Financial statements of

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

Years ended
June 30, 2015 and 2014

SCHECHTER DOKKEN KANTER
CERTIFIED PUBLIC ACCOUNTANTS • ADVISORS

Schechter Dokken Kanter Andrews & Selcer Ltd
Suite 1600
100 Washington Avenue South
Minneapolis, MN
55401-2192
Phone 612-332-5500
Fax 612-332-1529
E-mail info@sdkcpa.com
www.sdkcpa.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Volunteers of America, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

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 audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Schechter Dokken Kanter
Andrews + Selcer Ltd.

October 26, 2015

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

	2015	2014
Assets:		
Current assets:		
Cash and cash equivalents	**$ 36,217**	$ 30,650
Accounts receivable, net of allowance for doubtful accounts (2015, $2,436 and 2014, $2,147)	**18,022**	16,073
Current portion of notes receivable	**388**	838
Short-term investments	**13,206**	10,028
Prepaid expenses	**2,415**	1,620
Other current assets, net of allowance for doubtful accounts (2015, $2,056 and 2014, $1,954)	**3,443**	3,377
Total current assets	**73,691**	62,586
Property and equipment, net of accumulated depreciation (2015, $84,488 and 2014, $77,915)	**137,295**	114,204
Other assets:		
Encumbered assets	**69,159**	57,922
Long-term investments	**14,247**	14,893
Notes receivable, net of current portion and allowance for doubtful accounts (2015, $5,912 and 2014, $4,940)	**2,563**	4,125
Reimbursable costs	**5,153**	4,971
Deferred charges and other assets, net of accumulated amortization (2015, $1,752 and 2014, $1,488)	**13,692**	8,852
Limited and general partnerships' assets	**450,057**	406,497
Total other assets	**554,871**	497,260
Total assets	**$ 765,857**	$ 674,050

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30
(IN THOUSANDS)

	2015	2014
Liabilities and net assets:		
Current liabilities:		
Accounts payable	**$ 7,485**	$ 7,603
Accrued expenses	**15,009**	14,824
Current portion of long-term debt	**2,509**	2,008
Other current liabilities	**6,156**	5,845
Total current liabilities	**31,159**	30,280
Long-term liabilities:		
Long-term debt, net of current portion	**190,738**	149,846
Other long-term liabilities	**14,880**	10,654
Limited and general partnerships' liabilities	**328,615**	294,635
Total long-term liabilities	**534,233**	455,135
Total liabilities	**565,392**	485,415
Net assets:		
Unrestricted attributable to:		
Controlled limited and general partnerships	**3,038**	2,827
Board designated	**16,494**	17,097
Undesignated	**51,488**	51,087
Parent	**71,020**	71,011
Non-controlling interests in limited and general partnerships	**125,689**	115,926
	196,709	186,937
Temporarily restricted	**2,836**	816
Permanently restricted	**920**	882
Total net assets	**200,465**	188,635
Total liabilities and net assets	**$ 765,857**	$ 674,050

(IN THOUSANDS)

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

	Unrestricted	Temporarily restricted	Permanently restricted	Operating subtotal	Limited and general partnerships (unrestricted)	Eliminations (unrestricted)	Total
Revenues from operations:							
Public support received directly:							
Contributions	$ 8,296	$ 5,063		$ 13,359			$ 13,359
Contributions, in-kind	24,650			24,650			24,650
Total public support	32,946	5,063		38,009			38,009
Government grants and contracts	4,642			4,642	$ 16,209		20,851
Other revenue:							
Program fees	49,327			49,327	18,458		67,785
Program fees, Medicaid and Medicare	89,583			89,583			89,583
Administrative income from Local Offices	12,521			12,521			12,521
Net rental income	205			205	100		305
Other operating income	11,880			11,880	2,539	$ (4,261)	10,158
Total other revenue	163,516			163,516	21,097	(4,261)	180,352
Net assets released from restrictions	3,042	(3,042)					
Total revenues from operations	204,146	2,021		206,167	37,306	(4,261)	239,212
Operating expenses:							
Program services:							
Fostering independence	135,045			135,045	24,771		159,816
Promoting self sufficiency	44,603			44,603	25,563	(3,006)	67,160
Total program services	179,648			179,648	50,334	(3,006)	226,976
Support services:							
Management and general	28,503			28,503			28,503
Fundraising	1,150			1,150			1,150
Total support services	29,653			29,653			29,653
Total operating expenses	209,301			209,301	50,334	(3,006)	256,629
Change in net assets from operations	(5,155)	2,021		(3,134)	(13,028)	(1,255)	(17,417)
Non-operating items:							
Interest and dividend income	1,775			1,775			1,775
Realized net gains (losses) on investments	1,483	(2)		1,481			1,481
Equity contributions related to limited and general partnerships					23,593		23,593
Unrealized net (losses) gains on investments	(1,982)	2	$ 38	(1,942)			(1,942)
Other non-operating (losses)	(981)	(1)		(982)			(982)
Total non-operating items	295	(1)	38	332	23,593		23,925
Change in net assets before discontinued operations	(4,860)	2,020	38	(2,802)	10,565	(1,255)	6,508
Gain on discontinued operations including gain on disposal of $6,144 in 2015	5,322			5,322			5,322
Change in net assets	$ 462	$ 2,020	$ 38	$ 2,520	$ 10,565	$ (1,255)	$ 11,830
Total change in unrestricted net assets	$ 9,772						

See notes to consolidated financial statements.

