

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Financial Statements
Years Ended June 30, 2018 and 2017

Volunteers of America Mid-States, Inc. and Affiliates

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Years Ended June 30, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors
Volunteers of America Mid-States, Inc. and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Volunteers of America Mid-States, Inc. and Affiliates (the "Organization"), which are comprised of the consolidated statements of financial position as of June 30, 2018 and 2017, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Kentucky
Indiana
Ohio

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Volunteers of America Mid-States, Inc. and Affiliates as of June 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information as of and for the years ended June 30, 2018 and 2017 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 consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Louisville, Kentucky
November 1, 2018

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash	\$ 145,734	\$ 148,505
Accounts receivable, net	3,164,667	3,353,246
Pledges receivable, net	1,309,567	834,848
Prepaid expenses and other current assets	<u>206,382</u>	<u>354,831</u>
Total Current Assets	4,826,350	4,691,430
Property and Equipment, Net of Accumulated Depreciation	7,907,847	5,648,926
Other Assets		
Investments, restricted	59,664	55,511
Investments	1,438,891	1,325,226
Restricted deposits and funded reserves	111,908	85,321
Pledges receivable, net	<u>1,080,119</u>	<u>1,366,454</u>
Total Other Assets	<u>2,690,582</u>	<u>2,832,512</u>
Total Assets	<u>\$ 15,424,779</u>	<u>\$ 13,172,868</u>
Liabilities and Net Assets		
Current Liabilities		
Checks issued in excess of cash	\$ 147,996	\$ 171,736
Accounts payable	206,835	343,618
Accrued expenses	1,449,252	1,342,398
Other current liabilities	22,939	280
Lines of credit	1,125,000	1,775,000
Current maturities of long-term debt	<u>460,479</u>	<u>236,762</u>
Total Current Liabilities	3,412,501	3,869,794
Long-term Debt, Less Current Maturities	1,731,136	567,048
Net Assets		
Unrestricted	6,778,869	5,547,320
Temporarily restricted	3,442,609	3,133,195
Permanently restricted	<u>59,664</u>	<u>55,511</u>
Total Net Assets	<u>10,281,142</u>	<u>8,736,026</u>
Total Liabilities and Net Assets	<u>\$ 15,424,779</u>	<u>\$ 13,172,868</u>

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Statements of Activities and Changes in Net Assets
Year Ended June 30, 2018

	2018				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2017 Total
Revenues					
Support and revenues from operations					
Public support received directly					
Contributions	\$ 1,493,206	\$ 329,758	\$ -	\$ 1,822,964	\$ 1,462,090
Contributions, in-kind	272,332	-	-	272,332	337,966
Public support: capital and bequests	206,930	1,311,391	-	1,518,321	2,882,662
Special events	178,931	-	-	178,931	140,007
Public support received indirectly					
United Way allocation	89,438	-	-	89,438	92,785
Volunteers of America awards and grants	115,150	-	-	115,150	109,898
Total Public Support	2,355,987	1,641,149	-	3,997,136	5,025,408
Revenue and grants					
Fee-for-service revenue	12,815,754	-	-	12,815,754	13,289,228
Federal and state grants	9,813,758	1,000,000	-	10,813,758	8,886,661
Program service fees	1,636,831	-	-	1,636,831	1,624,043
Rental income	249,831	-	-	249,831	246,239
Miscellaneous revenue	60,029	-	-	60,029	4,767
Total Revenue and Grants	24,576,203	1,000,000	-	25,576,203	24,050,938
Net Assets Released from Restrictions					
Satisfaction of program activities	314,209	(314,209)	-	-	-
Satisfaction of capital improvements	2,017,526	(2,017,526)	-	-	-
Total Support and Revenues From Operations	29,263,925	309,414	-	29,573,339	29,076,346
Expenses					
Operating expenses					
Program services					
Fostering independence	13,369,211	-	-	13,369,211	13,553,820
Promoting self-sufficiency	9,789,797	-	-	9,789,797	9,308,459
Total Program Services	23,159,008	-	-	23,159,008	22,862,279
Support services and fundraising					
Management and general	3,614,701	-	-	3,614,701	3,644,317
Fundraising	855,583	-	-	855,583	982,519
Administrative fees paid to National Organization	622,371	-	-	622,371	559,586
Total Support Services and Fundraising	5,092,655	-	-	5,092,655	5,186,422
Total Operating Expenses	28,251,663	-	-	28,251,663	28,048,701
Increase in Net Assets From Operations	1,012,262	309,414	-	1,321,676	1,027,645
Nonoperating Gains (Losses) and Other Income					
Gain (loss) on sale of property and equipment	99,294	-	-	99,294	(539)
Interest and dividend income	52,255	-	-	52,255	38,231
Net realized and unrealized gains on investments	67,738	-	4,153	71,891	111,783
Nonoperating Gains (Losses) and Other Income	219,287	-	4,153	223,440	149,475
Change in Net Assets	1,231,549	309,414	4,153	1,545,116	1,177,120
Net Assets Beginning of Year	5,547,320	3,133,195	55,511	8,736,026	7,558,906
Net Assets End of Year	\$ 6,778,869	\$ 3,442,609	\$ 59,664	\$ 10,281,142	\$ 8,736,026

