

**Strothman & Company P S C**

Certified Public Accountants & Advisors



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Consolidated Financial Statements  
and Consolidating Financial Statements

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

June 30, 2011 and 2010


Consolidated Financial Statements  
and Consolidating Financial Statements

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

June 30, 2011 and 2010

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## Independent Auditors' Report



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

We have audited the accompanying consolidated statements of financial position of Volunteers of America of Kentucky, Inc. and Subsidiary (the "Organization") as of June 30, 2011 and 2010, 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, 2011 and 2010, 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 as a whole. The consolidating information on pages 19 to 26 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 as a whole.

*Strothman & Company PSC*

Louisville, Kentucky  
October 7, 2011

Consolidated Statements of Financial Position

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

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 124,597	\$ 615,766
Accounts receivable, less allowance for doubtful accounts of \$335,002 (2011) and \$236,123 (2010)	2,514,599	2,123,051
Pledges receivable	108,775	22,918
Prepaid expenses and other current assets	249,417	204,927
<b>Total Current Assets</b>	<b>2,997,388</b>	<b>2,966,662</b>
<b>Property and Equipment</b> , net of accumulated depreciation	<b>2,860,952</b>	<b>2,694,434</b>
<b>Other Assets</b>		
Investments	631,918	479,731
Pledges receivable, less current portion and allowance for uncollectible pledges of \$39,583 (2011) and \$7,199 (2010)	221,876	183,943
Intangible asset	185,345	215,565
Due from related parties	91,495	105,211
<b>Total Other Assets</b>	<b>1,130,634</b>	<b>984,450</b>
	<b>\$ 6,988,974</b>	<b>\$ 6,645,546</b>
<b>Current Liabilities</b>		
Lines of credit	\$ 347,600	\$ 20,926
Accounts payable	387,606	306,819
Accrued expenses	1,239,131	1,274,724
Other current liabilities	242,332	212,219
Current maturities of mortgages and note payable	302,844	580,135
<b>Total Current Liabilities</b>	<b>2,519,513</b>	<b>2,394,823</b>
<b>Mortgages and Note Payable</b> , less current maturities	<b>732,015</b>	<b>1,144,047</b>
<b>Payable to Affiliate</b>	<b>185,345</b>	<b>215,565</b>
<b>Net Assets</b>		
Unrestricted	3,512,522	2,803,557
Temporarily restricted	7,542	68,397
Permanently restricted	32,037	19,157
<b>Total Net Assets</b>	<b>3,552,101</b>	<b>2,891,111</b>
	<b>\$ 6,988,974</b>	<b>\$ 6,645,546</b>

See Notes to Consolidated Financial Statements

## Consolidated Statements of Activities

## Volunteers of America of Kentucky, Inc. and Subsidiary

	Year Ended June 30, 2011			Year Ended
	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2010
				Total
<b>Support and Revenues From Operations</b>				
<b>Public Support Received Directly</b>				
Contributions	\$ 1,827,722	\$ 7,542		\$ 1,835,264
Contributions, in-kind	1,227,252			465,952
Public support: capital and bequests	2,370			19,335
Special events	43,116			47,661
<b>Public Support Received Indirectly</b>				
United Way allocation	93,015			49,534
Volunteers of America awards and grants	140,695			87,012
<b>Total Support</b>	3,334,170	7,542		2,566,855
<b>Revenue and Grants from Governmental Agencies</b>				
Fee-for-service	14,992,246			15,516,236
Federal and state grants	6,853,562			6,993,755
<b>Total Revenue and Grants from Governmental Agencies</b>	21,845,808			22,509,991
<b>Other Revenue</b>				
Program service fees	754,319			775,015
Rental income	38,548			44,052
Miscellaneous revenue	659,020			303,262
<b>Total Other Revenue</b>	1,451,887			1,122,329
Net assets released from restrictions, satisfaction of program activities	68,397	(68,397)		
<b>Total Support and Revenues From Operations</b>	26,700,262	(60,855)		26,199,175
<b>Operating Expenses</b>				
<b>Program Services:</b>				
Disabilities services	12,943,020			12,700,181
Housing	325,707			502,458
Property operations	822,710			821,998
Health care services	1,617,735			1,591,355
Elderly services	42,062			46,573
Correctional services	648,076			666,161
Homeless services	3,817,471			3,352,453
Substance abuse	1,406,088			1,763,820
<b>Total Program Services</b>	21,622,869			21,444,999
<b>Support Services and Fund Raising:</b>				
Management and general	2,387,603			2,116,322
Fund raising	1,582,004			1,401,679
Administrative fees paid to National Organization	500,694			492,037
<b>Total Support Services and Fund Raising</b>	4,470,301			4,010,038
<b>Total Operating Expenses</b>	26,093,170			25,455,037
<b>Increase (Decrease) in Net Assets Before Other Changes</b>	607,092	(60,855)		744,138
<b>Nonoperating Gains (Losses) and Other Income</b>				
Interest and dividend income	16,012			10,379
Realized gain (loss) on investments	11,418			(116)
Unrealized gains on investments	74,443		\$ 12,880	48,903
<b>Nonoperating Gains and Other Income</b>	101,873		12,880	59,166
<b>Increase (Decrease) in Net Assets</b>	708,965	(60,855)	12,880	803,304
<b>Net Assets Beginning of Year</b>	2,803,557	68,397	19,157	2,087,807
<b>Net Assets End of Year</b>	\$ 3,512,522	\$ 7,542	\$ 32,037	\$ 2,891,111

