

**Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates**

Consolidated Financial Statements

June 30, 2016 and 2015

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates

Table of Contents
June 30, 2016 and 2015

	<u>Page</u>
Independent Auditor's Report.....	1 - 2
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Functional Expenses	5 - 6
Consolidated Statements of Cash Flows.....	7
Notes to Consolidated Financial Statements.....	8 - 18
Supplementary Information	
Consolidating Statements of Financial Position	19 - 22
Consolidating Statements of Activities and Changes in Net Assets	23 - 26
Consolidating Statements of Cash Flows.....	27 - 28



Independent Auditor's Report

To the Board of Directors
Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Louisville, Kentucky

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, 2016 and 2015, 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

Mountjoy Chilton Medley LLP

P 502.749.1900 | F 502.749.1930
2600 Meidinger Tower | 462 South Fourth Street | Louisville, KY 40202
www.mcmcpa.com | 888.587.1719

A Member of PrimeGlobal – An Association of Independent Accounting Firms

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, 2016 and 2015, 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, 2016 and 2015 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.

A handwritten signature in black ink, reading "Mauney Chilton Moody, LLP". The signature is written in a cursive, flowing style.

Louisville, Kentucky
October 27, 2016

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidated Statements of Financial Position
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash	\$ 939,918	\$ 584,975
Accounts receivable, net	3,226,683	2,541,838
Pledges receivable, net	267,895	143,772
Prepaid expenses and other current assets	<u>386,582</u>	<u>326,125</u>
Total Current Assets	4,821,078	3,596,710
Property and Equipment, Net of Accumulated Depreciation	4,523,114	4,442,038
Other Assets		
Investments, restricted	43,458	48,108
Investments	1,192,282	1,196,195
Restricted deposits and funded reserves	74,186	95,551
Pledges receivable, net	<u>456,447</u>	<u>425,625</u>
Total Other Assets	<u>1,766,373</u>	<u>1,765,479</u>
Total Assets	<u><u>\$ 11,110,565</u></u>	<u><u>\$ 9,804,227</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 242,458	\$ 264,801
Accrued expenses	1,504,980	1,372,279
Other current liabilities	12,736	2,628
Line of credit	1,000,000	-
Current maturities of long-term debt	<u>210,314</u>	<u>192,452</u>
Total Current Liabilities	2,970,488	1,832,160
Long-term Debt, Less Current Maturities	581,171	835,222
Net Assets		
Unrestricted	5,239,422	5,344,480
Temporarily restricted	2,276,026	1,744,257
Permanently restricted	<u>43,458</u>	<u>48,108</u>
Total Net Assets	<u>7,558,906</u>	<u>7,136,845</u>
Total Liabilities and Net Assets	<u><u>\$ 11,110,565</u></u>	<u><u>\$ 9,804,227</u></u>

See accompanying notes.

Volunteers of America of Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidated Statements of Activities and Changes in Net Assets
Years Ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues								
Support and Revenues From Operations								
Public Support Received Directly								
Contributions	\$ 1,526,870	\$ 1,144,908	\$ -	\$ 2,671,778	\$ 1,080,024	\$ 803,720	\$ -	\$ 1,883,744
Contributions, in-kind	488,041	-	-	488,041	1,221,803	-	-	1,221,803
Public support: capital and bequests	89,249	-	-	89,249	188,638	-	-	188,638
Special events	160,672	-	-	160,672	128,879	-	-	128,879
Public Support Received Indirectly								
United Way allocation	95,325	-	-	95,325	96,959	-	-	96,959
Volunteers of America awards and grants	100,242	-	-	100,242	126,710	-	-	126,710
Total Public Support	2,460,399	1,144,908	-	3,605,307	2,843,013	803,720	-	3,646,733
Revenue and Grants								
Fee-for-service revenue	14,522,850	-	-	14,522,850	14,715,838	-	-	14,715,838
Federal and state grants	8,879,334	-	-	8,879,334	8,713,810	-	-	8,713,810
Program service fees	812,184	-	-	812,184	914,179	-	-	914,179
Rental income	235,668	-	-	235,668	151,637	-	-	151,637
Forgiveness of debt	-	-	-	-	103,719	-	-	103,719
Miscellaneous revenue	3,242	-	-	3,242	4,374	-	-	4,374
Total Revenue and Grants	24,453,278	-	-	24,453,278	24,603,557	-	-	24,603,557
Net assets released from restrictions:								
Satisfaction of program activities	120,877	(120,877)	-	-	-	-	-	-
Satisfaction of capital improvements	492,262	(492,262)	-	-	447,060	(447,060)	-	-
Total Support and Revenues From Operations	27,526,816	531,769	-	28,058,585	27,893,630	356,660	-	28,250,290
Expenses								
Operating Expenses								
Program Services								
Fostering independence	14,251,679	-	-	14,251,679	14,918,026	-	-	14,918,026
Promoting self-sufficiency	8,622,602	-	-	8,622,602	8,250,996	-	-	8,250,996
Total Program Services	22,874,281	-	-	22,874,281	23,169,022	-	-	23,169,022
Support Services and Fundraising								
Management and general	3,288,302	-	-	3,288,302	3,285,514	-	-	3,285,514
Fundraising	1,031,616	-	-	1,031,616	835,795	-	-	835,795
Administrative fees paid to National Organization	584,831	-	-	584,831	590,777	-	-	590,777
Total Support Services and Fundraising	4,904,749	-	-	4,904,749	4,712,086	-	-	4,712,086
Total Operating Expenses	27,779,030	-	-	27,779,030	27,881,108	-	-	27,881,108
Increase (Decrease) in Net Assets From Operations	(252,214)	531,769	-	279,555	12,522	356,660	-	369,182
Nonoperating Gains (Losses) and Other Income (Expense)								
Gain (loss) on sale of real estate	144,383	-	-	144,383	(36,020)	-	-	(36,020)
Interest and dividend income	39,685	-	-	39,685	52,558	-	-	52,558
Net realized and unrealized loss on investments	(36,912)	-	(4,650)	(41,562)	(44,501)	-	(749)	(45,250)
Nonoperating Gains (Losses) and Other Income (Expense)	147,156	-	(4,650)	142,506	(27,963)	-	(749)	(28,712)
Change in Net Assets	(105,058)	531,769	(4,650)	422,061	(15,441)	356,660	(749)	340,470
Net Assets Beginning of Year	5,344,480	1,744,257	48,108	7,136,845	5,359,921	1,387,597	48,857	6,796,375
Net Assets End of Year	\$ 5,239,422	\$ 2,276,026	\$ 43,458	\$ 7,558,906	\$ 5,344,480	\$ 1,744,257	\$ 48,108	\$ 7,136,845

