of Directors on June 10, 2015, the related party debt due from VOAC was forgiven, and the lease between Holding Corp and VOAC was terminated on July 8, 2015.

VOA PACA Housing Corporation, was incorporated in 1995 under the laws of the State of Maryland to be the general, 0.10% partner in PACA House. VOA PACA Housing Corporation's only income or loss is the result of its investment in PACA House. VOAC is the sole shareholder in VOA PACA Housing Corporation.

PACA Housing Limited Partnership II (PACA House) was formed as a limited partnership under the laws of the State of Maryland in July 1994 for the purpose of constructing and operating single room occupancy (SRO) and efficiency 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.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

1. ORGANIZATION (CONTINUED)

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% controlled by VOAC.

VOA Pratt Street Housing Corporation (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 stockholder of VOA Pratt Street Housing Corporation.

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. 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 Corp) 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 RRC Corporation.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

1. ORGANIZATION (CONTINUED)

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 Morgan Chase and Volunteers of America National Services. VOA RRC, 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

BASIS OF ACCOUNTING - The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting, which recognizes income when it is earned and expenses when they are incurred.

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of VOAC and its wholly-controlled nonprofit subsidiaries, Holding Corp, PACA Supporting 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 Organization considers all highly-liquid investments with maturities of three months or less when purchased, unless held for reinvestment as part of the investment portfolio, 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 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 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 \$1,265,119 and \$1,384,720 for the years ended June 30, 2016 and 2015, respectively.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS AND INVESTMENT RISK – Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in operating income unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments other than trading securities are reported separately in the statement of activities and changes in net assets. Interest income is measured as earned on the accrual basis. Dividends are measured based on the ex-dividend date. Purchases and sales of securities and realized gains and losses are recorded on a trade-date basis.

The Organization's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the statement of financial position are subject to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the statement of financial position could change materially in the near term.

UNAMORTIZED MORTGAGE COSTS - Gross mortgage costs totaled \$683,978 at June 30, 2016 and 2015 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 \$183,075 and \$153,454 at June 30, 2016 and 2015, respectively. Amortization expense amounted to \$29,620 and \$17,487 for the years ended June 30, 2016 and 2015, respectively.

BENEFICIAL INTEREST IN PERPETUAL TRUSTS – The Organization received as contributions a beneficial interest in various perpetual trusts. Under the perpetual trust arrangements, the Organization recorded the assets and recognized either temporarily or permanently restricted contribution revenue at the fair market value of the Organization's beneficial interest in the trust assets, depending on the nature of the donor's restrictions. Income earned on the trust assets and distributed to the Organization is recorded as investment income in the statement of activities and changes in net assets, unless otherwise restricted by the donor. Subsequent changes in fair value are recorded as valuation gain (loss) on beneficial interest in perpetual trust in either temporarily or permanently restricted net assets in the statement of activities and changes in net assets, depending on the nature of the donor's restrictions.

BOARD DESIGNATED FUNDS POLICY – The Organization maintains a funded Board-Designated Operating Reserve, unencumbered and uncommitted, at a level commensurate with the future projected needs of the organization.

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.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION - 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 of 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 fair 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 June 30, 2016, all in-kind contributions were of a singular nature, consisting of computers. In the year ended June 30, 2015 all in-kind contributions were of a singular nature, consisting of supplies.

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

PROGRAM SERVICE FEES - Program service fees revenue is recognized when services are rendered for eligible individuals.

ADVERTISING COSTS - Total advertising costs for the years ended June 30, 2016 and 2015, were \$20,584 and \$80,503, respectively.

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 consolidated statement of activities and changes in net assets.

INCOME TAXES - Under provision of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the State of Maryland, the Organization is exempt from income taxes, except for net income from unrelated business income, as a subordinate unit of VOA, Inc. VOA, Inc. is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3). There were no unrelated business activities for the years ended June 30, 2016 and 2015, respectively. Accordingly, no tax expense was incurred during the years ending June 30, 2016 and 2015, respectively. No provision or benefit for income taxes on the partnerships has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the partners individually.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES – Employees of the Organization are entitled to paid time off depending on job classification, length of service, and other factors. The Organization has accrued \$2,935 and \$19,300 for paid time off as of June 30, 2016 and 2015, respectively.

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.

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

RECLASSIFICATIONS - Certain 2015 amounts have been reclassified to conform to the 2016 consolidated financial statements presentation. There was no effect on 2015 change in net assets as a result of these reclassifications.

NEW ACCOUNTING STANDARD ADOPTED DURING 2016 - In May 2015, the FASB issued ASU 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Assets Value per Share (or Its Equivalent) (the "Update"). The amendments in the Update remove the requirements to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the NAV per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments to the Update are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the NAV per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Early adoption is permitted. Management has elected to early adopt the Update in the accompanying consolidated financial statements as of June 30, 2016 and 2015.

3. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

VOAC maintains its cash and investment balances at various financial institutions and at times, these balances may exceed federally insured limits. VOAC has not experienced any losses with respect to its bank and investment balances in excess of government provided insurance and management believes that there are no significant concentration of credit risk as a result of maintaining these accounts.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Grants And Contracts	\$ 475,618	\$ 40,668
Fees For Services	4,061,922	3,519,598
Rents Receivable	<u>37,797</u>	<u>73,012</u>
	4,575,337	3,633,278
Less: Allowance For Doubtful Accounts	<u>(232,858)</u>	<u>(18,858)</u>
Total	<u>\$ 4,342,479</u>	<u>\$ 3,614,420</u>

5. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are recorded at cost and consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 4,345,970	\$ 4,475,970
Buildings And Improvements	30,787,263	31,323,474
Construction In Progress	228,283	228,283
Furniture And Equipment	2,176,522	2,174,338
Vehicles	<u>1,176,786</u>	<u>1,176,786</u>
Total Cost	38,714,824	39,378,851
Less: Accumulated Depreciation	<u>12,863,741</u>	<u>12,126,186</u>
Net Land, Buildings, And Equipment	<u>\$ 25,851,083</u>	<u>\$ 27,252,665</u>

Construction in progress represents costs incurred in connection with phases two and three of development of real estate located at 5000 East Monument Street in Baltimore, Maryland, for a residential re-entry program.

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

6. DESIGNATED AND RESTRICTED CASH

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

PACA House has several reserve commitments with DHCD. PACA House is required to maintain a replacement reserve, an insurance reserve, and an operating reserve.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

6. DESIGNATED AND RESTRICTED CASH (CONTINUED)

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 \$90,530 and \$64,339 at June 30, 2016 and 2015, 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, 2016 and 2015, the combined balances in these reserves account totaled \$673,898 and \$672,333, respectively.

PACA House maintains an insurance reserve, also called a mortgage escrow deposit, with a balance of \$5,632 and \$30,268 at June 30, 2016 and 2015, 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 established an operating reserve of \$137,000 as specified in the partnership agreement and required by DHCD's Regulatory Agreement. Withdrawals from the operating reserve require written consent of the limited partner. The balance in this account at June 30, 2016 and 2015, was \$66,487 and \$66,366, 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, 2016 and 2015, was \$55,558 and \$55,484, respectively.

Pratt Street maintains an insurance reserve, also called a mortgage escrow deposit, of \$199 and \$17,601 at June 30, 2016 and 2015, 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 \$27,694 and \$27,277 for the years ended June 30, 2016 and 2015, respectively. The balances in this account at June 30, 2016 and 2015, amounted to \$50,419 and \$53,396, 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, 2016 and 2015, was \$137,164 and \$137,066, 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, 2016 and 2015, was \$36,503 and \$49,216, respectively.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

6. DESIGNATED AND RESTRICTED CASH (CONTINUED)

RRC maintains a fee reserve with a balance of \$138,950 and \$148,731 at June 30, 2016 and 2015, respectively. Balances in the designated accounts at June 30, 2016 and 2015 are as follows:

	2016	2015
Mortgage Escrow Deposit	\$ 42,334	\$ 97,085
Replacement Reserves	196,507	173,219
Operating Reserves	877,549	875,765
Tenant Security Deposits	24,536	31,385
Net Worth Reserve	236,652	236,581
Client Escrows	97,864	106,773
Fee Reserve	138,950	148,731
Other Reserves	272,342	45,792
Total Designated And Restricted Cash	\$ 1,886,734	\$ 1,715,331

7. INVESTMENTS AND FAIR VALUE MEASUREMENTS

VOAC is a participant in a pooled investment program (the Program) which is managed by the VOA, Inc. VOAC has an agreement with VOA, Inc. regarding the participation in the program and management of the investment pool. The agreement is in effect until terminated by VOAC or VOA, Inc. or either party can elect to terminate the agreement with 90 days written notice. A summary of the agreement is as follows:

VOA, Inc. Responsibilities: VOA, Inc. is responsible for determining the investment objective for each pool and for developing an appropriate investment policy and asset allocation based on a risk tolerance analysis. The Investment Committee of Volunteers of America, Inc. selects fund managers recommended by the investment advisor, reviews the performance of the managers and recommends any changes in fund management based on those reviews.