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Statements of Activities and Changes in Net Assets
Year Ended June 30, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues				
Support and revenues from operations				
Public support received directly				
Contributions	\$ 1,357,090	\$ 105,000	\$ -	\$ 1,462,090
Contributions, in-kind	337,966	-	-	337,966
Public support: capital and bequests	530,215	2,352,447	-	2,882,662
Special events	140,007	-	-	140,007
Public support received indirectly				
United Way allocation	92,785	-	-	92,785
Volunteers of America awards and grants	109,898	-	-	109,898
Total Public Support	2,567,961	2,457,447	-	5,025,408
Revenue and grants				
Fee-for-service revenue	13,289,228	-	-	13,289,228
Federal and state grants	8,886,661	-	-	8,886,661
Program service fees	1,624,043	-	-	1,624,043
Rental income	246,239	-	-	246,239
Miscellaneous revenue	4,767	-	-	4,767
Total Revenue and Grants	24,050,938	-	-	24,050,938
Net Assets Released from Restrictions				
Satisfaction of program activities	875,278	(875,278)	-	-
Satisfaction of capital improvements	725,000	(725,000)	-	-
Total Support and Revenues From Operations	28,219,177	857,169	-	29,076,346
Expenses				
Operating expenses				
Program services				
Fostering independence	13,553,820	-	-	13,553,820
Promoting self-sufficiency	9,308,459	-	-	9,308,459
Total Program Services	22,862,279	-	-	22,862,279
Support services and fundraising				
Management and general	3,644,317	-	-	3,644,317
Fundraising	982,519	-	-	982,519
Administrative fees paid to National Organization	559,586	-	-	559,586
Total Support Services and Fundraising	5,186,422	-	-	5,186,422
Total Operating Expenses	28,048,701	-	-	28,048,701
Increase in Net Assets From Operations	170,476	857,169	-	1,027,645
Nonoperating Gains (Losses) and Other Income				
Loss on sale of property and equipment	(539)	-	-	(539)
Interest and dividend income	38,231	-	-	38,231
Net realized and unrealized gains on investments	99,730	-	12,053	111,783
Nonoperating Gains (Losses) and Other Income	137,422	-	12,053	149,475
Change in Net Assets	307,898	857,169	12,053	1,177,120
Net Assets Beginning of Year	5,239,422	2,276,026	43,458	7,558,906
Net Assets End of Year	\$ 5,547,320	\$ 3,133,195	\$ 55,511	\$ 8,736,026

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Statement of Functional Expenses
Year Ended June 30, 2018

	Program Services			Support Services			Total Operating Expenses
	Fostering Independence	Promoting Self-sufficiency	Total	Management and General	Fundraising	Total	
Salaries	\$ 8,587,471	\$ 4,119,251	\$ 12,706,722	\$ 1,894,512	\$ 334,260	\$ 2,228,772	\$ 14,935,494
Pension expense	-	-	-	8,523	2,131	10,654	10,654
Other employee benefits	513,347	313,006	826,353	196,051	37,184	233,235	1,059,588
Payroll taxes	873,676	387,058	1,260,734	76,208	25,636	101,844	1,362,578
Legal fees	-	-	-	1,531	-	1,531	1,531
Accounting fees	8,488	-	8,488	48,600	-	48,600	57,088
Other professional fees	643,816	343,766	987,582	422,326	61,769	484,095	1,471,677
Supplies and expenses	206,548	539,149	745,697	208,644	15,966	224,610	970,307
Telecommunications	98,979	117,641	216,620	64,304	3,339	67,643	284,263
Postage	5,737	2,122	7,859	27,474	15,053	42,527	50,386
Occupancy expense	676,179	666,370	1,342,549	57,886	69,246	127,132	1,469,681
Interest	14,057	-	14,057	81,019	-	81,019	95,076
Insurance	266,875	125,654	392,529	2,752	-	2,752	395,281
Equipment rental and maintenance	38,792	50,530	89,322	18,055	59,016	77,071	166,393
Printing and publications	47,919	20,171	68,090	184,666	74,153	258,819	326,909
Travel and transportation	402,709	194,603	597,312	99,299	17,045	116,344	713,656
Conferences and meetings	39,297	79,449	118,746	112,993	14,606	127,599	246,345
Specific assistance to individuals	371,580	2,782,085	3,153,665	15,100	20,038	35,138	3,188,803
Other	3,869	26,032	29,901	57,263	106,141	163,404	193,305
Depreciation and amortization	569,872	22,910	592,782	37,495	-	37,495	630,277
Total Functional Expenses	<u>\$ 13,369,211</u>	<u>\$ 9,789,797</u>	<u>\$ 23,159,008</u>	<u>\$ 3,614,701</u>	<u>\$ 855,583</u>	<u>\$ 4,470,284</u>	27,629,292
Administrative functional expenses							<u>622,371</u>
Total Operating Expenses							<u>\$ 28,251,663</u>

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services			Support Services			Total Operating Expenses
	Fostering Independence	Promoting Self-sufficiency	Total	Management and General	Fundraising	Total	
Salaries	\$ 8,965,702	\$ 4,275,559	\$ 13,241,261	\$ 1,933,176	\$ 417,938	\$ 2,351,114	\$ 15,592,375
Pension expense	-	-	-	14,060	2,100	16,160	16,160
Other employee benefits	440,073	260,967	701,040	170,534	36,948	207,482	908,522
Payroll taxes	846,936	392,070	1,239,006	128,910	38,500	167,410	1,406,416
Legal fees	-	-	-	19,757	-	19,757	19,757
Accounting fees	9,170	-	9,170	46,909	-	46,909	56,079
Other professional fees	634,612	102,731	737,343	362,362	59,081	421,443	1,158,786
Supplies and expenses	230,598	669,996	900,594	185,515	59,128	244,643	1,145,237
Telecommunications	102,115	90,057	192,172	51,344	8,445	59,789	251,961
Postage	5,340	1,345	6,685	24,778	16,703	41,481	48,166
Occupancy expense	705,326	842,988	1,548,314	87,480	22,596	110,076	1,658,390
Interest	18,652	-	18,652	60,884	-	60,884	79,536
Insurance	217,150	106,952	324,102	4,000	-	4,000	328,102
Equipment rental and maintenance	38,959	25,041	64,000	19,536	54,041	73,577	137,577
Printing and publications	54,761	12,309	67,070	204,597	57,779	262,376	329,446
Travel and transportation	456,011	266,364	722,375	103,090	45,200	148,290	870,665
Conferences and meetings	21,612	51,877	73,489	106,305	12,790	119,095	192,584
Specific assistance to individuals	316,696	2,066,745	2,383,441	15,531.00	71,507	87,038	2,470,479
Other	3,349	114,413	117,762	77,575	79,763	157,338	275,100
Depreciation and amortization	486,758	29,045	515,803	27,974	-	27,974	543,777
Total Functional Expenses	<u>\$ 13,553,820</u>	<u>\$ 9,308,459</u>	<u>\$ 22,862,279</u>	<u>\$ 3,644,317</u>	<u>\$ 982,519</u>	<u>\$ 4,626,836</u>	27,489,115
Administrative functional expenses							<u>559,586</u>
Total Operating Expenses							<u>\$ 28,048,701</u>

