Consolidated financial statements and audit of Federal Awards Performed in Accordance with U.S. Office of Management and Budget Circular A-133:

VOLUNTEERS OF AMERICA, INC. AND SUBSIDIARIES

Years ended June 30, 2012 and 2011

SCHECHTER DOKKEN KANTER
CERTIFIED PUBLIC ACCOUNTANTS • ADVISORS

INDEPENDENT AUDITOR'S REPORT

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Audit Committee and Board of Directors
Volunteers of America, Inc. and Subsidiaries
Alexandria, Virginia

We have audited the accompanying consolidated statements of financial position of Volunteers of America, Inc. and Subsidiaries as of June 30, 2012 and 2011, and the related consolidated statements of activities, changes in net assets, cash flows, and functional expenses for the years then ended. These consolidated financial statements are the responsibility of Volunteers of America, Inc. and Subsidiaries' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

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

As described in Note 16 to the consolidated financial statements, the 2011 financial statements have been restated to reflect the correction of an error in consolidation.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 12, 2012, on our consideration of Volunteers of America, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 financial statements or to the 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 basic consolidated financial statements as a whole.

Schechter Dokken Kanter
Andrews & Selcer Ltd.

October 12, 2012

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

		2012		2011
Assets:				
Current assets:				
Cash and cash equivalents	**$**	**26,953**	$	25,458
Accounts receivable, net of allowance for doubtful accounts (2012, $1,225 and 2011, $1,319)		**16,957**		16,517
Current portion of notes receivable		**1,324**		1,088
Short-term investments		**13,132**		13,164
Prepaid expenses		**1,801**		3,336
Other current assets, net of allowance for doubtful accounts (2012, $4,874 and 2011, $4,399)		**3,315**		2,181
Total current assets		**63,482**		61,744
Property and equipment, net of accumulated depreciation (2012, $83,506 and 2011, $76,034)		**80,345**		68,715
Other assets:				
Encumbered assets		**51,483**		29,424
Long-term investments		**10,095**		11,491
Notes receivable, net of current portion and allowance for doubtful accounts (2012, $3,606 and 2011, $8,499)		**4,178**		3,334
Reimbursable costs		**6,921**		4,653
Deferred charges and other assets, net of accumulated amortization (2012, $1,513 and 2011, $1,344)		**8,569**		7,754
Limited and general partnerships' assets		**290,930**		273,049
Total other assets		**372,176**		329,705
Total assets	**$**	**516,003**	$	460,164

See notes to consolidated financial statements.

(IN THOUSANDS)

	2012	2011
Liabilities and net assets:		
Current liabilities:		
Accounts payable	**$ 6,173**	$ 6,377
Current portion of long-term debt	**7,009**	3,373
Accrued expenses	**12,693**	12,405
Other current liabilities	**3,413**	1,585
Total current liabilities	**29,288**	23,740
Long-term liabilities:		
Long-term debt, net of current portion	**115,751**	85,843
Other long-term liabilities	**12,809**	7,972
Limited and general partnerships' liabilities	**200,517**	184,197
Total long-term liabilities	**329,077**	278,012
Total liabilities	**358,365**	301,752
Net assets:		
Unrestricted attributable to:		
Controlled limited and general partnerships	**572**	434
Board designated	**17,237**	17,882
Undesignated	**43,483**	46,691
Parent	**61,292**	65,007
Non-controlling interests in limited and general partnerships	**93,990**	91,720
	155,282	156,727
Temporarily restricted	**1,567**	952
Permanently restricted	**789**	733
Total net assets	**157,638**	158,412
Total liabilities and net assets	**$ 516,003**	$ 460,164

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	Unrestricted	Temporarily restricted	Permanently restricted	Operating subtotal	Limited and general partnerships (unrestricted)	Eliminations (unrestricted)	Total
Revenues from operations:							
Public support received directly:							
Contributions	$ 6,251	$ 3,092	$ 18	$ 9,361			$ 9,361
Contributions, in-kind	45,615	27		45,642			45,642
Total public support	51,866	3,119	18	55,003			55,003
Government grants and contracts	2,309			2,309	$ 11,539		13,848
Other revenue:							
Program fees	46,607			46,607	14,750		61,357
Program fees, Medicaid and Medicare	88,290			88,290			88,290
Administrative income from Local Offices	10,791			10,791			10,791
Net rental income	3,986			3,986	141		4,127
Other operating income	10,978			10,978	2,005	$ (3,881)	9,102
Total other revenue	160,652			160,652	16,896	(3,881)	173,667
Net assets released from restrictions	2,505	(2,505)					
Total revenues from operations	217,332	614	18	217,964	28,435	(3,881)	242,518
Operating expenses:							
Program services:							
Fostering independence	132,943			132,943	15,454		148,397
Promoting self sufficiency	63,406			63,406	22,402	(1,869)	83,939
Total program services	196,349			196,349	37,856	(1,869)	232,336
Support services:							
Management and general	22,118			22,118			22,118
Fundraising	595			595			595
Total support services	22,713			22,713			22,713
Total operating expenses	219,062			219,062	37,856	(1,869)	255,049
Change in net assets from operations	(1,730)	614	18	(1,098)	(9,421)	(2,012)	(12,531)
Non-operating items:							
Interest and dividend income	864	1		865			865
Realized net losses on investments	(129)			(129)			(129)
Equity contributions related to limited and general partnerships					11,829		11,829
Unrealized net losses on investments	(872)		38	(834)			(834)
Other non-operating gains	26			26			26
Total non-operating items	(111)	1	38	(72)	11,829		11,757
Change in consolidated net assets	$ (1,841)	$ 615	$ 56	$ (1,170)	$ 2,408	$ (2,012)	$ (774)
Total change in unrestricted net assets	$ (1,445)						

See notes to consolidated financial statements.

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(IN THOUSANDS)

	Unrestricted	Temporarily restricted	Permanently restricted	Operating subtotal	Limited and general partnerships (unrestricted)	Eliminations (unrestricted)	Total
Revenues from operations:							
Public support received directly:							
Contributions	$ 6,278	$ 1,233	$ 22	$ 7,533			$ 7,533
Contributions, in-kind	15,328	678		16,006			16,006
Total public support	21,606	1,911	22	23,539			23,539
Government grants and contracts	2,176			2,176	$ 10,132		12,308
Other revenue:							
Program fees	46,376			46,376	14,567		60,943
Program fees, Medicaid and Medicare	89,521			89,521			89,521
Administrative income from Local Offices	10,678			10,678			10,678
Net rental income	2,528			2,528	83		2,611
Other operating income	10,114			10,114	321	$ (2,497)	7,938
Total other revenue	159,217			159,217	14,971	(2,497)	171,691
Net assets released from restrictions	1,517	(1,517)					
Total revenues from operations	184,516	394	22	184,932	25,103	(2,497)	207,538
Operating expenses:							
Program services:							
Fostering independence	129,417			129,417	14,040		143,457
Promoting self sufficiency	34,867			34,867	29,045	(403)	63,509
Total program services	164,284			164,284	43,085	(403)	206,966
Support services:							
Management and general	20,070			20,070			20,070
Fundraising	87			87			87
Total support services	20,157			20,157			20,157
Total operating expenses	184,441			184,441	43,085	(403)	227,123
Change in net assets from operations	75	394	22	491	(17,982)	(2,094)	(19,585)
Non-operating items:							
Interest and dividend income	1,415			1,415	1,348		2,763
Realized net gains on investments	1,210			1,210			1,210
Equity contributions related to limited and general partnerships					17,326		17,326
Unrealized net gains on investments	3,396		44	3,440			3,440
Other non-operating gains	1,719			1,719			1,719
Total non-operating items	7,740		44	7,784	18,674		26,458
Change in consolidated net assets	$ 7,815	$ 394	$ 66	$ 8,275	$ 692	$ (2,094)	$ 6,873
Total change in unrestricted net assets	$ 6,413						

See notes to consolidated financial statements.

(IN THOUSANDS)

	Attributable to the parent				Attributable to the non-controlling interests	
	Unrestricted	Temporarily restricted	Permanently restricted	Subtotal	Unrestricted	Total
Balance, July 1, 2010, as previously reported	$ 57,824	$ 558	$ 667	$ 59,049	$ 95,052	$ 154,101
Prior period restatement	915			915	(3,477)	(2,562)
Balance, July 1, 2010, as restated	58,739	558	667	59,964	91,575	151,539
Change in consolidated net assets	6,268	394	66	6,728	145	6,873
Balance, June 30, 2011	65,007	952	733	66,692	91,720	158,412
Change in consolidated net assets	**(3,715)**	**615**	**56**	**(3,044)**	**2,270**	**(774)**
Balance, June 30, 2012	**$ 61,292**	**$ 1,567**	**$ 789**	**$ 63,648**	**$ 93,990**	**$ 157,638**

See notes to consolidated financial statements.

(IN THOUSANDS)

	2012	2011
Cash flows from operating activities:		
Change in consolidated net assets	**$ (774)**	$ 6,873
Adjustments to reconcile change in consolidated net assets to net cash provided by operating activities:		
Non-controlling interest in limited and general partnerships	**(2,270)**	(145)
Change in limited and general partnerships	**709**	1,667
(Decrease) increase in allowance for doubtful accounts	**(4,505)**	1,441
Depreciation and amortization	**5,657**	5,644
Original issue discount accretion	**26**	17
Gain on sale of tax credits		(1,025)
Loss on disposal of property and equipment	**23**	12
Net realized and unrealized investment losses (gains)	**989**	(4,650)
Permanently restricted contributions and investment income	**(56)**	(66)
(Increase) decrease in operating assets:		
Accounts receivable	**(346)**	(3,124)
Prepaid expenses	**1,535**	(576)
Other current assets	**(1,752)**	83
Increase (decrease) in operating liabilities:		
Accounts payable	**(204)**	706
Accrued expenses	**288**	432
Other liabilities	**6,090**	(439)
Net cash provided by operating activities	**5,410**	6,850
Cash flows from investing activities:		
Purchase of property and equipment	**(17,161)**	(4,337)
Proceeds from sale of property and equipment		9
(Increase) decrease in:		
Notes receivable	**3,813**	(2,090)
Reimbursable costs	**(2,268)**	1,075
Change in investments	**(2,443)**	(2,299)
Net cash used in investing activities	**(18,059)**	(7,642)
Cash flows from financing activities:		
Permanently restricted contributions and investment income	**56**	66
Note and mortgages payable:		
Proceeds	**37,468**	2,990
Payments	**(3,375)**	(4,336)
(Increase) decrease in bond trust funds	**(19,177)**	502
Increase in deferred charges and other assets	**(828)**	(542)
Proceeds from sale of tax credits, net of fees		1,025
Net cash provided by (used in) financing activities	**14,144**	(295)
Net increase (decrease) in cash and cash equivalents	**1,495**	(1,087)
Cash and cash equivalents, beginning	**25,458**	26,545
Cash and cash equivalents, ending	**$ 26,953**	$ 25,458
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 15,735**	$ 13,446

(IN THOUSANDS)