Pool Participant Responsibilities: VOAC may designate its investment into one or more sub-accounts. A participant must have a minimum of one sub-account of no less than \$25,000 and there is no limit to the number of sub-accounts that may be maintained on the behalf of each participant. If a participant no longer has a need for a designated sub-account, it must provide 30 days written notice to VOA, Inc. to eliminate the sub-account and instruct VOA, Inc. as to the disbursement or reallocation of the sub-account's assets.

Deposits, Withdrawals, and Earnings: Deposits may be made at any time. After the initial deposit, cash deposits must be a minimum of \$1,000 each. Deposits of securities may be for any amount. Partial cash withdrawals may be for any amount; however, only 1 withdrawal is permitted per quarter. Written notice must be submitted to VOA, Inc. 30 days prior to the date of withdrawal. In the event that cash is needed from invested pool assets in less than 30 days or more than once per quarter, the participant may apply to VOA, Inc. for an interest-bearing loan. All funds will earn from the date of deposit through the date of withdrawal. All interest payments dividends and realized gains are reinvested.

Valuing Investments: The values of the pooled funds will be determined monthly. That portion of the pool asset value held on behalf of each participant will be determined based on the asset values. Each participant's share will be prorated based on beginning net asset value and the daily weighting of any deposits or withdrawals made during the month.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

7. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Voting Rights: Participants may earn a right to nominate members to serve on the Investment Committee of VOA, Inc. (Committee). For each \$100,000 invested in the Program, a participant is entitled to 1 vote. Voting participants elect a slate of candidates for membership on the Committee. The VOA, Inc. Board of Directors appoints members to the Committee. Committee membership shall be no less than 3 and no more than 7 people. From time to time, the Committee may propose amendments to the operating agreement which will subsequently be forwarded to the voting members for ratification.

Fees: Each participant will be charged an annual fee to cover the costs of management of the Program and Committee activities, including custodial fees and printing and distribution of the monthly and quarterly reports. This fee is assessed and paid quarterly based on the participant asset value at the end of each calendar quarter. Fees are also charged for the third-party services for sub-account reporting, services provided by the investment advisor in overseeing the implementation of the investment plan and for the execution costs of all transactions, and investment services provided by the investment managers.

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 to valuation methodology are adjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correction or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Common Stock – Valued at the closing share price reported on the active market on which the individual securities are traded.

Fixed Income Funds – Valued using the present value of future income and the security value upon maturity.

The asset or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

7. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
<u>June 30, 2016</u>				
Common Stock	\$ 17,142	\$ 827,571	\$ -	\$ 844,713
Fixed Income Funds	-	594,938	-	594,938
Total Investments, In The Fair Value Hierarchy	<u>\$ 17,142</u>	<u>\$ 1,422,509</u>	<u>\$ -</u>	<u>\$ 1,439,651</u>
Investments Measured At Net Assets Value *				759,501
Total Investments, at Fair Value				<u>\$ 2,199,152</u>

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
<u>June 30, 2015</u>				
Common Stock	\$ 17,377	\$ 788,629	\$ -	\$ 806,006
Fixed Income Funds	-	618,103	-	618,103
Total Investments, In The Fair Value Hierarchy	<u>\$ 17,377</u>	<u>\$ 1,406,732</u>	<u>\$ -</u>	<u>\$ 1,424,109</u>
Investments Measured At Net Assets Value *				808,196
Total Investments, at Fair Value				<u>\$ 2,232,305</u>

*In accordance with FASB ASC 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of net assets available for benefits.

Investment return is summarized for the years ended June 30, 2016 and 2015, as follows:

	2016	2015
Interest And Dividends	\$ 59,716	\$ 105,718
Net Loss On Investments	<u>(36,111)</u>	<u>(7,362)</u>
Net Investment Return	<u>\$ 23,605</u>	<u>\$ 98,356</u>

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

7. INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2016 and 2015, respectively. There are no participant redemption restrictions for these investments; the redemption notice period is applicable only to the Plan.

<u>June 30, 2016</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Investments Measured At Net Asset Value	\$ 759,501	N/A	Daily	Daily
<u>June 30, 2015</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Investments Measured At Net Asset Value	\$ 808,196	N/A	Daily	Daily

8. SPLIT-INTEREST AGREEMENTS

The Organization is the beneficiary under a perpetual trust administered by a bank in which the principal is non-distributable. The perpetual trust provides for the total distribution of the trust's earnings annually to various designated beneficiaries. The Organization is entitled to receive 0.5667% of the annual distribution. The income earned on the amounts held in the trust amounted to \$1,150 and \$3,070 for the years ended June 30, 2016 and 2015, respectively, and was recorded as permanently restricted interest income. The amount of the annual distribution of trust funds amounted to \$2,805 and \$2,595 for the years ended June 30, 2016 and 2015, respectively, and was recorded as a release of permanently restricted net assets. The remaining change in the balance of funds held by the trust amounted to a \$1,875 and \$1,505 decrease for the years ended June 30, 2016 and 2015, respectively, and was recorded as a change in value of split-interest agreements. 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 Organizations future cash distributions from the trust. The Organization's proportionate share of the fair value of the trust's assets was \$54,454 and \$57,984 at June 30, 2016 and 2015, 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 \$646,535 and \$671,385 at June 30, 2016 and 2015, respectively. The income earned on the amounts held in the trust amounted to \$31,838 and \$38,717 for the years ended June 30, 2016 and 2015, respectively, and was recorded as temporarily restricted interest income. The amount of the quarterly distributions of trust funds amounted to \$10,118 and \$12,151 for the years ended June 30, 2016 and 2015, respectively, and was recorded as a release of temporarily restricted net assets. The remaining change in the balance of funds held by the trust amounted to an \$46,570 and \$18,158 decrease for the years ended June 30, 2016 and 2015, respectively, and was recorded as a change in value of split-interest agreements.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

8. SPLIT-INTEREST AGREEMENTS (CONTINUED)

All investments from the split-interest agreements are measured at net asset value, as noted in Note 7, and are classified at June 30, 2016 and 2015, as follows:

	2016	2015
Cash And Cash Equivalents	\$ 5,807	\$ 14,544
Marketable Equities	422,950	438,852
Fixed Income Funds	237,058	237,525
Income	35,174	38,448
Total Split-Interest Agreements, at Fair Value	\$ 700,989	\$ 729,369

9. 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.

The Organization has a note receivable from VOA Eastern Avenue Housing Corporation of \$1,256,449. Management has recorded an allowance of \$942,337 based on analysis and expected payments to be received on this note. Management does not expect payments before 2020. See Note 17 for more details of this note.

10. 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, the Organization received a loan of \$7,000,000 from JP Morgan Chase. The note payable required monthly interest payments of \$30,625 at 5.25% until July 2014. Beginning in August 2014, the note payable required 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. The principal balance due as of June 30, 2016 and 2015 was \$6,132,135 and \$6,470,207, respectively. Another loan of \$2,240,000 from BB&T requires monthly payments of principal and interest at 4.39% until September 2022. The loans are secured by a deed of trust in the Organization's interest in the ICF properties and a note receivable from Chase NMTC VOA Chesapeake Investment Fund, LLC. The principal balance due as of June 30, 2016 and 2015 was \$1,956,281 and \$2,036,391, respectively.

In July 2012, VOAC made two loans of \$7,000,000 and \$828,904 to the Chase NMTC VOA Chesapeake Investment Fund, LLC (NMTC). The Organization 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 principal balance due as of June 30, 2016 and 2015 was \$7,000,000. 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. The principal balance due as of June 30, 2016 and 2015 was \$828,904.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

10. NEW MARKET TAX CREDITS (CONTINUED)

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 (QALICB 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 principal balance due as of June 30, 2016 and 2015 was \$7,000,000. The second loan (QALICB 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 principal balance due as of June 30, 2016 and 2015 was \$814,960. The third loan (QALICB 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. The principal balance due as of June 30, 2016 and 2015 was \$2,841,040.