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidated Statement of Functional Expenses
Year Ended June 30, 2016

	Program Services			Support Services			Total Operating Expenses
	Fostering Independence	Promoting Self-sufficiency	Total	Management and General	Fundraising	Total	
Salaries	\$ 9,450,461	\$ 3,915,378	\$ 13,365,839	\$ 1,711,282	\$ 392,918	\$ 2,104,200	\$ 15,470,039
Pension expense	-	-	-	5,627	517	6,144	6,144
Other employee benefits	562,694	347,297	909,991	126,772	32,630	159,402	1,069,393
Payroll taxes	707,166	267,058	974,224	96,097	28,323	124,420	1,098,644
Legal fees	-	-	-	5,244	-	5,244	5,244
Accounting fees	13,594	-	13,594	45,600	-	45,600	59,194
Other professional fees	726,181	46,911	773,092	303,333	142,573	445,906	1,218,998
Supplies and expenses	271,532	701,171	972,703	388,132	44,901	433,033	1,405,736
Telecommunications	108,244	73,590	181,834	40,402	4,228	44,630	226,464
Postage	4,160	1,977	6,137	19,930	17,444	37,374	43,511
Occupancy expense	787,655	723,607	1,511,262	90,720	26,525	117,245	1,628,507
Interest	28,872	-	28,872	27,688	-	27,688	56,560
Insurance	232,574	144,871	377,445	(61,218)	-	(61,218)	316,227
Equipment rental and maintenance	40,534	25,129	65,663	19,543	7,473	27,016	92,679
Printing and publications	21,317	19,104	40,421	182,918	56,624	239,542	279,963
Travel and transportation	464,646	206,864	671,510	98,827	48,783	147,610	819,120
Conferences and meetings	39,516	99,502	139,018	84,050	76,012	160,062	299,080
Specific assistance to individuals	304,727	2,016,932	2,321,659	-	605	605	2,322,264
Other	4,525	72	4,597	83,123	152,060	235,183	239,780
Depreciation and amortization	483,281	33,139	516,420	20,232	-	20,232	536,652
Total Functional Expenses	<u>\$ 14,251,679</u>	<u>\$ 8,622,602</u>	<u>\$ 22,874,281</u>	<u>\$ 3,288,302</u>	<u>\$ 1,031,616</u>	<u>\$ 4,319,918</u>	27,194,199
Administrative Functional Expenses							<u>584,831</u>
Total Operating Expenses							<u>\$ 27,779,030</u>

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidated Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services			Support Services			Total Operating Expenses
	Fostering Independence	Promoting Self-sufficiency	Total	Management and General	Fundraising	Total	
Salaries	\$ 9,729,382	\$ 3,764,373	\$ 13,493,755	\$ 1,738,556	\$ 376,569	\$ 2,115,125	\$ 15,608,880
Pension expense	-	-	-	10,042	-	10,042	10,042
Other employee benefits	261,532	222,947	484,479	114,382	21,607	135,989	620,468
Payroll taxes	977,200	328,461	1,305,661	119,220	36,005	155,225	1,460,886
Legal fees	-	2,870	2,870	2,980	-	2,980	5,850
Accounting fees	13,900	-	13,900	41,125	-	41,125	55,025
Other professional fees	553,503	48,973	602,476	198,472	141,396	339,868	942,344
Supplies and expenses	287,932	562,195	850,127	252,200	11,497	263,697	1,113,824
Telecommunications	107,831	77,403	185,234	53,175	4,067	57,242	242,476
Postage	4,491	1,797	6,288	25,456	26,452	51,908	58,196
Occupancy expense	836,151	1,164,876	2,001,027	85,462	52,295	137,757	2,138,784
Interest	34,535	-	34,535	34,113	-	34,113	68,648
Insurance	250,156	141,528	391,684	(85,990)	-	(85,990)	305,694
Equipment rental and maintenance	42,351	31,485	73,836	20,168	1,532	21,700	95,536
Printing and publications	12,319	18,372	30,691	363,777	40,143	403,920	434,611
Travel and transportation	465,922	204,341	670,263	86,259	22,313	108,572	778,835
Conferences and meetings	29,292	149,381	178,673	53,850	15,561	69,411	248,084
Specific assistance to individuals	878,779	1,494,119	2,372,898	-	1,145	1,145	2,374,043
Other	7,811	5,593	13,404	54,812	85,213	140,025	153,429
Depreciation and amortization	424,939	32,282	457,221	117,455	-	117,455	574,676
Total Functional Expenses	<u>\$ 14,918,026</u>	<u>\$ 8,250,996</u>	<u>\$ 23,169,022</u>	<u>\$ 3,285,514</u>	<u>\$ 835,795</u>	<u>\$ 4,121,309</u>	27,290,331
Administrative Functional Expenses							<u>590,777</u>
Total Operating Expenses							<u>\$ 27,881,108</u>