See Notes to Consolidated Financial Statements

Consolidated Statement of Functional Expenses

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

Year Ended June 30, 2011

	PROGRAM SERVICES			SUPPORT SERVICES		
	Fostering Independence	Promoting Self-Sufficiency	TOTAL	Management and General	Fund Raising	TOTAL
Salaries	\$ 11,020,203	\$ 2,703,865	\$ 13,724,068	\$ 1,375,814	\$ 576,251	\$ 1,952,065
Pension expense		8,867	8,867	12,385		12,385
Other employee benefits	340,328	173,338	513,666	(8,699)	27,745	19,046
Payroll taxes	998,029	228,686	1,226,715	61,376	27,295	88,671
Legal fees	2,894		2,894	1,437		1,437
Accounting fees				19,800		19,800
Other professional fees	93,178	13,837	107,015	167,742	202,927	370,669
Supplies and expenses	247,617	742,859	990,476	117,628	89,219	206,847
Telecommunications	82,381	65,538	147,919	40,907	10,336	51,243
Postage	4,796	1,036	5,832	46,907	3,869	50,776
Occupancy expense	845,509	1,019,628	1,865,137	29,355	193,274	222,629
Interest	56,820		56,820	292		292
Insurance	153,520	88,007	241,527	11,950	6,000	17,950
Equipment rental and maintenance	34,382	21,653	56,035	11,875	300	12,175
Printing and publications	17,463	19,582	37,045	230,042	376,147	606,189
Travel and transportation	466,812	75,755	542,567	43,470	13,583	57,053
Conferences and meetings	9,004	85,465	94,469	32,349	26,126	58,475
Specific assistance to individuals	1,084,056	574,365	1,658,421			
Other	301	13,361	13,662	108,806	27,956	136,762
Depreciation and amortization	293,941	35,793	329,734	84,167	976	85,143
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 15,751,234</b>	<b>\$ 5,871,635</b>	<b>\$ 21,622,869</b>	<b>\$ 2,387,603</b>	<b>\$ 1,582,004</b>	<b>\$ 3,969,607</b>
<b>ADMINISTRATIVE FEES PAID TO NATIONAL ORGANIZATION</b>						
						500,694
<b>TOTAL OPERATING EXPENSES</b>						<b>\$ 26,093,170</b>

See Notes to Consolidated Financial Statements

Consolidated Statement of Functional Expenses

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

Year Ended June 30, 2010

	PROGRAM SERVICES			SUPPORT SERVICES		
	Fostering Independence	Promoting Self-Sufficiency	TOTAL	Management and General	Fund Raising	TOTAL
Salaries	\$ 11,200,586	\$ 2,864,207	\$ 14,064,793	\$ 1,309,324	\$ 524,682	\$ 1,834,006
Pension expense		8,890	8,890	9,130		9,130
Other employee benefits	355,862	151,101	506,963	1,877	25,018	26,895
Payroll taxes	1,003,273	209,097	1,212,370	49,793	28,126	77,919
Legal fees	848		848	2,423		2,423
Accounting fees				13,075		13,075
Other professional fees	132,681	17,616	150,297	151,066	173,859	324,925
Supplies and expenses	227,971	244,295	472,266	140,165	99,728	239,893
Telecommunications	96,945	78,796	175,741	24,249	12,120	36,369
Postage	4,702	2,211	6,913	33,349	9,436	42,785
Occupancy expense	833,621	839,400	1,673,021	14,813	160,427	175,240
Interest	72,470		72,470	7,214		7,214
Insurance	146,345	84,562	230,907	22,936	6,000	28,936
Equipment rental and maintenance	35,286	20,979	56,265	11,329	1,217	12,546
Printing and publications	20,813	21,758	42,571	98,242	311,081	409,323
Travel and transportation	383,419	62,999	446,418	31,683	8,565	40,248
Conferences and meetings	5,932	55,579	61,511	34,381	21,868	56,249
Specific assistance to individuals	1,219,122	666,823	1,885,945			
Other	50,971	12,406	63,377	73,898	19,552	93,450
Depreciation and amortization	275,216	38,217	313,433	87,375		87,375
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 16,066,063</b>	<b>\$ 5,378,936</b>	<b>\$ 21,444,999</b>	<b>\$ 2,116,322</b>	<b>\$ 1,401,679</b>	<b>\$ 3,518,001</b>
<b>ADMINISTRATIVE FEES PAID TO NATIONAL ORGANIZATION</b>						
						492,037
<b>TOTAL OPERATING EXPENSES</b>						<b>\$ 25,455,037</b>