11. LINE OF CREDIT

On May 19, 2014, the Organization signed an agreement establishing a line of credit from a bank in the amount of \$2,000,000. Interest is payable monthly at the prime rate plus one percent. The line was due in full on May 31, 2015. The line was subsequently renewed through October 31, 2016. The Organization must maintain a debt service ratio of not less than 1.20 to 1.00, unrestricted net assets of not less than \$9,000,000, and unrestricted liquidity of not less than \$1,500,000. The security for the line of credit is the accounts receivable of the Organization, excluding accounts receivable related to or arising from program receivables from the District of Columbia government. Amount outstanding under the line of credit at June 30, 2016 and 2015 was \$200,000 and \$0, respectively.

On October 17, 2013, the Organization signed an agreement establishing a line of credit from a bank in the amount of \$500,000 or up to 80% of eligible accounts receivable. Interest is payable monthly at a rate of 5.25%. The line was due in full on October 17, 2014. The line was subsequently renewed through December 17, 2016. The security for the line of credit is the accounts receivable related to or arising from program receivables from the District of Columbia government. No amount was outstanding under the line of credit at June 30, 2016 and 2015.

12. ACCRUED EXPENSES

Accrued expenses consisted of the following at June 30, 2016 and 2015:

	2016	2015
Accrued Vacation	\$ 2,935	\$ 19,300
Accrued Salaries	342,037	236,091
Payroll Taxes Withheld	152,763	120,103
Accrued Provider Tax	190,831	105,813
Accrued Interest	1,085,149	1,320,885
Other Payables And Accrued Expenses	691,328	653,666
Total	\$ 2,465,043	\$ 2,455,858

Accrued interest payable of \$1,051,915 and \$1,287,506 at June 30, 2016 and 2015, 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.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

13. NOTES AND MORTGAGES PAYABLE

Obligations under notes and mortgages payable at June 30, 2016 and 2015, consisted of the following:

	2016	2015
Note to bank. Due in 60 monthly installments of \$2,739 (including interest of 4.00% per annum). Matures in September 2016. Secured by property at Leegate Road in Washington, D.C.	\$ 380,747	\$ 399,124
Note to bank. Due in 60 monthly installments of \$2,367 (including interest of 5.25% per annum). Secured by property in Riverdale, Bowie, and Baltimore, Maryland. Terms changed July 11, 2013. Due in 59 regular payments of \$3,136 and one balloon payment of \$209,046. Interest rate of 5.650% per annum. Matures in July 2018.	327,584	345,825
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
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 June 2018.	39,358	56,765
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 in March 2017. Interest rate at June 30, 2016 and 2015 is 4.0%. The loan is secured by real estate at Blagden Terrace.	392,770	406,446
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 was due and payable November 2015. On October 20, 2015, VOAC refinanced the loan related to the real property located at N Kensington Street. The existing loan was paid off in full and the new principal balance of \$492,413, was due in 60 monthly installments of \$3,270 including interest of 5.00%, beginning November 2015 and 59 monthly installments of \$3,270 including interest of a variable amount, estimated to be 5.00%, beginning November 2020. Matures in October 2025. Secured by real estate at Kensington Street.	478,123	492,467

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

13. NOTES AND MORTGAGES PAYABLE (CONTINUED)

Obligations under notes and mortgages payable at June 30, 2016 and 2015, consisted of the following:
(Continued)

	2016	2015
<p>Mortgage payable to bank. Due in 59 payments of \$3,803. Interest accrues at the prime rate plus 0.50%, but not below 4.75%. Principal balance is due and payable June 2015. On August 13, 2015, VOAC refinanced the loan related to the Verbena Avenue real property. The existing loan was paid off in full and the new principal balance of \$492,413, is due in 60 monthly installments of \$3,270 including interest of 5.00%, beginning September 2015 and 59 monthly installments of \$3,352 including interest of a variable amount, estimated to be 5.375%, beginning September 2020. Matures in August 2025. Secured by real estate at Verbena Avenue.</p>	480,354	488,320
<p>Mortgage payable to bank. Due in 59 payments of \$1,755. Interest accrues at the prime rate plus 0.50%, but not below 4.75%. On August 13, 2015, VOAC refinanced the loan related to the Frost Avenue real property. The existing loan was paid off in full and the new principal balance of \$225,378, was due in 60 monthly installments of \$1,497 including interest of 5.00%, beginning September 2015 and 59 monthly installments of \$1,534 including interest of a variable amount, estimated to be 5.375%, beginning September 2020. Matures in August 2025. Secured by real estate at Frost Avenue.</p>	219,858	224,545
<p>Mortgage payable to DHCD. Annual stated interest rate of 1.0%. Minimum annual payments of \$45,514 are required. Matures in 2038. 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.</p>	630,462	669,460
<p>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 October 2021. Secured by real property owned by PACA House.</p>	2,075,791	2,075,791
<p>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, 2016 and 2015 was 5.48%.</p>	700,000	700,000

See Independent Auditor's Report

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

13. NOTES AND MORTGAGES PAYABLE (CONTINUED)

Obligations under notes and mortgages payable at June 30, 2016 and 2015, consisted of the following:
(Continued)

	2016	2015
<p>Note payable to bank in monthly payments of \$1,323 and one final balloon payment estimated at \$152,595. Interest accrues at 4.95% per annum. Matures in March 2021. The note is secured by property at Coventry Lane, Virginia Beach, VA.</p>	186,188	192,517
<p>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.</p>	731,001	470,098
<p>Permanent mortgage payable to Enterprise Mortgage Investments, Inc., was settled on August 1, 2007, for \$1,592,000. The loan paid off the construction loan with bank. 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.</p>	1,404,965	1,432,488
<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, 2016 and 2015 was 5.48%.</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	7,000,000

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

13. NOTES AND MORTGAGES PAYABLE (CONTINUED)

Obligations under notes and mortgages payable at June 30, 2016 and 2015, consisted of the following:
(Continued)

	2016	2015
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.	814,960	814,960
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.	2,841,040	2,841,040
Note to Bank. Due in 120 monthly installments of \$14,114, including interest at 4.39%. Matures in September 2022. Secured by ICF Homes.	1,956,281	2,036,391
Note to Bank. Interest payments at 5.25%. 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.	6,132,135	6,470,207
Mortgage Payable to Bank. Due in monthly installments of \$728 including interest at 4.95%, beginning September 2014. One final balloon payment estimated at \$83,962 due in August 2021. Secured by real property at Glen Avenue, Baltimore MD.	103,911	107,319
Mortgage Payable to Bank. Due in monthly installments of \$853 including interest at 3.50%, beginning October 2014. Secured by real property at Leegate Road, Washington, D.C. The loan was repaid in full as of June 30, 2016.	-	8,735
Mortgage Payable to Bank. Due in 60 monthly installments of \$1,467 including interest at 5.00%, beginning February 2015 and 59 installments of \$1,469 including interest at 5.125%, beginning February 2020. One final balloon payment estimated at \$138,765 due in January 2025. Secured by real property at Aurora Dr., Woodbridge, VA.	210,475	216,795
Mortgage Payable to Bank. Due in monthly installments of \$853 including interest at 3.50%. Loan is due in June 2018. Secured by real property at Bladgen Terrace NW, Washington, D.C.	20,444	-

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

13. NOTES AND MORTGAGES PAYABLE (CONTINUED)

Obligations under notes and mortgages payable at June 30, 2016 and 2015, consisted of the following:
(Continued)

	2016	2015
Line of credit with a Bank. Monthly installments of accrued interest at 6.25%, including escrow are due each month. Secured by a lien on accounts receivable, excluding DC Agency Receivables. Matures in October 2016.	200,000	-
	27,446,172	27,569,018
Less: Current Portion	1,594,098	1,717,810
Net Long Term Portion	\$ 25,852,074	\$ 25,851,208

Maturities on the above mortgages and notes payable are as follows:

For The Years Ending June 30, 2017	\$	1,594,098
2018		652,576
2019		918,743
2020		5,222,155
2021		7,245,439
Thereafter		11,813,161
Total	\$	27,446,172

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 loan with various banks. Per the terms of the loan agreements, tangible net worth shall not be less than \$9,500,000 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 1.15X 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, 2016 and 2015, 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
(Continued)**

For The Years Ended June 30, 2016 And 2015

14. 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, 2016 and 2015, amounted to \$453,721 and \$440,875, respectively.

