Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc.

Consolidated Financial Statements
For the Year Ended June 30, 2019

HERTZBACH
certified public accountants · consultants

Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc.

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For the Year Ended June 30, 2019

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Independent Auditor's Report

To the Officers and Board of Directors
Volunteers of America Chesapeake, Inc. and Subsidiaries,
including Volunteers of America of the Carolinas, Inc.
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, including Volunteers of America of the Carolinas, Inc. (collectively, the Organization) which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 did not audit the financial statements of VOA Hickory Knoll, Inc. and VOA Butner Morning Glory, Inc., wholly owned or controlled subsidiaries. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for VOA Hickory Knoll, Inc. and VOA Butner Morning Glory, Inc., is based solely on the report of other auditors, except as noted in the emphasis of matters - component auditor's paragraph. 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, based on our audit and the reports of the other auditors, 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, 2019, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Component Auditors

We did not audit the financial statements of VOA Hickory Knoll, Inc. and VOA Butner Morning Glory, Inc., wholly owned or controlled subsidiaries. Those statements were audited by other auditors and the amounts included for VOA Hickory Knoll, Inc. and VOA Butner Morning Glory, Inc., are based solely on the reports of the other auditors, except for the classification of net assets, which were audited by us. Net assets with donor restrictions were reclassified to net assets without donor restrictions for VOA Butner Morning Glory, Inc. totaling $52,343 for the year ended June 30, 2019.

Emphasis of Matter – Accounting Standards Update

As discussed in Note 3 to the financial statements, during the year ended June 30, 2019, Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc. adopted Financial Accounting Standards Board Update (ASU) No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter – Consolidating Supplementary 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 41 to 44 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and change in net assets without donor restrictions 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 Matter – Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019, on our consideration of Volunteers of America Chesapeake, Inc. and Subsidiaries', including Volunteers of America of the Carolinas, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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. and Subsidiaries', including Volunteers of America of the Carolinas, Inc. internal control over financial reporting and compliance.

Hertzbach & Company, P.A.

Rockville, Maryland
December 17, 2019

Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc.

Consolidated Statement of Financial Position
As of June 30, 2019

Assets		
Current assets		
Cash and cash equivalents	$	4,432,148
Accounts receivable (net of allowance)		6,476,064
Prepaid expenses		265,630
Other receivables		10,511
Total current assets		11,184,353
Property and equipment, net		42,318,111
Other assets		
Designated and restricted funds		2,346,478
Investments		59,222
Deposits		66,748
Beneficial interest in perpetual trust		60,011
Beneficial interest in charitable remainder trust		755,276
Reimbursement receivable		155,441
Notes receivable (net of allowance)		10,527,901
Other assets		16,257
Total other assets		13,987,334
Total assets	$	67,489,798

See independent auditor's report and notes to consolidated financial statements.

Consolidated Statement of Financial Position (Continued)
As of June 30, 2019

Liabilities and Net Assets

Current liabilities		
Accounts payable	$	4,103,840
Current maturities of long-term debt		12,603,510
Accrued expenses		3,216,125
Deferred gain on sale-leaseback, current		532,975
Due to related parties		13,614
Client escrow funds		87,991
Tenant security deposits		14,429
Deferred revenue		85,298
Refundable advances		426,791
Other liabilities		43,232
Total current liabilities		21,127,805
Long-term liabilities		
Long-term debt, less current maturities		22,102,627
Post-retirement benefit liability		279,910
Other long-term liabilities		48,027
Deferred gain on sale-leaseback, net of current portion		2,219,527
Deferred rent		208,771
Underfunded pension obligation		3,179,130
Total long-term liabilities		28,037,992
Total liabilities		49,165,797
Net assets		
Without donor restrictions:		
Controlling interest		6,942,944
Non-controlling interest		2,807,415
Total without donor restrictions		9,750,359
With donor restrictions		8,573,642
Total net assets		18,324,001
Total liabilities and net assets	$	67,489,798

See independent auditor's report and notes to consolidated financial statements.

Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc.

Consolidated Statement of Activities
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Non-controlling Interest	Total
Revenues and support				
Public support:				
Public support received directly:				
Contributions and non-government grants	$ 1,136,278	$ 1,675,000	$ -	$ 2,811,278
Special events (net of direct benefit costs)	54,458	-	-	54,458
Public support received indirectly:				
United Way	2,120	-	-	2,120
Total public support	1,192,856	1,675,000	-	2,867,856
Government revenues and grants	38,528,984	-	-	38,528,984
Other revenues:				
Program service fees	3,572,011	-	-	3,572,011
Property management fees	799,841	-	-	799,841
Rental revenue	155,161	-	-	155,161
Other operating revenues	62,854	-	-	62,854
Total other revenues	4,589,867	-	-	4,589,867
Total revenues and support	44,311,707	1,675,000	-	45,986,707
Expenses				
Program services:				
Encouraging positive development	77,106	-	-	77,106
Fostering independence	23,190,862	-	-	23,190,862
Promoting self-sufficiency	17,611,146	-	-	17,611,146
Total program services	40,879,114	-	-	40,879,114
Supporting services:				
Management and general	6,476,160	-	-	6,476,160
Fundraising	729,026	-	-	729,026
Total supporting services	7,205,186	-	-	7,205,186
Total program and supporting services	48,084,300	-	-	48,084,300
(Decrease) increase in net assets from operations	(3,772,593)	1,675,000	-	(2,097,593)

See independent auditor's report and notes to consolidated financial statements.

Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc.

Consolidated Statement of Activities (Continued)
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Non-controlling Interest	Total
Non-operating gains and other revenues (losses)				
Interest and dividends	208,449	36,382	-	244,831
Net gains on investments	1,954	-	-	1,954
Gain on sale of property and equipment	146,085	-	-	146,085
Recovery of bad debt	1,145	-	-	1,145
Increase in pension obligation	(189,737)	-	-	(189,737)
Other net revenues	165,665	-	-	165,665
Change in value of split-interest agreements	-	(3,342)	-	(3,342)
Satisfaction of program restrictions	14,342	(14,342)	-	-
Total non-operating gains and other revenues (losses)	347,903	18,698	-	366,601
Capital contributions	4,885,138	-	-	4,885,138
Increase in net assets before non-controlling interest	1,460,448	1,693,698	-	3,154,146
(Decrease) increase in net assets attributable to non-controlling interest	(2,474,216)	-	2,474,216	-
Total (decrease) increase in net assets	(1,013,768)	1,693,698	2,474,216	3,154,146
Net assets, beginning of year	7,956,712	6,879,944	333,199	15,169,855
Net assets, end of year	$ 6,942,944	$ 8,573,642	$ 2,807,415	$ 18,324,001

See independent auditor's report and notes to consolidated financial statements.

Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc.

Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services				Supporting Services			
	Encouraging Positive Development	Fostering Independence	Promoting Self-Sufficiency	Subtotal	Management and General	Fundraising	Subtotal	2019 Total
Salaries and wages	$ 49,539	$ 14,281,391	$ 7,664,521	$ 21,995,451	$ 2,860,982	$ 161,833	$ 3,022,815	$ 25,018,266
Employee benefits	18,138	2,177,567	1,144,320	3,340,025	447,346	24,999	472,345	3,812,370
Professional services	1,903	1,159,998	1,507,203	2,669,104	1,064,046	322,007	1,386,053	4,055,157
Occupancy	395	2,971,108	1,116,766	4,088,269	444,357	66	444,423	4,532,692
Specific assistance	-	65,215	2,267,869	2,333,084	-	4,933	4,933	2,338,017
Program supplies and expenses	389	525,418	1,078,531	1,604,338	145,378	196,033	341,411	1,945,749
Office supplies and expenses	6,627	669,584	609,393	1,285,604	430,794	7,944	438,738	1,724,342
Travel, conferences and meetings	54	538,036	342,034	880,124	322,913	6,262	329,175	1,209,299
Depreciation and amortization	-	507,391	1,056,334	1,563,725	109,068	-	109,068	1,672,793
Interest	-	210,894	765,936	976,830	493,683	-	493,683	1,470,513
Other	61	84,260	58,239	142,560	157,593	4,949	162,542	305,102
Total expenses	$ 77,106	$ 23,190,862	$ 17,611,146	$ 40,879,114	$ 6,476,160	$ 729,026	$ 7,205,186	$ 48,084,300

See independent auditor's report and notes to consolidated financial statements.

Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc.

Consolidated Statement of Cash Flows
For the Year Ended June 30, 2019

Consolidated cash flows from operating activities		
Change in net assets	$	679,930
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Non-cash contributions		(373,230)
Loss attributable to the non-controlling interest		2,474,216
Depreciation		1,647,914
Forgiveness of debt		(23,000)
Gain on the sale-leaseback		(134,834)
Gain on disposal of property and equipment		(1,873,716)
Amortization of mortgage costs		94,048
Amortization of debt issuance costs		7,149
Amortization of organizational costs		18,131
Net unrealized gains on investment holdings		(2,752)
Undistributed investment income		(36,382)
Change in value of split-interest agreements		3,342
Change in pension obligation		189,737
Change in operating assets:		
Accounts receivable		722,862
Due from related parties		242,335
Prepaid expenses		63,533
Other receivables		1,914
Interest receivable		(38,287)
Other assets		(11,657)
Change in operating liabilities:		
Accounts payable		2,528,645
Accrued expenses		247,469
Client escrow funds		(23,428)
Tenant security deposits		(3,284)
Refundable advances		(6,102)
Other liabilities		1,336
Deferred revenue		81,112
Other long-term liabilities		(19,530)
Post retirement benefit liability		(34,979)
Deferred rent		71,408
Net cash and cash equivalents provided by operating activities		6,493,900

See independent auditor's report and notes to consolidated financial statements.

Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc.

Consolidated Statement of Cash Flows (Continued)
For the Year Ended June 30, 2019

Consolidated cash flows from investing activities	
Purchases of land, buildings, and equipment	(16,518,366)
Proceeds from sale of land, buildings, and equipment	10,737,989
Repayments to related parties	(21,736)
Proceeds from sale of investments	14,342
Interest received from notes receivable	(79,608)
Change in designated and restricted funds	(35,376)
Net cash and cash equivalents used in investing activities	(5,902,755)
Consolidated cash flows from financing activities	
Deposits paid	(25,947)
Proceeds of notes payable and mortgages payable	8,663,168
Repayments of notes and mortgages payable	(8,034,057)
Net cash and cash equivalents provided by financing activities	603,164
Net increase in consolidated cash and cash equivalents	1,194,309
Consolidated cash and cash equivalents, beginning of year	3,237,839
Consolidated cash and cash equivalents, end of year	$ 4,432,148
Supplemental disclosures of consolidated cash flow information:	
Cash paid during the year for interest	$ 2,074,586
Cash paid during the year for income taxes	$ 2,888
Non-cash transactions from investing and financing activities:	
Deferred gain on the sale-leaseback	$ 1,957,525

See independent auditor's report and notes to consolidated financial statements.

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 VOA PACA Housing Corporation, PACA Supportive Housing, Inc. (PACA Housing, Inc.), PACA Housing Limited Partnership II (PACA House), VOA Paca House Partners, Limited Partnership (Paca Partners), VOA Pratt Street Housing Corporation (Pratt Street Housing), Pratt Street Housing Limited Partnership (Pratt Street), VOA Irvington Woods Housing Corporation, Inc., (Irvington Woods Corp.), VOA Irvington Woods Limited Partnership (Irvington Woods), VOAC RRC QALICB, LLC (RRC), and VOAC RRC, Inc. (RRC Corp.).

Volunteers of America of the Carolinas, Inc., (VOACAR), founded in 1896, is a non-profit, spiritually-based human service organization, incorporated in South Carolina. VOACAR provides social services within South Carolina and North Carolina under a charter from VOA, Inc. VOACAR fosters the heath and independence of the elderly and persons with disabilities, mental illness, and HIV/AIDS through quality affordable housing, health care services, and a wide range of community services. VOACAR promotes self-sufficiency for individuals and families who have experienced homelessness, or other personal crisis, including chemical dependency, involvement with the corrections systems and unemployment. VOACAR focuses on solution-oriented approaches, using a continuum of services from prevention to intervention to long-term support. The sole member of VOACAR is VOAC. Subsidiary organizations fully-owned by VOACAR include VOA Hickory Knoll, Inc. (VOA Hickory Knoll), VOA Butner Morning Glory, Inc. (VOA Butner Morning Glory), VOA Durham LIFE House, Inc. (VOA Durham LIFE House), VOA Durham Maple Court, Inc. (VOA Durham Maple Court), VOA Olympia, Inc. (VOA Olympia), VOA Montford Broad, Inc. (VOA Montford Broad), VOA Asheville LIFE House, Inc. (VOA Asheville LIFE House), and James Island Harbor Investor Member (James Island Harbor Investor), and limited partnerships, Montford-Broad Development ’98 Limited Partnership (Montford Broad Development) and LIFE House Apartments, LLC (LIFE House Apartments).