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

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

	<b>Year Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>Operating Activities</b>		
Increase in net assets	\$ 660,990	\$ 803,304
Adjustments		
Depreciation and amortization	414,877	400,808
Bad debt expense	100,000	127,526
Gain on debt forgiveness	(30,220)	(33,788)
Discount on pledges receivable	11,339	14,893
Allowance for uncollectible pledges receivable	32,384	7,199
Allowance for doubtful accounts receivable	98,879	(33,877)
Realized/unrealized gain on investments	(98,741)	(48,787)
Changes in operating assets and liabilities		
Accounts receivable	(590,427)	291,523
Pledges receivable	(167,513)	(228,953)
Prepaid expenses and other current assets	(44,490)	3,307
Accounts payable	80,787	(84,715)
Accrued expenses	(35,593)	63,279
Other current liabilities	30,113	(87,894)
<b>Net Cash Provided By Operating Activities</b>	<b>462,385</b>	<b>1,193,825</b>
<b>Investing Activities</b>		
Purchases of property and equipment	(551,175)	(136,577)
Proceeds from sale of investments	181,538	31,515
Purchase of investments	(234,984)	(41,939)
Changes in amounts due from related parties	13,716	(29,489)
<b>Net Cash Used In Investing Activities</b>	<b>(590,905)</b>	<b>(176,490)</b>
<b>Financing Activities</b>		
Net activity on lines of credit	326,674	20,926
Payments on mortgages and note payable	(689,323)	(543,873)
<b>Net Cash Used In Financing Activities</b>	<b>(362,649)</b>	<b>(522,947)</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>(491,169)</b>	<b>494,388</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>615,766</b>	<b>121,378</b>
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 124,597</b>	<b>\$ 615,766</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 57,112	\$ 79,684

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

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

June 30, 2011 and 2010

**Note A--Description of Business and Summary of Significant Accounting Policies**

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:

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 more significant accounting policies of the Organization are described below:

Basis of Accounting--The accounting policies of the Organization conform to U.S. generally accepted accounting principles as applicable to voluntary health and welfare organizations.

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

Continued

Notes to Consolidated Financial Statements--Continued

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

June 30, 2011 and 2010

**Note A--Description of Business and Summary of Significant Accounting Policies--Continued**

Net Assets--The Organization classifies net assets into three categories: unrestricted, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the 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, 2011 and 2010, 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.

Accounts Receivable--The Organization reports accounts receivable for services rendered at net realizable amounts from third-party payers, clients and others. The Organization provides an allowance for doubtful accounts based upon 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 was \$384,657 and \$367,020 for the years ended June 30, 2011 and 2010, respectively. Depreciation 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

Continued

Notes to Consolidated Financial Statements--Continued

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

June 30, 2011 and 2010

**Note A--Description of Business and Summary of Significant Accounting Policies--Continued**

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. There were no charges for impairments of long-lived assets during the fiscal years ended June 30, 2011 and 2010.

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 services received at the fair value of those services, provided those 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 services recognized was \$1,227,252 and \$465,952 for the years ended June 30, 2011 and 2010.

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.

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, 2011 and 2010, and accordingly, no tax expense was incurred during these years.

The Organization's income tax returns for the fiscal years ended June 30, 2008 through 2010 are subject to examination by the Internal Revenue Service.

Continued

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

June 30, 2011 and 2010

**Note A--Description of Business and Summary of Significant Accounting Policies--Continued**

The Financial Accounting Standards Board has issued Accounting Standards Codification ("ASC") 740-10, *Accounting for Uncertainty in Income Taxes*, which prescribed 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. The Organization adopted ASC 740-10 as of July 1, 2009. There was no impact to the Organization's consolidated financial statements as a result of the implementation of ASC 740-10.

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.