(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	$ 6,708	$ 3,331		$ 10,039			$ 10,039
Contributions, in-kind	53,719			53,719			53,719
Total public support	60,427	3,331		63,758			63,758
Government grants and contracts	3,910			3,910	$ 14,457		18,367
Other revenue:							
Program fees	48,180			48,180	17,228		65,408
Program fees, Medicaid and Medicare	83,644			83,644			83,644
Administrative income from Local Offices	11,781			11,781			11,781
Net rental income	369			369	88		457
Other operating income	12,571			12,571	4,562	$ (4,459)	12,674
Total other revenue	156,545			156,545	21,878	(4,459)	173,964
Net assets released from restrictions	3,245	(3,245)					
Total revenues from operations	224,127	86		224,213	36,335	(4,459)	256,089
Operating expenses:							
Program services:							
Fostering independence	127,051			127,051	21,361		148,412
Promoting self sufficiency	74,114			74,114	25,086	(1,731)	97,469
Total program services	201,165			201,165	46,447	(1,731)	245,881
Support services:							
Management and general	25,117			25,117			25,117
Fundraising	309			309			309
Total support services	25,426			25,426			25,426
Total operating expenses	226,591			226,591	46,447	(1,731)	271,307
Change in net assets from operations	(2,464)	86		(2,378)	(10,112)	(2,728)	(15,218)
Non-operating items:							
Interest and dividend income	2,141	1		2,142			2,142
Realized net gains on investments	1,940	2		1,942			1,942
Equity contributions related to limited and general partnerships					25,153		25,153
Unrealized net gains on investments	2,272	2	$ 36	2,310			2,310
Other non-operating (losses)	(468)			(468)			(468)
Total non-operating items	5,885	5	36	5,926	25,153		31,079
Change in net assets before discontinued operations	3,421	91	36	3,548	15,041	(2,728)	15,861
Gain on discontinued operations including gain on disposal of $3,273 in 2014	1,759			1,759			1,759
Change in net assets	$ 5,180	$ 91	$ 36	$ 5,307	$ 15,041	$ (2,728)	$ 17,620
Total change in unrestricted net assets	$ 17,493						

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, 2013	$ 66,986	$ 725	$ 846	$ 68,557	$ 102,458	$ 171,015
Change in net assets	4,025	91	36	4,152	13,468	17,620
Balance, June 30, 2014	71,011	816	882	72,709	115,926	188,635
Change in net assets	**9**	**2,020**	**38**	**2,067**	**9,763**	**11,830**
Balance, June 30, 2015	**$ 71,020**	**$ 2,836**	**$ 920**	**$ 74,776**	**$ 125,689**	**$ 200,465**

See notes to consolidated financial statements.

(IN THOUSANDS)

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

	2015	2014
Cash flows from operating activities:		
Change in net assets	$ 11,830	$ 17,620
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Non-controlling interest in limited and general partnerships	(9,763)	(13,468)
Change in limited and general partnerships	183	351
Increase in allowance for doubtful accounts	1,333	504
Depreciation and amortization	6,814	7,222
Original issue discount accretion	47	62
(Gain) loss on:		
Disposal of discontinued operations	(6,144)	(3,273)
Sale of property and equipment	(7)	776
Net realized and unrealized investment losses (gains)	461	(4,252)
Contribution of stock in joint venture	(2,405)	
Permanently restricted contributions and investment income	(38)	(36)
(Increase) decrease in operating assets:		
Accounts receivable	(1,527)	1,262
Prepaid expenses	(795)	11
Other current assets	(668)	(547)
Deferred charges and other assets	(991)	(1,122)
(Decrease) increase in operating liabilities:		
Accounts payable	(844)	1,086
Accrued expenses	199	919
Other liabilities	2,654	(813)
Net cash provided by operating activities	339	6,302
Cash flows from investing activities:		
Purchase of property and equipment	(29,346)	(9,751)
Proceeds from:		
Disposal of discontinued operations	6,788	6,625
Sale of property and equipment	10	
Notes receivable:		
Advances	(2,693)	(3,110)
Payments	5,764	1,715
(Increase) decrease in reimbursable costs	(182)	324
Cash proceeds withdrawn from investments	1,800	1,921
Change in investments including encumbered assets	(5,567)	(3,056)
Net cash used in investing activities	(23,426)	(5,332)
Cash flows from financing activities:		
Permanently restricted contributions and investment income	38	36
Long-term debt:		
Proceeds	43,084	55,764
Payments	(2,297)	(29,915)
Increase in:		
Deferred charges and other assets	(1,708)	(1,281)
Bond trust funds	(10,463)	(17,412)
Net cash provided by financing activities	28,654	7,192
Net increase in cash and cash equivalents	5,567	8,162
Cash and cash equivalents, beginning	30,650	22,488
Cash and cash equivalents, ending	$ 36,217	$ 30,650

See notes to consolidated financial statements.

	2015	2014
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 20,343**	$ 18,727
Non-cash financing activity:		
Property and equipment financed through debt	**$ 278**	

See notes to consolidated financial statements.

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015
(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	Consolidated operating subtotal	Fostering independence	Promoting self sufficiency	Total program services	Eliminations	Total
Salaries	$ 61,882	$ 5,120	$ 67,002	$ 12,107	$ 53	$ 12,160	$ 79,162	$ 2,171	$ 2,477	$ 4,648		$ 83,810
Pension	331	367	698	2,527	5	2,532	3,230					3,230
Other employee benefits	7,497	618	8,115	1,320	8	1,328	9,443	314	304	618		10,061
Payroll taxes	4,719	374	5,093	775	4	779	5,872	274	350	624		6,496
Legal fees	181	12	193	840		840	1,033		127	127		1,160
Accounting fees	258	7	265	746	6	752	1,017	274	354	628		1,645
Other professional fees	5,781	4,863	10,644	2,443	498	2,941	13,585	1,118	658	1,776		15,361
Other professional fees - In-kind		24,577	24,577				24,577					24,577
Supplies and office	2,570	407	2,977	499		499	3,476	665	888	1,553		5,029
Telecommunications	1,082	149	1,231	290		290	1,521	32	8	40		1,561
Postage	118	261	379	46	307	353	732					732
Occupancy	5,302	362	5,664	251		251	5,915	4,500	6,036	10,536		16,451
Interest	7,728	447	8,175	243		243	8,418	6,276	6,106	12,382		20,800
Insurance	1,627	73	1,700	279	17	296	1,996					1,996
Equipment rental and maintenance	2,280	144	2,424	73		73	2,497					2,497
Printing and publications	72	199	271	37	229	266	537					537
Travel and transportation	1,096	1,110	2,206	741		741	2,947	5	11	16		2,963
Conferences and meetings	174	162	336	199		199	535	104	78	182		717
Specific assistance to individuals	20,711	532	21,243				21,243					21,243
Awards and grants to affiliates:												
Development awards		2,816	2,816				2,816					2,816
Endowment awards		709	709				709					709
Other	5,671	714	6,385	4,818	23	4,841	11,226	1,170	1,640	2,810	$ (3,006)	11,030
Depreciation and amortization	5,965	580	6,545	269		269	6,814	7,868	6,526	14,394		21,208
	$ 135,045	$ 44,603	$ 179,648	$ 28,503	$ 1,150	$ 29,653	$ 209,301	$ 24,771	$ 25,563	$ 50,334	$ (3,006)	$ 256,629