VOAC, VOACAR, and all affiliated organizations listed above are collectively referred to as 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.

See independent auditor’s report.

1) Organization (Continued)

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 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.

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 the 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 July 31, 2018, PACA House sold their property located on Paca Street, Maryland to Paca Partners, a subsidiary of VOAC.

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.

Paca Partners was incorporated in September 2014 under the laws of the State of Delaware for the purpose of developing and operating rental real estate located in Baltimore, Maryland. VOA PACA Housing Corporation is the .004% general partner. On July 31, 2018, Paca Partners purchased PACA House’s property located on Paca Street, Maryland and will continue operating the property for SRO and efficiency affordable housing for the homeless, under regulations defined by the CDA of the Maryland DCHD.

Pratt Street Housing was incorporated in December 1998 under the laws of the State of Maryland to be the general partner in Pratt Street. Pratt Street Housing'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.

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.

1) Organization (Continued)

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.

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

Cash distributions related to operations are limited by agreements between Irvington Woods and the CDA to the extent of surplus cash as defined by the 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 the 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.

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 Corp.

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. RRC Corp. 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 RRC.

VOACAR created entities that serve as the general partner in limited partnership housing projects serving family and single adults, the elderly and disabled, or other special needs individuals. Since the general partner is presumed to control the limited partnership regardless of their ownership interest, the limited partnerships' financial statements are consolidated with VOACAR's financial statements. VOACAR has 100% interest in Montford Broad Development and 0.006% interest in LIFE House Apartments.

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.

2) Summary of Significant Accounting Policies (Continued)

Principles of Consolidation

The consolidated financial statements include the accounts of VOAC and VOACAR and its wholly-controlled nonprofit subsidiaries VOA PACA Housing Corporation, Pratt Street Housing, Irvington Woods Corp., RRC Corp., VOA Hickory Knoll, VOA Butner Morning Glory, VOA Durham LIFE House, VOA Durham Maple Court, VOA Olympia, VOA James Island Harbor, VOA Montford Broad, VOA Asheville LIFE House, and James Island Harbor Investor Member, and the for profit entities PACA House Inc., Paca Partners, Pratt Street, Irvington Woods, RRC, Montford-Broad Development, and LIFE House Apartments. 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The 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 financial position and 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, 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 forty 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 $1,647,914 for the year ended June 30, 2019.

2) Summary of Significant Accounting Policies (Continued)

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions 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 support with donor restrictions. 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.

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 and unrealized gains and losses on investments, interest, dividends and investment expenses) is included in non-operating income. 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. Investment expenses are recorded when incurred.

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.

Designated and Restricted Funds

Designated and restricted funds represent required regulatory reserves and designation of certain deposits. The designated and restricted funds are in separate accounts with financial institutions.

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 donor 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 net assets with donor restrictions in the statement of activities and changes in net assets, depending on the nature of the donor's restrictions.

2) Summary of Significant Accounting Policies (Continued)

Basis of Presentation
Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization are classified in the following two classes:

> **Net assets without donor restrictions** represent funds that are available for support of the operations of the Organization, and that are not subject to donor restrictions.
>
> **Net assets with donor restrictions** consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that have been restricted by the donor that stipulate the resources be maintained in perpetuity, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. The Organization treats all contributions in which the restrictions are met in the current year as net assets without donor restrictions.

Board-designated net assets are net assets without donor restrictions that are used only for the specific purpose by board resolution. The board designates a portion of any operating surplus to its liquidity reserve, which was $956,000 as of June 30, 2019. The liquidity reserve may be drawn upon in the event of financial distress or an immediate liquidity need.

Revenue Recognition
Contributions received are recorded as with or without donor restrictions 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 support with donor restrictions.

As required by the *Transfers of Assets to a Not-for-Profit Entity of Charitable Trust that Raises or Holds Contributions for Others* Topic 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
Contributed goods are recorded at their fair value at the date of receipt. Contributed services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by peoples with those skills, and would otherwise be purchased by the Organization. During the year ended June 30, 2019, the Organization recorded contributed goods totaling $213,718. 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).

See independent auditor's report.

2) Summary of Significant Accounting Policies (Continued)

Rental Revenue and Requirements

The Organization has several regulatory agreements with HUD and various regulatory agencies which restricts rental units to designated groups and amounts. Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and tenants are operating leases.

Program Service Fees

Program service fees revenue is recognized when services are rendered for eligible individuals.

Advertising Costs

Total advertising costs for the year ended June 30, 2019, were $14,600.

Measure of 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.

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 significant unrelated business activities for the year ended June 30, 2019. 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.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Organization are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

3) Accounting Pronouncements Update

In the year ending June 30, 2019, the Organization adopted ASU No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities.* The main provisions of this update include: presentation of two classes of net assets (reduced from three classes); reporting investment return net of external and direct internal investment expenses; qualitative information about management of liquidity; quantitative information about financial assets available within one year; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions.

3) Accounting Pronouncements Update (Continued)

Adoption of this update results in the following adjustments for the year ended June 30, 2018:

	2018
Net assets before adoption of ASU 2016-14:	
Unrestricted	$ 8,289,911
Temporarily restricted	6,820,266
Permanently restricted	59,678
Total net assets before adoption of ASU 2016-14	$ 15,169,855
Net assets after adoption of ASU 2016-14:	
Without donor restrictions	
Previous classification - unrestricted	$ 8,289,911
Total without donor restrictions	8,289,911
With donor restrictions	
Previous classification - temporarily restricted	6,820,266
Previous classification - permanently	59,678
Total with donor restrictions	6,879,944
Total net assets after adoption of ASU 2016-14	$ 15,169,855

4) Significant Concentrations

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

Concentration of Revenues

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

See independent auditor's report.