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 \$378,453 and \$343,046 for the years ended June 30, 2011 and 2010, respectively.

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.

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 amounts reported in the consolidated financial statements and accompanying notes. 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 7, 2011, the date the consolidated financial statements were available to be issued.

Reclassifications--Certain reclassifications have been made to the 2010 consolidated financial statements to conform to 2011 presentation.

Notes to Consolidated Financial Statements--Continued

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

June 30, 2011 and 2010

**Note B--Pledges Receivable**

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

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Pledges receivable	\$ 396,466	\$ 228,953
Less current portion	108,775	22,918
	287,691	206,035
Less unamortized discount	26,232	14,893
Less allowance for uncollectible pledges	39,583	7,199
	<u>\$ 221,876</u>	<u>\$ 183,943</u>
Amounts due in:		
Less than one year	\$ 108,775	\$ 22,918
One to five years	287,691	206,035
	<u>\$ 396,466</u>	<u>\$ 228,953</u>

The discount rate used on long-term pledges at June 30, 2011 and 2010 is 3.25%.

**Note C--Property and Equipment**

Property and equipment consists of the following:

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
Land	\$ 212,518	\$ 212,518
Buildings and improvements	4,846,194	4,676,178
Vehicles	1,414,267	1,200,662
Furniture and equipment	1,850,537	1,682,984
	8,323,516	7,772,342
Less accumulated depreciation	5,462,564	5,077,908
	<u>\$ 2,860,952</u>	<u>\$ 2,694,434</u>

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

June 30, 2011 and 2010

**Note D--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			
	2011		2010	
	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	\$ 13,994	\$ 13,994	\$ 20,731	\$ 20,731
Mutual Funds				
Fixed income	142,749	142,749	112,271	112,271
Equity	464,153	464,153	346,729	346,729
Real estate trust shares	11,022	11,022		
	<u>\$ 631,918</u>	<u>\$ 631,918</u>	<u>\$ 479,731</u>	<u>\$ 479,731</u>

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.

Continued

Notes to Consolidated Financial Statements--Continued

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

June 30, 2011 and 2010

**Note D--Investments and Fair Value Measurements--Continued**

Fair values and unrealized gain (loss) are as follows:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
<b>June 30, 2011</b>			
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
<b>Total Investments</b>	<u>\$ 631,918</u>	<u>\$ 554,721</u>	<u>\$ 77,197</u>
<b>June 30, 2010</b>			
Money market funds	\$ 20,731	\$ 20,731	
Mutual funds			
Fixed income	112,271	104,221	\$ 8,050
Equity	346,729	364,916	(18,187)
<b>Total Investments</b>	<u>\$ 479,731</u>	<u>\$ 489,868</u>	<u>\$ (10,137)</u>

Included in investments is \$92,406 and \$76,022 at June 30, 2011 and 2010, respectively, which is invested in a fund at The Community Foundation of Louisville. Terms of the fund allow the Organization to have access to \$60,369 and \$56,865 of these investments at June 30, 2011 and 2010, respectively, with the balance restricted for permanent endowment purposes.

**Note E--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 \$30,220 and \$33,788 for the fiscal years ended June 30, 2011 and 2010. The value assigned to the acquisition and rights to the MRDD Program are correspondingly reduced by the amount of this debt forgiveness.

Notes to Consolidated Financial Statements--Continued

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

June 30, 2011 and 2010

**Note F--Lines of Credit**

The Organization has a 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% (1.69% at June 30, 2011). The line of credit will expire February 28, 2012. Outstanding borrowings were \$15,926 and \$20,926 at June 30, 2011 and 2010, respectively.

The Organization has an additional 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, 2011. Outstanding borrowings were \$331,674 at June 30, 2011.

**Note G--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 \$538,438 and \$496,252 as of June 30, 2011 and 2010, respectively, and is included in accrued expenses on the accompanying consolidated statements of financial position.

**Note H--Mortgages and Note Payable**

Mortgages and note payable consists of the following:

		June 30	
		2011	2010
Mortgage payable to Fifth Third Bank, interest rate of 7.88%, payable in monthly principal and interest installments of \$1,746 through August 2014	(1)	\$ 163,948	\$ 171,471
Mortgage payable to First Tennessee Bank, interest rate of 6.45%, payable in monthly principal and interest installments of \$658 through June 2013	(1)	67,067	70,291
Mortgage payable to First Tennessee Bank, interest rate of 6.1%, payable in monthly principal and interest installments of \$1,647 through June 2013	(1)	43,365	59,888
Mortgage payable to First Tennessee Bank, interest rate of 5.6%, payable in monthly principal and interest installments of \$4,004 through August 2015	(1)	341,870	365,720