	Program services			Support services				Limited and general partnerships				
	Fostering independence	**Promoting self sufficiency**	**Total program services**	**Management and general**	**Fundraising**	**Total support services**	**Operating subtotal**	**Fostering independence**	**Promoting self sufficiency**	**Total program services**	**Eliminations**	**Total**
Salaries	$ 63,814	$ 4,213	$ 68,027	$ 8,970		$ 8,970	$ 76,997	$ 1,406	$ 2,120	$ 3,526		$ 80,523
Pension expense	772	14	786	3,285		3,285	4,071					4,071
Other employee benefits	9,265	613	9,878	1,412		1,412	11,290	213	237	450		11,740
Payroll taxes	5,127	313	5,440	685		685	6,125	214	351	565		6,690
Legal fees	85	6	91	201		201	292	21	130	151		443
Accounting fees	274	17	291	559	$ 6	565	856	192	314	506		1,362
Other professional fees	4,864	49,293	54,157	1,282	35	1,317	55,474	619	330	949		56,423
Supplies and office expenses	2,855	258	3,113	744		744	3,857	466	598	1,064		4,921
Telecommunications	759	72	831	241		241	1,072	22	43	65		1,137
Postage	117	281	398	45		45	443					443
Occupancy expenses	4,471	530	5,001	261		261	5,262	3,042	4,536	7,578		12,840
Interest	4,618	544	5,162	134	1	135	5,297	4,676	5,783	10,459		15,756
Insurance	1,755	90	1,845	174	16	190	2,035					2,035
Equipment rental and maintenance	2,405	124	2,529	54		54	2,583		2	2		2,585
Printing and publications	95	363	458	42		42	500					500
Travel and transportation	627	1,058	1,685	791		791	2,476	9	9	18		2,494
Conferences and meetings	115	164	279	155		155	434	46	42	88		522
Specific assistance to individuals	18,264	406	18,670				18,670					18,670
Awards and grants to affiliates:												
Development awards		2,782	2,782	387		387	3,169					3,169
Endowment awards		908	908				908					908
Other	7,754	843	8,597	2,460	537	2,997	11,594	711	1,167	1,878	$ (1,869)	11,603
Depreciation and amortization	4,907	514	5,421	236		236	5,657	3,817	6,740	10,557		16,214
	$ 132,943	$ 63,406	$ 196,349	$ 22,118	$ 595	$ 22,713	$ 219,062	$ 15,454	$ 22,402	$ 37,856	$ (1,869)	$ 255,049

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011
(IN THOUSANDS)

	Program services			Support services				Limited and general partnerships				
	Fostering independence	Promoting self sufficiency	Total program services	Management and general	Fundraising	Total support services	Operating subtotal	Fostering independence	Promoting self sufficiency	Total program services	Eliminations	Total
Salaries	$ 64,120	$ 4,812	$ 68,932	$ 7,888		$ 7,888	$ 76,820	$ 1,027	$ 2,007	$ 3,034		$ 79,854
Pension expense	770	46	816	2,009		2,009	2,825					2,825
Other employee benefits	9,043	581	9,624	1,239		1,239	10,863	115	200	315		11,178
Payroll taxes	5,166	324	5,490	602		602	6,092	175	319	494		6,586
Legal fees	65	3	68	186		186	254	8	58	66		320
Accounting fees	220	18	238	584	$ 5	589	827	185	289	474		1,301
Other professional fees	4,266	20,609	24,875	2,308	41	2,349	27,224	567	446	1,013		28,237
Supplies and office expenses	2,768	369	3,137	603		603	3,740	298	529	827		4,567
Telecommunications	729	122	851	222		222	1,073	34	63	97		1,170
Postage	125	329	454	53		53	507					507
Occupancy expenses	4,794	457	5,251	226		226	5,477	3,031	4,762	7,793		13,270
Interest	4,756	608	5,364	145		145	5,509	4,375	4,235	8,610		14,119
Insurance	1,396	96	1,492	151	17	168	1,660					1,660
Equipment rental and maintenance	1,940	114	2,054	98		98	2,152					2,152
Printing and publications	87	335	422	23		23	445					445
Travel and transportation	614	1,120	1,734	627		627	2,361	2	3	5		2,366
Conferences and meetings	101	124	225	112		112	337	29	63	92		429
Specific assistance to individuals	16,996	466	17,462				17,462					17,462
Awards and grants to affiliates:												
Development awards		1,610	1,610				1,610					1,610
Endowment awards		1,309	1,309				1,309					1,309
Other	6,582	892	7,474	2,752	24	2,776	10,250	600	1,543	2,143	$ (403)	11,990
Depreciation and amortization	4,879	523	5,402	242		242	5,644	3,594	4,946	8,540		14,184
Impairment of long-lived assets									9,582	9,582		9,582
	$ 129,417	$ 34,867	$ 164,284	$ 20,070	$ 87	$ 20,157	$ 184,441	$ 14,040	$ 29,045	$ 43,085	$ (403)	$ 227,123

1. Organization and reporting entity:

Volunteers of America, Inc. (National Organization) is an interdenominational church, and a national non-profit human service organization that demonstrates its faith through acts of compassion, local service programs, and opportunities for individual and community involvement. Established in 1896 by Christian social reformers Ballington and Maud Booth, the National Organization provides administrative and management services to 36 locally chartered and unchartered corporations (Local Offices) authorized to operate under the name of Volunteers of America. The Local Offices provide a wide variety of human service programs to help people in need. Volunteers of America is one of the nation's most comprehensive human service charities.

Volunteers of America National Services (National Services), a subsidiary of the National Organization, includes the accounts of National Services and its wholly-owned subsidiaries: Volunteers of America Care Facilities; VOA Care Centers, Minnesota; Volunteers of America National Services Foundation; Volunteers of America Assisted Living Communities; Volunteers of America Home Health Services; Volunteers of America National Services Development Corporation; VOA National Housing Corporation; The Homestead at Boulder City, Inc., an 80% owned subsidiary; VOANS Health Services Corporation; VOA Anoka Care Center, Inc.; The Homestead at Montrose, Inc.; Sleepy Eye Area Home Health; Volunteers of America Homestead 2000, Inc.; VOANS PACE, Inc.; VOANS Senior CommUnity Meals, Inc.; Essex St. Commercial, LLC.; VOA Adirondacks Affordable Housing, LLC.; Houston VOA Elderly Housing, Inc.; VOA Silverlake Affordable Housing Corporation and certain real estate general and limited partnerships.

Volunteers of America Correctional Services, a subsidiary, includes Volunteers of America Puerto Rico RRC, Inc., its wholly-owned subsidiary.

Volunteers of America Foundation is a subsidiary of the National Organization.

Volunteers of America of Washington (The Theodora), is a subsidiary of the National Organization operating a 114-unit apartment project for the elderly and persons with disabilities located in Seattle, Washington.

Volunteers of America, Inc., Volunteers of America National Services, Volunteers of America Correctional Services, Volunteers of America of Washington and Volunteers of America Foundation are referred to collectively as the Organization.

Principles of consolidation:

All significant intercompany balances and transactions have been eliminated in consolidation. Intercompany guarantees that are eliminated in consolidation are not disclosed in the notes to the consolidated financial statements as the related obligations are recorded on the consolidated statement of financial position.

Intercompany profits eliminated in consolidation related to developer fees earned and paid to National Services were \$3,881,000 and \$2,497,000 for the years ended June 30, 2012 and 2011, respectively. The cumulative amount of intercompany profits eliminated in consolidation related to developer fees earned and paid to National Services since inception was \$16,841,000 and \$12,960,000 at June 30, 2012 and 2011, respectively.

Under generally accepted accounting principles in the United States of America, general partners in limited partnerships that keep substantive participating rights are presumed to control the limited partnerships regardless of the extent of their ownership interest; therefore, the limited partnerships' financial statements should be consolidated with those of the general partners regardless of the percentage ownership in the limited partnerships.

1. Organization and reporting entity (continued):

Principles of consolidation (continued):

There are 188 HUD financed properties and general partnership entities that the Organization controls or in which it has economic interest, but not both. The Organization also has economic interests in all chartered local offices but does not possess control. However, the Organization has control over unchartered local offices but does not have economic interest. Therefore, the Organization is not required to consolidate these HUD properties, general partnership entities or the 36 and 37 Local Offices for the fiscal years ended June 30, 2012 and 2011, respectively.

Program services provided by the National Organization and National Services are described as follows:

Fostering Independence -

Through programs designed to provide care where needed while supporting independence to the degree possible, National Services offers services to the elderly and to those with disabilities, mental illness and HIV/AIDS.

Health Care and Elderly Services:

National Services promotes the well being of individuals through health education and screening, home health care, adult day care, transitional senior housing, assisted living facilities, nursing home care and program of all inclusive care for the elderly (PACE). Nursing home care provides skilled and intermediate nursing care, secure special care units for persons with memory loss, and rehabilitation. The PACE program provides a full range of care to seniors with chronic care needs while allowing them to remain in their own homes for as long as possible.

Promoting Self-Sufficiency -

Housing – Disabled and Elderly Housing:

National Services affords individuals and families an opportunity to live in safe, well-maintained, service-enriched rental housing. This program offers residents an array of activities and services that respond to the needs and interests of residents. Elderly housing offers recreational, social and health services. Housing for persons with disabilities have specifically designed services that support the residents’ independent functioning.

Housing:

The National Organization works to promote the self-sufficiency of those who have experienced homelessness or other personal crisis, including chemical dependency, involvement with the corrections system and unemployment.

Housing – Single Adults and Families:

National Services affords individuals and families an opportunity to live in safe, well-maintained, service-enriched rental housing. This program offers residents an array of activities and services that respond to the needs and interests of residents.

National Services is the sponsor for certain Single Asset Entities (SAE’s) and is developing additional affordable housing sites to be organized as SAE’s. The SAE’s are stand alone entities and are not consolidated with the Organization. See Note 2 regarding reimbursable costs for the 29 individual and family properties currently under development at June 30, 2012.

1. Organization and reporting entity (continued):

Promoting Self-Sufficiency – (continued):

Community Enhancement:

The National Organization provides administrative and management services to the Local Offices from its headquarters office located in Alexandria, Virginia.

- Mission focus:
  The National Organization provides management, program expertise and leadership to its Local Offices and ensures that the work of the Organization fulfills the mission of providing programs and services that help abused and neglected children, youth at risk, the elderly, persons with disabilities, homeless individuals and families, and many others. It facilitates development of an organization-wide plan. It commissions and ordains ministers and fosters the spiritual growth of leadership across the Organization. It articulates the mission of Volunteers of America and updates this message to keep it timely and meaningful. It promotes organizational values that instill pride and unite the Organization.

  The National Organization establishes effective partnerships with government, businesses, churches, community organizations, and participates in the national dialogue affecting the work of Volunteers of America.

- Advocacy and government relations:
  The National Organization advocates on a local, national, and international level for those groups served by Volunteers of America, maintains effective federal government relations, and encourages Local Offices to maintain effective state and local government relations. It informs Local Offices of legislative and regulatory proposals affecting their work and analyzes their impact and identifies national public policy initiatives and works towards their fulfillment.

- Board development:
  The National Organization and Local Office boards of directors provide leadership and direction for the Organization as they work with national and local staff. This program establishes a model for board effectiveness, provides training, communicates regularly with local boards, administers charters, and works to expand the Organization nationally and internationally.