Pratt Street Housing Corporation 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 were no interest charges on the financial assistance. Pratt Street Housing Corporation had agreed that all units in the facility were to be occupied by homeless residents whose length of stay may not exceed two years. Repayment was not required as long as Pratt Street Housing Corporation complied with these requirements until January 1, 2016. Therefore, these amounts were recorded as refundable advances and were subsequently recorded as revenue on January 1, 2016 when there was no further possibility of repayment.

Pratt Street Housing Corporation 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 the construction of the Pratt Street building. Pratt Street Housing Corporation had 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 was sold or not in compliance with the agreed use prior to the expiration of the 15-year period ending in January 1, 2016, then Pratt Street Housing Corporation may have been obligated to reimburse the full amount of the subsidy. Therefore, this subsidy was recorded as refundable advances, and were subsequently recorded as revenue on January 1, 2016 when there was no further possibility of repayment.

As of June 30, 2016 and 2015, \$14,627 and \$28,756, respectively, representing rent prepaid by tenants of PACA House, Pratt Street, and Irvington Woods was included in refundable advances.

15. 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 \$646,535 and \$671,385 at June 30, 2016 and 2015, respectively, as described in Note 8. 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."

On October 25, 2013, the Organization was the recipient of a capital improvement grant totaling \$940,000. The purpose of the grant is to support the construction of the Residential Re-Entry Center in Baltimore, MD. As of June 30, 2015, the purpose of the grant was met and the funds released from restrictions totaled \$291,329.

On October 21, 2014, the Organization was the recipient of a capital improvement grant totaling \$379,900. The purpose of the grant is to support energy improvements at PACA House. As of June 30, 2015, the purpose of the grant was met and the funds were released from restrictions.

Permanently restricted net assets represent support from a perpetual trust in the form of investments administered by a bank and totaled \$54,454 and \$57,984 at June 30, 2016 and 2015, 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 income earned from both trusts is recorded as interest income and the distributions from the trusts are recorded as releases of assets from restrictions.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

16. NON-CONTROLLING INTEREST

Non-controlling interest represents the 99.99% limited partnership interest in Irvington Woods and the 99.99% limited partnership interest in Pratt Street.

17. 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 \$715,523 and \$733,958 for the years ended June 30, 2016 and 2015, respectively. VOAC owed VOA, Inc.'s affiliate \$68,295 and \$83,171 related to these fees as of June 30, 2016 and 2015, 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, 2016 and 2015, VOAC is owed \$0 by VOA, Inc.

The net revenues under this agreement totaled \$122,150 and \$210,460 for the years ended June 30, 2016 and 2015, respectively. These revenues are reported as contributions support.

VOAC owes VOA, Inc., \$47,127 and \$0 in operating advances and accrued affiliate fee that are noninterest-bearing and are due on demand as of June 30, 2016 and 2015, respectively.

VOAC is a participant in a pooled investment program managed by VOA, Inc. See Note 7 for more details of the program and related agreement between VOAC and VOA, Inc.

VOA Eastern Avenue Housing Corporation (Eastern Avenue Corp) was a non-stock corporation with two directors appointed by VOA, Inc., and two directors appointed by VOAC. Eastern Avenue Corp was the 1% general partner in VOA Eastern Avenue Limited Partnership (VOA Eastern Avenue). VOA Eastern Avenue's purpose was to own and operate an apartment project. During 2013, Eastern Avenue Corp ceased operations and is now in the process of dissolution. VOAC is entitled to their portion (50%) of a promissory note in the principal amount of \$4,177,994. As of June 30, 2013, VOAC had no book value recorded on their portion of the promissory note as management did not believe the amount was collectible. During the year ended June 30, 2014, VOAC received a principal payment of \$832,549 which was recorded as recovery of bad debt, as well as an interest payment of \$138,897 which was recorded as interest income. As of June 30, 2016 and 2015, principal and accrued interest due to VOAC under this note was \$1,256,449 and \$135,280, respectively for 2016 and \$1,256,449 and \$81,608, respectively for 2015. As of June 30, 2016 and 2015, management has recorded an allowance of \$942,337 based on analysis and expected payments to be received on this note.

On June 30, 2015, a Property Purchase And Sale Agreement was signed between VOAC and VOA, Inc. to transfer Baker House, a property located in Virginia Beach, Virginia to VOAC, with an estimated fair value of \$345,077, but is subject to the contingencies described in Note 22.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

18. OPERATING LEASES - LESSEE

The Organization has several non-cancellable operating leases, primarily for administrative and residential real estate, that expire at various dates through June 2042. Leases have renewal options of up to five years. Rental expenses for these leases totaled \$1,678,581 and \$1,401,828 for the years ended June 30, 2016 and 2015, respectively. Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2016, are as follows:

For The Years Ending June 30,

2017	\$ 875,378
2018	478,563
2019	357,311
2020	366,740
2021	339,284
Thereafter	<u>1,428,488</u>
 Total	 <u><u>\$ 3,845,764</u></u>

19. RETIREMENT PLANS

DEFINED BENEFIT PLAN - 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.

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Benefit Obligation		
Benefit Obligation At Beginning Of Year	\$ 7,194,289	\$ 7,097,152
Interest Cost	400,734	395,724
Actuarial Loss	64,637	58,103
Benefits Paid	<u>(385,304)</u>	<u>(356,690)</u>
 Benefit Obligation At End Of The Year	 <u>7,274,356</u>	 <u>7,194,289</u>
 Plan Assets		
Fair Market Value At Beginning Of Year	4,851,740	5,170,509
Benefits Paid	(385,304)	(356,690)
Expenses	(18,930)	(2,625)
Net Gains	<u>20,687</u>	<u>40,546</u>
 Fair Market Value At End Of Year	 <u>4,468,193</u>	 <u>4,851,740</u>
 Funded Status At End Of Year	 <u><u>\$ 2,806,163</u></u>	 <u><u>\$ 2,342,549</u></u>

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

19. RETIREMENT PLANS (CONTINUED)

	2016	2015	
Amounts Recognized In The Statements Of Financial Position			
Non-Current Liabilities	<u>\$ (2,806,163)</u>	<u>\$ (2,342,549)</u>	
Amounts Not Yet Recognized In Net Periodic Pension Cost And Included In Unrestricted Net Assets			
Accumulated Loss	<u>\$ 1,379,522</u>	<u>\$ 1,013,309</u>	
Net Periodic Pension Cost			
Interest Cost	\$ 400,734	\$ 395,724	
Expected Return On Assets	(367,639)	(376,441)	
Amortizations	<u>64,306</u>	<u>-</u>	
Net Periodic Pension Cost	<u>97,401</u>	<u>19,283</u>	
Other Changes Recognized In Changes In Unrestricted Net Assets			
Net Loss	(301,906)	(396,623)	
Amortization Of Net Loss	<u>(64,306)</u>	<u>-</u>	
Total Recognized In Changes In Unrestricted Net Assets	<u>(366,212)</u>	<u>(396,623)</u>	
Net Recognized In Net Periodic Pension Cost And Changes In Unrestricted Net Assets	<u>\$ (268,811)</u>	<u>\$ (377,340)</u>	
Amortization			
Greater Of Benefit Obligation Or Plan Assets	\$ 7,274,356	\$ 7,194,289	
10 Percent	\$ 727,436	\$ 719,429	
Unrecognized Losses	\$ 1,379,522	\$ 1,013,309	
Average Future Service Period	4.38 years	4.57 years	
Minimum Required Amortization For Next Year	\$ 148,878	\$ 64,306	
Plan Asset Allocation			
Cash And Cash Equivalents	0.88%	0.90%	
Debt Securities	39.47%	39.50%	
Equity Securities	57.19%	57.20%	
Real Estate	<u>2.46%</u>	<u>2.40%</u>	
Total	<u>100.00%</u>	<u>100.00%</u>	
	Min %	Target %	Max %
Plan Target Asset Allocation (2016 And 2015)			
Cash And Cash Equivalents	0.00%	0.00%	20.00%
Debt Securities	25.00%	35.00%	45.00%
Equity Securities	35.00%	65.00%	75.00%
Expected Contribution For Next Plan Year (2017 And 2016)	\$ -	\$ -	-

See Independent Auditor's Report

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

19. RETIREMENT PLANS (CONTINUED)

Expected Benefits Payments

2016 / 2017	\$ 485,000	\$ 450,000
2017 / 2018	515,000	445,000
2018 / 2019	540,000	495,000
2019 / 2020	595,000	520,000
2020 / 2021	625,000	575,000
Next 5 Years	3,365,000	3,250,000

Assumptions

Weighted-Average Assumptions Used To Determine Benefit Obligation At Year End

Discount Rate	5.75%	5.75%
Rate Of Compensation Increase	0.00%	0.00%

Weighted-Average Assumptions Used To Determine Net Periodic Benefit Cost For Years Ended

Discount Rate	5.75%	5.75%
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.