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 422,061	\$ 340,470
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	536,652	574,676
Contributions restricted for long-term purposes	(622,120)	(688,720)
Forgiveness of debt	-	(103,719)
Provision for uncollectible pledges receivable	149,145	54,350
Provision for uncollectible accounts receivable	-	2,399
Realized and unrealized loss on investments	41,562	45,250
(Gain) loss on sale of real estate	(144,383)	36,020
Changes in operating assets and liabilities		
Accounts receivable, net	(684,845)	116,618
Grants receivable	-	76,000
Pledges receivable, net	(309,330)	(114,821)
Prepaid expenses and other current assets	(60,457)	38,240
Accounts payable	(22,343)	(47,623)
Accrued expenses	132,701	(121,713)
Other current liabilities	10,108	(133,205)
Net Cash (Used in) Provided by Operating Activities	(551,249)	74,222
Cash Flows from Investing Activities		
Purchases of property and equipment	(717,879)	(727,389)
Proceeds from sale of real estate	244,534	201,863
Purchase of investments	(273,462)	(544,672)
Proceeds from sale of investments	240,463	500,167
Changes in restricted deposits and funded reserves, net	21,365	(18,220)
Net Cash Used in Investing Activities	(484,979)	(588,251)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for long-term purposes	627,360	639,135
Net activity on line of credit	1,000,000	-
Payments on long-term debt	(236,189)	(372,443)
Proceeds from long-term debt	-	400,000
Net Cash Provided by Financing Activities	1,391,171	666,692
Net Increase in Cash and Cash Equivalents	354,943	152,663
Cash and Cash Equivalents Beginning of Year	584,975	432,312
Cash and Cash Equivalents End of Year	<u>\$ 939,918</u>	<u>\$ 584,975</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 56,461	\$ 70,046

See accompanying notes.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Notes to Consolidated Financial Statements
June 30, 2016 and 2015

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
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
June 30, 2016 and 2015

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.

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
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
June 30, 2016 and 2015

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 \$152,341 and \$160,851 at June 30, 2016 and 2015 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 \$85,383 and \$69,380 at June 30, 2016 and 2015 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 market value of the asset as of the date donated. Depreciation expense was \$536,652 and \$470,957 for the years ended June 30, 2016 and 2015 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 2016 or 2015.

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 \$488,041 and \$1,221,803 for the years ended June 30, 2016 and 2015, respectively.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
June 30, 2016 and 2015

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, 2016 and 2015 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 \$191,424 and \$332,694 for the years ended June 30, 2016 and 2015 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 statistical bases.
20. Recent Accounting Pronouncements: 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 guidance in Topic 605, Revenue Recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in the exchange for those goods or services. This standard is effective for annual reporting periods beginning after December 15, 2018. The adoption of this guidance is not expected to have a material effect on the Organization's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This updated guidance provides new requirements for leases to be recognized in the financial statements. In general, the guidance requires the lessee to recognize liabilities on the statement of financial position for the obligation to make lease payments and an asset for the right to use the underlying assets for the lease term. There is a differentiation between finance leases and operating leases for the lessee in the statements of activities and cash flows. Finance leases recognize interest on the lease liability separately from the right to use the asset whereas an operating lease recognizes a single lease cost allocated over the lease term on a generally straight-line basis. All cash payments are within operating activities in the statement of cash flows except finance leases classify repayments of the principal portion of the lease liability within financing activities. The updated guidance is to be applied using a modified retrospective approach effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating this guidance and its related impact on the Organization's consolidated financial statements.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
June 30, 2016 and 2015

Note B - Summary of Significant Accounting Policies (Continued)

20. Recent Accounting Pronouncements (Continued): 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 is effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted. 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, 2016 and 2015 consists of the following:

	2016	2015
Pledges receivable	\$ 853,835	\$ 693,801
Less unamortized discount	44,110	55,024
Less allowance for uncollectible pledges	85,383	69,380
	<u>\$ 724,342</u>	<u>\$ 569,397</u>
Amounts due in:		
Less than one year	\$ 267,895	\$ 143,772
One to five years	585,940	550,029
	<u>\$ 853,835</u>	<u>\$ 693,801</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, 2016 and 2015.