- Communications:
  The National Organization provides publication, public relations, marketing, graphic, internet, and other information support for the Organization. It conveys the mission and messages of Volunteers of America, maintains a national awareness campaign, and develops and ensures proper use of Volunteers of America trademarks. The program also provides professional, technical, and operational support to the Local Offices. These communication efforts are designed to build public awareness and to enhance the Organization’s programs and services for people in need.

1. Organization and reporting entity (continued):

Promoting Self-Sufficiency – (continued):

Community Enhancement (continued):

- Service development:

  The National Organization gathers and analyzes national data and trends on the types of services provided and forecasts needs and opportunities for additional services. It participates in the risk for new models of service delivery and launches national initiatives for service delivery.

  The National Organization also establishes expectations of the Organization's leadership and a program to develop leadership skills. It invites individuals who share the values of Volunteers of America to volunteer for, commit to, and participate in the work of the Organization. It identifies and supports national leadership for the Organization's primary service areas. It provides technical assistance to Local Offices on legal, financial and accounting, human resources, planning, and other management areas.

- Financial development:

  The National Organization facilitates the Organization's access to capital and raises funds for national and local initiatives. It makes training and supporting materials for financial development available to Local Offices. It creates national relationships with corporate partners. It develops enterprises that generate revenue to fund the work of the Organization. It monitors the financial condition of Local Offices and offers assistance when applicable.

2. Significant accounting policies:

Cash and cash equivalents:

Cash equivalents are all highly liquid investments with an original 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 encumbered (see Note 5). The carrying amount approximates fair value because of the short maturity of those instruments.

Notes and accounts receivable:

Notes and accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debts based on its assessment of the current status of individual account balances that are still outstanding. After management has used exhaustive collection efforts, uncollectible notes and accounts receivable balances are charged to the provision for bad debts.

Notes receivable, net of current portion, generally bear no interest and result from activity with managed apartment complexes and affiliates, from development activity with affiliates and from loans to Local Offices for operations (see Notes 4 and 13).

2. Significant accounting policies (continued):

Investments:

Investments consist primarily of stocks, bonds, and cash reserve funds. They are recorded at fair value based on quoted market prices. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. The fair value of investments is based on the underlying value of the securities and will fluctuate based on overall changes in market conditions. Investment income or loss (including realized gains and losses on investments, interest and dividends) and change in unrealized gains and losses on investments are excluded from the change in net assets from operations.

Fair value measurements:

The Organization's financial instruments are measured at estimated fair value using inputs from among the three levels of the fair value hierarchy as follows:

Level 1 inputs: Quoted prices in active markets for identical assets or liabilities, which prices are available at the measurement date.

Level 2 inputs: Includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e. interest rates, yield curves, etc.) and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs: Unobservable inputs that reflect management's estimates about the assumptions that market participants would use in pricing the asset or liability. These inputs are developed based on the best information available, including internally-developed data.

Property and equipment and depreciation method:

Land, buildings, and equipment are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of gift.

Depreciation and amortization are computed on the straight-line method based generally upon the following estimated useful lives:

Land improvements	10 years
Buildings	30 – 40 years
Building improvements	10 – 15 years
Furniture and equipment	3 – 10 years
Transportation vehicles	3 – 5 years

Expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized.

2. Significant accounting policies (continued):

Encumbered assets:

Encumbered assets represent the total of all assets that are encumbered by donor restrictions, legal agreements, and Board designation and are otherwise unavailable for the general use of the Organization. This category includes temporarily and permanently restricted assets, Board designated assets, equity investments and escrow deposits required by funding sources in the development of low-income housing (see Note 5).

Reimbursable costs:

Reimbursable costs are funds advanced for the construction of various low-income housing projects sponsored by National Services that will be managed by an affiliate of the Organization. These projects are developed under a number of housing programs of the Department of Housing and Urban Development (HUD) including 202 (elderly) and 811 (handicapped), as well as low-income housing tax credits (LIHTC) and tax-exempt bond financing. Prior to receiving funding, the sponsor advances funds for options and other due diligence costs related to the acquisition and development of these projects. The majority of these advances are reimbursed within 18 to 24 months of being incurred upon satisfactory completion of the due diligence process. Thereafter, additional advances may be necessary to provide cash flow between the time a cost has been incurred and approved for reimbursement, and the receipt of the reimbursement.

Deferred charges and other assets:

National Services financing costs are being amortized principally by a method which relates such costs to the outstanding debt. Amortization expense was approximately $149,000 and $159,000 for the years ended June 30, 2012 and 2011, respectively. Amortization expense is estimated to be approximately $194,000 in each of the next five years.

Deferred revenue:

During 2012, National Services was awarded $5,000,000 in a Capital Magnet Fund (CMF) to be used primarily for housing development loans. The full $5,000,000 was initially recorded as unearned revenue upon receipt of actual cash. Approximately $4,128,000 is included in other long-term liabilities at June 30, 2012. Of the $5,000,000 awarded, $250,000 has been set aside for administrative costs related to the program.

Limited and general partnerships:

National Services usually creates a limited partnership for tax credit properties where it is the general partner or wholly owns the general partner, and receives tax credits, which it in turn sells to an investor or to a limited partner. Overall, the Organization’s ownership percentage of the limited partnerships is generally less than one percent. These housing projects serve family and single adults, the elderly and disabled, or individuals with HIV/AIDS.

Assets and liabilities of the limited partnerships consist principally of buildings, construction-in-progress and long-term debt. Non-controlled interests in the limited partnerships of $93,990,000 and $91,720,000 at June 30, 2012 and 2011, respectively, represents the ownership by the limited partners and not that of the general partners that is required under generally accepted accounting principles in the United States of America to be included in the consolidated financial statements.

2. Significant accounting policies (continued):

Limited and general partnerships (continued):

National Services, through several of the majority-owned general partnerships, has notes receivable from the related limited partnerships totaling approximately $3,904,000 and $3,933,000 at June 30, 2012 and 2011, respectively. These notes are carried at $0, because the Organization believes that the related properties will not yield any financial return and collectability of the notes is uncertain. If cash is received for these notes in the future, revenues and gains may be recognized.

National Services reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. One property in one of the underlying partnerships recorded an impairment loss of $9,582,000 for the year ended June 30, 2011, based upon an appraisal performed on behalf of the related partnership.

Net assets:

Net assets are classified 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 statement of activities when net assets are released from restrictions, when the time restrictions expire or the contributions are used for their restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting unrestricted use of all or part of the investment income earned on the corpus.

Operations:

Operations are defined as all program and supporting service activities undertaken. Revenues that result from these activities and their related expenses are reported as operations. Gains, losses, and other revenue that result from ancillary activities, such as investing liquid assets and disposing of other assets, are reported as non-operating. Operating revenues consist primarily of net patient services revenues, which are reported at the estimated net realizable amounts from residents, third-party payers and others for services rendered, administrative fees from Local Offices, fees earned through the management and development of affordable housing and rental income for the limited and partnership interests.

2. Significant accounting policies (continued):

Contributions:

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

Contributions in-kind:

The Organization recognizes contribution revenue for certain goods and services received at the fair value of those gifts.

Program fee revenue:

Medicaid and Medicare program fees are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of National Services.

The National Organization manages a direct mail fundraising program under contracts with some of the Local Offices. As amounts are received from the direct mail program and associated direct costs of running this program are incurred, they are recognized as contributions and program services operating expenses, respectively, on the consolidated statement of activities of the National Organization. Net program surpluses are then distributed to the participating Local Offices quarterly, and if there are net program shortfalls, the participating Local Offices reimburse the National Organization in full for shortfalls quarterly.

The National Organization manages a vehicle donation program under contracts with some of the Local Offices. The National Organization records both revenue and expenses related to this program on the consolidated statement of activities. The National Organization awards the net proceeds to the participating Local Offices and gets reimbursed for any net program shortfalls.

Developer Fee Revenue:

National Services recognizes developer fee revenue when the earnings process is complete and specific benchmarks have been reached. Developer fee revenue is included as part of operating revenues in the consolidated statement of activities.

Cumulative costs associated with earning this revenue are capitalized until the revenue can be matched with the associated net expenses. This resulted in capitalizing approximately $1,331,000 and $611,000 of developer fee costs onto the consolidated statement of activities as reimbursable costs for the fiscal years ended June 30, 2012 and 2011, respectively. The reimbursable costs will be matched with future developer fee revenues.

Deferred developer fee revenues and HUD consulting fee revenues are not recognized until actually paid due to the uncertainty of their collectability.

2. Significant accounting policies (continued):

Major sources of revenue:

The Organization received approximately 36% and 43% of its operating revenues from Medicare and Medicaid for the years ended June 30, 2012 and 2011, respectively.

Allocation of functional expenses:

Program and support service expenses are specifically identified with or allocated to the various functions. Expenses requiring allocation include services provided by the National Organization to its Local Offices and are based on time spent or actual usage.

Use of estimates:

The timely preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Significant estimates include revenues from third-party payers, group health insurance reserve, allowance for doubtful accounts, and liabilities for workers' compensation. Workers' compensation policies and revenues received under cost reimbursement agreements are subject to audit and retroactive adjustment. The Organization evaluates the allowance for doubtful accounts using current year account activity, historical trend information and specific account identification. The National Organization participates in a self-insured health plan sponsored by National Services. Any adjustments to rates, claims or insurance policies are recognized as an adjustment to revenue or expense when the effect becomes reasonably determinable, including in certain cases, the lapsing of statute of limitations.

Income taxes:

Under provision of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the applicable states, the Organization is a public charity and exempt from income taxes. The Organization has evaluated its tax positions for uncertainty and has no unrecognized tax matters that are required to be disclosed.

The Organization is open to examination for the fiscal years 2009 through 2012. The Organization had no income tax expense and there were no cash payments for income taxes in 2012 and 2011.

Concentration of credit risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, notes receivable, investments and third-party payor and patient receivables. The Organization places its cash and cash equivalents and investments with high credit quality financial institutions. At times, such amounts may be in excess of the FDIC insurance limits. The Organization has not experienced any loss associated with this practice.

Reclassifications:

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

Subsequent events:

Management has evaluated for subsequent events through October 12, 2012, the date the financial statements were available for issuance.

3. Property and equipment:

	2012	2011
	(in thousands)	
Construction-in-progress	$ **11,152**	$ 0
Land and improvements	**14,117**	12,612
Building and improvements	**109,898**	104,733
Furniture and equipment	**28,684**	27,404
	163,851	144,749
Less accumulated depreciation	**83,506**	76,034
	$ 80,345	$ 68,715

Depreciation expense for the years ended June 30, 2012 and 2011, was $5,452,000 and $5,430,000, respectively.

Construction-in-progress represents building and equipment costs for The Homestead at Anoka, Inc. National Services capitalized interest and deferred financing costs associated with the project totaling approximately $1,424,000 at June 30, 2012.

VOA Silverlake Affordable Housing Corporation (the Corporation) included with National Services is a not-for-profit corporation that operates an 88-unit apartment project for the elderly. The Corporation is in the process of submitting the application for new HUD financing along with submitting an application to the California Tax Credit Allocation Committee for 4% tax credits. This process is expected to be completed by the first quarter 2013. At that point in time the Corporation may be sold to a new entity. The application for 4% tax credits is a noncompetitive process and therefore the sale of the entity is likely. As part of the expected sale of the Corporation, there is approximately $5,675,000 of net property and equipment classified as long-lived assets held-for-sale included in property and equipment in the consolidated statement of financial position as of June 30, 2012.

