

Strothman & Company P S C

Certified Public Accountants & Advisors



Consolidated Financial Statements
and Consolidating Financial Statements

**Volunteers of America of Kentucky, Inc.
and Affiliates**

June 30, 2012 and 2011


Consolidated Financial Statements
and Consolidating Financial Statements

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Functional Expenses	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	8
Consolidating Financial Statements	
Consolidating Statements of Financial Position	22
Consolidating Statements of Activities	25
Consolidating Statements of Cash Flows	30

Independent Auditors' Report



To the Board of Directors and Management
Volunteers of America of Kentucky, Inc. and Affiliates
Louisville, Kentucky

We have audited the accompanying consolidated statements of financial position of Volunteers of America of Kentucky, Inc. and Affiliates (the "Organization") as of June 30, 2012 and 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements. The consolidating information on pages 22 to 32 is presented for purposes of additional analysis 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 information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the 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 information is fairly stated in all material respects in relation to the consolidated financial statements.

Strothman & Company PSC

Louisville, Kentucky
October 25, 2012

Consolidated Statements of Financial Position

Volunteers of America of Kentucky, Inc. and Affiliates

	June 30	
	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 284,516	\$ 124,597
Investments	597,359	599,881
Accounts receivable, less allowance for doubtful accounts of \$308,085 (2012) and \$335,002 (2011)	2,278,248	2,514,599
Grants receivable and other unconditional promises to give	741,450	
Pledges receivable	145,602	108,775
Prepaid expenses and other current assets	253,976	249,417
Total Current Assets	4,301,151	3,597,269
Property and Equipment , net of accumulated depreciation	4,440,257	2,860,952
Other Assets		
Investments, restricted	29,965	32,037
Restricted deposits and funded reserves	84,089	
Pledges receivable, less current portion and allowance for uncollectible pledges of \$51,091 (2012) and \$39,583 (2011)	286,963	221,876
Intangible asset	158,795	185,345
Due from related parties	54,899	91,495
Total Other Assets	614,711	530,753
	\$ 9,356,119	\$ 6,988,974
Current Liabilities		
Lines of credit	\$ 223,074	\$ 347,600
Accounts payable	348,921	387,606
Accrued expenses	1,319,225	1,239,131
Other current liabilities	142,360	242,332
Current maturities of mortgages and note payable	178,648	302,844
Total Current Liabilities	2,212,228	2,519,513
Mortgages and Note Payable , less current maturities	989,639	732,015
Payable to National Organization	158,795	185,345
Net Assets		
Unrestricted	4,261,880	3,512,522
Temporarily restricted	1,703,612	7,542
Permanently restricted	29,965	32,037
Total Net Assets	5,995,457	3,552,101
	\$ 9,356,119	\$ 6,988,974

See Notes to Consolidated Financial Statements

Consolidated Statements of Activities

Volunteers of America of Kentucky, Inc. and Affiliates

	Year Ended June 30, 2012			Year Ended
	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2011
				Total
Support and Revenues From Operations				
Public Support Received Directly				
Contributions	\$ 1,256,116	\$ 392,015		\$ 1,648,131
Contributions, in-kind	912,707			1,227,252
Public support: capital and bequests	388,115			210,023
Special events	74,493			43,116
Public Support Received Indirectly				
United Way allocation	195,224			93,015
Volunteers of America awards and grants	161,538			140,980
Total Support	2,988,193	392,015		3,380,208
Revenue and Grants from Governmental Agencies				
Fee-for-service	16,619,122			14,992,246
Federal and state grants	6,630,196			6,853,562
Total Revenue and Grants from Governmental Agencies	23,249,318			21,845,808
Other Revenue				
Program service fees	838,292			754,319
Rental income	236,126			38,548
Miscellaneous revenue	278,939			659,020
Total Other Revenue	1,353,357			1,451,887
Net assets released from restrictions, satisfaction of program activities	7,542	(7,542)		
Total Support and Revenues From Operations	27,598,410	384,473		26,639,406
Operating Expenses				
Program Services:				
Encouraging positive development	12,500			12,500
Fostering independence	17,501,655			15,751,233
Promoting self-sufficiency	5,819,375			6,235,162
Total Program Services	23,333,530			21,986,395
Support Services and Fundraising:				
Management and general	2,363,755			2,387,603
Fundraising	1,008,941			1,218,477
Administrative fees paid to National Organization	569,292			500,694
Total Support Services and Fundraising	3,941,988			4,106,774
Total Operating Expenses	27,275,518			26,093,169
Increase in Net Assets Before Other Changes	322,892	384,473		546,237
Nonoperating Gains and Other Income (Expense)				
Gain on acquisition of program	427,480			427,480
Capital advances		1,311,597		1,311,597
Interest and dividend income	15,732			16,012
Realized gain on investments	18,243			11,418
Unrealized gain (loss) on investments	(34,989)		\$ (2,072)	87,323
Nonoperating Gains and Other Income (Expense)	426,466	1,311,597	(2,072)	114,753
Increase (Decrease) in Net Assets	749,358	1,696,070	(2,072)	660,990
Net Assets Beginning of Year	3,512,522	7,542	32,037	2,891,111
Net Assets End of Year	\$ 4,261,880	\$ 1,703,612	\$ 29,965	\$ 3,552,101