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,545,116	\$ 1,177,120
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	630,277	543,777
Contributions restricted for long-term purposes	(2,457,130)	(2,352,447)
Provision for uncollectible pledges and accounts receivable	98,030	175,338
Realized and unrealized gains on investments	(71,891)	(111,783)
(Gain) loss on sale of property and equipment	(99,294)	539
Changes in operating assets and liabilities		
Accounts receivable, net	188,579	(126,563)
Pledges receivable, net	500,599	(312,068)
Prepaid expenses and other current assets	148,449	31,751
Accounts payable	(136,785)	101,160
Checks issued in excess of cash	(23,740)	171,736
Accrued expenses	106,854	(162,582)
Other current liabilities	<u>22,659</u>	<u>(12,456)</u>
Net Cash Provided by (Used in) Operating Activities	451,723	(876,478)
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,943,079)	(1,670,128)
Proceeds from sale of property and equipment	153,177	-
Purchase of investments	(1,741,626)	(1,171,090)
Proceeds from sale of investments	1,695,699	1,137,876
Changes in restricted deposits and funded reserves, net	<u>(26,587)</u>	<u>(11,135)</u>
Net Cash Used in Investing Activities	(2,862,416)	(1,714,477)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term purposes	1,670,117	1,012,217
Net activity on line of credit	(650,000)	775,000
Payments on long-term debt	(512,195)	(203,980)
Proceeds from long-term debt	<u>1,900,000</u>	<u>216,305</u>
Net Cash Provided by Financing Activities	<u>2,407,922</u>	<u>1,799,542</u>
Decrease in Cash and Cash Equivalents	(2,771)	(791,413)
Cash and Cash Equivalents Beginning of Year	<u>148,505</u>	<u>939,918</u>
Cash and Cash Equivalents End of Year	<u>\$ 145,734</u>	<u>\$ 148,505</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 97,174	\$ 82,162

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements
Years Ended June 30, 2018 and 2017

Note A - Description of Organization

Volunteers of America Mid-States, Inc. and Affiliates f/k/a Volunteers of America of Kentucky, Inc. and Affiliates (the "Organization") is a nonprofit spiritually based human services organization, incorporated in Kentucky that provides social services within Kentucky, Indiana, Tennessee, West Virginia and Ohio 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 Affiliates consist of VOA Property Corporation of Louisville, Inc., VOA of Northern Kentucky, Inc. and six HUD-financed properties (see below).

The Organization has the following significant impact areas:

1. 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
 - Healthcare services - HIV/AIDS services
 - Housing - disabled and elderly housing
2. 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 Organization operates six residential properties funded by the U.S. Department of Housing and Urban Development ("HUD"), through a common board of directors and management team.

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.

These HUD properties were formed to provide housing under programs as defined by the National Housing Act. Their operations are regulated by HUD as to rent charges and operating methods. Each HUD property receives monthly rent subsidies from HUD.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2018 and 2017

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:

1. Basis of Accounting: The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and as applicable to voluntary health and welfare organizations. The ASC as produced by the Financial Accounting Standards Board ("FASB") is the sole source of authoritative GAAP.
2. Principles of Consolidation: The Organization's consolidated financial statements include the accounts of Volunteers of America (VOA) Mid-States, Inc., VOA Property Corporation of Louisville, Inc., VOA of Northern Kentucky, Inc., and the Various HUD Properties. All material inter-entity transactions and balances have been eliminated.
3. Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.
4. Subsequent Events: Subsequent events for the Organization have been considered through the date of the Independent Auditor's Report, which represents the date the consolidated financial statements were available to be issued.
5. 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. The Organization follows the policy of reporting donor-imposed restricted contributions whose restrictions are met in the same period as received as unrestricted revenue.

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.

6. Operations: The Organization defines operations as all program and supporting service activities undertaken. Support and 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 other assets, are reported as non-operating.
7. 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. The carrying amount approximates fair value because of the short maturity of those instruments. The Organization typically maintains balances with its bank in excess of federally insured limits.
8. Investments: Investments consist primarily of money market and mutual funds. Investments are carried at fair value, generally determined by quoted market prices. Receipt of donated investments is recorded at the quoted market value of the investment at the time of donation.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2018 and 2017

Note B - Summary of Significant Accounting Policies (Continued)

9. Accounts Receivable: The Organization reports accounts receivable for services rendered at net realizable amounts from third-party payers, clients and others. An allowance for doubtful accounts is provided 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. The allowance is \$193,476 and \$230,589 at June 30, 2018 and 2017 respectively.
10. Pledges Receivable: Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received.

The Organization provides an allowance for uncollectible pledges based upon the collectability of each specific pledge. The allowance is \$134,644 and \$105,981 at June 30, 2018 and 2017 respectively.

11. 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. Donated assets are similarly capitalized using the fair value of the asset as of the date donated. Depreciation expense was \$630,277 and \$543,777 for the years ended June 30, 2018 and 2017 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

12. Impairment of Long-lived Assets: 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 are less than its carrying amount.

There were no charges for impairment of long-lived assets during 2018 or 2017.

13. 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.
14. Contributions: Contributions are recorded upon receipt. Contributions in the form of a pledge are recorded upon receipt of pledge documentation. Conditional promises to give are not included as support until such time as the conditions are substantially met.
15. 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 \$272,332 and \$337,966 for the years ended June 30, 2018 and 2017, respectively.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2018 and 2017

Note B - Summary of Significant Accounting Policies (Continued)

16. 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.
17. Income Taxes: Under provision of Section 501(c)(3) of the Internal Revenue Code as a subordinate unit of the National Organization and the applicable income tax regulations of the state of Kentucky, the Organization is exempt from income taxes, except for net income from unrelated business income. The National Organization 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 during the fiscal years ended June 30, 2018 and 2017 and accordingly, no tax expense was incurred during these years.

The Organization recognizes uncertain income tax provisions using the "more-likely-than-not" approach as defined in the ASC. No liability for uncertain income tax positions has been recorded in the accompanying financial statements.