(IN THOUSANDS)

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

	Program services			Support services				Limited and general partnerships				
	Fostering independence	Promoting self sufficiency	Total program services	Management and general	Fundraising	Total support services	Consolidated operating subtotal	Fostering independence	Promoting self sufficiency	Total program services	Eliminations	Total
Salaries	$ 58,784	$ 4,936	$ 63,720	$ 10,521	$ 79	$ 10,600	$ 74,320	$ 1,866	$ 2,414	$ 4,280		$ 78,600
Pension	244	363	607	2,620	6	2,626	3,233					3,233
Other employee benefits	7,371	597	7,968	1,035	12	1,047	9,015	297	259	556		9,571
Payroll taxes	4,550	365	4,915	679	6	685	5,600	255	355	610		6,210
Legal fees	159	25	184	408		408	592	97	71	168		760
Accounting fees	213	10	223	674	6	680	903	276	357	633		1,536
Other professional fees	5,270	4,754	10,024	2,654	135	2,789	12,813	824	585	1,409		14,222
Other professional fees - In-kind		53,578	53,578				53,578					53,578
Supplies and office	2,360	371	2,731	529		529	3,260	544	678	1,222		4,482
Telecommunications	960	125	1,085	270		270	1,355	29	45	74		1,429
Postage	105	357	462	44	29	73	535					535
Occupancy	4,975	343	5,318	269		269	5,587	3,988	5,739	9,727		15,314
Interest	7,099	445	7,544	123		123	7,667	5,543	6,528	12,071		19,738
Insurance	1,630	81	1,711	299	1	300	2,011					2,011
Equipment rental and maintenance	2,062	121	2,183	65		65	2,248					2,248
Printing and publications	87	242	329	45	15	60	389					389
Travel and transportation	902	1,043	1,945	669		669	2,614	10	5	15		2,629
Conferences and meetings	181	154	335	204		204	539	104	72	176		715
Specific assistance to individuals	18,951	453	19,404	4		4	19,408					19,408
Awards and grants to affiliates:												
Development awards		4,282	4,282				4,282					4,282
Endowment awards		370	370				370					370
Other	4,984	632	5,616	3,745	20	3,765	9,381	931	1,610	2,541	$ (1,731)	10,191
Depreciation and amortization	6,164	467	6,631	260		260	6,891	6,597	6,368	12,965		19,856
	$ 127,051	$ 74,114	$ 201,165	$ 25,117	$ 309	$ 25,426	$ 226,591	$ 21,361	$ 25,086	$ 46,447	$ (1,731)	$ 271,307

See notes to consolidated financial statements.

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 33 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.; VOA Rehabilitation Centers, Inc.; VOANS Senior CommUnity Meals, Inc.; VOANS PACE Holding Company and its 60% owned subsidiary, Essex St. Commercial, LLC; Edina Senior Living, LLC, an 80% owned subsidiary; Volunteers of America of Washington 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, Inc., Volunteers of America National Services, and Volunteers of America Correctional Services 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 eliminated on the consolidated statement of financial position.

Intercompany profits eliminated in consolidation related to developer fees earned and paid to National Services were \$4,261,000 and \$4,459,000 for the years ended June 30, 2015 and 2014, respectively. The cumulative amount of intercompany profits eliminated in consolidation related to developer fees earned and paid to National Services was \$28,415,000 and \$24,154,000 at June 30, 2015 and 2014, 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 are 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 178 Housing and Urban Development (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 33 and 34 Local Offices for the fiscal years ended June 30, 2015 and 2014, respectively.

Program services provided by the Organization 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 people 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:

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

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 – 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 13 and 12 individual and family properties under development at June 30, 2015 and 2014, respectively.

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, people 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, and 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, 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, online and other communications 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. National Organization communications staff also provide professional, technical, and operational support to the Local Offices. These communication efforts are designed to build public awareness and 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 12).

2. Significant accounting policies (continued):

Investments:

Investments consist primarily of stocks, bonds, and cash reserve funds. The investments 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.

Charitable gift annuity:

The National Organization manages a charitable gift annuity program available to the Organization, its affiliates and subsidiaries. Affiliates and subsidiaries who referred individuals to be program participants under contract shall receive the residual amount, if any, at the end of the contract term.

A segregated gift annuity investment fund account is maintained for this program. The asset and liability for the National Organization balance as of June 30, 2015 and 2014 were $32,000 and $394,000, respectively.

The estimated liabilities of the participating organizations associated with these agreements as of June 30, 2015 and 2014 were $21,000 and $27,000, respectively.

2. Significant accounting policies (continued):

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.

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 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:

Financing costs are being amortized principally by a method which relates such costs to the outstanding debt.

Bed Rights:

In October 2013, National Services entered into two agreements with organizations in Hennepin County, Minnesota and Faribault County, Minnesota, whereby National Services agreed to purchase the rights to a total of 56 licensed skilled nursing facility beds for an aggregate purchase price of $795,000. National Services received approval from each county to relocate the beds to a skilled nursing facility in Rochester, Minnesota and a letter of support from Olmsted County to receive the beds. The bed rights are included on the statement of financial position in deferred charges and other assets and are not amortized, but are evaluated for impairment annually. No impairment expense was reported in 2015 or 2014.

2. Significant accounting policies (continued):

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 $125,689,000 and $115,926,000 at June 30, 2015 and 2014, respectively, represents the ownership by the limited partners and not that of the general partners.

National Services, through several of the majority-owned general partnerships, has notes receivable from the related limited partnerships totaling approximately $3,956,000 and $3,907,000 at June 30, 2015 and 2014, respectively. These notes are carried at $0, because the Organization believes 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 would be recognized.

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.

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.

2. Significant accounting policies (continued):

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 $164,000 and $325,000 of developer fees as reimbursable costs for the fiscal years ended June 30, 2015 and 2014, respectively. The reimbursable costs are expected to 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.

Major sources of revenue:

The Organization received approximately 37% and 33% of its operating revenues from Medicare and Medicaid for the years ended June 30, 2015 and 2014, 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.

2. Significant accounting policies (continued):

Discontinued operations:

On March 4, 2015, National Services sold an affordable housing complex located in Washington to an unrelated party. The sales price was $7,180,000. National Services recorded a gain of approximately $6,144,000.