See Notes to Consolidated Financial Statements

Consolidated Statement of Functional Expenses

Volunteers of America of Kentucky, Inc. and Affiliates

Year Ended June 30, 2012

	PROGRAM SERVICES			SUPPORT SERVICES		
	Encouraging Positive Development	Fostering Independence	Promoting Self-Sufficiency	Management and General	Fundraising	Total Operating Expenses
Salaries		\$ 11,886,327	\$ 2,881,900	\$ 1,419,936	\$ 351,371	\$ 16,539,534
Pension expense			9,426	10,974		20,400
Other employee benefits		405,621	132,805	12,063	36,963	587,452
Payroll taxes		1,096,537	224,063	82,804	32,751	1,436,155
Legal and accounting fees		2,012		22,261		24,273
Other professional fees		580,397	16,129	173,271	88,423	858,220
Supplies and expenses	\$ 12,500	254,523	524,668	123,822	7,194	922,707
Telecommunications		115,562	62,723	38,755	5,653	222,693
Postage		4,926	999	28,739	20,033	54,697
Occupancy expense		914,125	1,029,332	22,645	27,453	1,993,555
Interest		91,528		23,855		115,383
Insurance		217,473	97,982	(15,097)	6,000	306,358
Equipment rental and maintenance		42,546	21,024	9,187	1,403	74,160
Printing and publications		33,439	19,929	230,536	386,775	670,679
Travel and transportation		492,278	83,584	50,966	10,344	637,172
Conferences and meetings		39,800	74,481	45,871	27,995	188,147
Specific assistance to individuals		960,902	587,960			1,548,862
Other		10,302	9,591	(8,483)	6,583	17,993
Depreciation and amortization		353,357	42,779	91,650		487,786
Total Functional Expenses	\$ 12,500	\$ 17,501,655	\$ 5,819,375	\$ 2,363,755	\$ 1,008,941	\$ 26,706,226
Administrative Fees Paid To National Organization						569,292
Total Operating Expenses						\$ 27,275,518

See Notes to Consolidated Financial Statements

Volunteers of America of Kentucky, Inc. and Affiliates

[illegible]

-5-

Consolidated Statements of Cash Flows

Volunteers of America of Kentucky, Inc. and Affiliates

	Year Ended June 30	
	2012	2011
Operating Activities		
Increase in net assets	\$ 2,443,356	\$ 660,990
Adjustments		
Depreciation and amortization	487,786	414,877
Bad debt expense	(10,000)	100,000
Gain on debt forgiveness	(26,550)	(30,220)
Discount on pledges receivable	1,019	11,339
Allowance for uncollectible pledges receivable	11,508	32,384
Allowance for doubtful accounts receivable	(46,917)	98,879
Realized/unrealized (gain) loss on investments	18,818	(98,741)
Gain on acquisition of programs	(427,480)	
Capital advances	(1,311,597)	
Changes in operating assets and liabilities		
Accounts receivable	513,634	(590,427)
Grants receivable and other unconditional promises to give	(741,450)	
Pledges receivable	(114,441)	(167,513)
Prepaid expenses and other current assets	(4,559)	(44,490)
Accounts payable	(211,206)	80,787
Accrued expenses	5,866	(35,593)
Other current liabilities	(114,943)	30,113
Net Cash Provided By Operating Activities	472,844	462,385
Investing Activities		
Purchases of property and equipment	(182,542)	(551,175)
Acquisition of programs	331,241	
Proceeds from sale of investments	241,008	181,538
Purchase of investments	(255,232)	(234,984)
Changes in restricted deposits and funded reserves, net	(11,513)	
Changes in amounts due from related parties	12,158	13,716
Net Cash Provided By (Used In) Investing Activities	135,120	(590,905)

Continued

Consolidated Statements of Cash Flows--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

	Year Ended June 30	
	2012	2011
Financing Activities		
Net activity on lines of credit	(124,526)	326,674
Proceeds from mortgages and notes payable	180,000	
Payments on mortgages and note payable	(503,519)	(689,323)
Net Cash Used In Financing Activities	(448,045)	(362,649)
Net Increase (Decrease) In Cash and Cash Equivalents	159,919	(491,169)
Cash and Cash Equivalents Beginning of Year	124,597	615,766
Cash and Cash Equivalents End of Year	\$ 284,516	\$ 124,597
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 73,900	\$ 57,112
Supplemental Disclosure of Non-Cash Activities		
Net assets acquired on acquisition of programs	\$ 1,739,077	

See Notes to Consolidated Financial Statements

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note A--Description of Business

Description of Business--Volunteers of America of Kentucky, Inc. is a nonprofit spiritually based human services organization, incorporated in Kentucky that provides social services within Kentucky, Indiana, and Tennessee under a charter from Volunteers of America, Inc. (the "National Organization"), a national nonprofit spiritually based organization providing local human service programs, and opportunities for individual and community involvement. The Organization has the following significant impact areas:

Encouraging Positive Development--During fiscal year 2012, the Organization began providing services to encourage positive development for trouble and at-risk children and youth, while also promoting healthy development of all children, adolescents, and their families. The programs provide a continuum of care and support for young people ages birth to 21 through prevention, early intervention, crisis intervention, and long-term services.

Fostering Independence--The Organization fosters the health 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. Program categories and services are as follows:

- Disabilities services--residential care
- Elderly services--service coordination in affordable housing
- Health care services--HIV/AIDS services
- Housing--disabled and elderly housing

Promoting Self-sufficiency--The Organization promotes self-sufficiency for individuals and families who have experienced homelessness, or other personal crisis, including chemical dependency, involvement with the corrections system and unemployment. The Organization focuses on solution-oriented approaches using a continuum of services from prevention to intervention to long-term support. Program categories and services are as follows:

- Correctional services--community sanctions center
- Homeless services--emergency shelter, eviction prevention, housing placement, supportive services, transitional housing
- Substance abuse--residential treatment

The various HUD properties include all HUD-subsidized facilities formed to provide housing under programs as defined by the National Housing Act. Such projects are regulated by the U.S. Department of Housing and Urban Development ("HUD") as to rent charges and operating methods. Each project receives monthly rent subsidies from HUD.

On July 1, 2011, the Organization acquired disabilities services programs of Volunteers of America Ohio River Valley, Inc. ("VOA-ORV"). The Organization formed a new corporation, Volunteers of America of Northern Kentucky, Inc. ("VOA-NKY"). The Organization also acquired six HUD-financed properties which were previously controlled by VOA-ORV, and appointed a new board of directors and management team. This change in ownership resulted in the step-up of assets and liabilities to their respective fair values at the date of acquisition.