4) Significant Concentrations (Continued)

The Organization's operations are concentrated in the multifamily real estate market and operate in a heavily regulated environment. The operations of the entities are subject to the administrative directives, rules, and regulations of federal, state, and local regulatory agencies, including, but not limited to Department of Housing and Urban Development (HUD), Department of Veterans Affairs, the North Carolina Housing Finance Agency, the South Carolina State Housing & Development Authority, and the City of Baltimore. Such administrative directives, rules, and regulations are subject to change by an act of Congress or an administrative change mandated by these authorities. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

5) Accounts Receivable

Accounts receivable at June 30, 2019, consisted of the following:

Grants and contracts	$ 2,149,375
Fees for services	4,486,856
Rents and other receivables	73,274
	6,709,505
Less: allowance for doubtful accounts	(233,441)
Total	$ 6,476,064

6) Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost and consisted of the following at June 30, 2019:

Land and improvements	$ 5,586,559
Buildings and improvements	36,753,132
Furniture and equipment	2,324,559
Vehicles	1,207,546
Development and predevelopment costs	12,161,797
	58,033,593
Less: accumulated depreciation	(15,715,482)
Net land, buildings, and equipment	$ 42,318,111

Development and predevelopment costs represent costs incurred in connection with the acquisition and renovation of real estate located at 116 North Paca Street in Baltimore, Maryland. These costs will be capitalized upon completion of the redevelopment project.

See independent auditor's report.

6) Land, Buildings, and Equipment (Continued)

Certain land, buildings, improvements, furniture, and equipment are restricted as to use and disposition by various regulatory agencies as disclosed in Notes 1, 2, 14, and 17.

7) Designated and Restricted Funds

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

Balances in the designated accounts at June 30, 2019 are as follows:

Mortgage escrow deposit	$ 100,792
Replacement reserves	671,141
Operating reserves	1,268,224
Tenant security deposits	61,488
Client escrows	87,992
Fee reserve	110,078
Other reserves	46,763
Total designated and restricted funds	$ 2,346,478

8) Investments and Fair Value Measurements

VOAC is a participant in a pooled investment program (the Program) which is managed by 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.

See independent auditor's report.

8) Investments and Fair Value Measurements (Continued)

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 VOAC 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.

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.

8) Investments and Fair Value Measurements (Continued)

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 correlation 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.

The asset or liability's fair value measurement level within 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 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, 2019.

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 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.

	Level 1	Level 2	Level 3	Total
Common stock	$ 40,809	$ 8,373	$ -	$ 49,182
Total investments, in the fair value hierarchy	$ 40,809	$ 8,373	$ -	49,182
Investments measured at net asset value *				825,327
Total investments, at fair value				$ 874,509

See independent auditor's report.

8) Investments and Fair Value Measurements (Continued)

*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 consolidated statements of financial position.

The following tables summarize investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2019.

	Fair value	Unfunded commitment	Redemption frequency	Redemption notice period
Investments measured at net asset value	$ 825,327	N/A	Daily	Daily

9) 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 $333 for the year ended June 30, 2019, and was recorded as interest income with donor restrictions. During the year ended June 30, 2019, there were no annual distributions or changes in the balance of funds held by the trust. The Organization reports in its consolidated statements of financial position the Organization's proportionate share of the fair value of the trust's assets as an estimate of the present value of the Organization's future cash distributions from the trust. The Organization's proportionate share of the fair value of the trust's assets was $60,011 at June 30, 2019. 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 charitable remainder trust, which are reflected in net assets with donor restrictions, amounted to $755,276 at June 30, 2019. The income earned on the amounts held in the trust amounted to $36,049 for the year ended June 30, 2019, and was recorded as interest income with donor restrictions. The amount of the quarterly distributions of trust funds amounted to $14,342 for the year ended June 30, 2019, and was recorded as a release of net assets with donor restrictions. The remaining change in the balance of funds held by the trust amounted to $3,342 decrease for the year ended June 30, 2019, and was recorded as a change in value of split-interest agreements.

9) Split-Interest Agreements (Continued)

All investments from the split-interest agreements are measured at net asset value, as noted in Note 8, and are classified at June 30, 2019, as follows:

Cash and cash equivalents	$	10,724
Marketable equities		588,270
Fixed income funds		214,158
Income		2,135
Total split-interest agreements, at fair value	$	815,287

10) Notes Receivable

The Organization has two notes receivable from Chase NMTC VOA Chesapeake Investment Fund, LLC (related party). 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 (related party) 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 19 for more details of this note.

On December 31, 2013, VOACAR issued a note receivable for $1,552,134 at 6% interest per annum maturing December 31, 2055. Payments are only required to be made from available cash surplus at the end of the year as defined in the borrower's operating agreement. During the year ended June 30, 2019 VOACAR received an interest payment of $41,297.

11) New Market Tax Credits

In July 2012, VOAC entered into a financial arrangement to help fund the cost of a new residential re-entry facility at 4900 East Monument Street in Baltimore, Maryland, through the use of the New Market Tax Credits (NMTC). 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 (Note 25). The principal balance due as of June 30, 2019 was $5,001,041. 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 Intermediate Care Facilities ("ICF") properties and a note receivable from Chase NMTC VOA Chesapeake Investment Fund, LLC ("Chase NMTC"). The entire balance was paid off in June 2019 as a result of sale leaseback transactions of the ICF properties.

See independent auditor's report.

11) New Market Tax Credits (Continued)

In July 2012, VOAC made two loans of $7,000,000 and $828,904 to the Chase NMTC. The Organization does not hold any ownership interest in the Chase 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, 2019 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, 2019 was $828,904.

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 December 2019 at which point the principal balance of $7,000,000 is due (See Note 25). The principal balance due as of June 30, 2019 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, 2019 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, 2019 was $2,841,040.

12) 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 originally due in full on May 31, 2015. The line was subsequently renewed through February 28, 2020. The Organization must maintain a debt service ratio of not less than 1.20 to 1.00, net assets without donor restrictions 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. The amount outstanding under the line of credit at June 30, 2019 was $0.

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 originally due in full on October 17, 2014. The line was subsequently renewed through May 17, 2020. The security for the line of credit is the accounts receivable related to or arising from program receivables from the District of Columbia government. During the year ended June 30, 2019, the line of credit was paid in full and no balance was outstanding at June 30, 2019.