18. Advertising Costs: Advertising costs are expensed as incurred. Advertising expense was \$214,224 and \$231,114 for the years ended June 30, 2018 and 2017 respectively, and is included in printing and publications in the consolidated statements of functional expenses.
19. Allocation of Functional Expenses: The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allowed directly according to their natural expense classification. Other expenses that are common to several functions are allocated using various bases such as time studies and space allocations.
20. Recent Accounting Pronouncements: In August 2016, the FASB issued Accounting Standards Update No. 2016-14 (ASU 2016-14), *Presentation of Financial Statements of Not-for-Profit Entities*. This updated guidance changes presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditor and other users. This guidance includes qualitative and quantitative requirements in the following areas: 1) net asset classes, 2) investment return, 3) expenses, 4) liquidity and availability of resources, and 5) presentation of operating cash flows. This standard will be effective for the fiscal year ending June 30, 2019.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 820)*. This standard requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Consequently, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. This standard will be effective for the fiscal year ending June 30, 2019.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will be effective for the fiscal year ending June 30, 2020.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2018 and 2017

Note B - Summary of Significant Accounting Policies (Continued)

20. Recent Accounting Pronouncements (Continued): In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this standard should assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. This standard will be effective for the fiscal year ending June 30, 2020.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), to improve financial reporting with respect to leasing transactions. ASU No. 2016-02 will require lessees to recognize a lease liability and a right-of-use asset with respect to all leases with terms of greater than twelve months. The lease liability recognized in the statement of financial position will represent the lessee's obligation to make lease payments measured on a discounted basis, while the right-of-use asset will represent the lessee's right to use, or control use of, the underlying asset for the lease term. For leases with a term of twelve months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease asset and lease liabilities. This standard will be effective for the fiscal year ending June 30, 2021.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. The standard requires a financial asset (including trade receivables) measured at amortized cost basis to be presented at the net amount expected to be collected. Thus, the statement of activities will reflect the measurement of credit losses for newly-recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period. The standard will be effective for the fiscal year ending June 30, 2022.

The Organization is currently evaluating this guidance and its related impact on the Organization's consolidated financial statements.

Note C - Pledges Receivable

Pledges receivable at June 30, 2018 and 2017 consists of the following:

	June 30	
	2018	2017
Pledges receivable	\$ 2,676,491	\$ 2,477,814
Less unamortized discount	152,161	170,531
Less allowance for uncollectible pledges	134,644	105,981
	<u>\$ 2,389,686</u>	<u>\$ 2,201,302</u>
Amounts due in:		
Less than one year	\$ 1,309,567	\$ 834,848
One to five years	1,366,924	1,642,966
	<u>\$ 2,676,491</u>	<u>\$ 2,477,814</u>

Pledges receivable due after one year have been discounted to present value reflecting the time value of money using a discount rate of 3.25% at both June 30, 2018 and 2017.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2018 and 2017

Note D - Property and Equipment

Property and equipment at June 30, 2018 and 2017 consists of the following:

	June 30	
	2018	2017
Land	\$ 591,311	\$ 591,311
Buildings and improvements	10,277,067	8,374,348
Vehicles	2,189,771	1,940,736
Furniture and equipment	2,370,970	1,715,588
Construction in progress	17,205	-
	15,446,324	12,621,983
Less accumulated depreciation	7,538,477	6,973,057
	<u>\$ 7,907,847</u>	<u>\$ 5,648,926</u>

Note E - Investments and Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which the transaction for the asset or liability occurs with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data, such as quoted prices for similar assets or liabilities or model-derived valuations.
- Level 3: Unobservable inputs that are not corroborated by market data. These inputs reflect an organization's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The following is a description of the valuation methodologies for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Money market funds and mutual funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end. The NAV is based on the value of the underlying investment assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

Funds held in trust by others: The underlying assets of the funds are valued at the closing price reported on the active market on which the individual securities are traded. The funds are valued at the net asset value of the underlying assets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2018 and 2017

Note E - Investments and Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2018:

	Investments at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 26,983	\$ -	\$ -	\$ 26,983
Mutual funds	1,316,986	-	-	1,316,986
Funds held in trust by others	-	154,586	-	154,586
	<u>\$ 1,343,969</u>	<u>\$ 154,586</u>	<u>\$ -</u>	<u>\$ 1,498,555</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2017:

	Investments at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 10,969	\$ -	\$ -	\$ 10,969
Mutual funds	1,225,189	-	-	1,225,189
Funds held in trust by others	-	144,579	-	144,579
	<u>\$ 1,236,158</u>	<u>\$ 144,579</u>	<u>\$ -</u>	<u>\$ 1,380,737</u>

Included in investments is \$154,587 and \$144,579 at June 30, 2018 and 2017 respectively, which is invested in a fund at The Community Foundation of Louisville. Terms of the fund allow the Organization to have access to \$94,923 and \$89,068 of these investments at June 30, 2018 and 2017, respectively, with the balance restricted for permanent endowment purposes.

Note F - Line of Credit

The Organization had a line of credit with PNC Bank which provides for borrowings up to \$2,000,000. In April 2017, terms of the line of credit were amended to increase the maximum borrowing to \$2,300,000. Outstanding balances bear interest at the daily LIBOR rate plus 2.50% (4.60% at June 30, 2018). The interest rate was changed from prime plus .50% upon renewal in December 2017. The line is secured by real estate and expires December 31, 2018. The outstanding balance on this line of credit was \$1,125,000 and \$1,775,000 as of June 30, 2018 and 2017, respectively.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2018 and 2017

Note G - Long-term Debt

Long-term debt at June 30, 2018 and 2017 consists of the following:

	2018	2017
Note payable to PNC Bank, bearing interest at LIBOR plus 2.50% (4.60% at June 30, 2018) payable in monthly principal and interest installments of \$10,397 through November 2026.	\$ 853,138	\$ -
Equipment line of credit note to PNC Bank bearing interest at LIBOR plus 2.25%. Organization can borrow up to \$700,000 at which time the line of credit converts to a term note. Interest only payments due until conversion. Line of credit converted to term note on June 28, 2018. Term note bears interest at LIBOR plus 2.25% (4.35% at June 30, 2018) and requires 60 monthly payments of principal and interest of \$13,226 beginning July 2018 with balance due in June 2023. Guaranteed by two affiliates of the Organization.	700,000	216,279
Note payable to the Community Foundation of Louisville, interest rate of 3.50%; payable in monthly principal and interest installments of \$5,458 through October 2020.	267,640	-
Note payable to PNC Bank, interest rate of 3.75%, payable in monthly principal and interest installments of \$7,332 through May 2020.	161,796	241,965
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.	85,242	100,916
Mortgage payable to First Tennessee Bank, interest rate of 4.17%, payable in monthly principal and interest installments of \$3,902 through October 2020.	78,773	145,286
Note payable to PNC Bank, interest rate of 3.75%, payable in monthly principal and interest installments of \$4,583 through April 2019.	45,026	97,232
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. Paid in full during the year ended June 30, 2018.	-	2,132
	2,191,615	803,810
Less current maturities	460,479	236,762
	<u>\$ 1,731,136</u>	<u>\$ 567,048</u>

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

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2018 and 2017

Note G - Long-term Debt (Continued)

At June 30, 2018, the aggregate annual maturities of principal payments on the notes payable are:

<u>Year Ending June 30</u>	
2019	\$ 460,479
2020	412,443
2021	314,199
2022	330,296
2023	283,640
Thereafter	<u>390,558</u>
	<u><u>\$ 2,191,615</u></u>

Note H - 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 years ended June 30, 2018 and 2017 totaled \$622,371 and \$559,586, respectively. The Organization had service fees due to the National Organization totaling \$0 and \$6,883 as of June 30, 2018 and 2017 respectively, which are included in accrued expenses on the consolidated statements of financial position.

The Organization contributed \$10,654 and \$16,160 for the years ended June 30, 2018 and 2017 respectively, to fund The Volunteers of America National Pension Plan, the defined benefit pension plan of the National Organization covering all commissioned ministers.

As of June 30, 2018 and 2017, the Organization was due \$81,388 and \$76,086 respectively, from seven HUD-financed properties which were formerly managed by the Organization. These amounts are included in accounts receivable on the accompanying consolidated statements of financial position.

Note I - Retirement Plan

The Organization participates in a defined contribution retirement 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, 2018 and 2017 was \$64,268 and \$56,500 respectively.

Note J - 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 and ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial statements of the Organization.

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2018 and 2017

Note K - Lease Commitments

The Organization leases properties in Kentucky, Tennessee and Indiana for various group homes and offices and vehicles with monthly rents ranging from \$42 to \$6,347. These leases expire at various dates through June 30, 2023. The Organization also leases multiple properties on a month-to-month basis. Total lease expense for the years ended June 30, 2018 and 2017 was \$1,038,431 and \$1,125,699, respectively.

The aggregate future minimum lease payments as of June 30, 2018 are as follows:

<u>Year Ending June 30</u>	
2019	\$ 324,137
2020	157,099
2021	57,318
2022	18,000
2023	<u>9,000</u>
	<u>\$ 565,554</u>

Note L - Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Outpatient Addicton Recovery - Kentucky & Southern Indiana	\$ 1,063,239	\$ 75,000
Second Street Project	921,313	1,627,447
Education, Supplies, Bedding	70,786	-
iChooseWell: Healthy Choices for Women and Families	62,200	47,725
Shelby Mens Veterans Program	5,000	30,000
Transitional Housing - Veterans	4,580	-
Moral Injury Training	3,031	-
Rehousing Families	863	-
Freedom House Project	<u>-</u>	<u>41,426</u>
Total Temporarily Restricted by Donors	2,131,012	1,821,598
HUD capital advances	<u>1,311,597</u>	<u>1,311,597</u>
	<u>\$ 3,442,609</u>	<u>\$ 3,133,195</u>

Volunteers of America Mid-States, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
Years Ended June 30, 2018 and 2017

Note L - Restrictions on Net Assets (Continued)

The following entities have capital advances from HUD as of both June 30, 2018 and 2017:

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

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. Permanently restricted net assets are \$59,664 and \$55,511 at June 30, 2018 and 2017, respectively.

Note M - Contingencies

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 Veterans Affairs, and the U.S. Department of Housing and Urban Development. Such administrative directives, rules and regulations are subject to change by an act of Congress 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.

Supplementary Information

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Financial Position
June 30, 2018

	VOA Mid-States, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Elimination	Consolidated Totals
Assets						
Current Assets						
Cash and cash equivalents	\$ 28,069	\$ 16,611	\$ 9,979	\$ 91,075	\$ -	\$ 145,734
Accounts receivable, net	3,018,541	13,701	822,078	1,702	(691,355)	3,164,667
Pledges receivable, net	1,309,567	-	-	-	-	1,309,567
Prepaid expenses and other current assets	2,950,880	15,909	66,650	-	(2,827,057)	206,382
Total Current Assets	7,307,057	46,221	898,707	92,777	(3,518,412)	4,826,350
Property and Equipment						
Land and buildings	552,180	8,670,412	-	1,645,786	-	10,868,378
Furniture and equipment	1,384,783	3,173,633	8,032	11,498	-	4,577,946
Less accumulated depreciation	1,587,906	5,551,284	8,032	391,255	-	7,538,477
Total Property and Equipment	349,057	6,292,761	-	1,266,029	-	7,907,847
Other Assets						
Investments, restricted	59,664	-	-	-	-	59,664
Investments	1,438,891	-	-	-	-	1,438,891
Restricted deposits and funded reserves	-	-	-	111,908	-	111,908
Pledges receivable, net	1,080,119	-	-	-	-	1,080,119
Total Other Assets	2,578,674	-	-	111,908	-	2,690,582
Total Assets	<u>\$ 10,234,788</u>	<u>\$ 6,338,982</u>	<u>\$ 898,707</u>	<u>\$ 1,470,714</u>	<u>\$ (3,518,412)</u>	<u>\$ 15,424,779</u>

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Financial Position (Continued)
June 30, 2018