Note D - Property and Equipment

Property and equipment at June 30, 2016 and 2015 consists of the following:

	2016	2015
Land	\$ 410,131	\$ 430,131
Buildings and improvements	7,355,285	7,145,345
Vehicles	1,770,657	1,770,657
Furniture and equipment	1,423,549	1,173,102
	10,959,622	10,519,235
Less accumulated depreciation	6,436,508	6,077,197
	<u>\$ 4,523,114</u>	<u>\$ 4,442,038</u>

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
June 30, 2016 and 2015

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, 2016 and 2015.

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2016:

	Investments at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 66,339	\$ -	\$ -	\$ 66,339
Mutual funds	1,042,556	-	-	1,042,556
Funds held in trust by others	-	126,845	-	126,845
	<u>\$ 1,108,895</u>	<u>\$ 126,845</u>	<u>\$ -</u>	<u>\$ 1,235,740</u>

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
June 30, 2016 and 2015

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, 2015

	Investments at Fair Value as of June 30, 2015			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 28,560	\$ -	\$ -	\$ 28,560
Mutual funds	1,089,820	-	-	1,089,820
Funds held in trust by others	-	125,923	-	125,923
	<u>\$ 1,118,380</u>	<u>\$ 125,923</u>	<u>\$ -</u>	<u>\$ 1,244,303</u>

Included in investments is \$126,845 and \$125,923 at June 30, 2016 and 2015 respectively, which is invested in a fund at The Community Foundation of Louisville. Terms of the fund allow the Organization to have access to \$83,386 and \$77,815 of these investments at June 30, 2016 and 2015 respectively, with the balance restricted for permanent endowment purposes.

Note F - Lines of Credit

The Organization has a line of credit with PNC Bank which provides for borrowings up to \$1,600,000. In May 2016, terms of the line of credit were amended to increase the maximum borrowing to \$2,000,000. Outstanding balances bear interest at the prime rate plus .50% (4.00% at June 30, 2016). The line is secured by real estate and expires April 30, 2017. The outstanding balance on this line of credit was \$1,000,000 and \$-0- as of June 30, 2016 and 2015, respectively.

The Organization has an additional line of credit with Fifth Third Bank which provides for borrowings up to \$300,000. The line is secured by investments held at Fifth Third Institutional Services. Outstanding borrowings bear interest at the LIBOR rate plus 1.5% (1.80% at June 30, 2016). The line of credit expires May 23, 2017. There were no borrowings on the line of credit at June 30, 2016 and 2015.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
June 30, 2016 and 2015

Note G - Long-term Debt

Long-term debt at June 30, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Note payable to PNC Bank, interest rate of 3.75%, payable in monthly principal and interest installments of \$7,332 through May 2020.	\$ 319,147	\$ 393,501
Mortgage payable to First Tennessee Bank, interest rate of 4.17%, payable in monthly principal and interest installments of \$3,911 through October 2020.	185,328	214,409
Note payable to PNC Bank, interest rate of 3.75%, payable in monthly principal and interest installments of \$4,583 through April 2019.	147,458	195,817
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.	115,210	127,253
Mortgage payable to U.S. Department of Housing and Urban Development, interest rate of 9.25%, payable in monthly principal and interest installments of \$2,132 through August 2022.	24,342	46,542
Mortgage payable to First Tennessee Bank, interest rate of 4.40%, payable in monthly principal and interest installments of \$614 through June 2018. The note was paid in full during 2016.	<u>-</u>	<u>50,152</u>
	791,485	1,027,674
Less current maturities	<u>210,314</u>	<u>192,452</u>
	<u>\$ 581,171</u>	<u>\$ 835,222</u>

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

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
June 30, 2016 and 2015

Note G - Long-term Debt (Continued)

At June 30, 2016, the aggregate annual maturities of principal payments on the notes payable are:

Year Ending June 30	
2017	\$ 210,314
2018	189,864
2019	184,469
2020	142,645
2021	36,290
Thereafter	<u>27,903</u>
	<u>\$ 791,485</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, 2016 and 2015 totaled \$590,127 and \$590,777, respectively. The Organization had service fees due to the National Organization totaling \$44,704 and \$54,305 as of June 30, 2016 and 2015 respectively, which are included in accrued expenses on the consolidated statements of financial position.

The Organization contributed \$5,627 and \$10,042 for the years ended June 30, 2016 and 2015 respectively, to fund The Volunteers of America National Pension Plan, the defined benefit pension plan of the National Organization covering all commissioned ministers.

The Organization had additional amounts due the National Organization of \$103,719 as of July 1, 2014, relating to debt assumed in connection with the prior acquisition of the Mental Retardation and Developmentally Disabled Program in Southern Indiana. This debt was forgiven in full during the year ended June 30, 2015 with a corresponding reduction to the related intangible asset.

As of June 30, 2016 and 2015, the Organization was due \$80,558 and \$68,790 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, 2016 and 2015 was \$69,044 and \$59,026 respectively.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
June 30, 2016 and 2015

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.