Continued

Notes to Consolidated Financial Statements--Continued

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

June 30, 2011 and 2010

**Note H--Mortgages and Note Payable--Continued**

		<b>June 30</b>	
		<b>2011</b>	<b>2010</b>
Mortgage payable to PNC Bank, interest rate of 5.5%, payable in monthly principal and interest installments of \$1,654 through January 2015	(1)	123,479	136,068
Mortgage payable to Regions Bank, interest rate of 7.4%, payable in monthly principal and interest installments of \$888 through June 2014	(1)	70,880	76,003
Note payable to the State of Tennessee with no stated terms. There is an agreement to repay \$42,213 per month through February 2012. The Organization has consistently made payments in excess of the required amount and the note will be paid in full prior to the maturity date.		224,250	844,741
		1,034,859	1,724,182
Less current maturities		302,844	580,135
		<u>\$ 732,015</u>	<u>\$ 1,144,047</u>

(1) These mortgages 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>	
2012	\$ 302,844
2013	142,762
2014	71,500
2015	304,990
2016 and thereafter	212,763
	<u>\$ 1,034,859</u>

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

June 30, 2011 and 2010

**Note I--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, 2011 and 2010 totaled \$500,694 and \$492,037, respectively. The Organization had service fees due the National Organization totaling \$118,274 and \$114,739 as of June 30, 2011 and 2010, respectively, which are included in other current liabilities on the consolidated statements of financial position.

The Organization had additional amounts due the National Organization of \$185,345 and \$215,565 as of June 30, 2011 and 2010, respectively, relating to debt assumed in connection with the acquisition of the MRDD Program in Southern Indiana (see Note E).

The Organization had \$91,495 and \$105,211 due from various related parties as of June 30, 2011 and 2010, 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 J--Pension Plan**

The Organization participates in a non-contributory defined benefit pension and retirement plan. The plan is administered through a commercial insurance company and covers all commissioned ministers. Pension plan expense for the years ended June 30, 2011 and 2010 was \$21,252 and \$18,020, respectively. Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits as they relate solely to the Organization are not readily available.

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, 2011 and 2010 was \$60,158 and \$58,757, respectively.

**Note K--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. Events could occur that would change this estimate materially in the near term.

Notes to Consolidated Financial Statements--Continued

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

June 30, 2011 and 2010

**Note L--Lease Commitments**

The Organization leases properties in Kentucky, Tennessee and Indiana for various group homes and offices with monthly rents totaling \$39,000. 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, 2011 and 2010 was \$1,089,136 and \$1,177,343, respectively.

The aggregate future minimum lease payments as of June 30, 2011 are as follows:

<u>Year Ending June 30</u>	
2012	\$ 275,841
2013	77,174
2014	55,574
2015	48,374
2016 and Thereafter	68,530
	<u>\$ 525,493</u>

**Note M--Restrictions of Net Assets**

Temporarily restricted net assets consists of the following:

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Intensive Outpatient	\$ 4,033	
Birthday Wishes	3,509	
Supportive services		\$ 5,000
Incarcerated Veterans Transition Program		37,500
Grace House grant		5,897
Vehicles grant		20,000
	<u>\$ 7,542</u>	<u>\$ 68,397</u>

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 \$32,037 and \$19,157 at June 30, 2011 and 2010, respectively.

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

June 30, 2011 and 2010

**Note N--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 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.

**Note O--Subsequent Events**

Subsequent to June 30, 2011, the Organization acquired programs and assets located in northern Kentucky, that were previously operated by Volunteers of America, Ohio River Valley ("VOA-ORV"). These assets were transferred to the Organization from VOA-ORV for no compensation. The assets include six HUD-financed properties, an apartment building and various programs that provide housing and services to developmentally disabled adults. The Organization has been the managing agent for these programs since July 1, 2010.