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note A--Description of Business--Continued

The six HUD-financed properties ("Various HUD Properties") include:

- VOAKY Autumn Ridge, Inc.
- VOAKY Bunker Hill Court, Inc.
- VOAKY Hopeful Road, Inc.
- VOAKY Madison Pike, Inc.
- VOAKY Morningside Drive, Inc.
- VOAKY River Road, Inc.

Note B--Summary of Significant Accounting Policies

The Organization follows generally accepted accounting principles as outlined in the Financial Accounting Standards Board's Accounting Standards Codification ("ASC"). Significant accounting policies are as follows:

Principles of Consolidation--The consolidated financial statements include the accounts of Volunteers of America of Kentucky, Inc., VOA Property Corporation of Louisville, Inc., VOA of Northern Kentucky, Inc., and the Various HUD Properties, which are collectively referred to as the "Organization". All material inter-organization transactions and balances have been eliminated.

Net Assets--The Organization classifies net assets into three categories: unrestricted, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law.

Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the consolidated statement of activities as net assets released from restrictions, when the time restrictions expire or the contributions are used for the restricted purpose. At June 30, 2012 and 2011, temporarily restricted net assets consist of grants for various purposes for which the Organization has not disbursed all proceeds.

Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions.

Operations--The Organization defines operations as all program and supporting service activities undertaken. Revenues that result from these activities, and their related expenses, are reported as operations. Gains, losses and other revenue that results from ancillary activities, such as investing liquid assets and disposing of fixed or other assets, are reported as non-operating.

Cash Equivalents--Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise designated or restricted.

Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note B--Summary of Significant Accounting Policies--Continued

Accounts Receivable--The Organization reports accounts receivable for services rendered at net realizable amounts from third-party payers, clients and others. Management of the Organization provides an allowance for doubtful accounts based upon its review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Property and Equipment--Land, buildings and equipment purchased by the Organization are recorded at cost. The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$1,000 and with a useful life of at least one year. Repairs and maintenance are expensed as incurred. The fair value of donated assets is similarly capitalized using the fair market value of the asset as of the date donated. Depreciation expense was \$461,236 and \$384,657 for the years ended June 30, 2012 and 2011, respectively. Depreciation expense is computed on the straight-line method based upon the following estimated useful lives of the assets:

Buildings and improvements	7 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	5 years

Impairment of Long-Lived Assets--Management of the Organization reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

Government Grants--Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, could be adjusted. Certain restricted grant revenues received and earned within the same period are recorded as unrestricted revenues.

Contributions--Contributions are generally recorded upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

In-Kind Contributions--The Organization recognizes revenue and expense for contributed goods and services at the fair value of those goods and services, provided those goods and services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of contributed goods and services recognized was \$912,707 and \$1,227,252 for the years ended June 30, 2012 and 2011, respectively.

Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note B--Summary of Significant Accounting Policies--Continued

Fee-for-Service Revenues--Revenues from services billed under Medicaid are recognized on a fee-for-service basis using rates established by the various states' agencies. Although rates are determined prospectively, the regulatory agencies retain the authority to adjust amounts due the Organization under certain circumstances. Other client service revenues are recorded at rates established by the Organization.

Income Taxes--Under provision of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the state of Kentucky, the Organization is exempt from income taxes, as a subordinate unit of Volunteers of America, Inc. Volunteers of America, Inc. is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3). There were no unrelated business activities in the fiscal years ended June 30, 2012 and 2011, and accordingly, no tax expense was incurred during these years.

Generally accepted accounting principles prescribes a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. There is no impact on the Organization's consolidated financial statements as a result of the implementation of these accounting principles.

The Organization's income tax returns for the fiscal years ended June 30, 2009 through 2011 are subject to examination by the Internal Revenue Service.

Fair Value of Financial Instruments--The carrying amounts for current assets and liabilities, other than due to/from related parties, approximate their fair values due to their short maturity. The fair value of related party amounts cannot be reasonably and practicably estimated due to the unique nature of the related underlying transactions and terms. If these financial instruments were with unrelated parties, interest rates and payment terms could be different than their currently stated rates and terms. The carrying amounts of long-term debt approximate their fair values based upon current interest rates available for similar types of instruments.

Valuation of Investments--Investments in marketable securities with readily determinable fair values and all investments in debt and equity securities are reported at their fair values. Purchases and sales are recorded on a trade-date basis. Realized and unrealized gains and losses are included in the consolidated statement of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Advertising Costs--Advertising costs are expensed as incurred. Advertising expense was \$365,207 and \$378,453 for the years ended June 30, 2012 and 2011, respectively, and are included in printing and publications in the consolidated statement of functional expenses.

Allocation of Functional Expenses--The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the various functions.

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note B--Summary of Significant Accounting Policies--Continued

Use of Estimates--The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the report amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events--In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 25, 2012, the date the consolidated financial statements were available to be issued.

Reclassifications--Certain reclassifications have been made to the 2011 consolidated financial statements to conform to 2012 presentation.

Note C--Pledges Receivable

Pledges receivable represent future contributions resulting from fund raisers to support future operations of the Organization. Pledges receivable are summarized as follows:

	June 30	
	2012	2011
Pledges receivable	\$ 510,907	\$ 396,466
Less current portion	145,602	108,775
	365,305	287,691
Less unamortized discount	27,251	26,232
Less allowance for uncollectible pledges	51,091	39,583
	<u>\$ 286,963</u>	<u>\$ 221,876</u>
Amounts due in:		
Less than one year	\$ 145,602	\$ 108,775
One to five years	365,305	287,691
	<u>\$ 510,907</u>	<u>\$ 396,466</u>

The discount rate used on long-term pledges at June 30, 2012 and 2011 is 3.25%.