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 \$112 to \$13,629. These leases expire at various dates through June 30, 2099. The Organization also leases multiple properties on a month-to-month basis. Total lease expense for the years ended June 30, 2016 and 2015 was \$1,293,021 and \$1,219,278, respectively.

The aggregate future minimum lease payments as of June 30, 2016 are as follows:

Year Ending June 30	
2017	\$ 585,091
2018	514,300
2019	306,819
2020	212,627
2021	207,676
Thereafter	104,246
	<u>\$ 1,930,759</u>

Note L - Restrictions on Net Assets

Temporarily restricted net assets at June 30, 2016 and 2015 consists of the following:

	June 30	
	2016	2015
Freedom House Project	\$ 812,803	\$ 217,660
Electronic Health Records project	87,211	-
iChooseWell: Healthy Choices for Women and Families	39,415	115,000
Family Emergency Shelter - operations	-	100,000
Shelby Mens Veterans Program	25,000	-
Total Temporarily Restricted by Donors	964,429	432,660
HUD capital advances	1,311,597	1,311,597
	<u>\$ 2,276,026</u>	<u>\$ 1,744,257</u>

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Notes to Consolidated Financial Statements (Continued)
June 30, 2016 and 2015

Note L - Restrictions on Net Assets (Continued)

The following entities have capital advances from HUD as of both June 30, 2016 and 2015:

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 \$43,458 and \$48,108 at June 30, 2016 and 2015, respectively.

Note M - Contingencies

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

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

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

In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Health and Human Services, the U.S. Department of 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.

Note N - Subsequent Event

In October 2016, the Organization purchased property for \$725,000 to expand the Freedom House concept.

Supplementary Information

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidating Statement of Financial Position
June 30, 2016

	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	\$ 826,947	\$ 11,347	\$ 44,512	\$ 57,112	\$ -	\$ 939,918
Accounts receivable, net	2,935,579	30,135	627,606	1,696	(368,333)	3,226,683
Pledges receivable, net	267,895	-	-	-	-	267,895
Prepaid expenses and other current assets	361,745	1,282,251	52,829	-	(1,310,243)	386,582
Total Current Assets	4,392,166	1,323,733	724,947	58,808	(1,678,576)	4,821,078
Property and Equipment						
Land and buildings	533,404	5,586,226	-	1,645,786	-	7,765,416
Furniture and equipment	1,244,292	1,930,384	8,032	11,498	-	3,194,206
Less accumulated depreciation	1,410,902	4,715,312	7,330	302,964	-	6,436,508
Total Property and Equipment	366,794	2,801,298	702	1,354,320	-	4,523,114
Other Assets						
Investments, restricted	43,458	-	-	-	-	43,458
Investments	1,192,282	-	-	-	-	1,192,282
Restricted deposits and funded reserves	-	-	-	74,186	-	74,186
Pledges receivable, net	456,447	-	-	-	-	456,447
Total Other Assets	1,692,187	-	-	74,186	-	1,766,373
Total Assets	<u>\$ 6,451,147</u>	<u>\$ 4,125,031</u>	<u>\$ 725,649</u>	<u>\$ 1,487,314</u>	<u>\$ (1,678,576)</u>	<u>\$ 11,110,565</u>

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidating Statement of Financial Position (Continued)
June 30, 2016

	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						
Accounts payable	\$ 485,086	\$ 13,117	\$ 19,825	\$ 92,763	\$ (368,333)	\$ 242,458
Accrued expenses	1,385,999	-	114,590	4,391	-	1,504,980
Other current liabilities	1,322,336	643	-	-	(1,310,243)	12,736
Line of credit	1,000,000	-	-	-	-	1,000,000
Current maturities of long-term debt	131,722	39,850	-	38,742	-	210,314
Total Current Liabilities	4,325,143	53,610	134,415	135,896	(1,678,576)	2,970,488
Long-term Debt, Less Current Maturities	334,883	145,478	-	100,810	-	581,171
Net Assets						
Unrestricted	783,234	3,925,943	591,234	(60,989)	-	5,239,422
Temporarily restricted	964,429	-	-	1,311,597	-	2,276,026
Permanently restricted	43,458	-	-	-	-	43,458
Total Net Assets	1,791,121	3,925,943	591,234	1,250,608	-	7,558,906
Total Liabilities and Net Assets	<u>\$ 6,451,147</u>	<u>\$ 4,125,031</u>	<u>\$ 725,649</u>	<u>\$ 1,487,314</u>	<u>\$ (1,678,576)</u>	<u>\$ 11,110,565</u>

See Independent Auditor's Report.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidating Statement of Financial Position
June 30, 2015