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 tables present 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.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

19. RETIREMENT PLANS (CONTINUED)

As of June 30, 2016 and 2015, the Organization has valued all of its investments held by the defined benefit pension plan at fair value using quoted prices in active markets for identical assets (Level 1 as described in Note 7 to these financial statements).

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
<u>June 30, 2016</u>				
Cash And Cash Equivalents	\$ 38,781	\$ -	\$ -	\$ 38,781
Equity - Mutual Funds	1,785,282	-	-	1,785,282
Fixed Income - Corporate Debt Securities	2,508,099	-	-	2,508,099
Real Estate Securities	136,031	-	-	136,031
Total Plan Assets, at Fair Value	\$4,468,193	\$ -	\$ -	\$4,468,193
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total
<u>June 30, 2015</u>				
Cash And Cash Equivalents	\$ 42,728	\$ -	\$ -	\$ 42,728
Equity - Mutual Funds	1,914,941	-	-	1,914,941
Fixed Income - Corporate Debt Securities	2,774,703	-	-	2,774,703
Real Estate Securities	119,368	-	-	119,368
Total Plan Assets, at Fair Value	\$4,851,740	\$ -	\$ -	\$4,851,740

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 makes a discretionary contribution at 5% or 2% of salary, depending on length of service, 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 a discretionary 2% employer contribution and a 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 \$0 and \$89,582 for the years ended June 30, 2016 and 2015, respectively.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

19. RETIREMENT PLANS (CONTINUED)

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.

20. POSTRETIREMENT BENEFIT

The Organization provides a self-funded, non-qualified postretirement benefit to two retired chief executive officers. In one case, the benefit consists of a housing allowance and term life insurance. In the second case, the benefit consists of annual health insurance and level premium and term life insurance. The liability for the benefit obligation is determined as the present value of the future cash requirements for the life expectancies of the beneficiaries at the current U.S. Treasury 20-year interest rate. In the case of the health insurance, an escalator of six percent is used for expected future health insurance increases, and Medicare supplemental insurance is assumed at age 65. The postretirement benefit obligation at June 30, 2016 and 2015, was \$388,528 and \$479,613, respectively.

21. OPERATING LEASES - LESSOR

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. Cost and depreciation of the apartment buildings for the years ended June 30, 2016 and 2015, is as follows:

	<u>Cost</u>	<u>Depreciation</u>	<u>Net</u>
<u>June 30, 2016</u>			
PACA House	\$ 6,909,443	\$ 4,648,571	\$ 2,260,872
Pratt Street	1,463,822	353,583	1,110,239
Irvington Woods	6,558,036	2,397,503	4,160,533
Total	<u>\$ 14,931,301</u>	<u>\$ 7,399,657</u>	<u>\$ 7,531,644</u>
	<u>Cost</u>	<u>Depreciation</u>	<u>Net</u>
<u>June 30, 2015</u>			
PACA House	\$ 6,909,443	\$ 4,382,168	\$ 2,527,275
Pratt Street	1,463,822	307,766	1,156,056
Irvington Woods	6,558,036	2,157,626	4,400,410
Total	<u>\$ 14,931,301</u>	<u>\$ 6,847,560</u>	<u>\$ 8,083,741</u>

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

22. 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 2016 and 2015. The cumulative operating deficit contributions remitted were \$214,050 through June 30, 2016.

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, 2016 and 2015, no such contribution has been requested or required.

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

On June 30, 2015, a Property Purchase And Sale Agreement was signed between VOAC and VOA, Inc. to transfer Baker House, a property located in Virginia Beach, Virginia to VOAC, with an estimated fair value of \$345,077. Baker House had previously been operated as a program by VOAC on behalf of VOA, Inc. and is a utilized as a multi-family rental housing facility for individuals with intellectual disabilities. Baker House is subject to a Regulatory Agreement with the United States Department of Housing and Urban Development (HUD) by and through the Virginia Housing Development Authority (VHDA) in connection with a Deed of Trust in favor of VHDA. The sale between VOAC and VOA, Inc. is contingent upon HUD approving the transfer of the Baker House Housing Assistance Payments Contract to other locations. As of June 30, 2016, HUD approval has not been obtained.

23. SUBSEQUENT EVENTS

The Organization has evaluated events and transactions subsequent to the consolidated statement of financial position date for potential recognition or disclosure through the independent auditor's report date, the date the consolidated financial statements were available to be issued. There were no events that required recognition or disclosure in the consolidated financial statements, except as noted below.

MOORLAND DRIVE LEASE – On August 15, 2016, a lease was entered into for a group home for individuals with intellectual disabilities located at Moorland Drive, Virginia Beach, Virginia. The lease term commences on August 15, 2016 and expires June 30, 2018. Rent is due monthly in installments of \$1,650.

CANCELLATION OF PERFORMANCE LETTER OF CREDIT – On July 11, 2016 VOAC was released from any further obligations under Performance Letter of Credit dated December 7, 2015, posted in the amount of \$94,500 as security for R/SW Developer Agreement with Howard County, Maryland. The amount of \$94,500 was being held in the assigned deposit account as collateral which was subsequently released by the cancellation of the letter.

**Volunteers of America Chesapeake, Inc.
And Subsidiaries
Notes To Consolidated Financial Statements
(Continued)**

For The Years Ended June 30, 2016 And 2015

23. SUBSEQUENT EVENTS (CONTINUED)

CAPITAL ONE BANK LINE OF CREDIT – Subsequent to the year end, VOAC extended the line of credit through December 31, 2016.

**CONSOLIDATING
SUPPLEMENTARY
INFORMATION**

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidating Schedule Of Financial Position

June 30, 2016

	VOAC	Holding Corp	PACA House, Inc.	PACA House	Pratt Street Housing	Pratt Street	Irvington Woods Corp	Irvington Woods	RRC Corp	RRC	Total	Eliminations	Consolidated Total
CURRENT ASSETS													
Cash And Cash Equivalents	\$ 2,000,421	\$ -	\$ -	\$ 15,655	\$ -	(12,016)	\$ -	\$ 15,666	\$ -	\$ 2,122	\$ 2,021,848	\$ -	\$ 2,021,848
Accounts Receivable (Net Of Allowance)	4,318,957	-	-	4,851	-	15,036	-	3,635	-	2,101,518	6,443,997	(2,101,518)	4,342,479
Due From Related Parties	1,781,622	-	-	-	251,135	-	-	-	-	-	2,032,757	(2,032,757)	-
Prepaid Expenses	424,429	-	-	34,442	-	30,213	-	21,395	-	-	510,479	-	510,479
Other Receivables	462,207	-	-	-	-	-	-	-	-	-	462,207	-	462,207
Reimbursement Receivable	142,580	-	-	-	-	-	-	-	-	-	142,580	-	142,580
Interest Receivable	736,309	-	-	-	-	-	-	-	-	-	736,309	(601,029)	135,280
Total Current Assets	9,866,525	-	-	54,948	251,135	33,233	-	40,696	-	2,103,640	12,350,177	(4,735,304)	7,614,873
PROPERTY AND EQUIPMENT, NET													
	9,416,428	-	-	2,748,618	-	1,113,900	-	4,542,802	-	9,220,209	27,041,957	(1,190,874)	25,851,083
OTHER ASSETS													
Designated And Restricted Cash	562,745	-	-	776,351	-	136,781	-	271,907	-	138,950	1,886,734	-	1,886,734
Investments	1,498,163	-	-	-	-	-	-	-	-	-	1,498,163	-	1,498,163
Unamortized Mortgage Costs, Net	30,000	-	-	41,591	-	40,898	-	39,246	-	349,168	500,903	-	500,903
Deposits	140,755	-	-	-	-	-	-	-	-	-	140,755	-	140,755
Deferred Rent Asset	-	-	-	-	-	-	-	-	-	59,280	59,280	(59,280)	-
Beneficial Interest In Perpetual Trust	54,454	-	-	-	-	-	-	-	-	-	54,454	-	54,454
Investment In Partnerships	1,647,493	-	-	-	970,576	-	100	-	(1,234)	-	2,616,935	(2,616,935)	-
Beneficial Interest In Charitable Remainder Trust	646,535	-	-	-	-	-	-	-	-	-	646,535	-	646,535
Notes Receivable (Net of Allowance)	8,558,216	-	-	-	-	-	1,266,293	-	-	-	9,824,509	(1,681,493)	8,143,016
Total Other Assets	13,138,361	-	-	817,942	970,576	177,679	1,266,393	311,153	(1,234)	547,398	17,228,268	(4,357,708)	12,870,560
TOTAL ASSETS	\$ 32,421,314	\$ -	\$ -	\$ 3,621,508	\$ 1,221,711	\$ 1,324,812	\$ 1,266,393	\$ 4,894,651	\$ (1,234)	\$ 11,871,247	\$ 56,620,402	\$ (10,283,886)	\$ 46,336,516