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note D--Property and Equipment

Property and equipment consists of the following:

	June 30	
	2012	2011
Land	\$ 480,864	\$ 212,518
Buildings and improvements	6,551,968	4,846,194
Vehicles	1,452,982	1,414,267
Furniture and equipment	1,431,208	1,850,537
	9,917,022	8,323,516
Less accumulated depreciation	5,476,765	5,462,564
	<u>\$ 4,440,257</u>	<u>\$ 2,860,952</u>

Note E--Investments and Fair Value Measurements

Investments consist primarily of money market funds and mutual funds. The investments of the Organization are reported at fair value in the accompanying consolidated statements of financial position based on quoted market prices. The following table presents the fair value of investments:

	June 30			
	2012		2011	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Money market funds	\$ 18,487	\$ 18,487	\$ 13,994	\$ 13,994
Mutual Funds				
Fixed income	153,106	153,106	142,749	142,749
Equity	425,633	425,633	464,153	464,153
Real estate trust shares	30,098	30,098	11,022	11,022
	<u>\$ 627,324</u>	<u>\$ 627,324</u>	<u>\$ 631,918</u>	<u>\$ 631,918</u>

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note E--Investments and Fair Value Measurements--Continued

ASC 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: *Level 1* inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and *Level 3* inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using *Level 1* inputs because they generally provide the most reliable evidence of fair value. *Level 3* inputs were only used when *Level 1* or *Level 2* inputs were not available.

Level 1 Fair Value Measurements - The fair value of mutual funds is based on quoted net asset values of the shares held by the Organization at year end.

Fair values and unrealized gain are as follows:

	Fair Value	Cost	Unrealized Gain
<u>June 30, 2012</u>			
Money market funds	\$ 18,487	\$ 18,487	
Mutual funds			
Fixed income	153,106	144,534	\$ 8,572
Equity	425,633	395,435	30,198
Real estate trust shares	30,098	28,723	1,375
Total Investments	\$ 627,324	\$ 587,179	\$ 40,145
<u>June 30, 2011</u>			
Money market funds	\$ 13,994	\$ 13,994	
Mutual funds			
Fixed income	142,749	137,671	\$ 5,078
Equity	464,153	392,664	71,489
Real estate trust shares	11,022	10,392	630
Total Investments	\$ 631,918	\$ 554,721	\$ 77,197

Included in investments is \$94,041 and \$92,406 at June 30, 2012 and 2011, respectively, which is invested in a fund at The Community Foundation of Louisville. Terms of the fund allow the Organization to have access to \$64,076 and \$60,369 of these investments at June 30, 2012 and 2011, respectively, with the balance restricted for permanent endowment purposes.

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note F--Intangible Asset

An intangible asset has been recorded for the value of the right to provide management services to the Mental Retardation and Developmentally Disabled Program ("MRDD") from Volunteers of America of Indiana. Under the related agreement, the Organization assumed management of the MRDD Program in Southern Indiana in exchange for assuming debt from Volunteers of America of Indiana payable to the National Organization related to this program.

The debt assumed in connection with this transaction is being forgiven by the National Organization based on a percentage of excess revenues generated from this MRDD program. Debt forgiveness granted by the National Organization amounted to \$26,550 and \$30,220 for the fiscal years ended June 30, 2012 and 2011. The value assigned to the acquisition and rights to the MRDD Program are correspondingly reduced by the amount of this debt forgiveness.

Note G--Lines of Credit

The Organization has a line of credit with PNC Bank which provides for borrowings up to \$2,000,000. Outstanding balances bear interest at 3.25%. The line is secured by real estate and expires December 31, 2012. Outstanding borrowings were \$213,148 and \$331,674 at June 30, 2012 and 2011, respectively.

The Organization has an additional line of credit with Fifth Third Bank which provides for borrowings up to \$300,000. Outstanding borrowings bear interest at the LIBOR rate plus 1.5% (1.75% at June 30, 2012). The line of credit will expire February 28, 2013. Outstanding borrowings were \$9,926 and \$15,926 at June 30, 2012 and 2011, respectively.

Note H--Compensated Absences

The Organization allows up to a maximum of 240 hours of annual leave to be accumulated, which is payable upon separation of employment or used by the employee. There is no allowance for accumulated sick leave. Accrued annual leave was \$554,316 and \$538,438 as of June 30, 2012 and 2011, respectively, and is included in accrued expenses on the accompanying consolidated statements of financial position.

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note I--Mortgages and Note Payable

Mortgages and note payable consist of the following:

	June 30	
	2012	2011
Mortgage payable to Fifth Third Bank, interest rate of 7.88%, payable in monthly principal and interest installments of \$1,746 through August 2014	\$ 155,836	\$ 163,948
Mortgage payable to First Tennessee Bank, interest rate of 6.45%, payable in monthly principal and interest installments of \$658 through June 2013	63,341	67,067
Mortgage payable to First Tennessee Bank, interest rate of 6.1%, payable in monthly principal and interest installments of \$1,647 through June 2013	25,795	43,365
Mortgage payable to First Tennessee Bank, interest rate of 5.6%, payable in monthly principal and interest installments of \$4,004 through August 2015	312,594	341,870
Mortgage payable to PNC Bank, interest rate of 5.5%, payable in monthly principal and interest installments of \$1,654 through January 2015	110,189	123,479
Mortgage payable to Regions Bank, interest rate of 7.4%, payable in monthly principal and interest installments of \$888 through June 2014	65,373	70,880
Mortgage payable to PNC Bank, interest rate of 4.4%, payable in monthly principal and interest installments of \$1,374 through October 2016	174,304	
Mortgage payable to U. S. Department of Housing and Urban Development, interest rate of 9.25%, payable in monthly principal and interest installments of \$2,132 through August 2022	100,744	

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note I--Mortgages and Note Payable--Continued

	June 30	
	2012	2011
Mortgage payable to U. S. Department of Housing and Urban Development, interest rate of 9.25%, payable in monthly principal and interest installments of \$2,030 through May 2022	160,111	
Note payable repaid during the current year		224,250
	1,168,287	1,034,859
Less current maturities	178,648	302,844
	<u>\$ 989,639</u>	<u>\$ 732,015</u>

The mortgages above are collateralized by the various real estate assets of the Organization.