4. Notes receivable:

Activity in the allowance for notes receivable was as follows:

	2012	2011
	(in thousands)	
Balance at beginning of year	**$ 8,499**	$ 7,967
Provision for losses	**840**	764
Charge-offs	**(5,707)**	
Recoveries	**(26)**	(232)
Balance at end of year	**$ 3,606**	$ 8,499

5. Encumbered assets:

At June 30, 2012 and 2011, encumbered assets included the following donor restrictions, legal agreements and board designations:

	VOA, Inc.	VOANS	2012	2011
		(in thousands)		
Restricted assets:				
Temporarily	$ 1,567		$ 1,567	$ 952
Permanently	789		789	733
Board designated	17,237		17,237	17,882
Bonds:				
Trust funds		$ 24,908	24,908	5,731
Trust escrow		5,460	5,460	2,622
Advance and interest funds	171		171	170
Certificates of deposit held as collateral		1,351	1,351	1,334
Encumbered assets	$ 19,764	$ 31,719	$ 51,483	$ 29,424

Bond trust funds:

Bond trust funds consist of assets held by trustees under various indenture agreements. Amounts held in bond trust funds in excess of amounts required under the indenture agreements are classified as short-term investments whose use is limited. These investments consisting of short-term treasury funds are recorded at cost, which approximates fair value.

At June 30, 2012 and 2011, encumbered assets consisted of the following classes of assets:

	VOA, Inc.	VOANS	2012	2011
		(in thousands)		
Cash and cash equivalents	$ 2,534	$ 5,460	$ 7,994	$ 2,367
Investments (see below)	17,230	1,351	18,581	21,326
Bond trust funds		24,908	24,908	5,731
Encumbered assets	$ 19,764	$ 31,719	$ 51,483	$ 29,424

	VOA, Inc.	VOANS	2012	2011
		(in thousands)		
Investments included in encumbered assets:				
Cash held for re-investment	$ 864		$ 864	$ 3,988
Certificates of deposit		$ 1,351	1,351	1,334
Government and agency bonds (see Note 7)	4,684		4,684	4,390
Corporate bonds (see Note 7)	4,064		4,064	3,923
Common and preferred stocks (see Note 7)	14,382		14,382	15,809
	23,994	1,351	25,345	29,444
Unencumbered securities held with encumbered assets	(6,764)		(6,764)	(8,118)
Investments included in encumbered assets	$ 17,230	$ 1,351	$ 18,581	$ 21,326

5. Encumbered assets (continued):

Board designated net assets include the VOA Trust for $6,000,000, and VOA Irrevocable Trust for $6,000,000. The two trusts were created by the Board of Directors using the proceeds of a settlement and the net proceeds from a syndication of certain HUD financed projects. The trusts are exempt from federal and state income taxes and are all considered unrestricted.

The terms of both trusts are irrevocable and vest the trustees, who are the members of the Finance Committee, with all powers over investment, management, and distribution of the principal assets. These trusts are invested with the National Pooled Investment program which is monitored by the Investment Committee. The assets must be invested with the care, skill and diligence that a prudent person acting in this capacity would undertake. All investments will be made within the guidelines of quality, marketability and diversification mandated by controlling statutes. The target asset class investment mix for the board designated endowment funds is to have 40% of the endowment invested in fixed income securities and 60% in equities.

The objectives of the account should be pursued as a long-term goal designed to maximize the returns without exposure to undue risk, with a total targeted return of 6% annually. Understanding that a long-term positive correlation exists between performance volatility (risk) and expected returns in the securities markets and the short-term investment objective is for the portfolio to minimize the likelihood of low or negative total returns.

For the years ended June 30, 2012 and 2011, the National Organization has a policy of appropriating endowment assets available for expenditure each year no greater than 4%, respectively, of the market value of the funds at the end of the preceding fiscal year. In establishing this policy, the National Organization considered the long-term expected return on its endowment. Accordingly, the National Organization expects the current appropriation policy to allow its endowment to grow at an average of 6% annually over a moving three (3) year period. This is consistent with the National Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as, to provide additional real growth through investment return.

Unrestricted board designated endowment funds at June 30, 2012 and 2011 are as follows:

	2012	2011
	(in thousands)	
Beginning balance, July 1	**$ 22,496**	$ 19,951
Investment net (losses) gains	**(454)**	3,545
Reduction of endowment assets to pay awards	**(1,100)**	(1,000)
Ending balance, June 30	**$ 20,942**	$ 22,496
Appropriation of endowment assets available	**$ 908**	$ 1,309

6. Investments:

At June 30, 2012 and 2011, investments were as follows:

	VOA, Inc.	VOANS	2012	2011
	(in thousands)			
Unencumbered:				
Cash held for re-investment	$ 130	$ 257	$ 387	$ 609
Certificates of deposit		6,576	6,576	6,532
Government and agency bonds (see Note 7)	640	1,257	1,897	1,794
Corporate bonds (see Note 7)	607	1,191	1,798	1,792
Common and preferred stocks (see Note 7)	1,954	3,851	5,805	5,810
	3,331	13,132	16,463	16,537
Unencumbered securities held with encumbered assets	6,764		6,764	8,118
	$ 10,095	$ 13,132	$ 23,227	$ 24,655

	VOA, Inc.	VOANS	2012	2011
	(in thousands)			
Statement of financial position classification:				
Short-term investments		$ 13,132	$ 13,132	$ 13,164
Long-term investments	$ 10,095		10,095	11,491
	$ 10,095	$ 13,132	$ 23,227	$ 24,655

7. Fair Value Measurements:

The Organization has categorized its financial instruments based on the priority of the inputs to the valuation technique into a three-level fair value hierarchy. This fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), observable market based inputs or unobservable inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs (Level 3). Financial assets that are carried at estimated fair value are categorized based on the inputs to the valuation technique as follows for the year ended June 30, 2012 and 2011:

	2012			
Financial Asset Category	Level 1	Level 2	Level 3	Total
	(in thousands)			
Government and agency bonds	$ 6,581		$ 0	$ 6,581
Corporate bonds	5,862			5,862
Common and preferred stocks	17,824	$ 2,363		20,187
Total	$ 30,267	$ 2,363	$ 0	$ 32,630
Interest rate swap liability	$ 0	$ 306	$ 0	$ 306

7. Fair Value Measurements (continued):

Financial Asset Category	2011 Level 1	2011 Level 2	2011 Level 3	2011 Total
	(in thousands)			
Government and agency bonds	$ 6,184		$ 0	$ 6,184
Corporate bonds	5,715			5,715
Common and preferred stocks	17,996	$ 3,623		21,619
Total	$ 29,895	$ 3,623	$ 0	$ 33,518
Interest rate swap liability	$ 0	$ 388	$ 0	$ 388

At June 30, 2012 and 2011, the Organization has approximately $1,500,000 of investments in entities that are calculated using net asset value per share (O'Connor Fund of Funds: Long/Short Strategies LLC), which are included in level 2 common and preferred stocks in the fair value measurements table above. This Fund includes equity hedged, relative value and trading strategies. Investment funds in the equity hedged strategy generally utilize fundamental analysis to invest in publicly traded equities investing in long and short positions seeking to capture perceived security mispricings. Investment funds within this strategy are generally subject to 30-90 day redemption notice periods. Investment funds in the relative value strategy, a broad category, generally encompasses strategies that are non-fundamental and non-directional, and often quantitatively driven. This strategy typically uses arbitrage to exploit mispricings and other opportunities in various asset classes, geographies, and time horizons. This strategy frequently focuses on capturing the spread between two assets, while maintaining neutrality to other factors, such as geography, changes in interest rates, equity market movement, and currencies. Investment funds within this strategy are generally subject to a 60 day redemption notice period and are available to be redeemed with no restrictions. Investment funds in the trading strategy are generally top-down in nature and often driven by econometric and macroeconomic research. Investment funds within this strategy are generally subject to 60-90 day redemption notice periods and are available to be redeemed with no restrictions. There are no unfunded capital commitments as of June 30, 2012 and 2011.

8. Deferred charges and other assets:

The following items are included in deferred charges and other assets:

Membership rights in trust:

The National Organization has a one-fifth membership interest in National Affordable Housing Trust, Inc. (NAHT), a not-for-profit organization incorporated in the state of Ohio and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. NAHT has, as its purpose, to facilitate the development of safe, affordable, low-income housing through securing debt and equity capital, providing development consulting, facilitating joint ventures, acquiring existing low-income properties, providing asset management and monitoring financial performance. The membership rights are valued at approximately $203,000, which was the initial amount the National Organization paid to become a member of NAHT. The National Organization receives certain surplus amounts from NAHT in accordance with the membership agreement which are recorded in interest and dividend income.

8. Deferred charges and other assets (continued):

The following items are included in deferred charges and other assets (continued):

Investments in joint ventures:

National Services has a fifty-percent ownership interest with an unrelated party in GSS/VOA, LLC to invest in a home-monitoring software development company. GSS/VOA, LLC was formed in November 2006, and as of June 30, 2012, the Organization has invested approximately $955,000 in GSS/VOA, LLC. The Organization uses the equity method to account for this investment and accordingly has reduced the investment to approximately $430,000. The Organization's share of the losses for the years ended June 30, 2012 and 2011 were $0 and $1,000, respectively.

National Services has a one-third ownership interest with two unrelated parties in Alliance Technology Solutions Holding Company, LLC to invest in a company whose purpose is to develop and deal with computer and software technology focused upon the elderly and their care providers. As of June 30, 2012, National Services has invested approximately $270,000 in Alliance Technology Solutions Holding Company, LLC. National Services uses the equity method to account for this investment and accordingly has reduced the investment to approximately $223,000. National Services' share of gains for each of the years ended June 30, 2012 and 2011 was $26,000.

9. Lines of credit:

The National Organization has an existing bank line of credit of $5,000,000 which expires on January 31, 2014, whereby $5,000,000 remains available. The line is unsecured and bears interest at an annual rate equal to 2.50% plus the LIBOR daily floating rate, which was 2.75% and 2.69% at June 30, 2012 and 2011, respectively. Additionally, the bank charges 0.5% on any unused portion of the line of credit. There were no borrowings outstanding under this line of credit arrangement as of June 30, 2012 and 2011.

The National Organization also has a line of credit with their investment institution secured by their investments in the National Pooled Investment program, where they can borrow up to fifty percent against their investment value. At June 30, 2012 and 2011, no amounts were outstanding.

National Services has entered into a Revolving Credit Agreement for working capital in the amount of $1,500,000. The unpaid principal balance bears interest at an annual rate equal to 2.0% plus the one-month LIBOR rate quoted by U.S. Bank, N.A., reset each banking day. The interest rate was 2.24% and 2.19% at June 30, 2012 and 2011, respectively. No collateral is required. At June 30, 2012 and 2011, the full amount of the Revolving Credit Agreement was available to National Services. In addition, National Services had a short-term note in the amount of $596,000 at June 30, 2011, and was included in current portion of long-term debt. The note was paid in full in August 2011.