13) Accrued Expenses

Accrued expenses consisted of the following at June 30, 2019:

Accrued salaries	$ 825,145
Payroll taxes withheld	21,054
Accrued provider tax	15,099
Accrued interest	1,308,312
Other payables and accrued expenses	1,046,515
Total	$ 3,216,125

Accrued interest payable of $844,975 and $1,240,738 at June 30, 2019, related to PACA House, Paca Partners and Pratt Street. This accrued interest is only payable if PACA House, Paca Partners and Pratt Street have surplus cash at the end of the calendar year as defined in the regulatory agreements.

See independent auditor's report.

14) Notes and Mortgages Payable

Obligations under notes and mortgages payable at June 30, 2019, consisted of the following:

	Description	Maturity date	Interest rate		Monthly payment		Balance
[1]	Mortgage loan	October 20, 2025	5.00%	$	3,270	$	432,234
[2]	Mortgage loan	August 13, 2025	5.00%	$	3,270		435,006
[3]	Mortgage loan	April 1, 2042	5.48%	$	-		700,000
[4]	Mortgage loan	June 1, 2021	4.00%	$	-		760,266
[5]	Mortgage loan	August 1, 2037	7.13%	$	10,371		1,309,636
[6]	Mortgage loan	April 1, 2042	5.48%	$	-		100,000
[7]	Corporate note	July 6, 2019	4.179%	$	-		7,000,000
[8]	Corporate note	July 6, 2042	4.179%	$	-		814,960
[9]	Corporate note	July 6, 2042	4.179%	$	-		2,841,040
[10]	Bank note	July 6, 2019	5.250%	$	56,271		5,001,104
[11]	Mortgage loan	February 28, 2037	3.98%	$	2,304		348,757
[12]	Mortgage loan	August 2, 2027	4.59%	$	-		361,646
[13]	Bank note	September 30, 2038	6.25%	$	-		750,545
[14]	Contruction loan	July 31, 2020	4.03%	$	-		3,420,000
[15]	Contruction loan	July 31, 2020	4.03%	$	-		470,346
[16]	Mortgage loan	February 1, 2060	1.00%	$	-		529,061
[17]	Mortgage loan	February 1, 2060	2.00%	$	-		1,341,000
[18]	Mortgage loan	February 1, 2060	1.00%	$	-		2,075,791
[19]	Corporate note	June 1, 2058	1.00%	$	-		500,000
[20]	Mortgage loan	June 1, 2040	7.25%	$	4,401		568,519
[21]	Mortgage loan	November 1, 2038	2.00%	$	1,476		306,268
[22]	Mortgage loan	June 1, 2039	0.00%	$	-		168,000
[23]	Mortgage loan	June 1, 2033	0.00%	$	-		245,508
[24]	Mortgage loan	July 1, 2033	7.50%	$	2,098		218,702
[25]	Mortgage loan	July 1, 2022	1.50%	$	500		302,918
[26]	Mortgage loan	May 24, 2040	0.00%	$	-		2,262,000
[27]	Mortgage loan	November 1, 2038	0.00%	$	-		165,000
[28]	Mortgage loan	June 7, 2040	0.00%	$	-		600,000
[29]	Mortgage loan	June 1, 2023	0.00%	$	-		371,200
[30]	Note payable	July 1, 2040	3.75%	$	2,014		351,528
[31]	Note payable	July 1, 2024	0.00%	$	-		300,000
[32]	Mortgage loan	July 1, 2024	1.00%	$	345		22,263
		Total notes payable					35,073,298
		Less loan amortization and financing fees					(367,161)
							34,706,137
		Less current portion					12,603,510
		Net long-term portion				$	22,102,627

See independent auditor's report.

14) Notes and Mortgages Payable (Continued)

[1] 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. Secured by real estate at Kensington Street, Virginia.

[2] 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. Secured by real estate at Verbena Avenue, Washington, D.C.

[3] The loan was interest-free through construction completion or August 21, 2004, whichever occurred first. The mortgage is secured by Pratt Street real estate. 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.

[4] 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.

[5] Secured by real property located on Potter Street, Maryland.

[6] The note is secured by Pratt Street real estate. 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.

[7] Note payable to VOANS CDE Subsidiary 2, LLC.

[8] Note payable to VOANS CDE Subsidiary 2, LLC, interest payable quarterly until July 2019, monthly payments of $13,655 including principal, thereafter until paid in July 2042.

[9] Note payable to VOANS CDE Subsidiary 2, LLC, interest payable quarterly until 2019, monthly payments of $47,602, including principal, thereafter until paid in July 2042.

[10] Secured by note receivable from Chase NMTC Investment Fund.

[11] On February 28, 2017, VOAC refinanced the loan related to Leegate Road, Washington, D.C. property. Secured by real property at Leegate Road, Washington, D.C.

[12] Secured by real property at 4900 East Monument Street, Baltimore, Maryland.

[13] Due in 20 annual installments of $69,071, including interest at 6.25%, beginning September 30, 2018.

[14] Interest and principal are due in monthly installments commencing on the first day of the month that is one full calendar month after the conversion date. Secured by real property located on Paca Street, Maryland.

[15] Interest is due in monthly installments after the initial advance is made. Repayment of principal is deferred until maturity. Secured by real property located on Paca Street, Maryland.

[16] Secured by real property located on Paca Street, Maryland.

[17] Secured by real property located on Paca Street, Maryland.

See independent auditor's report.

14) Notes and Mortgages Payable (Continued)

[18] Secured by real property owned by Paca Partners. In addition, a payment equal to the amount due on a 41.5-year amortization schedule shall be paid to the extent of surplus cash.
[19] Secured by real property located on Paca Street, Maryland.
[20] Payable in monthly installments of $4,401 including interest at 7.25% per annum for years 1-18. In years 19-30, monthly payments will adjust to include fixed interest based on monthly yield on US Treasury Securities plus 2.5% per annum, calculated on the 1st business day of loan year 19. Secured by real property in Durham, North Carolina.
[21] Due in 268 monthly installments of $1,476 and a final installment of $33,093 due November 2038. Secured by real property in Durham, North Carolina.
[22] So long as no uncured events of default have occurred under any loan documents securing the Note, the loan shall be forgiven in equal increments of 1/30th each year on February 11th. Secured by real property in Durham, North Carolina.
[23] Secured by real property in Asheville, North Carolina.
[24] Due in 193 monthly installments of $2,098. Secured by real property in Asheville, North Carolina.
[25] Due in 48 monthly installments of $500 with a final installment of $300,327 due July 2021. Secured by real property in Asheville, North Carolina.
[26] Secured by real property in Durham, North Carolina.
[27] Mortgage is forgiven at a rate of 1/20th each year on the loan anniversary date so long as no uncured events of default have occurred. Secured by real property in Durham, North Carolina.
[28] Secured by real property in Durham, North Carolina.
[29] Due in 120 monthly installments of $400. Secured by real property in Durham, North Carolina.
[30] Due in 289 monthly installments of $2,014. Secured by real property in Durham, North Carolina.
[31] Note is to be forgiven in July 2024.
[32] Due in monthly installments of $345, with final installment due in July 2024.