	VOA Mid-States, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Elimination	Consolidated Totals
Liabilities and Net Assets						
Current Liabilities						
Checks issued in excess of cash	\$ 147,996	\$ -	\$ -	\$ -	\$ -	\$ 147,996
Accounts payable	818,305	2,832,989	10,446	63,507	(3,518,412)	206,835
Accrued expenses	1,375,124	-	56,304	17,824	-	1,449,252
Other current liabilities	-	5,923	17,016	-	-	22,939
Lines of credit	1,125,000	-	-	-	-	1,125,000
Current maturities of long-term debt	399,855	43,310	-	17,314	-	460,479
Total Current Liabilities	3,866,280	2,882,222	83,766	98,645	(3,518,412)	3,412,501
Long-term Debt, less current maturities	1,627,745	35,463	-	67,928	-	1,731,136
Net Assets						
Unrestricted	2,550,087	3,421,297	814,941	(7,456)	-	6,778,869
Temporarily restricted	2,131,012	-	-	1,311,597	-	3,442,609
Permanently restricted	59,664	-	-	-	-	59,664
Total Net Assets	4,740,763	3,421,297	814,941	1,304,141	-	10,281,142
Total Liabilities and Net Assets	<u>\$ 10,234,788</u>	<u>\$ 6,338,982</u>	<u>\$ 898,707</u>	<u>\$ 1,470,714</u>	<u>\$ (3,518,412)</u>	<u>\$ 15,424,779</u>

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Financial Position
June 30, 2017

	VOA Mid-States, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Elimination	Consolidated Totals
Assets						
Current Assets						
Cash and cash equivalents	\$ 81,663	\$ 452	\$ 26,145	\$ 40,245	\$ -	\$ 148,505
Accounts receivable, net	3,200,125	25,984	729,167	1,162	(603,192)	3,353,246
Pledges receivable, net	834,848	-	-	-	-	834,848
Prepaid expenses and other current assets	518,206	18,659	51,179	-	(233,213)	354,831
Total Current Assets	4,634,842	45,095	806,491	41,407	(836,405)	4,691,430
Property and Equipment						
Land and buildings	552,180	6,767,693	-	1,645,786	-	8,965,659
Furniture and equipment	1,254,664	2,382,130	8,032	11,498	-	3,656,324
Less accumulated depreciation	1,495,078	5,119,845	7,857	350,277	-	6,973,057
Total Property and Equipment	311,766	4,029,978	175	1,307,007	-	5,648,926
Other Assets						
Investments, restricted	55,511	-	-	-	-	55,511
Investments	1,325,226	-	-	-	-	1,325,226
Restricted deposits and funded reserves	-	-	-	85,321	-	85,321
Pledges receivable, net	1,366,454	-	-	-	-	1,366,454
Total Other Assets	2,747,191	-	-	85,321	-	2,832,512
Total Assets	<u>\$ 7,693,799</u>	<u>\$ 4,075,073</u>	<u>\$ 806,666</u>	<u>\$ 1,433,735</u>	<u>\$ (836,405)</u>	<u>\$ 13,172,868</u>

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Financial Position (Continued)
June 30, 2017

	VOA Mid-States, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Elimination	Consolidated Totals
Liabilities and Net Assets						
Current Liabilities						
Checks issued in excess of cash	\$ 171,736	\$ -	\$ -	\$ -	\$ -	\$ 171,736
Accounts payable	824,522	267,380	15,354	72,767	(836,405)	343,618
Accrued expenses	1,256,633	-	81,359	4,406	-	1,342,398
Other current liabilities	-	280	-	-	-	280
Line of credit	1,775,000	-	-	-	-	1,775,000
Current maturities of long-term debt	177,287	41,544	-	17,931	-	236,762
Total Current Liabilities	4,205,178	309,204	96,713	95,104	(836,405)	3,869,794
Long-term Debt, less current maturities	378,180	103,742	-	85,126	-	567,048
Net Assets						
Unrestricted	1,233,332	3,662,127	709,953	(58,092)	-	5,547,320
Temporarily restricted	1,821,598	-	-	1,311,597	-	3,133,195
Permanently restricted	55,511	-	-	-	-	55,511
Total Net Assets	3,110,441	3,662,127	709,953	1,253,505	-	8,736,026
Total Liabilities and Net Assets	\$ 7,693,799	\$ 4,075,073	\$ 806,666	\$ 1,433,735	\$ (836,405)	\$ 13,172,868

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018

	VOA States, Inc.	Mid- States, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Elimination	Consolidated Totals					
Unrestricted Net Assets												
Revenues												
Support and revenues from operations												
Public support received directly												
Contributions	\$	1,483,206	\$	-	\$	10,000	\$	-	\$	-	\$	1,493,206
Contributions, in-kind		272,332		-		-		-		-		272,332
Public support: capital and bequests		206,930		-		-		-		-		206,930
Special events		178,931		-		-		-		-		178,931
Public support received indirectly												
United Way allocation		814		-		88,624		-		-		89,438
Volunteers of America awards and grants		115,150		-		-		-		-		115,150
Total Public Support		2,257,363		-		98,624		-		-		2,355,987
Revenue and grants												
Fee-for-service revenue		10,944,754		-		1,871,000		-		-		12,815,754
Federal and state grants		9,813,758		-		-		-		-		9,813,758
Program service fees		1,207,473		487,932		141,911		-		(200,485)		1,636,831
Rental income		-		95,512		-		249,831		(95,512)		249,831
Miscellaneous revenue		2,811,643		-		-		-		(2,751,614)		60,029
Total Revenue and Grants		24,777,628		583,444		2,012,911		249,831		(3,047,611)		24,576,203
Net assets released from restrictions												
Satisfaction of program activities		314,209		-		-		-		-		314,209
Satisfaction of capital improvements		2,017,526		-		-		-		-		2,017,526
Total Support and Revenues from Operations	\$	29,366,726	\$	583,444	\$	2,111,535	\$	249,831	\$	(3,047,611)	\$	29,263,925

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets (Continued)
Year Ended June 30, 2018