10. Long-term debt:

	2012	2011
	(in thousands)	
Real estate notes and mortgages, interest varies based on bank rates due in varying amounts through 2040	**$ 15,526**	$ 14,833
Revenue bonds and mortgages, 5% to 9%, due in varying amounts through 2046	**107,782**	74,616
	123,308	89,449
Less unamortized discount	**548**	233
	122,760	89,216
Less current portion	**7,009**	3,373
	$ 115,751	$ 85,843

Future annual maturities of long-term debt for the years ending June 30 are as follows:

	Amount (in thousands)
2013	$ 7,009
2014	4,953
2015	2,243
2016	2,692
2017	2,841
Thereafter	103,022
	$ 122,760

At June 30, 2012 and 2011, substantially all property and equipment is pledged as collateral for the long-term debt. The terms of these certain types of long-term debt agreements include various covenants including financial and other non-financial matters with which the National Organization and National Services must comply.

11. Interest rate swap agreement:

The National Organization used variable rate debt to finance the acquisition of its headquarters office building. Management believes it is prudent to limit the effects of varying interest rates and has established an objective of reducing the variability of 75% of its tax-exempt interest payments.

The National Organization entered into an interest rate swap agreement, a derivative instrument, with Bank of America, N.A., whereby the National Organization agreed to pay Bank of America a 5.02% fixed rate of interest on $3,500,000 in exchange for the receipt of a floating interest payment based on 65% of the 30-day LIBOR rate. This agreement is to continue in effect until January 1, 2015.

11. Interest rate swap agreement (continued):

The National Organization reflected this derivative instrument within non-operating unrealized net gains/(losses) on investments in the amount of $81,000 and $80,000 within the accompanying financial statements for the years ended June 30, 2012 and 2011, respectively. This derivative instrument is also stated at fair value and reflected as a liability in other long-term liabilities in the amount of $306,000 and $388,000 as of June 30, 2012 and 2011, respectively.

12. Commitments:

Pension plans:

Defined contribution plans:

The National Organization participates in defined contribution retirement plans. The plans cover all employees who have met certain employment requirements. For the years ended June 30, 2012 and 2011, the National Organization paid $970,000 and $936,000, respectively, to these plans.

Defined benefit plans:

The National Organization participates with its Local Offices and National Services in a non-contributory defined benefit pension and retirement plan, called The Volunteers of America National Pension Plan. The plan's employer identification number is 13-1692595 and the plan year end is December 31. This plan is a multi-employer plan and is not required to record the unfunded pension liability in its financials. The plan's disclosure information regarding the projected benefit obligation and unfunded status as they relate solely to the National Organization is not available, which is typical for multi-employer plans. Because this plan is a church plan and not subject to the Employment Retirement Security Act of 1974 (ERISA), the Organization is not required to file a Form 5500. This unfunded liability is collectively the liability of all participating employers. If there were any cash shortfalls in the plan, the plan would look towards the participating employers to help fund these amounts. As the participating employers of this plan are affiliated with the Organization, it is not anticipated that any employer will choose to stop participating.

The financial health of the multiemployer pension plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the plan as certified by the plan's actuary. Plans in the red zone are less than 65% funded, the yellow zone are between 65% and 80% funded, and the green zone are at least 80% funded. Because the plan is not subject to ERISA, a funding improvement plan is not required; however, the Organization has voluntarily implemented a contribution assessment.

	1/1/2012	1/1/2011
Market value of plan assets	**$ 37,283,000**	$ 37,465,000
Present value of accumulated plan benefits	**56,235,000**	54,073,000
Actuarial valuation of the unfunded pension liability	**$ 18,952,000**	$ 16,608,000

	Fiscal year 2012	Fiscal year 2011
Zone Status	**Red**	Red
Employer's contribution to the plan	**$ 1,049,000**	$ 980,000
Total contributions received by the plan	**3,619,000**	3,218,000
Employer's contribution >5% of total contributions to the plan	**Yes**	Yes
Total fair value of plan assets at year end	**38,917,000**	39,169,000

12. Commitments (continued):

Pension plans (continued):

Defined benefit plans (continued):

VOA National Housing Corporation has a separate defined benefit plan which is a single employer plan and recognizes the funded status of the defined benefit pension plan as a net asset or liability and recognizes changes in the funded status in the year in which the change occurs through a separate line item within the change in unrestricted net assets, apart from expenses, to the extent those changes are not included in the net periodic costs. For years ended June 30, 2012 and 2011, the funded status reported on the consolidated statement of financial position is included in other long-term liabilities and was measured as the difference between the fair value of plan assets and the benefit obligation.

The following table presents certain information with respect to the plan for non-minister employees at June 30, 2012 and 2011:

	2012	2011
	(in thousands)	
Projected benefit obligation	**$ 6,430**	$ 5,305
Plan assets, at fair value	**3,969**	4,084
Unfunded status	**$ 2,461**	$ 1,221
Net periodic benefit cost	**$ 160**	$ 259
Employer contributions	**$ 280**	$ 202
Benefits paid	**$ 239**	$ 204

	2012	2011
	(in thousands)	
Weighted average assumptions used to determine benefit obligation at June 30:		
Discount Rate	**4.15%**	5.45%
Expected return on plan assets	**N/A**	N/A
Rate of compensation increase	**4.00%**	4.00%
Weighted average assumptions used to determine net periodic benefit cost for the years ended at June 30:		
Discount Rate	**5.45%**	5.33%
Expected return on plan assets	**7.25%**	7.25%
Rate of compensation increase	**4.00%**	4.00%

The expected long-term rate of return for the plan's total assets is based on both National Services' historical rate of return and the expected rate of return on National Services' asset classes, weighted based on target allocations for each class.

12. Commitments (continued):

Pension plans (continued):

Defined benefit plans (continued):

The amount not recognized as a component of net periodic benefit cost was $0 for the years ended June 30, 2012 and 2011. The net loss recognized in the year ended June 30, 2012 was approximately $1,359,000 and the net gain recognized in the year ended June 30, 2011 was approximately $636,000. The net loss expected to be recognized as a component of net periodic pension cost over the next twelve months is $252,000.

The accumulated benefit obligation was $6,223,000 and $5,207,000 at June 30, 2012 and 2011, respectively.

National Services uses the 2000 Separate Annuitants and Non-Annuitants Mortality Tables projected with Scales AA to 2010 with additional 7 years and 15 years projections for Annuitants and Non-Annuitants, respectively, for males and females.

The expected rates of return on pension plan assets are based on the historical rate of return of the plan, industry trends and current market trends. The decisions have traditionally been conservative in nature.

National Services employs a global allocation model by investing in two mutual funds. The funds are allowed to move between various asset classes predicated on the fund manager's assessment of over/under valued markets or sectors. Therefore, there are no set target allocation percentages or ranges for the classes of plan assets. This investment strategy is reviewed quarterly by National Services.

The fair values of National Services' postretirement plan assets at June 30, by asset category, are as follows:

	2012	2011
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Identical Assets (Level 1)
	(in thousands)	
Global asset allocation mutual funds	**$ 3,904**	$ 4,059

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid as follows:

	Amount (in thousands)
2013	$ 251
2014	261
2015	281
2016	304
2017	318
2018- 2022	1,880

12. Commitments (continued):

Pension plans (continued):

Deferred compensation plan:

The National Organization maintains an executive deferred compensation plan. The plan is open to qualified employees and is based on amounts designated by the plan administrator. The assets are maintained within a trust and are held for eventual payment of the liability. The trust is recorded in deferred charges and other assets and in other long-term liabilities in the amount of $1,086,000 and $854,000 as of June 30, 2012 and 2011, respectively, at its fair value.

Guarantees:

National Services has entered into a Guaranty Agreement for the benefit of the Chateau Carre Apartments Limited Partnership, which received debt and tax credit equity financing for purposes of the acquisition and rehabilitation of a 150 unit affordable housing project located in New Orleans, LA. Guaranty exposure during the operating deficit guaranty period is limited to $727,000. National Services and two related parties are the joint and several guarantors during the operating deficit guaranty period. The operating deficit guaranty will expire five years after the achievement of breakeven operations. The limited partnership has funded an operating reserve of $727,000 which is available to meet operating deficits. National Services has not been required to make any payments as a result of the guarantee.

National Services has entered into a Guaranty Agreement for the benefit of the New Covington Apartments LP and Renaissance Neighborhood Development Corporation, which received debt and tax credit equity financing for purposes of the acquisition, construction and operation of a 94 unit affordable housing project located in Covington, LA. Guaranty exposure during the operating deficit guarantee period is limited to an aggregate of 12 months of operating expense. National Services and two related parties are the joint and several guarantors during the operating deficit guarantee period. The operating deficit guaranty will expire up to five years after the achievement of breakeven operations, although may be released earlier if certain conditions are met. The limited partnership has funded an operating deficit reserve of $305,000 at June 30, 2012. National Services has not been required to make any payments as a result of the guarantee.

National Services has entered into a Guaranty Agreement for the benefit of Renaissance Neighborhood Development Corporation, which received a loan of $2,415,000 for the purpose of acquiring property at 1770 Tchoupitoulas Street in New Orleans, LA. National Services has agreed to fund 50% of all guaranty payments related to the indebtedness not to exceed $1,208,000. The Guaranty Agreement was in place at June 30, 2012, but did expire on July 2, 2012, when the indebtedness was paid in full due to a refinancing. National Services is providing guarantees related to the new financing structure.

National Services has entered into a Guaranty Agreement for the benefit of Durango Volunteers of America Elderly Housing II, Inc., which received a $257,000 Community Development Block Grant from the City of Durango. National Services has provided an indemnification for the benefit of the City of Durango with respect to any damages, penalties, losses or claims incurred by the City of Durango as a result of the failure to comply with the terms, conditions and provisions of the grant. National Services has not been required to make any payments as a result of the guarantee.

12. Commitments (continued):

Guarantees (continued):

National Services has entered into a Guaranty Agreement for the benefit of the West Side Veterans Housing, L.P., which received debt and tax credit equity financing for purposes of the acquisition, construction, operation and service provision for a 50 unit affordable housing project located in Chicago, IL. Guaranty exposure during the operating guarantee deficit period is limited to $214,000. The operating deficit guaranty will expire three years after the two year anniversary of stabilized occupancy and the achievement of the required debt service coverage. The limited partnership has funded a working capital reserve of $100,000 and an operating deficit reserve of $217,000 which is available to meet operating deficits. National Services has not been required to make any payments as a result of the guarantee.

National Services has entered into a Limited Guaranty for the Third Restated Promissory Note between VOANS Orono Woods, Inc., and Dunbar Development Corporation. The guarantee requires prompt and timely payment of principal due in the event of payment default by VOANS Orono Woods, Inc. The amount of the guaranty is limited to $50,000. The guarantee will remain in effect until the balance of Promissory Note is paid in full. National Services has not been required to make any payments as a result of the guarantee.

National Services has entered into a Guarantee for 50% of the City of Orono, Minnesota, Senior Housing Refunding Revenue Bonds (Orono Woods Apartment Project) Series 2006B. The guarantee requires prompt and timely payment of the principal and interest due in the event of payment default by Orono Senior Housing, LLC., in an amount equal to 50% of the payment due. The outstanding principal balance of the bonds at June 30, 2012, was $670,000. The guarantee will remain in effect until the bonds have been repaid. National Services has not been required to make any payments as a result of the guarantee.