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

For the Years Ending June 30,	
2020	$ 12,603,510
2021	4,046,112
2022	462,088
2023	525,071
2024	169,310
Thereafter	17,267,207
Total	$ 35,073,298

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

See independent auditor's report.

14) Notes and Mortgages Payable (Continued)

The Organization agreed to maintain a minimum tangible net worth and a debt service coverage ratio regarding its mortgage and real estate loans 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 members or affiliated entities. The debt service coverage ratio shall not be less than 1.20X 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, 2019, the Organization did not meet the debt service coverage ratio and the related outstanding mortgage principal is reported as a current liability.

15) Refundable Advances

The Organization records governmental grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue. Repayment is not required as long as the Organization satisfies the requirements in the governmental grant agreement. Refundable advances for governmental grant awards received but not yet earned as of June 30, 2019, amounted to $426,791.

As of June 30, 2019, $6,717 representing rent prepaid by tenants of PACA House, Paca Partners, Pratt Street, and Irvington Woods was included in refundable advances.

16) Deferred Revenue

The Organization records contracts accounted for as exchange transactions as deferred revenue until related services are performed, at which time they are recognized as revenue. Deferred revenue for contracts received, but not yet earned as of June 30, 2019, amounted to $85,298.

17) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2019:

	Beginning balance	Additions	Released from restriction	Ending balance
Charitable remainder trust	$ 736,911	$ 32,707	$ 14,342	$ 755,276
Renovation of residential property	891,555	1,500,000	-	2,391,555
Regional operating center program	-	175,000	-	175,000
Perpetual trust	59,678	333	-	60,011
HUD section 202 capital advance	5,191,800	-	-	5,191,800
Total	$ 6,879,944	$ 1,708,040	$ 14,342	$ 8,573,642

Charitable Remainder Trust

These funds represent support from a charitable remainder trust in the form of investments held by a third-party trustee under a split-interest agreement, as described in Note 9. The trust corpus will be distributed to the Organization upon the death of the last beneficiary receiving the stipulated monthly amount. The variance in the Organization's share of trust assets from year to year is recorded in the consolidated statement of activities as "change in value of split-interest agreements." The income earned from the trust is recorded as interest income and distributions from the trust are recorded as releases of assets from restrictions.

Renovation of Residential Property

These funds represent purpose restricted grants for the renovation of residential property.

Regional Operating Center Program

These funds represent purpose restricted contributions for the regional operating center program.

Perpetual Trust

These funds represent support from a perpetual trust in the form of investments administered by a bank, as described in Note 9. Changes in value are recorded in the consolidated statement of activities as "change in value of split-interest agreements." The income earned from the trust is recorded as interest income and distributions from the trust are recorded as releases of assets from restrictions.

HUD Section 202 Capital Advance

These funds represent support from federal awards which have continuing compliance requirements that expire at various dates through 2036. These funds will be released from restriction throughout their respective compliance periods based on the terms of the agreements.

18) Non-Controlling Interest

Non-controlling interest represents the 99.99% limited partnership interest in Irvington Woods and the 99.99% limited partnership interest in Paca Partners.

19) 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 $905,672 for the year ended June 30, 2019. VOAC owed VOA, Inc.'s affiliate $100,012 related to these fees as of June 30, 2019, 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, 2019, VOAC is owed $0 by VOA, Inc.

The net revenues under this agreement totaled $72,375 for the year ended June 30, 2019. These revenues are reported as contributions support.

VOAC owes VOA, Inc. $6,750 in operating advances and accrued affiliate fee that are noninterest-bearing and are due on demand as of June 30, 2019.

VOAC is a participant in a pooled investment program managed by VOA, Inc. See Note 8 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, 2019, principal and accrued interest due to VOAC under this note was $1,256,449 and $287,129, respectively. As of June 30, 2019, management has recorded an allowance of $942,337 based on analysis and expected payments to be received on this note.

VOACAR is affiliated with Volunteers of America, Inc. (VOA), which provides supporting services to VOACAR for a fee. Affiliate fees for the fiscal year ended June 30, 2019 amounted to $116,315. As of June 30, 2019, affiliate fees were paid in full.

19) Related Party Transactions (Continued)

VOACAR participates in the enterprise and direct mail development programs with VOA. Gross revenues from the enterprise program during fiscal year 2019 was $402. During the year ended June 30, 2019, there were no revenues from the direct mail program. At June 30, 2019, there are no amounts due to VOA for expenses related to these programs.

During the year ended June 30, 2019, Volunteers of America National Services (VOANS), an affiliate of VOACAR, advanced VOA Butner Morning Glory, Inc. and VOA Hickory Knoll, Inc. $13,593 for operations. The balance owed to VOANS at June 30, 2019 is $13,593.

20) 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 $2,422,814 for the year ended June 30, 2019. During the year ended June 30, 2019, the Organization entered into sale-leaseback transactions for thirteen properties over a five-year period with a five-year renewal option. The properties were sold for a gain of $1,990,703, which was deferred and will be recognized over the life of the lease. During the year ended June 30, 2018, the Organization entered into a sale-leaseback transaction for three properties over a five-year period with a five-year renewal option. The properties were sold for a gain of $383,254, which was deferred and will be recognized over the life of the lease.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2019, is as follows:

For the Years Ending June 30,	
2020	$ 2,960,583
2021	1,953,282
2022	1,802,741
2023	1,721,715
2024	1,764,500
Thereafter	762,368
Total	$ 10,965,189

21) 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.

See independent auditor's report.