	VOA Mid-States, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Elimination	Consolidated Totals
Expenses						
Operating expenses						
Program services						
Fostering independence	\$ 12,026,671	\$ 923,568	\$ 2,006,547	\$ 199,195	\$ (1,786,770)	\$ 13,369,211
Promoting self-sufficiency	11,050,638	-	-	-	(1,260,841)	9,789,797
Total Program Services	23,077,309	923,568	2,006,547	199,195	(3,047,611)	23,159,008
Support services and fundraising						
Management and general	3,614,701	-	-	-	-	3,614,701
Fundraising	855,583	-	-	-	-	855,583
Administrative fees paid to National Organization	622,371	-	-	-	-	622,371
Total Support Services and Fundraising	5,092,655	-	-	-	-	5,092,655
Total Operating Expenses	28,169,964	923,568	2,006,547	199,195	(3,047,611)	28,251,663
Increase (Decrease) in Net Assets from Operations	1,196,762	(340,124)	104,988	50,636	-	1,012,262
Nonoperating Gains (Losses) and Other Income (Expense)						
Gain on sale of property and equipment	-	99,294	-	-	-	99,294
Interest and dividend income	52,255	-	-	-	-	52,255
Net realized and unrealized gain on investments	67,738	-	-	-	-	67,738
Nonoperating Gains (Losses) and Other Income (Expense)	119,993	99,294	-	-	-	219,287
Change in Unrestricted Net Assets	1,316,755	(240,830)	104,988	50,636	-	1,231,549
Temporarily Restricted Net Assets						
Contributions	329,758	-	-	-	-	329,758
Public support: capital and bequests	1,311,391	-	-	-	-	1,311,391
Federal and state grants	1,000,000	-	-	-	-	1,000,000
Net assets released from restriction						
Satisfaction of program activities	(314,209)	-	-	-	-	(314,209)
Satisfaction of capital improvements	(2,017,526)	-	-	-	-	(2,017,526)
Change in Temporarily Restricted Net Assets	309,414	-	-	-	-	309,414
Permanently Restricted Net Assets						
Net realized and unrealized gain on investments	4,153	-	-	-	-	4,153
Change in Net Assets	1,630,322	(240,830)	104,988	50,636	-	1,545,116
Net Assets Beginning of Year	3,110,441	3,662,127	709,953	1,253,505	-	8,736,026
Net Assets End of Year	\$ 4,740,763	\$ 3,421,297	\$ 814,941	\$ 1,304,141	\$ -	\$ 10,281,142

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2017

	VOA Mid-States, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Elimination	Consolidated Totals
Unrestricted Net Assets						
Revenues						
Support and revenues from operations						
Public Support Received Directly						
Contributions	\$ 1,357,090	\$ -	\$ -	\$ -	\$ -	\$ 1,357,090
Contributions, in-kind	337,966	-	-	-	-	337,966
Public support: capital and bequests	530,215	-	-	-	-	530,215
Special events	140,007	-	-	-	-	140,007
Public support received indirectly						
United Way allocation	161	-	92,624	-	-	92,785
Volunteers of America awards and grants	109,898	-	-	-	-	109,898
Total Public Support	2,475,337	-	92,624	-	-	2,567,961
Revenue and grants						
Fee-for-service revenue	11,428,862	-	1,860,366	-	-	13,289,228
Federal and state grants	8,886,661	-	-	-	-	8,886,661
Program service fees	1,146,625	525,785	132,435	-	(180,802)	1,624,043
Rental income	-	98,932	-	246,239	(98,932)	246,239
Miscellaneous revenue	2,774,208	-	-	-	(2,769,441)	4,767
Total Revenue and Grants	24,236,356	624,717	1,992,801	246,239	(3,049,175)	24,050,938
Net assets released from restrictions						
Satisfaction of program activities	875,278	-	-	-	-	875,278
Satisfaction of capital improvements	725,000	-	-	-	-	725,000
Total Support and Revenues from Operations	\$ 28,311,971	\$ 624,717	\$ 2,085,425	\$ 246,239	\$ (3,049,175)	\$ 28,219,177

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets (Continued)
Year Ended June 30, 2017

	VOA Mid-States, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Elimination	Consolidated Totals
Expenses						
Operating expenses						
Program services						
Fostering independence	\$ 12,268,265	\$ 888,533	\$ 1,966,706	\$ 243,342	\$ (1,813,026)	\$ 13,553,820
Promoting self-sufficiency	10,544,608	-	-	-	(1,236,149)	9,308,459
Total Program Services	22,812,873	888,533	1,966,706	243,342	(3,049,175)	22,862,279
Support services and fundraising						
Management and general	3,644,317	-	-	-	-	3,644,317
Fundraising	982,519	-	-	-	-	982,519
Administrative fees paid to National Organization	559,586	-	-	-	-	559,586
Total Support Services and Fundraising	5,186,422	-	-	-	-	5,186,422
Total Operating Expenses	27,999,295	888,533	1,966,706	243,342	(3,049,175)	28,048,701
Increase (Decrease) in Net Assets from Operations	312,676	(263,816)	118,719	2,897	-	170,476
Nonoperating Gains (Losses) and Other Income (Expense)						
Loss on sale of property and equipment	(539)	-	-	-	-	(539)
Interest and dividend income	38,231	-	-	-	-	38,231
Net realized and unrealized loss on investments	99,730	-	-	-	-	99,730
Nonoperating Gains (Losses) and Other Income (Expense)	137,422	-	-	-	-	137,422
Change in Unrestricted Net Assets	450,098	(263,816)	118,719	2,897	-	307,898
Temporarily Restricted Net Assets						
Contributions	105,000	-	-	-	-	105,000
Public support: capital and bequests	2,352,447	-	-	-	-	2,352,447
Net assets released from restriction,						
Satisfaction of program activities	(875,278)	-	-	-	-	(875,278)
Satisfaction of capital improvements	(725,000)	-	-	-	-	(725,000)
Change in Temporarily Restricted Net Assets	857,169	-	-	-	-	857,169
Permanently Restricted Net Assets						
Net realized and unrealized loss on investments	12,053	-	-	-	-	12,053
Change in Net Assets	1,319,320	(263,816)	118,719	2,897	-	1,177,120
Net Assets Beginning of Year	1,791,121	3,925,943	591,234	1,250,608	-	7,558,906
Net Assets End of Year	\$ 3,110,441	\$ 3,662,127	\$ 709,953	\$ 1,253,505	\$ -	\$ 8,736,026