On December 20, 2013, National Services sold two skilled nursing facilities located in Minnesota to an unrelated party. The sales price was $9,000,000. National Services recorded a gain of approximately $3,273,000.

The results of operations for the three facilities have been reclassified to gain on discontinued operations. Included in gain on discontinued operations are operating revenues of approximately $135,000 and $7,000,000 for the years ended June 30, 2015 and 2014, respectively.

Acquisition:

In July 2013 National Services became the sole member of Volunteers of America of Washington in place of its parent, National Organization. Accordingly, National Services recorded a net asset transfer from parent of $353,000.

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 payors, 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. 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. The Organization evaluates the allowance for doubtful accounts using current year account activity, historical trend information and specific account identification. The Organization participates in a self-insured health plan sponsored by National Services. Any significant variations in anticipated claims costs could result in adjustments to health insurance expense for the Organization when the effect becomes reasonably determinable.

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's federal tax returns generally remaining open for examination are the last three years from the filing date and tax filings are current.

2. Significant accounting policies (continued):

Concentration of credit risk:

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, investments, notes receivable and accounts receivable.

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.

With respect to third-party payor and patient receivables included in accounts receivable, the Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

Reclassifications:

Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

Subsequent events:

Management has evaluated for subsequent events through October 26, 2015, the date the financial statements were available for issuance.

3. Property and equipment:

	2015	2014
	(in thousands)	
Land and improvements	**$ 13,667**	$ 12,591
Building and improvements	**173,765**	149,200
Furniture and equipment	**34,351**	30,328
	221,783	192,119
Less accumulated depreciation	**84,488**	77,915
	$ 137,295	$ 114,204

Depreciation expense for the years ended June 30, 2015 and 2014, was $6,548,000 and $6,683,000, respectively.

Construction costs are included in building and improvements. National Services incurred interest costs totaling $23,123,000 and $19,965,000, of which approximately $2,773,000 and $889,000 is capitalized at June 30, 2015 and 2014, respectively.

4. Notes receivable allowance for doubtful accounts:

Activity in the allowance for doubtful accounts related to notes receivable was as follows:

	2015	2014
	(in thousands)	
Balance at beginning of year	**$ 4,940**	$ 4,168
Provision for losses	**1,315**	1,058
Charge-offs	**(343)**	(249)
Recoveries		(37)
Balance at end of year	**$ 5,912**	$ 4,940

5. Encumbered assets:

At June 30, 2015 and 2014, encumbered assets included the following donor restrictions, legal agreements and board designations:

	VOA, Inc.	**VOANS**	**2015**	2014
		(in thousands)		
Restricted assets:				
Temporarily	**$ 1,501**		**$ 1,501**	$ 619
Permanently	**920**		**920**	882
Board designated	**16,494**		**16,494**	17,097
Bonds:				
Trust funds		**$ 38,833**	**38,833**	28,370
Trust escrow		**8,510**	**8,510**	8,600
Certificates of deposit held as collateral		**1,358**	**1,358**	1,381
Cash collateral account		**1,543**	**1,543**	973
Encumbered assets	**$ 18,915**	**$ 50,244**	**$ 69,159**	$ 57,922

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.

5. Encumbered assets (continued):

At June 30, 2015 and 2014, encumbered assets consisted of the following classes of assets:

	VOA, Inc.	VOANS	2015	2014
		(in thousands)		
Cash and cash equivalents	**$ 1,849**	**$ 10,053**	**$ 11,902**	$ 10,622
Investments (see below)	**17,066**	**1,358**	**18,424**	18,930
Bond trust funds		**38,833**	**38,833**	28,370
Encumbered assets	**$ 18,915**	**$ 50,244**	**$ 69,159**	$ 57,922

	VOA, Inc.	VOANS	2015	2014
		(in thousands)		
Investments included in encumbered assets:				
Cash held for re-investment	**$ 477**		**$ 477**	$ 1,874
Certificates of deposit		**$ 1,358**	**1,358**	1,381
Fixed income (see Note 7)	**9,610**		**9,610**	8,794
Equities (see Note 7)	**11,578**		**11,578**	11,976
Other (see Note 7)	**5,360**		**5,360**	5,586
	27,025	**1,358**	**28,383**	29,611
Unencumbered securities held with encumbered assets	**(9,959)**		**(9,959)**	(10,681)
Investments included in encumbered assets	**$ 17,066**	**$ 1,358**	**$ 18,424**	$ 18,930

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.

5. Encumbered assets (continued):

For the years ended June 30, 2015 and 2014, 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, 2015 and 2014 are as follows:

	2015	2014
	(in thousands)	
Beginning balance, July 1	**$ 26,810**	$ 23,127
Investment net gains	**477**	3,674
Transfers and additions	**38**	1,536
Reduction of endowment assets to pay awards and fund new programs	**(1,882)**	(1,527)
Ending balance, June 30	**25,443**	26,810
Less growth of unrestricted non-board designated endowment funds	**(9,959)**	(10,681)
Other board designated net assets other than endowment funds	**1,010**	968
Unrestricted board designated net assets	**$ 16,494**	$ 17,097
Appropriation of endowment assets available	**$ 1,199**	$ 890

6. Investments:

At June 30, 2015 and 2014, investments were as follows:

	VOA, Inc.	**VOANS**	**2015**	2014
	(in thousands)			
Unencumbered:				
Cash held for re-investment	**$ 75**	**$ 148**	**$ 223**	$ 851
Certificates of deposit		**4,773**	**4,773**	1,739
Fixed income (see Note 7)	**1,435**	**2,931**	**4,366**	3,746
Equities (see Note 7)	**1,848**	**3,631**	**5,479**	5,491
Other (see Note 7)	**930**	**1,723**	**2,653**	2,413
	4,288	**13,206**	**17,494**	14,240
Unencumbered securities held with encumbered assets	**9,959**		**9,959**	10,681
	$ 14,247	**$ 13,206**	**$ 27,453**	$ 24,921

6. Investments (continued):

	VOA, Inc.	VOANS	2015	2014
		(in thousands)		
Statement of financial position classification:				
Short-term investments		$ 13,206	$ 13,206	$ 10,028
Long-term investments	$ 14,247		14,247	14,893
	$ 14,247	$ 13,206	$ 27,453	$ 24,921

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, 2015 and 2014:

	2015			
Financial Asset Category	Level 1	Level 2	Level 3	Total
		(in thousands)		
Fixed income:				
Asset backed securities	$ 1,755			$ 1,755
Mutual funds	4,451			4,451
Government and agency bonds	3,948			3,948
Corporate bonds	3,822			3,822
Equities:				
Common stock:				
Large Cap Growth	2,308			2,308
Large Cap Value	2,630			2,630
All Cap Growth	3,797			3,797
All Cap Value	3,743			3,743
International	4,579			4,579
Other:				
Hedge funds		$ 2,288		2,288
Mutual funds:				
Tactical Allocation	1,903			1,903
Global Allocation	3,822			3,822
Total	$ 36,758	$ 2,288	$ 0	$ 39,046

7. Fair Value Measurements (continued):

Financial Asset Category	2014 Level 1	2014 Level 2	2014 Level 3	2014 Total
	(in thousands)			
Fixed income:				
Asset backed securities	$ 1,740			$ 1,740
Mutual funds	4,681			4,681
Government and agency bonds	4,375			4,375
Corporate bonds	1,744			1,744
Equities:				
Common stock:				
Large Cap Growth	2,354			2,354
Large Cap Value	2,704			2,704
All Cap Growth	3,935			3,935
All Cap Value	3,816			3,816
International	4,627			4,627
Preferred stock, international	31			31
Other:				
Hedge funds		$ 2,008		2,008
Mutual funds:				
Tactical Allocation	2,002			2,002
Global Allocation	3,989			3,989
Total	$ 35,998	$ 2,008	$ 0	$ 38,006

The Organization has investments in entities that are calculated using net asset value per share (A&Q: Long/Short Strategies LLC), which are included in Level 2 hedge funds 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 45-90 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 a 60 day redemption notice period and are available to be redeemed with no restrictions. There were no unfunded capital commitments as of June 30, 2015 and 2014.

8. Deferred charges and other assets:

Deferred charges and other assets are composed of the following:

	2015			2014		
	Gross	**Accumulated amortization**	**Net**	Gross	Accumulated amortization	Net
Deferred financing costs	**$ 6,505,000**	**$ (1,583,000)**	**$ 4,922,000**	$ 4,800,000	$ (1,319,000)	$ 3,481,000
Bed rights	**795,000**		**795,000**	795,000		795,000
Security deposits and other	**5,342,000**	**(169,000)**	**5,173,000**	4,206,000	(169,000)	4,037,000
Investments in joint ventures	**2,802,000**		**2,802,000**	539,000		539,000
	$ 15,444,000	**$ (1,752,000)**	**$ 13,692,000**	$ 10,340,000	$ (1,488,000)	$ 8,852,000

Amortization expense was approximately $197,000 and $293,000 for the years ended June 30, 2015 and 2014, respectively. Additionally, in fiscal year 2015, $67,000 of amortization was capitalized related to buildings under construction. Amortization expense is estimated to be approximately $280,000 in 2016, $275,000 in 2017, $270,000 in 2018, $264,000 in 2019, and $250,000 in 2020.

Included in deferred charges and other assets are the following investments in joint ventures:

National Services has a 50% 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, 2015, National Services has invested approximately $1,198,000 in GSS/VOA, 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 the losses for the year ended June 30, 2015 and 2014 were $1,000 and $0, 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, 2015, 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 $235,000. National Services' share of gains were $56,000 and $16,000 for the years ended June 30, 2015 and 2014, respectively.

On December 31, 2014, National Services became a 50% owner of the outstanding shares of Essential Decisions, Inc. (EDI). As a result, National Services received a noncash stock contribution of $2,405,000 in fiscal year 2015. National Services uses the equity method to account for this investment. During fiscal year 2015, National Services received a distribution of $61,000 and accordingly reduced the investment to approximately $2,344,000 at June 30, 2015.

9. Lines of credit:

In fiscal year 2015, the National Organization entered into a Revolving Credit Agreement for working capital in the amount of $6,500,000, of which $1,500,000 is available to National Services. The agreement expires January 26, 2017. The unpaid principal balance bears interest at an annual rate equal to 1.5% plus the one-month LIBOR rate. The interest rate was 1.69% at June 30, 2015. No collateral is required. At June 30, 2015, the full amount of the Revolving Credit Agreement was available to the Organization.

The National Organization had a bank line of credit of $5,000,000 which expired on January 31, 2015. The line was unsecured and bore interest at an annual rate equal to 1.8% plus the LIBOR daily floating rate. There were no borrowings outstanding under this line of credit arrangement as of June 30, 2014.

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 50% against their investment value. At June 30, 2015 and 2014, no amounts were outstanding.

In fiscal year 2014, National Services had a Revolving Credit Agreement for working capital in the amount of $1,500,000. The unpaid principal balance bore 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. No collateral was required. At June 30, 2014, the full amount of the Revolving Credit Agreement was available to the Organization. This agreement expired in fiscal year 2015.

10. Long-term debt:

	2015	2014
	(in thousands)	
Real estate notes and mortgages, 2% to 6%, due in varying amounts through 2041	**$ 14,079**	$ 10,895
Revenue bonds and mortgages, 3.8% to 9.0%, due in varying amounts through 2050	**180,634**	142,115
	194,713	153,010
Less unamortized discount	**1,466**	1,156
	193,247	151,854
Less current portion	**2,509**	2,008
	$ 190,738	$ 149,846

10. Long-term debt (continued):

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

	Amount (in thousands)
2016	$ 2,509
2017	4,397
2018	4,379
2019	4,921
2020	5,436
Thereafter	173,071
	$ 194,713

At June 30, 2015 and 2014, 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. 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, 2015 and 2014, the National Organization paid $887,000 and $679,000, respectively, to these 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 National 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 National Organization, it is not anticipated that any employer will choose to stop participating.

11. Commitments (continued):

Pension plans (continued):

Defined benefit plans (continued):

The financial health of the multi-employer 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.

	January 1, 2015	January 1, 2014
Market value of plan assets	**$ 52,243,000**	$ 49,422,000
Present value of accumulated plan benefits	**62,758,000**	56,991,000
Actuarial valuation of the unfunded pension liability	**$ 10,515,000**	$ 7,569,000

	Fiscal year 2015	Fiscal year 2014
Funded status	**Less than 65%**	Less than 65%
Employer's contribution to the plan	**$ 1,114,000**	$ 1,115,000
Total contributions received by the plan	**$ 4,007,000**	$ 3,890,000
Employer's contribution >5% of total contributions to the plan	**Yes**	Yes
Total fair value of plan assets at year end	**$ 53,744,000**	$ 52,249,000

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 the years ended June 30, 2015 and 2014, 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.