## **Consolidating Financial Statements**

Consolidating Statement of Financial Position

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

June 30, 2011

	<b>VOA of Kentucky Inc.</b>	<b>VOA Property Corporation of Louisville, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 62,704	\$ 61,893		\$ 124,597
Accounts receivable, net	2,484,877	29,722		2,514,599
Pledges receivable, net	108,775			108,775
Prepaid expenses and other current assets	249,417	626,909	\$ (626,909)	249,417
<b>Total Current Assets</b>	2,905,773	718,524	(626,909)	2,997,388
<b>Property and Equipment, less accumulated depreciation</b>	477,442	2,383,510		2,860,952
<b>Other Assets</b>				
Investments	631,918			631,918
Pledges receivable, net	221,876			221,876
Intangible asset	185,345			185,345
Due from related parties	91,495			91,495
<b>Total Other Assets</b>	1,130,634			1,130,634
	<u>\$ 4,513,849</u>	<u>\$ 3,102,034</u>	<u>\$ (626,909)</u>	<u>\$ 6,988,974</u>
<b>Current Liabilities</b>				
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
<b>Total Current Liabilities</b>	3,048,837	97,585	(626,909)	2,519,513
<b>Mortgages and Note Payable, less current maturities</b>		732,015		732,015
<b>Payable to Affiliate</b>	185,345			185,345
<b>Net Assets</b>				
Unrestricted	1,240,088	2,272,434		3,512,522
Temporarily restricted	7,542			7,542
Permanently restricted	32,037			32,037
<b>Total Net Assets</b>	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

Consolidated Statement of Financial Position

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

June 30, 2010

	<b>VOA of Kentucky Inc.</b>	<b>VOA Property Corporation of Louisville, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 539,131	\$ 76,635		\$ 615,766
Accounts receivable, net	2,107,268	15,783		2,123,051
Pledges receivable, net	22,918			22,918
Prepaid expenses and other current assets	204,927	478,084	\$ (478,084)	204,927
<b>Total Current Assets</b>	2,874,244	570,502	(478,084)	2,966,662
<b>Property and Equipment, less accumulated depreciation</b>	376,774	2,317,660		2,694,434
<b>Other Assets</b>				
Investments	479,731			479,731
Pledges receivable, net	183,943			183,943
Intangible asset	215,565			215,565
Due from related parties	105,211			105,211
<b>Total Other Assets</b>	984,450			984,450
	<u>\$ 4,235,468</u>	<u>\$ 2,888,162</u>	<u>\$ (478,084)</u>	<u>\$ 6,645,546</u>
<b>Current Liabilities</b>				
Line of credit		\$ 20,926		\$ 20,926
Accounts payable	\$ 306,819			306,819
Accrued expenses	1,274,724			1,274,724
Other current liabilities	687,648	2,655	\$ (478,084)	212,219
Current maturities of mortgages and note payable	506,556	73,579		580,135
<b>Total Current Liabilities</b>	2,775,747	97,160	(478,084)	2,394,823
<b>Mortgages and Note Payable, less current maturities</b>	338,185	805,862		1,144,047
<b>Payable to Affiliate</b>	215,565			215,565
<b>Net Assets</b>				
Unrestricted	818,417	1,985,140		2,803,557
Temporarily restricted	68,397			68,397
Permanently restricted	19,157			19,157
<b>Total Net Assets</b>	905,971	1,985,140		2,891,111
	<u>\$ 4,235,468</u>	<u>\$ 2,888,162</u>	<u>\$ (478,084)</u>	<u>\$ 6,645,546</u>

See Independent Auditors' Report

Consolidating Statement of Activities

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

Year Ended June 30, 2011

	<b>VOA of Kentucky Inc.</b>	<b>VOA Property Corporation of Louisville, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
<b>Unrestricted Net Assets</b>				
<b>Support and Revenues From Operations</b>				
<b>Public Support Received Directly</b>				
Contributions	\$ 1,827,722			\$ 1,827,722
Contributions, in-kind	1,227,252			1,227,252
Public support: capital and bequests	2,370			2,370
Special events	43,116			43,116
<b>Public Support Received Indirectly</b>				
United Way allocation	93,015			93,015
Volunteers of America awards and grants	140,695			140,695
<b>Total Support</b>	3,334,170			3,334,170
<b>Revenue and Grants from Governmental Agencies</b>				
Fee-for-service	14,992,246			14,992,246
Federal and state grants	6,811,697	\$ 41,865		6,853,562
<b>Total Revenue and Grants from         Governmental Agencies</b>	21,803,943	41,865		21,845,808
<b>Other Revenue</b>				
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
<b>Total Other Revenue</b>	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
<b>Total Support and Revenues         From Operations</b>	28,584,414	1,138,804	(3,022,956)	26,700,262
<b>Operating Expenses</b>				
<b>Program Services:</b>				
Disabilities services	14,928,174		(1,985,154)	12,943,020
Housing	365,065		(39,358)	325,707
Property operations		851,510	(28,800)	822,710
Health care services	1,826,173		(208,438)	1,617,735
Correctional services	740,928		(92,852)	648,076
Homeless services	4,233,051		(415,580)	3,817,471
Substance abuse	1,653,605		(247,517)	1,406,088
Elderly services	47,319		(5,257)	42,062
<b>Total Program Services</b>	23,794,315	851,510	(3,022,956)	21,622,869