	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	\$ 475,405	\$ 30,937	\$ 48,486	\$ 30,147	\$ -	\$ 584,975
Accounts receivable, net	2,233,270	38,536	602,481	241	(332,690)	2,541,838
Pledges receivable, net	143,772	-	-	-	-	143,772
Prepaid expenses and other current assets	313,615	1,397,224	50,000	-	(1,434,714)	326,125
Total Current Assets	3,166,062	1,466,697	700,967	30,388	(1,767,404)	3,596,710
Property and Equipment						
Land and buildings	500,498	5,429,192	-	1,645,786	-	7,575,476
Furniture and equipment	1,100,700	1,823,529	8,032	11,498	-	2,943,759
Less accumulated depreciation	1,346,771	4,470,961	6,804	252,661	-	6,077,197
Total Property and Equipment	254,427	2,781,760	1,228	1,404,623	-	4,442,038
Other Assets						
Investments, restricted	48,108	-	-	-	-	48,108
Investments	1,196,195	-	-	-	-	1,196,195
Restricted deposits and funded reserves	-	-	-	95,551	-	95,551
Pledges receivable, net	425,625	-	-	-	-	425,625
Total Other Assets	1,669,928	-	-	95,551	-	1,765,479
Total Assets	\$ 5,090,417	\$ 4,248,457	\$ 702,195	\$ 1,530,562	\$ (1,767,404)	\$ 9,804,227

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidating Statement of Financial Position (Continued)
June 30, 2015

	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						
Accounts payable	\$ 488,162	\$ 1,445	\$ 31,873	\$ 76,011	\$ (332,690)	\$ 264,801
Accrued expenses	1,283,313	-	85,626	3,340	-	1,372,279
Other current liabilities	1,435,675	1,667	-	-	(1,434,714)	2,628
Current maturities of long-term debt	122,720	34,400	-	35,332	-	192,452
Total Current Liabilities	3,329,870	37,512	117,499	114,683	(1,767,404)	1,832,160
Long-term Debt, Less Current Maturities	466,598	230,161	-	138,463	-	835,222
Net Assets						
Unrestricted	813,181	3,980,784	584,696	(34,181)	-	5,344,480
Temporarily restricted	432,660	-	-	1,311,597	-	1,744,257
Permanently restricted	48,108	-	-	-	-	48,108
Total Net Assets	1,293,949	3,980,784	584,696	1,277,416	-	7,136,845
Total Liabilities and Net Assets	\$ 5,090,417	\$ 4,248,457	\$ 702,195	\$ 1,530,562	\$ (1,767,404)	\$ 9,804,227

See Independent Auditor's Report.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2016

	VOA Mid-States, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Elimination	Consolidated Totals
Revenues						
Support and Revenues From Operations						
Public Support Received Directly						
Contributions	\$ 1,518,050	\$ 8,720	\$ 100	\$ -	\$ -	\$ 1,526,870
Contributions, in-kind	488,041	-	0	-	-	488,041
Public support: capital and bequests	89,249	-	-	-	-	89,249
Special events	160,672	-	-	-	-	160,672
Public Support Received Indirectly						
United Way allocation	325	-	95,000	-	-	95,325
Volunteers of America awards and grants	100,242	-	-	-	-	100,242
Total Public Support	2,356,579	8,720	95,100	-	-	2,460,399
Revenue and Grants						
Fee-for-service revenue	12,514,991	-	2,007,859	-	-	14,522,850
Federal and state grants	8,879,334	-	-	-	-	8,879,334
Program service fees	256,371	616,843	146,202	-	(207,232)	812,184
Rental income	-	116,032	-	235,668	(116,032)	235,668
Miscellaneous revenue	2,716,344	-	361	-	(2,713,463)	3,242
Total Revenue and Grants	24,367,040	732,875	2,154,422	235,668	(3,036,727)	24,453,278
Net assets released from restrictions,						
Satisfaction of program activities	120,877	-	-	-	-	120,877
Satisfaction of capital improvements	492,262	-	-	-	-	492,262
Total Support and Revenues From Operations	27,336,758	741,595	2,249,522	235,668	(3,036,727)	27,526,816

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets (Continued)
Year Ended June 30, 2016

	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	12,741,285	916,566	2,242,984	262,476	(1,911,632)	14,251,679
Promoting self-sufficiency	9,747,697	-	-	-	(1,125,095)	8,622,602
Total Program Services	22,488,982	916,566	2,242,984	262,476	(3,036,727)	22,874,281
Support Services and Fundraising						
Management and general	3,288,302	-	-	-	-	3,288,302
Fundraising	1,031,616	-	-	-	-	1,031,616
Administrative fees paid to National Organization	584,831	-	-	-	-	584,831
Total Support Services and Fundraising	4,904,749	-	-	-	-	4,904,749
Total Operating Expenses	27,393,731	916,566	2,242,984	262,476	(3,036,727)	27,779,030
Increase (Decrease) in Net Assets From Operations	(56,973)	(174,971)	6,538	(26,808)	-	(252,214)
Nonoperating Gains (Losses) and Other Income (Expense)						
Gain on sale of real estate	24,253	120,130	-	-	-	144,383
Interest and dividend income	39,685	-	-	-	-	39,685
Net realized and unrealized loss on investments	(36,912)	-	-	-	-	(36,912)
Nonoperating Gains (Losses) and Other Income (Expense)	27,026	120,130	-	-	-	147,156
Change in Unrestricted Net Assets	(29,947)	(54,841)	6,538	(26,808)	-	(105,058)
Temporarily Restricted Net Assets						
Contributions	1,144,908	-	-	-	-	1,144,908
Net assets released from restriction:						
Satisfaction of program activities	(120,877)	-	-	-	-	(120,877)
Satisfaction of capital improvements	(492,262)	-	-	-	-	(492,262)
Change in Temporarily Restricted Net Assets	531,769	-	-	-	-	531,769
Permanently Restricted Net Assets						
Net realized and unrealized loss on investments	(4,650)	-	-	-	-	(4,650)
Change in Net Assets	497,172	(54,841)	6,538	(26,808)	-	422,061
Net Assets Beginning of Year	1,293,949	3,980,784	584,696	1,277,416	-	7,136,845
Net Assets End of Year	\$ 1,791,121	\$ 3,925,943	\$ 591,234	\$ 1,250,608	\$ -	\$ 7,558,906