National Services has entered into a Guaranty Agreement for the benefit of the VOA Sunset Housing, LP, which received debt and tax credit equity financing for purposes of the acquisition and rehabilitation of a 242 unit affordable housing project located in Denver, CO. National Services has provided guarantees for the payment and performance of the obligations of the General Partner. Current guaranty exposure is generally limited to the delivery of tax credits, the Guarantor no longer has obligations under the operating deficit portion of the guaranty, which expired 12 quarters after the achievement of break even operations. Total guaranty exposure is limited to $1,260,000. The guaranty agreement expires at the end of the 15 year compliance period in 2021. No funds have been advanced under the guaranty.

12. Commitments (continued):

Guarantees (continued):

National Services has entered into a Guaranty Agreement for the benefit of the Montrose VOA Housing Ltd, which received debt and tax credit equity financing for purposes of the acquisition and rehabilitation of a 30 unit affordable housing project located in Montrose, CO. Under the guaranty agreement, National Services has agreed to the full payment and performance of all the obligations of the general partner under the development deficit guaranty, operating deficit guaranty, escrow agreement and the tax credit recapture guaranty to a maximum amount of the lesser of the operating deficit guaranty or $235,000. The guarantor on behalf of the general partner has agreed to fund operating deficits (as defined) for a three-year period following breakeven ("guaranty period") up to a maximum amount of $75,000. The advances will be in the form of non-interest bearing operating deficit loans and are payable from 50% of future cash flow or proceeds of a sale or refinancing. As additional security under the guaranty and pursuant to an operating deficit guaranty escrow agreement, the general partner will deposit in cash $38,000 with an escrow agent from the proceeds of the final limited partner capital contribution. During prior years, National Services advanced partnership $35,000 as part of the operating deficit guarantee. The guaranty agreement runs with the obligations of the general partner to the limited partnership, it is anticipated that the property will be refinanced in 2015 and the partnership dissolved soon thereafter.

On July 6, 2012, the National Organization entered into a Guaranty Agreement for the benefit of Volunteers of America Chesapeake, Inc., which received debt financing for purposes of financing the acquisition and renovation of a 150 bed building to house their existing Federal Bureau of Prison program. The guaranty is for $7,000,000 and expires July 6, 2019. The likelihood of payment under this guaranty is remote.

Leases:

VOA Puerto Rico RRC, Inc. entered into a capital lease for a building during 2008, which expires on June 1, 2023. The building is recorded at fair value on the lease commencement date as the present value of the minimum lease payments exceeded the fair value.

The rent for each succeeding lease year shall be adjusted by the annual increase in the Consumer Price Index (CPI) for the calendar month of the commencement date preceding such lease anniversary year. Thus, the January CPI is to be used in determining the percent increase in rent, effective for the February rent payment. The increase in rent for 2012 and 2011 was 2.0% and 1.6% respectively.

12. Commitments (continued):

Leases (continued):

The cost and accumulated amortization related to assets that were held under capital leases are as follows:

	2012	2011
	(in thousands)	
Building cost	$ **723**	$ 723
Equipment cost	**70**	70
	793	793
Less accumulated amortization	**254**	194
Net book value	$ **539**	$ 599

Amortization expense relating to the capital leases, which is included in depreciation expense was $61,000 for 2012 and 2011, respectively. Future principal and interest payments under capital leases as of June 30, 2012, are as follows:

Year ending June 30,	Amount (in thousands)
2013	$ 323
2014	316
2015	307
2016	307
2017	307
Thereafter	1866
	3,426
Less amount representing interest	2,782
Present value of net minimum lease obligation payments, which is recorded in other long-term liabilities	$ 644

13. Related party transactions:

Administrative income from local offices and program fees:

Administrative fees from the Local Offices are calculated based on a Board-approved formula, whereby approximately 2.175% for 2012 and 2011, of all unrestricted revenues received by the Local Offices, subject to certain maximum thresholds, are paid to the National Organization to provide funding for programs, supporting services and additional pension contributions.

Other services are also provided to Local Offices in exchange for negotiated "program fees.” These services for assistance in programs include vehicle donations, direct mail fundraising and low-income housing development.

13. Related party transactions (continued):

Notes and advances to Local Offices:

Notes receivable from Local Offices are generally unsecured, carry no interest, and are due within one to fifteen years. Specific repayment plans are negotiated with each Local Office based on their local Board-approved business plan and cash flow forecasts.

Awards and grants to Local Offices:

In the years ended June 30, 2012 and 2011, the National Organization awarded approximately $4,483,000 and $3,385,000, respectively, to various Local Offices for development purposes. *Endowment awards* are made on the basis of specific criteria determined by the Board of Directors and on the basis of competitive proposals submitted by the Local Offices. *Grants to Local Offices* are made on the basis of a local Board-approved business plan specifically addressing development objectives and future sources of revenue and working capital.

Volunteers of America Affordable Housing Fund:

The National Organization has a voting interest in Volunteers of America Affordable Housing Fund, Inc. (the Fund), an unconsolidated entity incorporated in the state of Ohio and exempt from income taxes under Section 50l(c)(3) of the Internal Revenue Code. The Fund has as its specific purpose to foster the ongoing development, preservation, acquisition, and management of affordable housing for low and moderate-income families, seniors, and special needs populations.

The National Organization executed an account control agreement in January 2001 with the Fund that established a security interest in marketable securities held in a custodial account. The agreement allows for the active trading of securities held in the account, but prohibits all withdrawals from the account without the specific written consent of the Fund. As of June 30, 2012 and 2011, the account consisted of government and agency securities with a fair value of $1,530,000 and is reported within encumbered assets.

Renaissance Neighborhood Development Corporation (RNDC):

National Services has a fifty-percent ownership with a related party in RNDC. RNDC was formed to respond to the devastation of Hurricane Katrina so as to construct, rehabilitate, or acquire housing in the greater New Orleans, LA area that is affordable to very low, low and moderate income families. As of June 30, 2012 and 2011, the Organization has not recorded any activity related to RNDC.

On Lok:

National Services has a fifty-percent ownership with an unrelated party in On Lok/VOANS, Inc. to participate in, support, or operate as a qualified provider in the Program of All-Inclusive Care for the Elderly (PACE). Included in long-term notes receivable is a revolving credit agreement with On Lok/VOANS, Inc. not to exceed $1,875,000 that expires January 1, 2013, without interest. Amounts drawn against this agreement totaled approximately $1,792,000 and $1,242,000 at June 30, 2012 and 2011, respectively.

14. Restricted net assets:

At June 30, 2012 and 2011, temporarily restricted net assets could be expended for the following:

	2012	2011
	(in thousands)	
Awards of Volunteers of America Local Offices and other program services	**$ 1,533**	$ 918
Scholarships to Volunteers of America employees	**34**	34
	$ 1,567	$ 952

Temporarily restricted net assets were released from restriction during the years ended June 30, 2012 and 2011, fulfilling donor stipulations for the following purposes:

	2012	2011
	(in thousands)	
Donated goods designated for Local Offices	**$ 1,087**	$ 678
Awards to Volunteers of America Local Offices and other program services	**1,418**	839
	$ 2,505	$ 1,517

Permanently restricted net assets of $789,000 and $733,000 as of June 30, 2012 and 2011, respectively, relate to contributions received from individuals to be maintained in perpetuity.

15. Contributions in-kind:

For the years ended June 30, 2012 and 2011, the National Organization received $1,087,000 and $677,000, respectively, in various goods, which its participating Local Offices use in its program services. In addition, the National Organization received $44,382,000 and $15,086,000 in public service advertising for the years ended June 30, 2012 and 2011, respectively. Additionally, National Services received $173,000 and $243,000 in various goods for the years ended June 30, 2012 and 2011, respectively. These amounts are reflected as revenue and expense in the accompanying financial statements.

16. National Services restated financial statements for the year ended June 30, 2011:

The Organization discovered an error in their consolidation of certain HUD financed properties and general partnership entities in 2012. As a result of this error, certain previously reported amounts in the consolidated financial statements for the year ended June 30, 2011 were misstated; accordingly, the prior period financial statements have been restated.

16. National Services restated financial statements for the year ended June 30, 2011 (continued):

Summary information for the restated line items on the consolidated statement of financial position as of June 30, 2011 is as follows:

	As previously reported	Adjustment	Restated
Total assets	$ 468,083	$ (7,919)	$ 460,164
Total liabilities	308,358	(6,606)	301,752
Total net assets	159,725	(1,313)	158,412

Detailed information for the restated line items on the consolidated statement of financial position as of June 30, 2011 is as follows:

	As previously reported	Adjustment	Restated
Cash and cash equivalents	$ 25,180	$ 278	$ 25,458
Prepaid expenses	3,237	99	3,336
Other current assets, net	2,173	8	2,181
Total current assets	61,359	385	61,744
Property and equipment, net	59,661	9,054	68,715
Deferred charges and other assets, net	6,543	1,211	7,754
Limited and general partnerships' assets	291,618	(18,569)	273,049
Total other assets	347,063	(17,358)	329,705
Accounts payable	6,222	155	6,377
Current portion of long-term debt	3,152	221	3,373
Accrued expenses	12,342	63	12,405
Total current liabilities	23,301	439	23,740
Long-term debt, net of current portion	77,099	8,744	85,843
Other long-term liabilities	7,758	214	7,972
Limited and general partnerships' liabilities	200,200	(16,003)	184,197
Total long-term liabilities	285,057	(7,045)	278,012
Net assets, unrestricted attributable to undesignated	45,172	1,519	46,691
Net assets, unrestricted attributable to parent	63,488	1,519	65,007
Net assets, unrestricted attributable to non-controlling interest in limited and general partnerships	94,552	(2,832)	91,720
Total unrestricted net assets	158,040	(1,313)	156,727
Total liabilities and net assets	468,083	(7,919)	460,164

16. National Services restated financial statements for the year ended June 30, 2011 (continued):

Summary information for the restated line items on the consolidated statement of activities and change in net assets for the year ended June 30, 2011 is as follows:

	As previously reported	Adjustment	Restated
Total revenue from operations	$ 207,287	$ 251	$ 207,538
Total operating expenses	228,121	(998)	227,123
Change in consolidated net assets, total	5,624	1,249	6,873

Detailed information for the restated line items on the consolidated statement of activities and changes in net assets for the year ended June 30, 2011 is as follows:

	As previously reported	Adjustment	Restated
Government grants and contracts	$ 13,705	$ (1,397)	$ 12,308
Program fees	61,920	(977)	60,943
Net rental income	149	2,462	2,611
Other operating income	7,775	163	7,938
Total other revenue	170,043	1,648	171,691
Operating expenses, program services, fostering independence	144,327	(870)	143,457
Operating expenses, program services, promoting self sufficiency	63,670	(161)	63,509
Total program services	207,997	(1,031)	206,966
Management and general	20,037	33	20,070
Total support services	20,124	33	20,157
Total operating expenses	228,121	(998)	227,123
Change in net assets from operations	(20,834)	1,249	(19,585)
Change in net assets attributable to the non-controlling interest	(500)	645	145
Change in net assets attributable to the parent	6,124	604	6,728
Unrestricted net assets attributable to the parent, beginning	57,824	915	58,739
Unrestricted net assets attributable to the parent, ending	63,488	1,519	65,007

16. National Services restated financial statements for the year ended June 30, 2011 (continued):

Summary information for the restated line items on the consolidated statement of cash flows for the year ended June 30, 2011 is as follows:

	As previously reported	Adjustment	Restated
Net cash provided by operating activities	$ 6,139	$ 711	$ 6,850
Net cash used in investing activities	(7,467)	(175)	(7,642)
Net cash provided by (used in) financing activities	49	(344)	(295)
Net decrease in cash and cash equivalents	(1,279)	192	(1,087)

Detailed information for the restated line items on the consolidated statement of cash flows for the year ended June 30, 2011 is as follows:

	As previously reported	Adjustment	Restated
Change in consolidated net assets	$ 5,624	$ 1,249	$ 6,873
Non-controlling interest in limited and general partnerships	500	(645)	(145)
Change in limited and general partnerships	1,820	(153)	1,667
Increase (decrease) in allowance for doubtful accounts	1,632	(191)	1,441
Depreciation and amortization	5,321	323	5,644
Accounts receivable	(2,325)	(799)	(3,124)
Prepaid expenses	(575)	(1)	(576)
Other current assets	(716)	799	83
Accounts payable	591	115	706
Accrued expenses	554	(122)	432
Other liabilities	(575)	136	(439)
Purchase of property and equipment	(4,089)	(248)	(4,337)
Proceeds from sale of property and equipment	10	(1)	9
Increase in notes receivable	(2,060)	(30)	(2,090)
Change in investments	(2,403)	104	(2,299)
Note and mortgages payable, payments	(4,131)	(205)	(4,336)
Increase in deferred charges and other assets	(403)	(139)	(542)
Cash and cash equivalents at beginning of the period	26,459	86	26,545
Cash and cash equivalents at end of the period	25,180	278	25,458

17. Subsequent events:

VOA Foundation was dissolved effective August 14, 2012. The Foundation had no assets to distribute and no outstanding liabilities.