Mortgages and note payable are scheduled to be repaid as follows:

<u>Year Ending June 30</u>	
2013	\$ 178,648
2014	110,402
2015	347,702
2016	258,755
2017	173,060
2018 and thereafter	99,720
	<u>\$ 1,168,287</u>

Note J--Related Party Transactions

The Organization is affiliated with the National Organization, which provides support services to the Organization for a fee. Affiliate fees paid during the fiscal years ended June 30, 2012 and 2011 totaled \$569,292 and \$500,694, respectively. The Organization had service fees due the National Organization totaling \$66,466 and \$118,274 as of June 30, 2012 and 2011, respectively, which are included in other current liabilities on the consolidated statements of financial position.

The Organization also contributed \$20,400 and \$21,252 for the years ended June 30, 2012 and 2011, respectively, to fund the defined benefit pension plan of the National Organization.

The Organization had additional amounts due the National Organization of \$158,795 and \$185,345 as of June 30, 2012 and 2011, respectively, relating to debt assumed in connection with the acquisition of the MRDD Program in Southern Indiana (see Note F).

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note J--Related Party Transactions--Continued

The Organization had \$54,899 and \$91,495 due from six HUD-financed properties managed by the Organization as of June 30, 2012 and 2011, respectively. Management believes all amounts due will be collected and no reserve for uncollectible accounts is necessary. The amounts due are expected to be collected at a time beyond one year, therefore, management has classified these receivables as long-term on the accompanying consolidated statements of financial position.

Note K--Pension Plan

The Organization participates in a defined contribution pension plan in which only full time employees can participate. The Organization contributes up to one-half of six percent of employee compensation, up to Internal Revenue Service limits. Plan expense for the years ended June 30, 2012 and 2011 was \$67,143 and \$60,158, respectively.

Note L--Risk Management and Litigation

The Organization is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization currently carries property and general liability insurance to offset these risks.

The Organization is subject to other claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition of ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial statements of the Organization.

Note M--Lease Commitments

The Organization leases properties in Kentucky, Tennessee and Indiana for various group homes and offices with monthly rents totaling \$19,350. These leases expire at various dates through November 30, 2016. The Organization also leases multiple properties on a month-to-month basis. Total lease expense for the years ended June 30, 2012 and 2011 was \$1,143,114 and \$1,089,136, respectively.

The aggregate future minimum lease payments as of June 30, 2012 are as follows:

<u>Year Ending June 30</u>	
2013	\$ 206,433
2014	173,568
2015	156,734
2016	110,712
2017 and Thereafter	<u>23,568</u>
	<u><u>\$ 671,015</u></u>

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note N--Restrictions on Net Assets

Temporarily restricted net assets consists of the following:

	June 30	
	2012	2011
Family Emergency Shelter - operations	\$ 300,000	
Shelby Street - facility improvements	78,306	
Purchase of vehicles	13,709	
Intensive Outpatient		\$ 4,033
Birthday Wishes		3,509
Total temporarily restricted by donors	392,015	7,542
HUD capital advances	1,311,597	
	<u>\$ 1,703,612</u>	<u>\$ 7,542</u>

The following entities have capital advances from HUD as of June 30, 2012:

VOAKY Autumn Ridge, Inc. (Released from restriction in September 2043)	\$ 217,400
VOAKY Bunker Hill Court, Inc. (Released from restriction in January 2048)	521,697
VOAKY Madison Pike, Inc. (Released from restriction in May 2045)	296,600
VOAKY Morningside Drive, Inc. (Released from restriction in January 2045)	275,900
	<u>\$ 1,311,597</u>

In connection with the acquisition of Various HUD Properties discussed in Note A, the Organization benefitted from HUD capital advances as listed above, which have been recognized in the consolidated statements of activities as temporarily restricted other income. These capital advances bear no interest and repayment is not required so long as regulatory requirements are met. The capital advances are collateralized by a mortgage on the related property and are included in temporarily restricted net assets.

Permanently restricted net assets consist of a portion of the funds that are invested with The Community Foundation of Louisville. The amount of permanently restricted net assets was \$29,965 and \$32,037 at June 30, 2012 and 2011, respectively (see Note E).

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note O--Contingencies

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in funding, constraints on liquidity and difficulty obtaining financing. The consolidated financial statements have been prepared using values and information currently available to the Organization.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts receivable that could negatively impact the Organization's ability to maintain sufficient liquidity.

The Organization receives funding from federal and state government agencies, which funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Organization for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Organization's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Health and Human Services, the U.S. Department of Housing and Urban Development and the Kentucky Cabinet for Health and Family Services. Such administrative directives, rules and regulations are subject to change by an act of Congress, the Kentucky General Assembly or an administrative change mandated by various government bodies. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012 and 2011

Note P--Acquisition of Programs

On July 1, 2011, the Organization acquired certain programs located in northern Kentucky, which were previously operated by VOA-ORV. In connection with the programs acquisition, the Organization acquired assets and assumed liabilities of six HUD-financed properties, an apartment building and various programs that provided housing and services to developmentally disabled adults. The Organization has been the managing agent for these programs since July 2010 and the programs were transferred from VOA-ORV to the Organization for no consideration.