11. Commitments (continued):

Pension plans (continued):

Defined benefit plans (continued):

The following table presents certain information with respect to the plan for non-minister employees at June 30, 2015 and 2014:

	2015	2014
	(in thousands)	
Projected benefit obligation	**$ 7,397**	$ 6,446
Plan assets, at fair value	**4,755**	4,768
Unfunded status	**$ 2,642**	$ 1,678
Net periodic benefit cost	**$ 223**	$ 254
Employer contributions	**$ 296**	$ 223
Benefits paid	**$ 244**	$ 269

Weighted average assumptions used to determine benefit obligation at June 30:		
Discount Rate	**4.50%**	4.50%
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	**4.50%**	4.50%
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.

The amount not recognized as a component of net periodic benefit cost was $0 for the years ended June 30, 2015 and 2014. The net (loss) gain recognized in the years ended June 30, 2015 and 2014 was approximately $(1,037,000) and $294,000, respectively. The net loss expected to be recognized as a component of net periodic pension cost over the next twelve months is $251,000.

The accumulated benefit obligation was $7,114,000 and $6,239,000 at June 30, 2015 and 2014, respectively.

11. Commitments (continued):

Pension plans (continued):

Defined benefit plans (continued):

National Services uses the RP-2014 Mortality Tables projected with Scales MP-2014.

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.

Deferred compensation plan:

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

	2015	2014
	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	**$ 4,664**	$ 4,729

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

	Amount (in thousands)
2016	$ 299
2017	317
2018	335
2019	356
2020	372
2021 – 2025	2,200

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 $2,417,000 and $2,060,000 as of June 30, 2015 and 2014, respectively, at its fair value.

11. Commitments (continued):

Guarantees and indemnifications (continued):

The Organization has guarantees and indemnifications, which are contingent commitments. Since these remote guarantees are with entities under common control, they are excluded from the recognition and measurement requirements, but are disclosed.

		Guarantee risk details					
Guarantor(s)	Beneficiary and purpose	Amount	Term	Trigger(s) for guarantor performance	Likelihood of future payments	Guarantor payments made to date	Other comments
National Organization	Volunteers of America Chesapeake, Inc. for acquisition and renovation of 150-bed building for Federal Bureau of Prisons program	$7,000,000	July 6, 2012 to July 6, 2019	Loan default by beneficiary	Remote	None	
National Services (on joint and several basis with two related parties)	Chateau Carre Apartments Limited Partnership for rehabilitation of 150 unit affordable housing project in New Orleans, LA during operating deficit period	$727,000	Five years after break-even operations are established	Operating deficit	Remote	None	Beneficiary has funded an operating reserve of $727,000
National Services (on joint and several basis with two related parties)	New Covington Apartments LP and Renaissance Neighborhood Development Corporation for acquisition, construction and operation of a 94 unit affordable housing project in Covington, LA during operating deficit period	$611,000	Three years after break-even operations are established	Operating deficit	Remote	None	Beneficiary has funded an operating reserve of $305,000
National Services	Orono Senior Housing, LLC for City of Orono, Minnesota, Senior Housing Refunding Revenues Bonds Series 2006B	50% of $640,000 bond principal outstanding	November 1, 2041	Failure of beneficiary to make timely principal and interest payments	Remote	None	

11. Commitments (continued):

Guarantees and indemnifications:

		Guarantee risk details					
Guarantor(s)	Beneficiary and purpose	Amount	Term	Trigger(s) for guarantor performance	Likelihood of future payments	Guarantor payments made to date	Other comments
National Services	VOANS CDE Inc. for indemnity against recapture of the New Markets Tax Credit investments of VOANS CDE, Inc for projects: a) 1770 Tchoupitoulas LLC, New Orleans, LA; b)VOA Chesapeake RRC, QALICB, LLC, , Baltimore, MD; c) CommCare Avoyelles, Mansura, LA; and d) RHCHC Realty, LLC, Springfield, OH	$624,000; $902,000; $525,000, and $630,000 for each project	Through July 1, 2019; July 5, 2019; December 3, 2019, and December 16, 2019 for each project	Failure to maintain CDE status and meet requirement of the NMTC allocation	Remote	None	

11. Commitments (continued):

Guarantees and indemnifications (continued):

		Guarantee risk details					
Guarantor(s)	Beneficiary and purpose	Amount	Term	Trigger(s) for guarantor performance	Likelihood of future payments	Guarantor payments made to date	Other comments
		In favor of State of Louisiana Office of Community Development					
National Services (on joint and several basis with Renaissance Neighborhood Development Corporation and Volunteers of America of Greater New Orleans, Inc.)	Renaissance Neighborhood Development Corporation and 1770 Tchoupitoulas LLC Community Development Corporation in favor of: a) State of Louisiana Office of Community Development; b) U.S. Bankcorp Community Development; and c) IberiaBank	$3,457,000	July 2, 2012 to July 2, 2037	Failure of beneficiary to complete construction or default or non-compliance on debt and grant	Remote	None	
		In favor of U.S. Bankcorp Community Development					
		$5,199,000	July 2, 2012 to July 1, 2019	Failure of project to meet payment, performance, IRR and recapture benchmarks set out in agreements	Remote	None	
		In favor of Iberia Bank					
		$3,232,000 term loan	July 2, 2012 to July 2, 2019 term loan	Loan default	Remote	None	

11. Commitments (continued):

Leases:

Edina Senior Living, LLC has entered into a 30 year agreement with an unrelated third party to lease land, a building and improvements. The lease will commence when the base improvements and tenant improvements are substantially complete, which is estimated to be September 1, 2016. The lease includes two 15 year extension options. Annual base rent will range from $1,790,000 to $7,479,000 over the initial term of the lease.

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. There was no increase in rent during 2015. The increase in rent was 1.6% to 2014.