See Independent Auditor's Report.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets
Year Ended June 30, 2015

	VOA Mid-States, Inc.	VOA Property Corporation of Louisville, Inc.	VOA of Northern Kentucky, Inc.	Various HUD Properties	Elimination	Consolidated Totals
Revenues						
Support and Revenues From Operations						
Public Support Received Directly						
Contributions	\$ 220,783	\$ 859,241	\$ -	\$ -	\$ -	\$ 1,080,024
Contributions, in-kind	1,221,803	-	-	-	-	1,221,803
Public support: capital and bequests	188,638	-	-	-	-	188,638
Special events	128,879	-	-	-	-	128,879
Public Support Received Indirectly						
United Way allocation	1,302	-	95,657	-	-	96,959
Volunteers of America awards and grants	126,710	-	-	-	-	126,710
Total Public Support	1,888,115	859,241	95,657	-	-	2,843,013
Revenue and Grants						
Fee-for-service revenue	12,439,344	-	2,276,494	-	-	14,715,838
Federal and state grants	8,713,810	-	-	-	-	8,713,810
Program service fees	276,308	799,294	167,377	-	(328,800)	914,179
Rental income	-	82,938	-	235,871	(167,172)	151,637
Forgiveness of debt	103,719	-	-	-	-	103,719
Miscellaneous revenue	2,670,228	430	723	1,220	(2,668,227)	4,374
Total Revenue and Grants	24,203,409	882,662	2,444,594	237,091	(3,164,199)	24,603,557
Net assets released from restrictions,						
Satisfaction of program activities	-	-	-	-	-	-
Satisfaction of capital improvements	447,060	-	-	-	-	447,060
Total Support and Revenues From Operations	26,538,584	1,741,903	2,540,251	237,091	(3,164,199)	27,893,630

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidating Statement of Activities and Changes in Net Assets (Continued)
Year Ended June 30, 2015

	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	13,687,318	925,636	2,254,413	242,613	(2,191,954)	14,918,026
Promoting self-sufficiency	9,223,241	-	-	-	(972,245)	8,250,996
Total Program Services	22,910,559	925,636	2,254,413	242,613	(3,164,199)	23,169,022
Support Services and Fundraising						
Management and general	3,285,514	-	-	-	-	3,285,514
Fundraising	835,795	-	-	-	-	835,795
Administrative fees paid to National Organization	590,777	-	-	-	-	590,777
Total Support Services and Fundraising	4,712,086	-	-	-	-	4,712,086
Total Operating Expenses	27,622,645	925,636	2,254,413	242,613	(3,164,199)	27,881,108
Increase (Decrease) in Net Assets From Operations	(1,084,061)	816,267	285,838	(5,522)	-	12,522
Nonoperating Gains (Losses) and Other Income (Expense)						
Loss on sale of real estate	-	-	(36,020)	-	-	(36,020)
Interest and dividend income	52,558	-	-	-	-	52,558
Net realized and unrealized loss on investments	(44,501)	-	-	-	-	(44,501)
Nonoperating Gains (Losses) and Other Income (Expense)	8,057	-	(36,020)	-	-	(27,963)
Change in Unrestricted Net Assets	(1,076,004)	816,267	249,818	(5,522)	-	(15,441)
Temporarily Restricted Net Assets						
Contributions	803,720	-	-	-	-	803,720
Net assets released from restriction,						
Satisfaction of program activities	-	-	-	-	-	-
Satisfaction of capital improvements	(447,060)	-	-	-	-	(447,060)
Change in Temporarily Restricted Net Assets	356,660	-	-	-	-	356,660
Permanently Restricted Net Assets						
Net realized and unrealized loss on investments	(749)	-	-	-	-	(749)
Change in Net Assets	(720,093)	816,267	249,818	(5,522)	-	340,470
Net Assets Beginning of Year	2,014,042	3,164,517	334,878	1,282,938	-	6,796,375
Net Assets End of Year	\$ 1,293,949	\$ 3,980,784	\$ 584,696	\$ 1,277,416	\$ -	\$ 7,136,845

See Independent Auditor's Report.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidating Statement of Cash Flows
Year Ended June 30, 2016