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidating Schedule Of Financial Position

June 30, 2015

	VOAC	Holding Corp	PACA House, Inc.	PACA House	Pratt Street Housing	Pratt Street	Irvington Woods Corp	Irvington Woods	RRC Corp	RRC	Total	Eliminations	Consolidated Total
CURRENT ASSETS													
Cash And Cash Equivalents	\$ 1,766,667	\$ 5,918	\$ -	\$ 18,525	\$ -	\$ -	\$ -	\$ 12,046	\$ -	\$ 9,922	\$ 1,813,078	\$ -	\$ 1,813,078
Accounts Receivable (Net Of Allowance)	3,561,903	-	-	24,789	-	13,584	-	14,144	-	1,251,518	4,865,938	(1,251,518)	3,614,420
Due From Related Parties	1,729,894	-	-	-	245,885	-	-	-	-	-	1,975,779	(1,975,779)	-
Prepaid Expenses	207,978	-	-	-	-	-	-	14,398	-	-	222,376	-	222,376
Other Receivables	158,658	-	-	-	-	-	-	-	-	-	158,658	-	158,658
Reimbursement Receivable	158,519	-	-	-	-	-	-	-	-	-	158,519	-	158,519
Interest Receivable	651,821	-	-	-	-	-	-	-	-	-	651,821	(570,213)	81,608
Total Current Assets	8,235,440	5,918	-	43,314	245,885	13,584	-	40,588	-	1,261,440	9,846,169	(3,797,510)	6,048,659
PROPERTY AND EQUIPMENT, NET													
	9,709,108	247,468	-	3,031,478	-	1,155,856	-	4,784,537	-	9,515,092	28,443,539	(1,190,874)	27,252,665
OTHER ASSETS													
Designated And Restricted Cash	357,938	-	-	774,281	-	143,108	-	291,273	-	148,731	1,715,331	-	1,715,331
Investments	1,502,936	-	-	-	-	-	-	-	-	-	1,502,936	-	1,502,936
Unamortized Mortgage Costs, Net	40,000	-	-	43,487	-	42,506	-	41,107	-	363,424	530,524	-	530,524
Deposits	40,893	-	-	-	-	-	-	-	-	-	40,893	-	40,893
Deferred Rent Asset	-	-	-	-	-	-	-	-	-	47,007	47,007	(47,007)	-
Beneficial Interest In Perpetual Trust	57,984	-	-	-	-	-	-	-	-	-	57,984	-	57,984
Investment In Partnerships	1,647,493	-	-	-	970,576	-	100	-	(1,234)	-	2,616,935	(2,616,935)	-
Beneficial Interest In Charitable Remainder Trust	671,385	-	-	-	-	-	-	-	-	-	671,385	-	671,385
Notes Receivable (Net of Allowance)	8,558,216	-	-	-	-	-	1,266,293	-	-	-	9,824,509	(1,681,493)	8,143,016
Total Other Assets	12,876,845	-	-	817,768	970,576	185,614	1,266,393	332,380	(1,234)	559,162	17,007,504	(4,345,435)	12,662,069
TOTAL ASSETS	\$ 30,821,393	\$ 253,386	\$ -	\$ 3,892,560	\$ 1,216,461	\$ 1,355,054	\$ 1,266,393	\$ 5,157,505	\$ (1,234)	\$ 11,335,694	\$ 55,297,212	\$ (9,333,819)	\$ 45,963,393

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidating Schedule Of Financial Position
(Continued)

June 30, 2016

	VOAC	Holding Corp	PACA House, Inc.	PACA House	Pratt Street Housing Inc.	Pratt Street LP	Invington Woods Corp	Invington Woods	RRC Corp	RRC	Total	Eliminations	Consolidated Total
CURRENT LIABILITIES													
Accounts Payable	\$ 588,160	\$ -	\$ -	\$ 5,551	\$ -	\$ 62,989	\$ -	\$ 115,157	\$ -	\$ -	\$ 771,857	\$ -	\$ 771,857
Current Maturities Of Long-Term Debt	1,524,550.00	-	-	39,997	-	-	-	29,551	-	-	1,594,098	-	1,594,098
Accrued Expenses	1,344,334	-	-	1,012,400	-	-	-	55,476	-	-	3,188,330	(723,347)	2,465,043
Deferred Gain on Sale-Leaseback, Current	80,084	-	-	-	-	-	-	-	-	-	80,084	-	80,084
Due To Related Parties	914,300	-	-	577,240	-	312,231	-	2,205,008	-	1,316,598	5,325,377	(5,278,250)	47,127
Client Escrow Funds	97,865	-	-	-	-	-	-	-	-	-	97,865	-	97,865
Tenant Security Deposits	-	-	-	5,245	-	922	-	13,489	-	-	19,656	-	19,656
Refundable Advances	453,721	-	-	6,703	-	3,957	-	3,967	-	-	468,348	-	468,348
Total Current Liabilities	5,003,014	-	-	1,647,136	-	1,156,279	-	2,422,648	-	1,316,598	11,545,675	(6,001,597)	5,544,078
LONG-TERM LIABILITIES													
Long-Term Debt, Less Current Maturities	9,623,403	-	-	3,081,456	-	1,531,001	-	1,375,414	-	10,656,000	26,267,274	(415,200)	25,852,074
Post-Retirement Benefit Liability	388,528	-	-	-	-	-	-	-	-	-	388,528	-	388,528
Other Long-Term Liabilities	18,992	-	-	-	-	-	-	-	-	-	18,992	-	18,992
Deferred Gain on Sale-Leaseback, Net Of Current Portion	654,016	-	-	-	-	-	-	-	-	-	654,016	-	654,016
Deferred Rent	123,825	-	-	-	-	-	-	-	-	-	123,825	(59,280)	64,545
Underfunded Pension Obligation	2,806,163	-	-	-	-	-	-	-	-	-	2,806,163	-	2,806,163
Total Long-Term Liabilities	13,614,927	-	-	3,081,456	-	1,531,001	-	1,375,414	-	10,656,000	30,258,798	(474,480)	29,784,318
Total Liabilities	18,617,941	-	-	4,728,592	-	2,687,280	-	3,798,062	-	11,972,598	41,804,473	(6,476,077)	35,328,396
NET ASSETS													
Unrestricted													
Controlling Interest	12,453,713	-	-	(1,107,084)	1,221,711	759,755	1,266,393	(221)	(1,234)	(101,351)	14,491,682	(3,807,809)	10,683,873
Non-controlling Interest	-	-	-	-	-	(2,122,223)	-	1,096,610	-	-	(1,025,413)	-	(1,025,413)
Total Unrestricted	12,453,713	-	-	(1,107,084)	1,221,711	(1,362,468)	1,266,393	1,096,589	(1,234)	(101,351)	13,466,269	(3,807,809)	9,658,460
Temporarily Restricted	1,295,206	-	-	-	-	-	-	-	-	-	1,295,206	-	1,295,206
Permanently Restricted	54,454	-	-	-	-	-	-	-	-	-	54,454	-	54,454
Total Net Assets	13,803,373	-	-	(1,107,084)	1,221,711	(1,362,468)	1,266,393	1,096,589	(1,234)	(101,351)	14,815,929	(3,807,809)	11,008,120
TOTAL LIABILITIES AND NET ASSETS	\$ 32,421,314	\$ -	\$ -	\$ 3,621,508	\$ 1,221,711	\$ 1,324,812	\$ 1,266,393	\$ 4,894,651	\$ (1,234)	\$ 11,871,247	\$ 56,620,402	\$ (10,283,886)	\$ 46,336,516