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

	2015	2014
	(in thousands)	
Building cost	**$ 723**	$ 723
Equipment cost	**70**	70
	793	793
Less accumulated amortization	**416**	369
Net book value	**$ 377**	$ 424

Amortization expense relating to the capital leases, which is included in depreciation expense was $47,000 and $55,000 for 2015 and 2014, respectively. Future principal and interest payments under capital leases as of June 30, 2015, are as follows:

Year ending June 30,	Amount (in thousands)
2016	$ 318
2017	318
2018	318
2019	318
2020	318
Thereafter	954
	2,544
Less amount representing interest	1,866
Present value of net minimum lease obligation payments, which is recorded in other current and other long-term liabilities	$ 678

12. 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 2.25% for 2015 and 2014, 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, website development and maintenance, and low-income housing development.

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, 2015 and 2014, the National Organization awarded approximately $4,557,000 and $5,105,000, 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.

13. Restricted net assets:

At June 30, 2015 and 2014, temporarily restricted net assets could be expended for the following:

	2015	2014
	(in thousands)	
Awards of Volunteers of America Local Offices and other program services	**$ 2,793**	$ 774
Scholarships to Volunteers of America employees	**43**	42
	$ 2,836	$ 816

Temporarily restricted net assets were released from restriction during the years ended June 30, 2015 and 2014, fulfilling donor stipulations for the following purposes:

	2015	2014
	(in thousands)	
Awards to Volunteers of America Local Offices and other program services	**$ 3,042**	$ 3,245

Permanently restricted net assets of $920,000 and $882,000 as of June 30, 2015 and 2014, respectively, relate to contributions received from donors to be maintained in perpetuity.

14. Contributions in-kind:

For the years ended June 30, 2015 and 2014, the National Organization received $38,000 and $312,000, respectively, in various goods, which its participating Local Offices use in its program services. The National Organization received $24,539,000 and $53,266,000 in public service advertising and branding for the years ended June 30, 2015 and 2014, respectively. Additionally, National Services received $73,000 and $141,000 in various goods for the years ended June 30, 2015 and 2014, respectively. These amounts are reflected as revenue and expense in the accompanying financial statements.

15. Subsequent event:

On August 14, 2015, Volunteers of America, Inc. entered into a Title Sponsorship Agreement with the Ladies Professional Golf Association, Inc. for $1,300,000 each year over a three year period from 2016 to 2018. This is part of the National Organization's Branding Initiative.

(IN THOUSANDS)

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

	Volunteers of America, Inc.	Volunteers of America Correctional Services	Volunteers of America National Services	Eliminations	Total
Assets:					
Current assets:					
Cash and cash equivalents	$ 5,238	$ 203	$ 30,776		$ 36,217
Accounts receivable, net	3,371	384	15,218	$ (951)	18,022
Current portion of notes receivable	709		26	(347)	388
Short-term investments			13,206		13,206
Prepaid expenses	180	33	2,202		2,415
Other current assets, net	733		3,210	(500)	3,443
Total current assets	10,231	620	64,638	(1,798)	73,691
Property and equipment, net	5,521	2,225	129,549		137,295
Other assets:					
Encumbered assets	18,915		50,244		69,159
Long-term investments	14,247				14,247
Notes receivable, net and net of current portion	2,516		1,316	(1,269)	2,563
Reimbursable costs			5,153		5,153
Deferred charges and other assets, net	2,581	54	11,057		13,692
Limited and general partnerships' assets			450,057		450,057
Total other assets	38,259	54	517,827	(1,269)	554,871
Total assets	$ 54,011	$ 2,899	$ 712,014	$ (3,067)	$ 765,857
Liabilities and net assets:					
Current liabilities:					
Accounts payable	$ 2,376	$ 29	$ 5,984	$ (904)	$ 7,485
Accrued expenses	1,742	118	13,195	(46)	15,009
Current portion of long-term debt	358	98	2,151	(98)	2,509
Other current liabilities	1,746	261	4,399	(250)	6,156
Total current liabilities	6,222	506	25,729	(1,298)	31,159
Long-term liabilities:					
Long-term debt, net of current portion	5,586	1,269	185,152	(1,269)	190,738
Other long-term liabililties	4,081	667	10,632	(500)	14,880
Limited and general partnerships' liabilities			328,615		328,615
Total long-term liabilities	9,667	1,936	524,399	(1,769)	534,233
Total liabilities	15,889	2,442	550,128	(3,067)	565,392
Net assets:					
Unrestricted attributable to:					
Controlled limited and general partnerships			3,038		3,038
Operations	34,366	457	33,159		67,982
Parent	34,366	457	36,197		71,020
Non-controlling interests in limited and general partnerships			125,689		125,689
	34,366	457	161,886		196,709
Temporarily restricted	2,836				2,836
Permanently restricted	920				920
Total net assets	38,122	457	161,886		200,465
Total liabilities and net assets	$ 54,011	$ 2,899	$ 712,014	$ (3,067)	$ 765,857

(IN THOUSANDS)

	Volunteers of America, Inc.			Volunteers of America Correctional Services	Volunteers of America National Services			Limited and general partnerships		
	Unrestricted	Temporarily restricted	Permanently restricted	Unrestricted	Unrestricted	Eliminations	Operating subtotal	Unrestricted	Eliminations	Total
Revenue from operations:										
Public support received directly:										
Contributions	$ 2,657	$ 5,063			$ 6,389	$ (750)	$ 13,359			$ 13,359
Contributions, in-kind	24,577				73		24,650			24,650
Total public support	27,234	5,063			6,462	(750)	38,009			38,009
Government grants and contracts				$ 4,224	418		4,642	$ 16,209		20,851
Other revenue:										
Program fees	3,858				47,581	(2,112)	49,327	18,458		67,785
Program fees, Medicaid and Medicare					89,583		89,583			89,583
Administrative income from Local Offices	12,833					(312)	12,521			12,521
Net rental income	144				61		205	100		305
Other operating income	19				11,861		11,880	2,539	$ (4,261)	10,158
Total other revenue	16,854				149,086	(2,424)	163,516	21,097	(4,261)	180,352
Net assets released from restrictions	3,042	(3,042)								
Total revenues from operations	47,130	2,021		4,224	155,966	(3,174)	206,167	37,306	(4,261)	239,212
Operating expenses:										
Program services:										
Fostering independence	95				135,262	(312)	135,045	24,771		159,816
Promoting self sufficiency	42,084			2,956	63	(500)	44,603	25,563	(3,006)	67,160
Total program services	42,179			2,956	135,325	(812)	179,648	50,334	(3,006)	226,976
Support services:										
Management and general	6,335			505	24,025	(2,362)	28,503			28,503
Fundraising	1,085				65		1,150			1,150
Total support services	7,420			505	24,090	(2,362)	29,653			29,653
Total operating expenses	49,599			3,461	159,415	(3,174)	209,301	50,334	(3,006)	256,629
Change in net assets from operations	(2,469)	2,021		763	(3,449)		(3,134)	(13,028)	(1,255)	(17,417)
Non-operating items:										
Interest and dividend income	603				1,172		1,775			1,775
Realized net gains (losses) on investments	1,483	(2)					1,481			1,481
Equity contributions related to limited and general partnerships								23,593		23,593
Unrealized net (losses) gains on investments	(1,560)	2	$ 38		(422)		(1,942)			(1,942)
Other non-operating losses		(1)			(981)		(982)			(982)
Total non-operating items	526	(1)	38		(231)		332	23,593		23,925
Change in net assets before discontinued operations	(1,943)	2,020	38	763	(3,680)		(2,802)	10,565	(1,255)	6,508
Gain on discontinued operations including gain on disposal of $6,144 and $3,273 in 2015 and 2014, respectively					5,322		5,322			5,322
Change in net assets	$ (1,943)	$ 2,020	$ 38	$ 763	$ 1,642	$ -	$ 2,520	$ 10,565	$ (1,255)	$ 11,830