Assets acquired and liabilities assumed were as follows:

Assets

Cash	\$ 331,241
Accounts receivable	220,366
Restricted deposits	72,576
Property and equipment	<u>1,857,999</u>

Total Assets Acquired	2,482,182
------------------------------	------------------

Liabilities

Accounts payable	172,521
Accrued expenses	74,228
Other current liabilities	14,971
Other loans payable	24,438
Mortgages and notes payable	<u>456,947</u>

Total Liabilities Assumed	<u>743,105</u>
----------------------------------	-----------------------

Net Assets Acquired	<u><u>\$ 1,739,077</u></u>
----------------------------	-----------------------------------

Net assets acquired consists of the following in the consolidated statement of activities for the fiscal year ended June 30, 2012:

Capital advances, temporarily restricted contributions	\$ 1,311,597
Gain on acquisition	<u>427,480</u>
Total	<u><u>\$ 1,739,077</u></u>

Consolidating Financial Statements

Consolidating Statement of Financial Position

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012

Assets	VOA of Kentucky Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Eliminations	Consolidated Totals
Current Assets						
Cash and cash equivalents	\$ 63,484	\$ 54,270	\$ 134,306	\$ 32,456	\$	\$ 284,516
Investments	597,359					597,359
Accounts receivable, net	2,063,102	39,079	218,018		\$ (41,951)	2,278,248
Grants receivable and other unconditional promises to give	741,450					741,450
Pledges receivable	145,602					145,602
Prepaid expenses and other current assets	253,976	1,048,492			(1,048,492)	253,976
Total Current Assets	3,864,973	1,141,841	352,324	32,456	(1,090,443)	4,301,151
Property and Equipment, less accumulated depreciation	400,622	2,231,679	255,574	1,552,382		4,440,257
Other Assets						
Investments, restricted	29,965					29,965
Restricted deposits and funded reserves				84,089		84,089
Pledges receivable, net	286,963					286,963
Intangible asset	158,795					158,795
Due from related parties	81,683				(26,784)	54,899
Total Other Assets	557,406			84,089	(26,784)	614,711
	\$ 4,823,001	\$ 3,373,520	\$ 607,898	\$ 1,668,927	\$ (1,117,227)	\$ 9,356,119

Continued

Consolidating Statement of Financial Position--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2012

	VOA of Kentucky Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Eliminations	Consolidated Totals
Current Liabilities						
Lines of credit	\$ 213,148	\$ 9,926	\$ 13,101	\$ 44,728	\$ (44,291)	\$ 223,074
Accounts payable	335,383		111,082	2,530		348,921
Accrued expenses	1,205,613			24,438	(24,438)	1,319,225
Other loans payable			476	12,530	(1,048,498)	142,360
Other current liabilities	1,175,197	2,655				
Current maturities of mortgages and note payable		142,831	8,889	26,928		178,648
Total Current Liabilities	2,929,341	155,412	133,548	111,154	(1,117,227)	2,212,228
Mortgages and Note Payable, less current maturities		590,297	165,415	233,927		989,639
Payable to National Organization	158,795					158,795
Net Assets						
Unrestricted	1,312,885	2,627,811	308,935	12,249		4,261,880
Temporarily restricted	392,015			1,311,597		1,703,612
Permanently restricted	29,965					29,965
Total Net Assets	1,734,865	2,627,811	308,935	1,323,846		5,995,457
	\$ 4,823,001	\$ 3,373,520	\$ 607,898	\$ 1,668,927	\$ (1,117,227)	\$ 9,356,119

See Independent Auditors' Report

Consolidated Statement of Financial Position

Volunteers of America of Kentucky, Inc. and Affiliate

June 30, 2011

	VOA of Kentucky Inc.	VOA Property Corporation of Louisville, Inc.	Eliminations	Consolidated Totals
Assets				
Current Assets				
Cash and cash equivalents	\$ 62,704	\$ 61,893		\$ 124,597
Investments	599,881			599,881
Accounts receivable, net	2,484,877	29,722		2,514,599
Pledges receivable	108,775			108,775
Prepaid expenses and other current assets	249,417	626,909	\$ (626,909)	249,417
Total Current Assets	3,505,654	718,524	(626,909)	3,597,269
Property and Equipment , less accumulated depreciation	477,442	2,383,510		2,860,952
Other Assets				
Investments	32,037			32,037
Pledges receivable, net	221,876			221,876
Intangible asset	185,345			185,345
Due from related parties	91,495			91,495
Total Other Assets	530,753			530,753
	<u>\$ 4,513,849</u>	<u>\$ 3,102,034</u>	<u>\$ (626,909)</u>	<u>\$ 6,988,974</u>
Current Liabilities				
Lines of credit	\$ 331,674	\$ 15,926		\$ 347,600
Accounts payable	387,196	410		387,606
Accrued expenses	1,239,131			1,239,131
Other current liabilities	866,586	2,655	\$ (626,909)	242,332
Current maturities of mortgages and note payable	224,250	78,594		302,844
Total Current Liabilities	3,048,837	97,585	(626,909)	2,519,513
Mortgages and Note Payable , less current maturities		732,015		732,015
Payable to National Organization	185,345			185,345
Net Assets				
Unrestricted	1,240,088	2,272,434		3,512,522
Temporarily restricted	7,542			7,542
Permanently restricted	32,037			32,037
Total Net Assets	1,279,667	2,272,434		3,552,101
	<u>\$ 4,513,849</u>	<u>\$ 3,102,034</u>	<u>\$ (626,909)</u>	<u>\$ 6,988,974</u>

See Independent Auditors' Report

Consolidating Statement of Activities

Volunteers of America of Kentucky, Inc. and Affiliates

Year Ended June 30, 2012

	VOA of Kentucky, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Eliminations	Consolidated Totals
Unrestricted Net Assets						
Support and Revenues From Operations						
Public Support Received Directly						
Contributions	\$ 1,161,396	\$ 94,720				\$ 1,256,116
Contributions, in-kind	912,707					912,707
Public support: capital and bequests	388,115					388,115
Special events	74,493					74,493
Public Support Received Indirectly						
United Way allocation	90,224		\$ 105,000			195,224
Volunteers of America awards and grants	161,538					161,538
Total Support	2,788,473	94,720	105,000			2,988,193
Revenue and Grants from Governmental Agencies						
Fee-for-service	14,483,020		2,136,102			16,619,122
Federal and state grants	6,630,196					6,630,196
Total Revenue and Grants from Governmental Agencies	21,113,216		2,136,102			23,249,318
Other Revenue						
Program service fees	95,488	971,182	134,272		\$ (362,650)	838,292
Rental income		135,168		\$ 192,074	(91,116)	236,126
Miscellaneous revenue	3,066,221		8,268		(2,795,550)	278,939
Total Other Revenue	3,161,709	1,106,350	142,540	192,074	(3,249,316)	1,353,357
Net assets released from restrictions, satisfaction of program activities	7,542					7,542
Total Support and Revenues From Operations	27,070,940	1,201,070	2,383,642	192,074	(3,249,316)	27,598,410