	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						
Increase (Decrease) in Net Assets	\$ 497,172	\$ (54,841)	\$ 6,538	\$ (26,808)	\$ -	\$ 422,061
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities						
Depreciation and amortization	79,863	405,960	526	50,303	-	536,652
Contributions restricted for long-term purposes	(622,120)	-	-	-	-	(622,120)
Provision for uncollectible pledges receivable	149,145	-	-	-	-	149,145
Realized and unrealized loss on investments	41,562	-	-	-	-	41,562
Gain on sale of real estate	(24,253)	(120,130)	-	-	-	(144,383)
Change in:						
Accounts receivable, net	(702,309)	8,401	(25,125)	(1,455)	35,643	(684,845)
Pledges receivable, net	(309,330)	-	-	-	-	(309,330)
Prepaid expenses and other current assets	(48,130)	114,973	(2,829)	-	(124,471)	(60,457)
Accounts payable	(3,076)	11,672	(12,048)	16,752	(35,643)	(22,343)
Accrued expenses	102,686	-	28,964	1,051	-	132,701
Other current liabilities	(113,339)	(1,024)	-	-	124,471	10,108
Net Cash Provided by (Used in) Operating Activities	(952,129)	365,011	(3,974)	39,843	-	(551,249)
Cash Flows from Investing Activities						
Purchases of property and equipment	(192,230)	(525,649)	-	-	-	(717,879)
Proceeds from sale of real estate	24,253	220,281	-	-	-	244,534
Purchase of investments	(273,462)	-	-	-	-	(273,462)
Proceeds from sale of investments	240,463	-	-	-	-	240,463
Changes in restricted deposits and funded reserves, net	-	-	-	21,365	-	21,365
Net Cash Provided by (Used in) Investing Activities	(200,976)	(305,368)	-	21,365	-	(484,979)
Cash Flows from Financing Activities						
Proceeds from contributions restricted for long-term purposes	627,360	-	-	-	-	627,360
Net activity on lines of credit	1,000,000	-	-	-	-	1,000,000
Payments on long-term debt	(122,713)	(79,233)	-	(34,243)	-	(236,189)
Net Cash Provided by (Used in) Financing Activities	1,504,647	(79,233)	-	(34,243)	-	1,391,171
Net Increase (Decrease) in Cash and Cash Equivalents	351,542	(19,590)	(3,974)	26,965	-	354,943
Cash and Cash Equivalents Beginning of Year	475,405	30,937	48,486	30,147	-	584,975
Cash and Cash Equivalents End of Year	\$ 826,947	\$ 11,347	\$ 44,512	\$ 57,112	\$ -	\$ 939,918

See Independent Auditor's Report.

Volunteers of America Mid-States, Inc. and Affiliates
f/k/a Volunteers of America of Kentucky, Inc. and Affiliates
Consolidating Statement of Cash Flows
Year Ended June 30, 2015

	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						
Increase (Decrease) in Net Assets	\$ (720,093)	\$ 816,267	\$ 249,818	\$ (5,522)	\$ -	\$ 340,470
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities						
Depreciation and amortization	158,251	362,642	1,153	52,630	-	574,676
Contributions restricted for long-term purposes	(688,720)	-	-	-	-	(688,720)
Forgiveness of debt	(103,719)	-	-	-	-	(103,719)
Provision for uncollectible pledges receivable	54,350	-	-	-	-	54,350
Provision for uncollectible accounts receivable	2,399	-	-	-	-	2,399
Realized and unrealized loss on investments	45,250	-	-	-	-	45,250
Loss on sale of real estate	-	-	36,020	-	-	36,020
Change in:						
Accounts receivable, net	47,154	47,155	(239,068)	(234)	261,611	116,618
Grants receivable	76,000	-	-	-	-	76,000
Pledges receivable, net	(114,821)	-	-	-	-	(114,821)
Prepaid expenses and other current assets	(71,666)	(417,499)	(50,000)	-	577,405	38,240
Accounts payable	213,000	(248)	(1,427)	2,663	(261,611)	(47,623)
Accrued expenses	(108,008)	-	(15,430)	1,725	-	(121,713)
Other current liabilities	458,170	(988)	(498)	(12,484)	(577,405)	(133,205)
Net Cash Provided by (Used in) Operating Activities	(752,453)	807,329	(19,432)	38,778	-	74,222
Cash Flows from Investing Activities						
Purchases of property and equipment	(54,776)	(672,613)	-	-	-	(727,389)
Proceeds from sale of real estate	-	-	201,863	-	-	201,863
Purchase of investments	(544,672)	-	-	-	-	(544,672)
Proceeds from sale of investments	500,167	-	-	-	-	500,167
Changes in restricted deposits and funded reserves, net	-	-	-	(18,220)	-	(18,220)
Net Cash Provided by (Used in) Investing Activities	(99,281)	(672,613)	201,863	(18,220)	-	(588,251)
Cash Flows from Financing Activities						
Proceeds from contributions restricted for long-term purposes	639,135	-	-	-	-	639,135
Net activity on lines of credit	-	-	-	-	-	-
Payments on long-term debt	(53,144)	(131,031)	(156,158)	(32,110)	-	(372,443)
Proceeds from long-term debt	400,000	-	-	-	-	400,000
Net Cash Provided by (Used in) Financing Activities	985,991	(131,031)	(156,158)	(32,110)	-	666,692
Net Increase (Decrease) in Cash and Cash Equivalents	134,257	3,685	26,273	(11,552)	-	152,663
Cash and Cash Equivalents Beginning of Year	341,148	27,252	22,213	41,699	-	432,312
Cash and Cash Equivalents End of Year	\$ 475,405	\$ 30,937	\$ 48,486	\$ 30,147	\$ -	\$ 584,975

See Independent Auditor's Report.