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidating Schedule Of Financial Position
(Continued)

June 30, 2015

	VOAC	Holding Corp	PACA House, Inc.	PACA House	Pratt Street Housing Inc.	Pratt Street LP	Irvington Woods Corp	Irvington Woods	RRC Corp	RRC	Total	Eliminations	Consolidated Total
CURRENT LIABILITIES													
Accounts Payable	\$ 362,677	\$ 2,534	\$ -	\$ 5,004	\$ -	\$ 52,157	\$ -	\$ 67,649	\$ -	\$ -	\$ 490,021	\$ -	\$ 490,021
Current Maturities Of Long-Term Debt	1,651,283	-	-	39,004	-	-	-	27,523	-	-	1,717,810	-	1,717,810
Accrued Expenses	1,113,363	-	-	951,991	-	1,025,396	-	52,389	-	-	3,143,139	(687,281)	2,455,858
Other Current Liabilities	-	-	-	-	-	1,657	-	-	-	-	1,657	-	1,657
Due To Related Parties	545,632	-	-	569,620	-	310,061	-	2,102,979	-	865,990	4,394,282	(4,394,282)	-
Client Escrow Funds	106,773	-	-	-	-	-	-	-	-	-	106,773	-	106,773
Tenant Security Deposits	-	-	-	4,840	-	1,188	-	17,833	-	-	23,861	-	23,861
Refundable Advances	440,875	-	-	13,200	1,145,576	11,438	-	4,118	-	-	1,615,207	-	1,615,207
Total Current Liabilities	4,220,603	2,534	-	1,583,659	1,145,576	1,401,897	-	2,272,491	-	865,990	11,492,750	(5,081,563)	6,411,187
LONG-TERM LIABILITIES													
Long-Term Debt, Less Current Maturities	9,813,898	-	-	3,121,447	-	1,270,098	-	1,404,965	-	10,656,000	26,266,408	(415,200)	25,851,208
Post-Retirement Benefit Liability	479,613	-	-	-	-	-	-	-	-	-	479,613	-	479,613
Other Long-Term Liabilities	18,992	-	-	-	-	-	-	-	-	-	18,992	-	18,992
Deferred Rent	48,117	-	-	-	-	-	-	-	-	-	48,117	(47,007)	1,110
Underfunded Pension Obligation	2,342,549	-	-	-	-	-	-	-	-	-	2,342,549	-	2,342,549
Total Long-Term Liabilities	12,703,169	-	-	3,121,447	-	1,270,098	-	1,404,965	-	10,656,000	29,155,679	(462,207)	28,693,472
Total Liabilities	16,923,772	2,534	-	4,705,106	1,145,576	2,671,995	-	3,677,456	-	11,521,990	40,648,429	(5,543,770)	35,104,659
NET ASSETS													
Unrestricted													
Controlling Interest	12,519,581	250,852	-	(812,546)	70,885	759,760	1,266,393	(183)	(1,234)	(186,296)	13,867,212	(3,790,049)	10,077,163
Non-controlling Interest	-	-	-	-	-	(2,076,701)	-	1,480,232	-	-	(596,469)	-	(596,469)
Total Unrestricted	12,519,581	250,852	-	(812,546)	70,885	(1,316,941)	1,266,393	1,480,049	(1,234)	(186,296)	13,270,743	(3,790,049)	9,480,694
Temporarily Restricted	1,320,056	-	-	-	-	-	-	-	-	-	1,320,056	-	1,320,056
Permanently Restricted	57,984	-	-	-	-	-	-	-	-	-	57,984	-	57,984
Total Net Assets	13,897,621	250,852	-	(812,546)	70,885	(1,316,941)	1,266,393	1,480,049	(1,234)	(186,296)	14,648,783	(3,790,049)	10,858,734
TOTAL LIABILITIES AND NET ASSETS	\$ 30,821,393	\$ 253,386	\$ -	\$ 3,892,560	\$ 1,216,461	\$ 1,355,054	\$ 1,266,393	\$ 5,157,505	\$ (1,234)	\$ 11,335,694	\$ 55,297,212	\$ (9,333,819)	\$ 45,963,393

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidating Schedule Of Unrestricted Activities

For The Year Ended June 30, 2016

	VOAC	Holding Corp	PACA House, Inc.	PACA House	Pratt Street Housing, Inc.	Pratt Street, LP	Irvington Woods Corp	Irvington Woods	RRC Corp	RRC	Total	Eliminations	Consolidated Total
REVENUES AND SUPPORT													
Contributions - Cash	\$ 504,699	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 504,699	\$ -	\$ 504,699
Contributions - In-Kind	280,000	-	-	-	-	-	-	-	-	-	280,000	-	280,000
Special Events (Net Of Direct Benefit Costs)	139,480	-	-	-	-	-	-	-	-	-	139,480	-	139,480
United Way	21,939	-	-	-	-	-	-	-	-	-	21,939	-	21,939
Government Revenues And Grants	29,532,358	-	-	-	-	-	-	-	-	-	29,532,358	(80,494)	29,451,864
Program Service Fees	1,448,918	-	-	680,957	-	414,863	-	604,549	-	-	3,149,287	-	3,149,287
Other Operating Revenues	84,443	-	-	7,427	-	14,647	-	20,415	-	-	126,932	(84,443)	42,489
Interest And Dividends	494,585	-	-	1,752	5,250	377	-	203	-	219	502,386	(36,066)	466,320
Net Loss On Investments	(36,111)	-	-	-	-	-	-	-	-	-	(36,111)	-	(36,111)
Gain On Disposal Of Equipment	294,205	-	-	-	-	-	-	-	-	-	294,205	(240,800)	53,405
Rental Revenue	100,092	-	-	-	-	-	-	-	-	862,273	962,365	(862,273)	100,092
Developers Fee	345,520	-	-	-	-	-	-	-	-	-	345,520	-	345,520
Forgiveness of Refundable Advances	-	-	-	-	1,145,576	-	-	-	-	-	1,145,576	-	1,145,576
Recovery Of Bad Debt	-	-	-	59	-	30	-	-	-	-	89	-	89
Other Revenues	68,547	-	-	-	-	-	-	-	-	-	68,547	(21,712)	46,835
Satisfaction Of Program Restrictions	12,923	-	-	-	-	-	-	-	-	-	12,923	-	12,923
EXPENSES	33,291,598	-	-	690,195	1,150,826	429,917	-	625,167	-	862,492	37,050,195	(1,325,788)	35,724,407
INCREASE IN PENSION OBLIGATION	32,899,178	10,052	-	984,733	-	475,444	-	1,008,627	-	777,547	36,155,581	(1,067,228)	35,088,353
INCREASE IN PENSION OBLIGATION	458,288	-	-	-	-	-	-	-	-	-	458,288	-	458,288
(Decrease) Increase In Unrestricted Net Assets (Deficit) Before Non-controlling Interest	(65,868)	(10,052)	-	(294,538)	1,150,826	(45,527)	-	(383,460)	-	84,945	436,326	(258,560)	177,766
Increase (Decrease) In Net Assets (Deficit) Attributable To Non-controlling Interest In Subsidiary	-	-	-	-	-	(45,522)	-	(383,422)	-	-	(428,944)	-	(428,944)
Total Increase (Decrease) In Net Assets	(65,868)	(10,052)	-	(294,538)	1,150,826	(5)	-	(38)	-	84,945	865,270	(258,560)	606,710
Unrestricted Net Assets (Deficit) - Beginning Of Year	12,519,581	250,852	-	(812,546)	70,885	759,760	1,266,393	(183)	(1,234)	(186,296)	13,867,212	(3,790,049)	10,077,163
Capital Distributions	-	(240,800)	-	-	-	-	-	-	-	-	(240,800)	240,800	-
Unrestricted Net Assets (Deficit) - End Of Year	\$ 12,453,713	\$ -	\$ -	\$ (1,107,084)	\$ 1,221,711	\$ 759,755	\$ 1,266,393	\$ (221)	\$ (1,234)	\$ (101,351)	\$ 14,491,682	\$ (3,807,809)	\$ 10,683,873

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidating Schedule Of Unrestricted Activities