Continued

Consolidating Statement of Activities--Continued

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

Year Ended June 30, 2011

	VOA of Kentucky Inc.	VOA Property Corporation of Louisville, Inc.	Eliminations	Consolidated Totals
<b>Support Services and Fund Raising:</b>				
Management and general	2,387,603			2,387,603
Fund raising	1,582,004			1,582,004
Administrative fees paid to National Organization	500,694			500,694
<b>Total Support Services and Fund Raising</b>	4,470,301			4,470,301
<b>Total Operating Expenses</b>	28,264,616	851,510	(3,022,956)	26,093,170
<b>Increase in Net Assets Before Other Changes</b>	319,798	287,294		607,092
<b>Nonoperating Gains and Other Income</b>				
Interest and dividend income	16,012			16,012
Realized gain on investments	11,418			11,418
Unrealized gains on investments	74,443			74,443
<b>Nonoperating Gains and Other Income</b>	101,873			101,873
<b>Increase in Unrestricted Net Assets</b>	421,671	287,294		708,965
<b>Temporarily Restricted Net Assets</b>				
Contributions	7,542			7,542
Net assets released from restrictions, satisfaction of program activities	(68,397)			(68,397)
<b>Decrease in Temporarily Restricted Net Assets</b>	(60,855)			(60,855)
<b>Permanently Restricted Net Assets</b>				
Unrealized gains on investments	12,880			12,880
<b>Increase in Net Assets</b>	373,696	287,294		660,990
<b>Net Assets Beginning of Year</b>	905,971	1,985,140		2,891,111
<b>Net Assets End of Year</b>	<u>\$ 1,279,667</u>	<u>\$ 2,272,434</u>	<u>\$</u>	<u>\$ 3,552,101</u>

See Independent Auditors' Report

Consolidating Statement of Activities

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

Year Ended June 30, 2010

	<b>VOA of Kentucky Inc.</b>	<b>VOA Property Corporation of Louisville, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
<b>Unrestricted Net Assets</b>				
<b>Support and Revenues From Operations</b>				
<b>Public Support Received Directly</b>				
Contributions	\$ 1,828,964			\$ 1,828,964
Contributions, in-kind	465,952			465,952
Public support: capital and bequests	19,335			19,335
Special events	47,661			47,661
<b>Public Support Received Indirectly</b>				
United Way allocation	49,534			49,534
Volunteers of America awards and grants	87,012			87,012
<b>Total Support</b>	2,498,458			2,498,458
<b>Revenue and Grants from Governmental Agencies</b>				
Fee-for-service	15,516,236			15,516,236
Federal and state grants	6,922,428	\$ 71,327		6,993,755
<b>Total Revenue and Grants from Governmental Agencies</b>	22,438,664	71,327		22,509,991
<b>Other Revenue</b>				
Program service fees	123,080	959,885	\$ (307,950)	775,015
Rental income		135,168	(91,116)	44,052
Miscellaneous revenue	2,957,246	6,496	(2,660,480)	303,262
<b>Total Other Revenue</b>	3,080,326	1,101,549	(3,059,546)	1,122,329
<b>Total Support and Revenues From Operations</b>	28,017,448	1,172,876	(3,059,546)	26,130,778
<b>Operating Expenses</b>				
<b>Program Services:</b>				
Disabilities services	15,250,190		(2,550,009)	12,700,181
Housing	556,458		(54,000)	502,458
Property operations		850,798	(28,800)	821,998
Health care services	1,699,283		(107,928)	1,591,355
Correctional services	675,461		(9,300)	666,161
Homeless services	3,523,689		(171,236)	3,352,453
Substance abuse	1,900,533		(136,713)	1,763,820
Elderly services	48,133		(1,560)	46,573
<b>Total Program Services</b>	23,653,747	850,798	(3,059,546)	21,444,999