21) Retirement Plans (Continued)

The following table sets forth the Plan's funded status and amounts recognized in the Organization's consolidated financial statements as of and for the year ended June 30, 2019:

Benefit obligation	
Benefit obligation at beginning of year	$ 7,252,599
Interest cost	401,643
Actuarial loss	38,989
Benefits paid	(428,146)
Benefit obligation at end of the year	7,265,085
Plan assets	
Fair market value at beginning of year	4,263,206
Benefits paid	(428,146)
Expenses	-
Net gains	250,895
Fair market value at end of year	4,085,955
Funded status at end of year	$ 3,179,130
Amounts recognized in the statements of financial position	
Non-current liabilities	$(3,179,130)
Amounts not yet recognized in net periodic pension cost and included in unrestricted net assets	
Accumulated loss	$ 1,122,697

See independent auditor's report.

21) Retirement Plans (Continued)

Net periodic pension cost	
Interest cost	$ 401,643
Expected return on assets	(299,656)
Amortizations	94,417
Net periodic pension cost	196,404
Other changes recognized in changes in unrestricted net assets	
Net gain	101,083
Amortization of net loss	(94,417)
Total recognized in changes in unrestricted net assets	6,666
Net recognized in net periodic pension cost and changes in unrestricted net assets	$ 203,070
Amortization	
Greater of benefit obligation or plan assets	$ 7,265,085
10 percent	$ 726,509
Unrecognized losses	$ 1,122,697
Average future service period	4.20 years
Minimum required amortization for next year	$ 94,331
Plan asset allocation	
Cash and cash equivalents	0.70%
Debt securities	33.98%
Equity securities	62.54%
Real estate	2.78%
Total	100.00%

	Min %	Target %	Max %
Plan target asset allocation			
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	$ -

See independent auditor's report.

21) Retirement Plans (Continued)

Expected benefits payments	
2020	$ 595,000
2021	$ 625,000
2022	$ 645,000
2023	$ 660,000
2024	$ 675,000
Next 5 years	$ 3,555,000

Assumptions	
Weighted-average assumptions used to determine benefit obligation at year end	
Discount rate	5.75%
Rate of compensation increase	0.00%
Weighted-average assumptions used to determine net periodic benefit cost for years ended	
Discount rate	5.75%
Expected long-term return on plan assets	8.00%
Rate of compensation increase	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 statement of financial position.

The following table presents the fair values of the assets of the Organization's qualified defined benefit pension plan by asset category and their levels within the fair value hierarchy.

21) Retirement Plans (Continued)

As of June 30, 2019, 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 8 to these financial statements).

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 28,797	$ -	$ -	$ 28,797
Equity - mutual funds	2,555,455	-	-	2,555,455
Fixed income - corporate debt securities	1,388,244	-	-	1,388,244
Real estate securities	113,459	-	-	113,459
Total plan assets, at fair value	$4,085,955	$ -	$ -	$4,085,955

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.

22) Postretirement Benefit

The Organization provides a self-funded, non-qualified postretirement benefit to two retired chief executive officers. In one case, the benefit consists of a housing allowance and term life insurance. In the second case, the benefit consists of annual health insurance and level premium and term life insurance. The liability for the benefit obligation is determined as the present value of the future cash requirements for the life expectancies of the beneficiaries at the current U.S. Treasury 20-year interest rate. In the case of the health insurance, an escalator of six percent is used for expected future health insurance increases, and Medicare supplemental insurance is assumed at age 65. The postretirement benefit obligation at June 30, 2019 was $279,910.

See independent auditor's report.

23) Contingencies

PACA House's, Paca Partners', Pratt Street's, Irvington Woods', Montford Broad Developments', and LIFE House Apartments' 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 year 2019. The cumulative operating deficit contributions remitted were $214,050 through June 30, 2019.

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, 2019, 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 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, 2019, HUD approval has not been obtained.

24) Liquidity Analysis

The following reflects the Organization's financial assets as of June 30, 2019:

Financial assets as of June 30, 2019:		
Cash and cash equivalents	$	4,432,148
Accounts receivable (net of allowance)		6,476,064
Other receivables		10,511
Designated and restricted funds		2,346,478
Investments		59,222
Beneficial interest in perpetual trust		60,011
Beneficial interest in charitable remainder trust		755,276
Total financial assets		14,139,710
Less those unavailable for general expenditure within one year due to:		
Designated and restricted funds		(2,346,478)
Board-designated net assets		(1,256,000)
Net assets with donor restrictions		(3,381,842)
Financial assets available to meet cash needs for general expenditure within one year	$	7,155,390

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term liquid investments. To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of $2,500,000, which it could draw upon. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve, which was $1,256,000 as of June 30, 2019. These funds, which were established by the governing board may be drawn upon in the event of financial distress or an immediate liquidity need resulting from outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

25) Subsequent Events

The Organization has evaluated events and transactions subsequent to the consolidated statement of financial position date for potential recognition or disclosure through December 17, 2019, 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.

Loan Extension – Subsequent to year end, VOAC received an extension on an outstanding $7,000,000 loan which matured July 31, 2019. The maturity date of the loan was extended to December 31, 2019.

See independent auditor's report.

25) Subsequent Events (Continued)

Sale-Leaseback – Subsequent to year end, VOAC entered into sale-leaseback transactions for four properties over a 5-year period with a 5-year renewal option.

New Lease Agreement – In August 2019, VOACAR entered into an operating lease for office space. The lease commences on August 19, 2019 and expires August 31, 2020. The lease calls for monthly payments of $875.

Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc.

Consolidating Schedule of Financial Position
As of June 30, 2019

	VOAC	VOACAR	Total	Eliminations	Consolidated Total
Current assets					
Cash and cash equivalents	$ 3,556,301	$ 875,847	$ 4,432,148	$ -	$ 4,432,148
Accounts receivable (net of allowance)	5,974,977	501,087	6,476,064	-	6,476,064
Due from related parties	769,608	-	769,608	(769,608)	-
Prepaid expenses	211,028	54,602	265,630	-	265,630
Other receivables	10,511	-	10,511	-	10,511
Total current assets	10,522,425	1,431,536	11,953,961	(769,608)	11,184,353
Property and equipment, net	33,459,691	8,858,420	42,318,111	-	42,318,111
Other assets					
Designated and restricted funds	1,532,640	813,838	2,346,478	-	2,346,478
Investments	59,222	-	59,222	-	59,222
Deposits	66,748	-	66,748	-	66,748
Beneficial interest in perpetual trust	60,011	-	60,011	-	60,011
Beneficial interest in charitable remainder trust	755,276	-	755,276	-	755,276
Reimbursement receivable	155,441	-	155,441	-	155,441
Notes receivable (net of allowance) and accrued interest	8,430,145	2,097,756	10,527,901	-	10,527,901
Other assets	-	16,257	16,257	-	16,257
Total other assets	11,059,483	2,927,851	13,987,334	-	13,987,334
Total assets	$ 55,041,599	$ 13,217,807	$ 68,259,406	$ (769,608)	$ 67,489,798

See independent auditor's report and notes to consolidated financial statements.

Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc.

Consolidating Schedule of Financial Position (Continued)
As of June 30, 2019

	VOAC	VOACAR	Total	Eliminations	Consolidated Total
Current liabilities					
Accounts payable	$ 4,042,118	$ 821,445	$ 4,863,563	$ (759,723)	$ 4,103,840
Current maturities of long-term debt	12,526,517	76,993	12,603,510	-	12,603,510
Accrued expenses	3,045,991	180,019	3,226,010	(9,885)	3,216,125
Deferred gain on sale-leaseback, current	532,975	-	532,975	-	532,975
Due to related parties	13,614	-	13,614	-	13,614
Client escrow funds	87,991	-	87,991	-	87,991
Tenant security deposits	14,429	-	14,429	-	14,429
Deferred revenue	85,298	-	85,298	-	85,298
Refundable advances	426,791	-	426,791	-	426,791
Other liabilities	-	43,232	43,232	-	43,232
Total current liabilities	20,775,724	1,121,689	21,897,413	(769,608)	21,127,805
Long-term liabilities					
Long-term debt, less current maturities	16,305,594	5,797,033	22,102,627	-	22,102,627
Post-retirement benefit liability	279,910	-	279,910	-	279,910
Other long-term liabilities	16,382	31,645	48,027	-	48,027
Deferred gain on sale-leaseback, net of current portion	2,219,527	-	2,219,527	-	2,219,527
Deferred rent	208,771	-	208,771	-	208,771
Underfunded pension obligation	3,179,130	-	3,179,130	-	3,179,130
Total long-term liabilities	22,209,314	5,828,678	28,037,992	-	28,037,992
Total liabilities	42,985,038	6,950,367	49,935,405	(769,608)	49,165,797
Net assets					
Without donor restrictions:					
Controlling interest	5,694,979	1,247,965	6,942,944	-	6,942,944
Non-controlling interest	2,979,740	(172,325)	2,807,415	-	2,807,415
Total without donor restrictions	8,674,719	1,075,640	9,750,359	-	9,750,359
With donor restrictions	3,381,842	5,191,800	8,573,642	-	8,573,642
Total net assets	12,056,561	6,267,440	18,324,001	-	18,324,001
Total liabilities and net assets	$ 55,041,599	$ 13,217,807	$ 68,259,406	$ (769,608)	$ 67,489,798

See independent auditor's report and notes to consolidated financial statements.

Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc.

Consolidating Schedule of Changes in Net Assets Without Donor Restrictions
For the Year Ended June 30, 2019

	VOAC	VOACAR	Total	Eliminations	Consolidated Total
Revenues and support					
Contributions and non-government grants	$ 695,798	$ 440,480	$ 1,136,278	$ -	$ 1,136,278
Special events (net of direct benefit costs)	54,458	-	54,458	-	54,458
United way	2,120	-	2,120	-	2,120
Government revenues and grants	34,800,970	3,728,014	38,528,984	-	38,528,984
Program service fees	2,593,982	978,029	3,572,011	-	3,572,011
Property management fees	4,035,494	-	4,035,494	(3,235,653)	799,841
Other operating revenues	59,317	3,537	62,854	-	62,854
Interest and dividends	80,465	127,984	208,449	-	208,449
Net income on investments	1,954	-	1,954	-	1,954
Gain on disposal of equipment	146,085	-	146,085	-	146,085
Rental revenue	155,161	-	155,161	-	155,161
Recovery of bad debt	1,145	-	1,145	-	1,145
Other revenues	137,954	27,711	165,665	-	165,665
Satisfaction of program restrictions	14,342	-	14,342	-	14,342
Total revenues and support	42,779,245	5,305,755	48,085,000	(3,235,653)	44,849,347
Expenses	46,264,377	5,055,576	51,319,953	(3,235,653)	48,084,300
Increase in pension obligation	189,737	-	189,737	-	189,737
Capital contributions	4,885,138	-	4,885,138	-	4,885,138
Increase in net assets without donor restrictions before non-controlling interest	1,210,269	250,179	1,460,448	-	1,460,448
Increase (decrease) in net assets (deficit) attributable to non-controlling interest in subsidiary	2,477,101	(2,885)	2,474,216	-	2,474,216
Total (decrease) increase in net assets	(1,266,832)	253,064	(1,013,768)	-	(1,013,768)
Net assets without donor restrictions - beginning of year	6,961,811	994,901	7,956,712	-	7,956,712
Net assets without donor restrictions - end of year	$ 5,694,979	$ 1,247,965	$ 6,942,944	$ -	$ 6,942,944

See independent auditor’s report and notes to consolidated financial statements.

Volunteers of America Chesapeake, Inc. and Subsidiaries, including Volunteers of America of the Carolinas, Inc.

Consolidating Schedule of Expenses
For the Year Ended June 30, 2019

	VOAC	VOACAR	Total	Eliminations	Consolidated Total
Salaries and wages	$ 24,793,833	$ 1,346,097	$ 26,139,930	$ (1,121,664)	$ 25,018,266
Employee benefits	3,739,862	257,522	3,997,384	(185,014)	3,812,370
Professional services	3,354,259	728,028	4,082,287	(27,130)	4,055,157
Occupancy	4,346,147	444,453	4,790,600	(257,908)	4,532,692
Specific assistance	2,269,919	1,398,236	3,668,155	(1,330,138)	2,338,017
Program supplies and expenses	1,890,308	117,638	2,007,946	(62,197)	1,945,749
Office supplies and expenses	1,733,151	128,365	1,861,516	(137,174)	1,724,342
Travel, conferences and meetings	1,200,064	122,831	1,322,895	(113,596)	1,209,299
Depreciation and amortization	1,245,751	427,042	1,672,793	-	1,672,793
Interest	1,404,118	66,395	1,470,513	-	1,470,513
Other	286,965	18,969	305,934	(832)	305,102
Total expenses	$ 46,264,377	$ 5,055,576	$ 51,319,953	$ (3,235,653)	$ 48,084,300

See independent auditor's report and notes to consolidated financial statements.