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Cash Flows
Year Ended June 30, 2018

	VOA Mid-States, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Elimination	Consolidated Totals
Cash Flows from Operating Activities						
Change in net assets	\$ 1,630,322	\$ (240,830)	\$ 104,988	\$ 50,636	\$ -	\$ 1,545,116
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities						
Depreciation and amortization	92,827	496,295	175	40,980	-	630,277
Contributions restricted for long-term purposes	(2,457,130)	-	-	-	-	(2,457,130)
Provision for uncollectible pledges receivable	98,030	-	-	-	-	98,030
Realized and unrealized gain on investments	(71,891)	-	-	-	-	(71,891)
Gain on sale of real estate	-	(99,294)	-	-	-	(99,294)
Change in						
Accounts receivable, net	181,584	12,283	(92,911)	(540)	88,163	188,579
Pledges receivable, net	500,599	-	-	-	-	500,599
Prepaid expenses and other current assets	(2,432,674)	2,750	(15,471)	-	2,593,844	148,449
Accounts payable	(6,217)	2,565,609	(4,908)	(9,262)	(2,682,007)	(136,785)
Checks issued in excess of cash	(23,740)	-	-	-	-	(23,740)
Accrued expenses	118,491	-	(25,055)	13,418	-	106,854
Other current liabilities	-	5,643	17,016	-	-	22,659
Net Cash Provided by (Used in) Operating Activities	(2,369,799)	2,742,456	(16,166)	95,232	-	451,723
Cash Flows from Investing Activities						
Purchases of property and equipment	(130,118)	(2,812,961)	-	-	-	(2,943,079)
Proceeds from sale of property and equipment	-	153,177	-	-	-	153,177
Purchase of investments	(1,741,626)	-	-	-	-	(1,741,626)
Proceeds from sale of investments	1,695,699	-	-	-	-	1,695,699
Changes in restricted deposits and funded reserves, net	-	-	-	(26,587)	-	(26,587)
Net Cash Used in Investing Activities	(176,045)	(2,659,784)	-	(26,587)	-	(2,862,416)
Cash Flows from Financing Activities						
Proceeds from contributions restricted for long-term purposes	1,670,117	-	-	-	-	1,670,117
Net activity on lines of credit	(650,000)	-	-	-	-	(650,000)
Payments on long-term debt	(427,867)	(66,513)	-	(17,815)	-	(512,195)
Proceeds on long term debt	1,900,000	-	-	-	-	1,900,000
Net Cash Provided by (Used in) Financing Activities	2,492,250	(66,513)	-	(17,815)	-	2,407,922
Net (Decrease) Increase in Cash and Cash Equivalents	(53,594)	16,159	(16,166)	50,830	-	(2,771)
Cash and Cash Equivalents Beginning of Year	81,663	452	26,145	40,245	-	148,505
Cash and Cash Equivalents End of Year	\$ 28,069	\$ 16,611	\$ 9,979	\$ 91,075	\$ -	\$ 145,734

See independent auditor's report.

Volunteers of America Mid-States, Inc. and Affiliates
Consolidating Statement of Cash Flows
Year Ended June 30, 2017

	VOA Mid-States, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Elimination	Consolidated Totals
Cash Flows from Operating Activities						
Change in net assets	\$ 1,319,320	\$ (263,816)	\$ 118,719	\$ 2,897	\$ -	\$ 1,177,120
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities						
Depreciation and amortization	91,404	404,533	527	47,313	-	543,777
Contributions restricted for long-term purposes	(2,352,447)	-	-	-	-	(2,352,447)
Provision for uncollectible pledges receivable	175,338	-	-	-	-	175,338
Realized and unrealized gain on investments	(111,783)	-	-	-	-	(111,783)
Loss on sale of real estate	539	-	-	-	-	539
Change in						
Accounts receivable, net	(264,546)	4,151	(101,561)	534	234,859	(126,563)
Pledges receivable, net	(312,068)	-	-	-	-	(312,068)
Prepaid expenses and other current assets	(156,461)	1,263,592	1,650	-	(1,077,030)	31,751
Accounts payable	339,436	254,263	(4,471)	(19,996)	(468,072)	101,160
Checks issued in excess of cash	171,736	-	-	-	-	171,736
Accrued expenses	(129,366)	-	(33,231)	15	-	(162,582)
Other current liabilities	(1,322,336)	(363)	-	-	1,310,243	(12,456)
Net Cash Provided by (Used in) Operating Activities	(2,551,234)	1,662,360	(18,367)	30,763	-	(876,478)
Cash Flows from Investing Activities						
Purchases of property and equipment	(36,915)	(1,633,213)	-	-	-	(1,670,128)
Proceeds from sale of property and equipment	-	-	-	-	-	-
Purchase of investments	(1,171,090)	-	-	-	-	(1,171,090)
Proceeds from sale of investments	1,137,876	-	-	-	-	1,137,876
Changes in restricted deposits and funded reserves, net	-	-	-	(11,135)	-	(11,135)
Net Cash Used in Investing Activities	(70,129)	(1,633,213)	-	(11,135)	-	(1,714,477)
Cash Flows from Financing Activities						
Proceeds from contributions restricted for long-term purposes	1,012,217	-	-	-	-	1,012,217
Net activity on lines of credit	775,000	-	-	-	-	775,000
Payments on long-term debt	(127,443)	(40,042)	-	(36,495)	-	(203,980)
Proceeds on long term debt	216,305	-	-	-	-	216,305
Net Cash Provided by (Used in) Financing Activities	1,876,079	(40,042)	-	(36,495)	-	1,799,542
Net Decrease in Cash and Cash Equivalents	(745,284)	(10,895)	(18,367)	(16,867)	-	(791,413)
Cash and Cash Equivalents Beginning of Year	826,947	11,347	44,512	57,112	-	939,918
Cash and Cash Equivalents End of Year	\$ 81,663	\$ 452	\$ 26,145	\$ 40,245	\$ -	\$ 148,505

See independent auditor's report.