Continued

Consolidating Statement of Activities--Continued

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

Year Ended June 30, 2010

	<b>VOA of Kentucky Inc.</b>	<b>VOA Property Corporation of Louisville, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
<b>Support Services and Fund Raising:</b>				
Management and general	2,116,322			2,116,322
Fund raising	1,401,679			1,401,679
Administrative fees paid to National Organization	492,037			492,037
<b>Total Support Services and Fund Raising</b>	<b>4,010,038</b>			<b>4,010,038</b>
<b>Total Operating Expenses</b>	<b>27,663,785</b>	<b>850,798</b>	<b>(3,059,546)</b>	<b>25,455,037</b>
<b>Increase in Net Assets Before Other Changes</b>	<b>353,663</b>	<b>322,078</b>		<b>675,741</b>
<b>Nonoperating Gains (Losses) and Other Income</b>				
Interest and dividend income	10,379			10,379
Realized loss on investments	(116)			(116)
Unrealized gains on investments	44,357			44,357
<b>Nonoperating Gains and Other Income</b>	<b>54,620</b>			<b>54,620</b>
<b>Increase in Unrestricted Net Assets</b>	<b>408,283</b>	<b>322,078</b>		<b>730,361</b>
<b>Temporarily Restricted Net Assets</b>				
Contributions	68,397			68,397
<b>Permanently Restricted Net Assets</b>				
Unrealized gains on investments	4,546			4,546
<b>Increase in Net Assets</b>	<b>481,226</b>	<b>322,078</b>		<b>803,304</b>
<b>Net Assets Beginning of Year, As Restated</b>	<b>424,745</b>	<b>1,663,062</b>		<b>2,087,807</b>
<b>Net Assets End of Year</b>	<b>\$ 905,971</b>	<b>\$ 1,985,140</b>	<b>\$</b>	<b>\$ 2,891,111</b>

See Independent Auditors' Report

Consolidating Statement of Cash Flows

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

Year Ended June 30, 2011

	<b>VOA of Kentucky Inc.</b>	<b>VOA Property Corporation of Louisville, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
<b>Operating Activities</b>				
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
<b>Net Cash Provided By Operating Activities</b>	<b>57,500</b>	<b>404,885</b>		<b>462,385</b>
<b>Investing Activities</b>				
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
<b>Net Cash Used In Investing Activities</b>	<b>(245,110)</b>	<b>(345,795)</b>		<b>(590,905)</b>
<b>Financing Activities</b>				
Net activity on lines of credit	331,674	(5,000)		326,674
Payments on mortgages and note payable	(620,491)	(68,832)		(689,323)
<b>Net Cash Used In Financing Activities</b>	<b>(288,817)</b>	<b>(73,832)</b>		<b>(362,649)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(476,427)</b>	<b>(14,742)</b>		<b>(491,169)</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>539,131</b>	<b>76,635</b>		<b>615,766</b>
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 62,704</b>	<b>\$ 61,893</b>	<b>\$</b>	<b>\$ 124,597</b>

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Consolidating Statement of Cash Flows

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

Year Ended June 30, 2010

	<b>VOA of Kentucky Inc.</b>	<b>VOA Property Corporation of Louisville, Inc.</b>	<b>Eliminations</b>	<b>Consolidated Totals</b>
<b>Operating Activities</b>				
Increase in net assets	\$ 481,226	\$ 322,078		\$ 803,304
Adjustments				
Depreciation and amortization	140,285	260,523		400,808
Bad debt expense	127,526			127,526
Gain on forgiveness of debt	(33,788)			(33,788)
Discount on pledges receivable	14,893			14,893
Allowance for uncollectible pledges receivable	7,199			7,199
Allowance for doubtful accounts receivable	(33,877)			(33,877)
Realized/unrealized gain on investments	(48,787)			(48,787)
Changes in operating assets and liabilities				
Accounts receivable	288,501	3,022		291,523
Pledges receivable	(228,953)			(228,953)
Prepaid expenses and other current assets	3,307	(156,541)	\$ (156,541)	3,307
Accounts payable	(84,045)	(670)		(84,715)
Accrued expenses	63,279			63,279
Other current liabilities	65,992	2,655	156,541	(87,894)
<b>Net Cash Provided By Operating Activities</b>	<b>762,758</b>	<b>431,067</b>		<b>1,193,825</b>
<b>Investing Activities</b>				
Purchases of property and equipment	(18,035)	(118,542)		(136,577)
Proceeds from sale of investments	31,515			31,515
Purchase of investments	(41,939)			(41,939)
Changes in amounts due from related parties	(29,489)			(29,489)
<b>Net Cash Used In Investing Activities</b>	<b>(57,948)</b>	<b>(118,542)</b>		<b>(176,490)</b>
<b>Financing Activities</b>				
Net activity on line of credit		20,926		20,926
Payments on mortgages and note payable	(252,763)	(291,110)		(543,873)
<b>Net Cash Used In Financing Activities</b>	<b>(252,763)</b>	<b>(270,184)</b>		<b>(522,947)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>452,047</b>	<b>42,341</b>		<b>494,388</b>
<b>Cash and Cash Equivalents Beginning of Year</b>	<b>87,084</b>	<b>34,294</b>		<b>121,378</b>
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 539,131</b>	<b>\$ 76,635</b>	<b>\$</b>	<b>\$ 615,766</b>

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