For The Year Ended June 30, 2015

	VOAC	Holding Corp	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 - Cash	\$ 817,730	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 817,730	\$ -	\$ 817,730
Contributions - In-Kind	12,347	-	-	-	-	-	-	-	-	-	12,347	-	12,347
Special Events (Net Of Direct Benefit Costs)	76,591	-	-	-	-	-	-	-	-	-	76,591	-	76,591
United Way	19,410	-	-	-	-	-	-	-	-	-	19,410	-	19,410
Government Revenues And Grants	30,177,303	-	-	-	-	-	-	-	-	-	30,177,303	(64,542)	30,112,761
Program Service Fees	1,251,562	-	-	615,806	-	338,493	-	556,712	-	-	2,762,573	-	2,762,573
Other Operating Revenues	54,114	-	-	12,581	-	4,096	-	40,583	-	-	111,374	(84,930)	26,444
Interest And Dividends	510,868	-	-	677	5,253	425	-	115	-	234	517,572	(5,250)	512,322
Net Loss On Investments	(7,362)	-	-	-	-	-	-	-	-	-	(7,362)	-	(7,362)
Gain On Disposal Of Equipment	11,533	-	-	-	-	-	-	-	-	-	11,533	-	11,533
Rental Revenue	105,092	177,515	-	-	-	-	-	-	-	862,274	1,144,881	(1,039,789)	105,092
Recovery Of Bad Debt	150,527	-	-	69	-	-	-	(741)	-	-	149,855	-	149,855
Other Revenues	258,387	-	-	-	-	-	-	-	-	-	258,387	(329,226)	(70,839)
Satisfaction Of Program Restrictions	685,974	-	-	-	-	-	-	-	-	-	685,974	-	685,974
EXPENSES	34,124,076	177,515	-	629,133	5,253	343,014	-	596,669	-	862,508	36,738,168	(1,523,737)	35,214,431
INCREASE IN PENSION OBLIGATION	33,921,963	411,920	-	950,936	-	547,013	-	919,499	-	800,437	37,551,768	(1,541,497)	36,010,271
DECREASE IN PENSION OBLIGATION	415,906	-	-	-	-	-	-	-	-	-	415,906	-	415,906
OTHER NON-OPERATIONAL COSTS	9,955	-	-	-	-	-	-	-	-	-	9,955	-	9,955
(Decrease) Increase In Unrestricted Net Assets (Deficit) Before Non-controlling Interest	(223,748)	(234,405)	-	(321,803)	5,253	(203,999)	-	(322,830)	-	62,071	(1,229,506)	17,760	(1,221,701)
Increase (Decrease) In Net Assets (Deficit) Attributable To Non-controlling Interest In Subsidiary	-	-	-	-	-	(203,979)	-	(322,798)	-	-	(526,777)	-	(526,777)
Total Increase (Decrease) In Net Assets	(223,748)	(234,405)	-	(321,803)	5,253	(20)	-	(32)	-	62,071	(712,684)	17,760	(694,924)
Unrestricted Net Assets (Deficit) - Beginning Of Year	12,743,329	485,257	-	(870,643)	65,632	759,780	1,266,393	(151)	(1,234)	(248,367)	14,199,996	(3,427,909)	10,772,087
Capital Contributions	-	-	-	379,900	-	-	-	-	-	-	379,900	(379,900)	-
Unrestricted Net Assets (Deficit) - End Of Year	\$ 12,519,581	\$ 250,852	\$ -	\$ (812,546)	\$ 70,885	\$ 759,760	\$ 1,266,393	\$ (183)	\$ (1,234)	\$ (186,296)	\$ 13,867,212	\$ (3,790,049)	\$ 10,077,163

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidating Schedule Of Expenses

For The Year Ended June 30, 2016

	VOAC	Holding Corp	PACA House	Pratt Street, LP	Irvington Woods	RRC	Total	Eliminations	Consolidated Total
Salaries	\$ 19,159,731	\$ -	\$ 190,696	120,173	\$ 123,134	\$ -	\$ 19,593,734	\$ -	\$ 19,593,734
Other Employee Benefits	1,836,639	-	15,137	13,408	11,287	-	1,876,471	-	1,876,471
Payroll Taxes	1,356,570	-	13,293	10,031	8,844	-	1,388,738	-	1,388,738
Legal Fees	94,828	-	20,707	8,412	16,469	-	140,416	-	140,416
Accounting Fees	57,400	-	10,300	8,200	10,300	22,575	108,775	-	108,775
Other Professional Fees	1,338,278	-	49,891	36,093	157,543	-	1,581,805	(84,443)	1,497,362
Supplies	1,233,746	-	7,139	10,806	3,658	-	1,255,349	-	1,255,349
Telecommunications	414,147	-	9,751	3,487	10,093	-	437,478	-	437,478
Postage	11,186	-	154	229	224	-	11,793	-	11,793
Occupancy Expense	3,485,356	6,458	236,986	161,266	245,674	501	4,136,241	(862,273)	3,273,968
Interest	594,483	-	58,124	21,641	101,074	445,332	1,220,654	(36,066)	1,184,588
Insurance	565,119	-	28,289	30,078	25,774	-	649,260	-	649,260
Equipment Rental And Maintenance	135,631	-	2,017	3,500	19,314	-	160,462	-	160,462
Printing And Publications	37,066	-	-	-	-	-	37,066	-	37,066
Travel And Transportation	679,621	-	-	-	-	-	679,621	-	679,621
Conferences And Meetings	159,833	-	969	721	677	-	162,200	-	162,200
Special Assistance	353,352	-	56,524	-	27,922	-	437,798	(84,446)	353,352
Other	264,413	-	-	-	3,045	-	267,458	-	267,458
Depreciation And Amortization	406,256	3,594	284,756	47,399	243,595	309,139	1,294,739	-	1,294,739
Administrative Fees - VOA, Inc.	715,523	-	-	-	-	-	715,523	-	715,523
Total Expenses	\$ 32,899,178	\$ 10,052	\$ 984,733	\$ 475,444	\$ 1,008,627	\$ 777,547	\$ 36,155,581	\$ (1,067,228)	\$ 35,088,353

Volunteers Of America Chesapeake, Inc. And Subsidiaries
Consolidating Schedule Of Expenses

For The Year Ended June 30, 2015

	VOAC	Holding Corp	PACA House	Pratt Street	Irvington Woods	RRC	Total	Eliminations	Consolidated Total
Salaries	\$ 19,775,747	\$ -	\$ 155,546	\$ 95,157	\$ 102,820	\$ -	\$ 20,129,270	\$ -	\$ 20,129,270
Other Employee Benefits	2,246,713	-	15,873	8,813	8,574	-	2,279,973	-	2,279,973
Payroll Taxes	1,414,754	-	12,903	8,509	9,412	-	1,445,578	-	1,445,578
Legal Fees	28,616	107	6,936	5,785	6,958	-	48,402	-	48,402
Accounting Fees	68,999	-	10,000	10,650	10,000	31,580	131,229	-	131,229
Other Professional Fees	1,749,047	-	40,787	15,298	115,875	-	1,921,007	(54,114)	1,866,893
Supplies	1,265,085	-	5,706	3,906	4,529	-	1,279,226	-	1,279,226
Telecommunications	360,775	-	8,305	2,749	9,948	-	381,777	-	381,777
Postage	30,462	-	135	241	171	-	31,009	-	31,009
Occupancy Expense	3,195,128	70,898	229,444	177,024	262,575	457	3,935,526	(1,035,459)	2,900,067
Interest	601,069	23	60,235	126,313	111,438	445,325	1,344,403	(36,066)	1,308,337
Insurance	530,634	9,310	31,804	28,184	17,575	-	617,507	-	617,507
Equipment Rental And Maintenance	136,678	1,518	26,507	4,546	9,913	-	179,162	-	179,162
Printing And Publications	66,800	-	-	-	-	-	66,800	-	66,800
Travel And Transportation	671,923	-	-	-	-	-	671,923	(4,330)	667,593
Conferences And Meetings	142,829	-	1,801	2,888	2,816	-	150,334	-	150,334
Special Assistance	318,449	-	60,384	9,102	12,816	-	400,751	(82,302)	318,449
Other	100,615	300,479	632	-	-	-	401,726	(329,226)	72,500
Depreciation And Amortization	483,682	29,585	283,938	47,848	234,079	323,075	1,402,207	-	1,402,207
Administrative Fees - VOA, Inc.	733,958	-	-	-	-	-	733,958	-	733,958
Total Expenses	\$ 33,921,963	\$ 411,920	\$ 950,936	\$ 547,013	\$ 919,499	\$ 800,437	\$ 37,551,768	\$ (1,541,497)	\$ 36,010,271

See Independent Auditor's Report