Continued

Volunteers of America of Kentucky, Inc. and Affiliates

Year Ended June 30, 2012

	VOA of Kentucky Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Eliminations	Consolidated Totals
Operating Expenses						
Program Services:						
Encouraging positive development	12,500					12,500
Fostering independence	14,745,314	845,693	2,208,644	200,265	(498,261)	17,501,655
Promoting self-sufficiency	5,819,375					5,819,375
Total Program Services	20,577,189	845,693	2,208,644	200,265	(498,261)	23,333,530
Support Services and Fundraising:						
Management and general	4,841,686		273,124		(2,751,055)	2,363,755
Fundraising	1,008,941					1,008,941
Administrative fees paid to						
National Organization	569,292					569,292
Total Support Services	6,419,919		273,124		(2,751,055)	3,941,988
Total Operating Expenses	26,997,108	845,693	2,481,768	200,265	(3,249,316)	27,275,518
Increase (Decrease) in Net Assets						
Before Other Changes	73,832	355,377	(98,126)	(8,191)		322,892
Nonoperating Gains (Losses)						
and Other Income (Expense)						
Gain on acquisition of program			407,061	20,419		427,480
Interest and dividend income	15,711			21		15,732
Realized gain on investments	18,243					18,243
Unrealized losses on investments	(34,989)					(34,989)
Nonoperating Gains (Losses)						
and Other Income (Expense)	(1,035)		407,061	20,440		426,466
Increase in						
Unrestricted Net Assets	72,797	355,377	308,935	12,249		749,358

Continued

Consolidating Statement of Activities--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

Year Ended June 30, 2012

	VOA of Kentucky Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Eliminations	Consolidated Totals
Temporarily Restricted Net Assets						
Contributions	392,015					392,015
Capital advances				1,311,597		1,311,597
Net assets released from restrictions, satisfaction of program activities	<u>(7,542)</u>					<u>(7,542)</u>
Increase in Temporarily Restricted Net Assets	384,473			1,311,597		1,696,070
Permanently Restricted Net Assets						
Unrealized losses on investments	<u>(2,072)</u>					<u>(2,072)</u>
Increase in Net Assets	455,198	355,377	308,935	1,323,846		2,443,356
Net Assets Beginning of Year	<u>1,279,667</u>	<u>2,272,434</u>				<u>3,552,101</u>
Net Assets End of Year	<u>\$ 1,734,865</u>	<u>\$ 2,627,811</u>	<u>\$ 308,935</u>	<u>\$ 1,323,846</u>	<u>\$</u>	<u>\$ 5,995,457</u>

See Independent Auditors' Report

Consolidating Statement of Activities

Volunteers of America of Kentucky, Inc. and Affiliate

Year Ended June 30, 2011

	VOA of Kentucky Inc.	VOA Property Corporation of Louisville, Inc.	Eliminations	Consolidated Totals
Unrestricted Net Assets				
Support and Revenues From Operations				
Public Support Received Directly				
Contributions	\$ 1,619,783			\$ 1,619,783
Contributions, in-kind	1,227,252			1,227,252
Public support: capital and bequests	210,023			210,023
Special events	43,116			43,116
Public Support Received Indirectly				
United Way allocation	93,015			93,015
Volunteers of America awards and grants	140,980			140,980
Total Support	3,334,169			3,334,169
Revenue and Grants from Governmental Agencies				
Fee-for-service	14,992,246			14,992,246
Federal and state grants	6,811,697	\$ 41,865		6,853,562
Total Revenue and Grants from Governmental Agencies	21,803,943	41,865		21,845,808
Other Revenue				
Program service fees	104,444	967,275	\$ (317,400)	754,319
Rental income		129,664	(91,116)	38,548
Miscellaneous revenue	3,273,460		(2,614,440)	659,020
Total Other Revenue	3,377,904	1,096,939	(3,022,956)	1,451,887
Net assets released from restrictions, satisfaction of program activities	68,397			68,397
Total Support and Revenues From Operations	28,584,413	1,138,804	(3,022,956)	26,700,261
Operating Expenses				
Program Services:				
Fostering independence	15,337,039	851,510	(437,316)	15,751,233
Promoting self-sufficiency	6,235,162			6,235,162
Total Program Services	21,572,201	851,510	(437,316)	21,986,395

Continued

Consolidating Statement of Activities--Continued

Volunteers of America of Kentucky, Inc. and Affiliate

Year Ended June 30, 2011

	VOA of Kentucky, Inc.	VOA Property Corporation of Louisville, Inc.	Eliminations	Consolidated Totals
Support Services and Fundraising:				
Management and general	4,973,243		(2,585,640)	2,387,603
Fundraising	1,218,477			1,218,477
Administrative fees paid to National Organization	500,694			500,694
Total Support Services and Fundraising	6,692,414		(2,585,640)	4,106,774
Total Operating Expenses	28,264,615	851,510	(3,022,956)	26,093,169
Increase in Net Assets Before Other Changes	319,798	287,294		607,092
Nonoperating Gains and Other Income				
Interest and dividend income	16,012			16,012
Realized loss on investments	11,418			11,418
Unrealized gains on investments	74,443			74,443
Nonoperating Gains and Other Income	101,873			101,873
Increase in Unrestricted Net Assets	421,671	287,294		708,965
Temporarily Restricted Net Assets				
Contributions	7,542			7,542
Net assets released from restrictions, satisfaction of program activities	(68,397)			(68,397)
Decrease in Temporarily Restricted Net Assets	(60,855)			(60,855)
Permanently Restricted Net Assets				
Unrealized gains on investments	12,880			12,880
Increase in Net Assets	373,696	287,294		660,990
Net Assets Beginning of Year	905,971	1,985,140		2,891,111
Net Assets End of Year	<u>\$ 1,279,667</u>	<u>\$ 2,272,434</u>	<u>\$</u>	<u>\$ 3,552,101</u>