Purchase of senior house and assisted living project:

On July 1, 2012, the Organization purchased Presbyterian Homes Housing and Assisted Living, Inc.'s (PHHAL) membership interest in PHS/VOA Rochester, Inc. for $1,350,000. PHS/VOA Rochester, Inc. is a Minnesota non-profit corporation that owns and operates a senior housing and assisted living project located in Rochester, Minnesota, consisting of 77 units of independent living, 20 memory care units and 40 assisted living units. Prior to the acquisition, the Organization and PHHAL each held a 50% membership interest in the project. The project will provide revenue enhancement for the Organization, as well as improve the net assets by June 30, 2013.

The summary of assets acquired and liabilities assumed at fair value (in thousands) based upon an outside appraisal are as follows:

Current assets	$ 1,570
Property and equipment	26,590
Goodwill *	7,040
Deferred charges	195
Total assets	$ 35,395
Liabilities	$ 22,323
Net Assets	13,072
Total liabilities and net assets	$ 35,395

* Includes appraised value of intangible assets, such as, system and procedures, referral network, name recognition, management expertise and assembled workforce.

The acquisition date fair value of the Organization's equity interest in PHHAL was approximately $6,536,000. As a result, the Organization will recognize a gain of equal amount which represents the difference of net assets acquired at fair value and the Organization's original 50% ownership. The Organization will also recognize an inherent contribution of approximately $5,186,000 which is equal to the gain less cash consideration paid.

Sale of nursing care facilities:

Effective October 1, 2012, National Services sold two skilled nursing facilities located in Ohio to an unrelated party. The sales price was $6,245,000. National Services estimates a gain of approximately $1,875,000 will be recorded in fiscal 2013, however such estimate is subject to change.

	Federal CFDA number	Federal expenditures
Department of Justice:		
Federal Bureau of Prisons, Residential Reentry Center Services	DJB200926	$ 2,162,006
Department of Health and Human Services:		
Pass-through Region 10 Area Agency on Aging:		
Special programs for the Aging Cluster:		
Special Programs for the Aging – Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	10,911
Special Programs for the Aging – Title III, Part C - Nutrition Services	93.045	315,355
Nutrition Services Incentive Program	93.053	55,400
Total Department of Health and Human Services		381,666
Department of Treasury:		
Capital Magnet Fund	21.011	847,010
Total federal expenditures		$ 3,390,682

See notes to schedule of expenditures of federal awards.

1. General:

The National Office of Volunteers of America, Inc. and Subsidiaries is required to comply with the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The schedule of expenditures of federal awards presents the activity of all federal award programs carried out by Volunteers of America, Inc. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. This schedule does not include federal awards received and expended by separately incorporated Local Offices of Volunteers of America, Inc.

2. Basis of accounting:

The accompanying schedule of expenditures of federal awards was prepared using the accrual basis of accounting. Expenses are recognized as incurred using the cost accounting principles contained in the OMB Circular A-122, *Cost Principles for Non-Profit Organizations.* Under those cost principles, certain types of expenses are not allowable or are limited as to reimbursement.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Audit Committee and Board of Directors
Volunteers of America, Inc. and Subsidiaries
Alexandria, Virginia

We have audited the financial statements of Volunteers of America, Inc. and Subsidiaries as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Volunteers of America, Inc. and Subsidiaries is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Volunteers of America, Inc. and Subsidiaries' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Volunteers of America, Inc. and Subsidiaries' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Volunteers of America, Inc. and Subsidiaries' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting 2012-1. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Volunteers of America, Inc. and Subsidiaries' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Volunteers of America, Inc. and Subsidiaries in a separate letter dated October 12, 2012.

Volunteers of America, Inc. and Subsidiaries' response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit Volunteers of America, Inc. and Subsidiaries' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, Audit Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Schechter Dokken Kanter
Andrews & Selcer Ltd.

October 12, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Audit Committee and Board of Directors
Volunteers of America, Inc. and Subsidiaries
Alexandria, Virginia

Compliance

We have audited the compliance of Volunteers of America, Inc. and Subsidiaries with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Volunteers of America, Inc. and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Volunteers of America, Inc. and Subsidiaries' management. Our responsibility is to express an opinion on Volunteers of America, Inc. and Subsidiaries' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Volunteers of America, Inc. and Subsidiaries' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Volunteers of America, Inc. and Subsidiaries' compliance with those requirements.

In our opinion, Volunteers of America, Inc. and Subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Volunteers of America, Inc. and Subsidiaries is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Volunteers of America, Inc. and Subsidiaries' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Volunteers of America, Inc. and Subsidiaries' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, Audit Committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Schechter Dokken Kanter
Andrews & Selcer Ltd.

October 12, 2012

Section 1 - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:		Unqualified
Internal control over financial reporting: Material weakness identified?		No
Significant deficiencies identified that are not considered to be material weaknesses?		Yes
Noncompliance material to financial statements noted?		No

Federal Awards

Internal control over major programs: Material weakness identified?		No
Significant deficiencies identified that are not considered to be material weaknesses?		None reported
Type of auditor's report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of Circular A-l33?		No
Identification of major programs:	CFDA#:	Federal Program:
	DJB200926	Residential Reentry Center Services
	21.011	Capital Magnet Fund
Dollar threshold used to distinguish between type A and type B programs:		$300,000
Auditee qualified as low-risk auditee?		No

Section II - Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*

Significant deficiency

2012-1 Consolidation

Condition:	The Organization excluded entities from its consolidation in 2011 based upon its assessment of what potentially should be consolidated. The system used in 2011 did not identify 100% of entities to be included.
Criteria:	Internal controls should be designed to require reasonable assurance that all entities are properly consolidated based upon the current accounting principles.
Effect:	As the Organization did not analyze a complete list of entities for potential consolidation as of June 30, 2011, entities may be improperly omitted from or added to consolidation.
Recommendation:	We understand that in 2012, the Organization expanded its use of an entity tracking system which allowed the Organization to monitor the identification of new entities and changes in entities' control and economic interest for potential effects on consolidation on an ongoing basis. Some of the main entity changes the Organization should monitor are changes in articles of incorporation and guarantees. At year end the Organization should affirmatively determine and document the consolidation status of each entity.
Response:	In fiscal year 2012, the migration of all corporate data into a single entity tracking database occurred in an effort to streamline and help better manage the information needed to determine which entities should be consolidated. The Organization was able to review all Volunteers of America entities for the fiscal year 2012 audit based on the data being updated in the database. This brought the population of entities being reviewed for consolidation to 366 entities. During our year-end process, it was determined that five additional entities should have been consolidated in the prior fiscal year based on their articles of incorporation and/or bylaws. In addition, we determined three limited partnerships should not have been consolidated in prior years. The use of one, comprehensive database will eliminate future errors of misclassifying entities and ensure more accurate consolidated financial statements. We will review the listing and confirm consolidation status in conjunction with our year end close.

Section III - Findings and Questioned Costs For Federal Awards

None reported

2011-1– Special Programs for the Aging – Title III, Part C – Nutrition Services CFDA #93.045

Criteria: State Unit on Aging Policy and Procedure Manual requires that every six months a Consumer Assessment form be completed to evidence delivered nutrition services program participant eligibility.

Condition: Consumer Assessment forms were not completed for all delivered nutrition services program participants for the first six months in the year ended June 30, 2011.

Current status: Consumer Assessment forms have been completed for all delivered nutrition services program participants every six months for the year ended June 30, 2012.

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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Audit Committee and Board of Directors
Volunteers of America, Inc. and Subsidiaries
Alexandria, Virginia

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations, cash flows and functional expenses of the individual organizations 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 audits 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.

Schechter Dokken Kanter
Andrews & Selcer Ltd.

October 12, 2012

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(IN THOUSANDS)

	Volunteers of America, Inc.	Volunteers of America Foundation	Volunteers of America Correctional Services	Volunteers of America Washington	Volunteers of America National Services	Eliminations	Total
Assets:							
Current assets:							
Cash and cash equivalents	$ 5,836		$ 113	$ 2	$ 21,002		$ 26,953
Accounts receivable, net	3,125		362	51	14,455	$ (1,036)	16,957
Current portion of notes receivable	119				1,205		1,324
Short-term investments					13,132		13,132
Prepaid expenses			28		1,773		1,801
Other current assets, net	14				3,301		3,315
Total current assets	9,094		503	53	54,868	(1,036)	63,482
Property and equipment, net	4,982		2,857	697	71,809		80,345
Other assets:							
Encumbered assets	19,764				31,719		51,483
Long-term investments	10,095						10,095
Notes receivable, net and net of current portion	1,680				5,575	(3,077)	4,178
Reimbursable costs					6,921		6,921
Deferred charges and other assets, net	1,951		54	136	6,428		8,569
Limited and general partnerships' assets					290,930		290,930
Total other assets	33,490		54	136	341,573	(3,077)	372,176
Total assets	$ 47,566		$ 3,414	$ 886	$ 468,250	$ (4,113)	$ 516,003
Liabilities and net assets:							
Current liabilities:							
Accounts payable	$ 2,172		$ 60	$ 120	$ 4,566	$ (745)	$ 6,173
Current portion of long-term debt	205		67	84	6,653		7,009
Accrued expenses	1,466		430	156	10,943	(302)	12,693
Other current liabilities	883		3	38	2,489		3,413
Total current liabilities	4,726		560	398	24,651	(1,047)	29,288
Long-term liabilities:							
Long-term debt, net of current portion	3,303		1,469	59	110,920		115,751
Other long-term liabililties	4,004		1,818	575	10,035	(3,623)	12,809
Limited and general partnerships' liabilities					200,517		200,517
Total other liabilities	7,307		3,287	634	321,472	(3,623)	329,077
Total liabilities	12,033		3,847	1,032	346,123	(4,670)	358,365
Net assets (accumulated deficit):							
Unrestricted attributable to:							
Controlled limited and general partnerships					572		572
Operations	33,177		(433)	(146)	27,565	557	60,720
Parent	33,177		(433)	(146)	28,137	557	61,292
Non-controlling interests in limited and general partnerships					93,990		93,990
	33,177		(433)	(146)	122,127	557	155,282
Temporarily restricted	1,567						1,567
Permanently restricted	789						789
Total net assets (accumulated deficit)	35,533		(433)	(146)	122,127	557	157,638
Total liabilities and net assets (accumulated deficit)	$ 47,566		$ 3,414	$ 886	$ 468,250	$ (4,113)	$ 516,003

(IN THOUSANDS)

	Volunteers of America, Inc.			Volunteers of America Foundation	Volunteers of America Correctional Services	Volunteers of America Washington	Volunteers of America National Services			Limited and general partnerships		
	Unrestricted	Temporarily restricted	Permanently restricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Eliminations	Operating subtotal	Unrestricted	Eliminations	Total
Revenue from operations:												
Public support received directly:												
Contributions	$ 2,846	$ 3,092	$ 18	$ 2,158			$ 3,649	$ (2,402)	$ 9,361			$ 9,361
Contributions, in-kind	45,442	27					173		45,642			45,642
Total public support	48,288	3,119	18	2,158			3,822	(2,402)	55,003			55,003
Government grants and contracts					$ 2,309				2,309	$ 11,539		13,848
Other revenue:												
Program fees	4,037						44,594	(2,024)	46,607	14,750		61,357
Program fees, Medicaid and Medicare							88,290		88,290			88,290
Administrative income from Local Offices	11,039							(248)	10,791			10,791
Net rental income	26					$ 1,545	2,415		3,986	141		4,127
Other operating income	130					14	10,834		10,978	2,005	$ (3,881)	9,102
Total other revenue	15,232					1,559	146,133	(2,272)	160,652	16,896	(3,881)	173,667
Net assets released from restrictions	2,505	(2,505)										
Total revenues from operations	66,025	614	18	2,158	2,309	1,559	149,955	(4,674)	217,964	28,435	(3,881)	242,518
Operating expenses:												
Program services:												
Fostering independence						1,705	131,238		132,943	15,454		148,397
Promoting self sufficiency	60,739				2,538		397	(268)	63,406	22,402	(1,869)	83,939
Total program services	60,739				2,538	1,705	131,635	(268)	196,349	37,856	(1,869)	232,336
Support services:												
Management and general	6,159			2,158			18,764	(4,963)	22,118			22,118
Fundraising	16						579		595			595
Total support services	6,175			2,158			19,343	(4,963)	22,713			22,713
Total operating expenses	66,914			2,158	2,538	1,705	150,978	(5,231)	219,062	37,856	(1,869)	255,049
Change in net assets from operations	(889)	614	18	-	(229)	(146)	(1,023)	557	(1,098)	(9,421)	(2,012)	(12,531)
Non-operating items:												
Interest and dividend income	494	1					370		865			865
Realized net gains on investments	(129)								(129)			(129)
Equity contributions related to limited and general partnerships										11,829		11,829
Unrealized net gains on investments	(696)		38				(176)		(834)			(834)
Other non-operating gain							26		26			26
Total non-operating items	(331)	1	38				220		(72)	11,829		11,757
Change in consolidated net assets (accumulated deficit)	$ (1,220)	$ 615	$ 56	$ -	$ (229)	$ (146)	$ (803)	$ 557	$ (1,170)	$ 2,408	$ (2,012)	$ (774)

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	Volunteers of America, Inc.	Volunteers of America Foundation	Volunteers of America Correctional Services	Volunteers of America Washington	Volunteers of America National Services	Eliminations	Total
Cash flows from operating activities:							
Change in consolidated net assets	$ (549)		$ (229)	$ (146)	$ (407)	$ 557	$ (774)
Adjustments to reconcile change in consolidated net assets to net cash provided by operating activities:							
Non-controlling interest in limited and general partnerships					(2,270)		(2,270)
Change in limited and general partnerships					709		709
(Decrease) increase in allowance for doubtful accounts	(5,495)				990		(4,505)
Depreciation and amortization	339		257	86	4,975		5,657
Original issue discount accretion					26		26
Gain on sale of tax credits							
Loss on disposal of property and equipment					23		23
Net realized and unrealized investment gains	787				202		989
Permanently restricted contributions and investment income	(56)						(56)
(Increase) decrease in operating assets:							
Accounts receivable	(455)		30	(51)	144	(14)	(346)
Prepaid expenses			44		1,491		1,535
Other current assets	69			(136)	(1,685)		(1,752)
Increase (decrease) in operating liabilities:							
Accounts payable	(160)		1	120	(136)	(29)	(204)
Accrued expenses	154		(31)	156	(23)	32	288
Other liabilities	15		(26)	38	6,742	(679)	6,090
Net cash provided by (used in) operating activities	(5,351)		46	67	10,781	(133)	5,410
Cash flows from investing activities:							
Purchase of property and equipment	(103)		(7)	(783)	(16,268)		(17,161)
Proceeds from sale of property and equipment							
(Increase) decrease in:							
Notes receivable	5,567				(1,887)	133	3,813
Reimbursable costs					(2,268)		(2,268)
Change in investments	581				(3,024)		(2,443)
Net cash provided by (used in) investing activities	6,045		(7)	(783)	(23,447)	133	(18,059)
Cash flows from financing activities:							
Permanently restricted contributions and investment income	56						56
Note and mortgages payable:							
Proceeds				718	36,750		37,468
Payments	(210)		(67)		(3,098)		(3,375)
Increase in bond trust funds					(19,177)		(19,177)
Increase in deferred charges and other assets	(147)				(681)		(828)
Proceeds from sale of tax credits, net of fees							
Net cash provided by (used in) financing activities	(301)		(67)	718	13,794		14,144
Net increase (decrease) in cash and cash equivalents	393		(28)	2	1,128		1,495
Cash and cash equivalents, beginning	5,443		141		19,874		25,458
Cash and cash equivalents, ending	$ 5,836		$ 113	$ 2	$ 21,002		$ 26,953
Supplemental disclosures of cash flow information:							
Cash paid for interest	$ 170		$ 382		$ 15,183		$ 15,735

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	Volunteers of America, Inc.						
	Program services			Support services			
	Fostering independence	Promoting self sufficiency	Total program services	Management and general	Fundraising	Total support services	Subtotal
Salaries		$ 3,653	$ 3,653	$ 1,994		$ 1,994	$ 5,647
Pension expense		282	282	1,324		1,324	1,606
Other employee benefits		504	504	265		265	769
Payroll taxes		254	254	142		142	396
Legal fees				144		144	144
Accounting fees				71		71	71
Other professional fees		49,281	49,281	341		341	49,622
Supplies and office expenses		233	233	583		583	816
Telecommunications		52	52	90		90	142
Postage		279	279	17		17	296
Occupancy expenses		150	150	144		144	294
Interest		110	110	60		60	170
Insurance		12	12	160	$ 16	176	188
Equipment rental and maintenance		68	68	10		10	78
Printing and publications		361	361	35		35	396
Travel and transportation		1,044	1,044	107		107	1,151
Conferences and meetings		163	163	5		5	168
Specific assistance to individuals		406	406				406
Awards and grants to affiliates:							
Development awards		2,782	2,782	387		387	3,169
Endowment awards		908	908				908
Other		18	18	120		120	138
Depreciation and amortization		179	179	160		160	339
		$ 60,739	$ 60,739	$ 6,159	$ 16	$ 6,175	$ 66,914

AND SUBSIDIARIES (IN THOUSANDS)

	Volunteers of America Foundation			Volunteers of America Correctional Services			Volunteers of America Washington		
	Support services			Program services			Program services		
	Management and general	Fundraising	Total support services	Fostering independence	Promoting self sufficiency	Total program services	Fostering independence	Promoting self sufficiency	Total program services
Salaries					$ 522	$ 522	$ 275		$ 275
Pension expense									
Other employee benefits					106	106			
Payroll taxes					55	55			
Legal fees					4	4			
Accounting fees					12	12	7		7
Other professional fees					12	12			
Supplies and office expenses					23	23			
Telecommunications					19	19			
Postage					2	2			
Occupancy expenses					324	324	140		140
Interest					382	382			
Insurance					64	64	221		221
Equipment rental and maintenance					26	26	165		165
Printing and publications									
Travel and transportation					9	9			
Conferences and meetings					1	1			
Specific assistance to individuals									
Awards and grants to affiliates:									
Development awards	$ 2,158		$ 2,158						
Endowment awards									
Other					720	720	811		811
Depreciation and amortization					257	257	86		86
	$ 2,158		$ 2,158		$ 2,538	$ 2,538	$ 1,705		$ 1,705

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	Volunteers of America National Services											
	Program services			Support services								
	Fostering independence	Promoting self sufficiency	Total program services	Management and general	Fundraising	Total support services	Subtotal	Eliminations	Consolidated operating subtotal	Limited and general partnerships	Eliminations	Consolidated total
Salaries	$ 63,539	$ 38	$ 63,577	$ 6,976		$ 6,976	$ 70,553		$ 76,997	$ 3,526		$ 80,523
Pension expense	772		772	1,961		1,961	2,733	$ (268)	4,071			4,071
Other employee benefits	9,265	3	9,268	1,147		1,147	10,415		11,290	450		11,740
Payroll taxes	5,127	4	5,131	543		543	5,674		6,125	565		6,690
Legal fees	85	2	87	57		57	144		292	151		443
Accounting fees	267	5	272	488	$ 6	494	766		856	506		1,362
Other professional fees	4,864		4,864	1,186	35	1,221	6,085	(245)	55,474	949		56,423
Supplies and office expenses	2,855	2	2,857	161		161	3,018		3,857	1,064		4,921
Telecommunications	759	1	760	151		151	911		1,072	65		1,137
Postage	117		117	28		28	145		443			443
Occupancy expenses	4,331	56	4,387	117		117	4,504		5,262	7,578		12,840
Interest	4,618	52	4,670	74	1	75	4,745		5,297	10,459		15,756
Insurance	1,534	14	1,548	14		14	1,562		2,035			2,035
Equipment rental and maintenance	2,240	30	2,270	44		44	2,314		2,583	2		2,585
Printing and publications	95	2	97	7		7	104		500			500
Travel and transportation	627	5	632	684		684	1,316		2,476	18		2,494
Conferences and meetings	115		115	150		150	265		434	88		522
Specific assistance to individuals	18,264		18,264				18,264		18,670			18,670
Awards and grants to affiliates:									-			
Development awards								(2,158)	3,169			3,169
Endowment awards									908			908
Other	6,943	105	7,048	4,900	537	5,437	12,485	(2,560)	11,594	1,878	$ (1,869)	11,603
Depreciation and amortization	4,821	78	4,899	76		76	4,975		5,657	10,557		16,214
	$ 131,238	$ 397	$ 131,635	$ 18,764	$ 579	$ 19,343	$ 150,978	$ (5,231)	$ 219,062	$ 37,856	$ (1,869)	$ 255,049