See Independent Auditors' Report

Consolidating Statement of Cash Flows

Volunteers of America of Kentucky, Inc. and Affiliates

Year Ended June 30, 2012

	VOA of Kentucky Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	HUD Properties Various	Eliminations	Consolidated Totals
Operating Activities						
Increase in net assets	\$ 455,198	\$ 355,377	\$ 308,935	\$ 1,323,846		\$ 2,443,356
Adjustments						
Depreciation and amortization	147,162	279,249	9,726	51,649		487,786
Bad debt expense	(10,000)					(10,000)
Gain on forgiveness of debt	(26,550)					(26,550)
Discount on pledges receivable	1,019					1,019
Allowance for uncollectible pledges receivable	11,508		(10,000)			11,508
Allowance for doubtful accounts receivable	(36,917)					(46,917)
Realized/unrealized loss on investments	18,818		(407,061)	(20,419)		18,818
Gain on acquisition of program				(1,311,597)		(427,480)
Capital advances						(1,311,597)
Changes in operating assets and liabilities						
Accounts receivable	468,692	(9,357)	9,924	2,424	\$ (41,951)	513,634
Grants receivable and other unconditional promises to give	(741,450)					(741,450)
Pledges receivable	(114,441)					(114,441)
Prepaid expenses and other current assets	(4,559)	(421,583)			(421,583)	(4,559)
Accounts payable	(51,813)	(410)	(105,166)	(9,526)	44,291	(211,206)
Accrued expenses	(33,518)		39,384			5,866
Other current liabilities	308,611		(6,641)	4,676	421,589	(114,943)
Net Cash Provided By (Used In) Operating Activities	391,760	203,276	(160,899)	41,053	2,346	472,844

Continued

Consolidating Statement of Cash Flows--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

Year Ended June 30, 2012

	VOA of Kentucky Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Eliminations	Consolidated Totals
Investing Activities						
Purchases of property and equipment	(43,792)	(127,418)	292,434	(11,332)		(182,542)
Acquisition of programs				38,807		331,241
Proceeds from sale of investments	241,008					241,008
Purchase of investments	(255,232)					(255,232)
Changes in restricted deposits and funded reserves, net				(11,513)		(11,513)
Changes in amounts due from related parties	9,812				(2,346)	12,158
Net Cash Provided By (Used In) Investing Activities	(48,204)	(127,418)	292,434	15,962	(2,346)	135,120
Financing Activities						
Net activity on lines of credit	(118,526)	(6,000)	180,000			(124,526)
Proceeds of long-term debt						180,000
Payments on mortgages and note payable	(224,250)	(77,481)	(177,229)	(24,559)		(503,519)
Net Cash Provided By (Used In) Financing Activities	(342,776)	(83,481)	2,771	(24,559)		(448,045)
Net Increase (Decrease) in Cash and Cash Equivalents	780	(7,623)	134,306	32,456		159,919
Cash and Cash Equivalents Beginning of Year	62,704	61,893				124,597
Cash and Cash Equivalents End of Year	\$ 63,484	\$ 54,270	\$ 134,306	\$ 32,456	\$	\$ 284,516

See Independent Auditors' Report

Consolidating Statement of Cash Flows

Volunteers of America of Kentucky, Inc. and Affiliate

Year Ended June 30, 2011

	VOA of Kentucky Inc.	VOA Property Corporation of Louisville, Inc.	Eliminations	Consolidated Totals
Operating Activities				
Increase in net assets	\$ 373,696	\$ 287,294		\$ 660,990
Adjustments				
Depreciation and amortization	134,932	279,945		414,877
Bad debt expense	100,000			100,000
Gain on forgiveness of debt	(30,220)			(30,220)
Discount on pledges receivable	11,339			11,339
Allowance for uncollectible pledges receivable	32,384			32,384
Allowance for doubtful accounts receivable	98,879			98,879
Realized/unrealized gain on investments	(98,741)			(98,741)
Changes in operating assets and liabilities				
Accounts receivable	(576,488)	(13,939)		(590,427)
Pledges receivable	(167,513)			(167,513)
Prepaid expenses and other current assets	(44,490)	(148,825)	\$ (148,825)	(44,490)
Accounts payable	80,377	410		80,787
Accrued expenses	(35,593)			(35,593)
Other current liabilities	178,938		148,825	30,113
Net Cash Provided By Operating Activities	57,500	404,885		462,385
Investing Activities				
Purchases of property and equipment	(205,380)	(345,795)		(551,175)
Proceeds from sale of investments	181,538			181,538
Purchase of investments	(234,984)			(234,984)
Changes in amounts due from related parties	13,716			13,716
Net Cash Used In Investing Activities	(245,110)	(345,795)		(590,905)
Financing Activities				
Net activity on line of credit	331,674	(5,000)		326,674
Payments on mortgages and note payable	(620,491)	(68,832)		(689,323)
Net Cash Used In Financing Activities	(288,817)	(73,832)		(362,649)
Net Decrease in Cash and Cash Equivalents	(476,427)	(14,742)		(491,169)
Cash and Cash Equivalents Beginning of Year	539,131	76,635		615,766
Cash and Cash Equivalents End of Year	\$ 62,704	\$ 61,893	\$	\$ 124,597

See Independent Auditors' Report