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)

	Volunteers of America, Inc.	Volunteers of America Correctional Services	Volunteers of America National Services	Eliminations	Total
Cash flows from operating activities:					
Change in net assets	$ 115	$ 763	$ 10,952		$ 11,830
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:					
Non-controlling interest in limited and general partnerships			(9,763)		(9,763)
Change in limited and general partnerships			183		183
(Decrease) increase in allowance for doubtful accounts	(321)		1,654		1,333
Depreciation and amortization	510	286	6,018		6,814
Original issue discount accretion			47		47
Gain on:					
Disposal of discontinued operations			(6,144)		(6,144)
Sale of property and equipment			(7)		(7)
Net realized and unrealized investment losses	39		422		461
Contribution of stock in joint venture			(2,405)		(2,405)
Permanently restricted contributions and investment income	(38)				(38)
(Increase) decrease in operating assets:					
Accounts receivable	(821)	(21)	(1,041)	$ 356	(1,527)
Prepaid expenses	5	2	(802)		(795)
Other current assets	(236)		(432)		(668)
Deferred charges in other assets	(221)		(770)		(991)
(Decrease) increase in operating liabilities:					
Accounts payable	(142)	(22)	(317)	(363)	(844)
Accrued expenses	96	(133)	229	7	199
Other liabilities	(956)	254	3,356		2,654
Net cash (used in) provided by operating activities	(1,970)	1,129	1,180	0	339
Cash flows from investing activities:					
Purchase of property and equipment	(467)	(95)	(28,784)		(29,346)
Proceeds from:					
Disposal of discontinued operations			6,788		6,788
Sale of property and equipment			10		10
Notes receivable:					
Advances	(2,339)		(354)		(2,693)
Payments	4,118		2,241	(595)	5,764
Increase in reimbursable costs			(182)		(182)
Cash proceeds withdrawn from investments	1,800				1,800
Change in investments including encumbered assets	(1,510)		(4,057)		(5,567)
Net cash provided by (used in) investing activities	1,602	(95)	(24,338)	(595)	(23,426)
Cash flows from financing activities:					
Permanently restricted contributions and investment income	38				38
Long-term debt:					
Proceeds			43,084		43,084
Payments	(356)	(856)	(1,680)	595	(2,297)
Increase in deferred charges and other assets			(1,708)		(1,708)
Increase in bond trust funds			(10,463)		(10,463)
Net cash (used in) provided by financing activities	(318)	(856)	29,233	595	28,654
Net (decrease) increase in cash and cash equivalents	(686)	178	6,075		5,567
Cash and cash equivalents, beginning	5,924	25	24,701		30,650
Cash and cash equivalents, ending	$ 5,238	$ 203	$ 30,776		$ 36,217
Supplemental disclosures of cash flow information:					
Cash paid for interest	$ 142	$ 364	$ 19,837		$ 20,343
Non-cash financing activity:					
Property and equipment financed through debt			$ 278		$ 278

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015
(IN THOUSANDS)

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

	Volunteers of America, Inc.							Volunteers of America Correctional Services		
	Program services			Support services				Program services	Support services	
	Fostering independence	Promoting self sufficiency	Total program services	Management and general	Fundraising	Total support services	Subtotal	Promoting self sufficiency	Management and general	Subtotal
Salaries	$ 19	$ 4,304	$ 4,323	$ 2,340	$ 53	$ 2,393	$ 6,716	$ 816		$ 816
Pension		367	367	1,843	5	1,848	2,215			
Other employee benefits		443	443	243	8	251	694	175		175
Payroll taxes		278	278	147	4	151	429	96		96
Legal fees		2	2	161		161	163	7		7
Accounting fees				115		115	115	7		7
Other professional fees		4,852	4,852	241	463	704	5,556	11		11
Other professional fees - In-kind		24,577	24,577				24,577			
Supplies and office		354	354	343		343	697	53		53
Telecommunications		64	64	121		121	185	26		26
Postage		259	259	20	307	327	586	2		2
Occupancy	14	132	146	144		144	290	229		229
Interest	10	83	93	49		49	142	364		364
Insurance	10	10	20	195	16	211	231	63		63
Equipment rental and maintenance	24	111	135	24		24	159	33		33
Printing and publications		193	193	25	229	254	447	6		6
Travel and transportation		1,032	1,032	50		50	1,082	78		78
Conferences and meetings		155	155	6		6	161	7		7
Specific assistance to individuals		532	532				532			
Awards and grants to affiliates:										
Development awards		3,316	3,316				3,316			
Endowment awards		709	709				709			
Other		17	17	70		70	87	697	$ 505	1,202
Depreciation and amortization	18	294	312	198		198	510	286		286
	$ 95	$ 42,084	$ 42,179	$ 6,335	$ 1,085	$ 7,420	$ 49,599	$ 2,956	$ 505	$ 3,461

(IN THOUSANDS)

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

	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	$ 61,863		$ 61,863	$ 9,767		$ 9,767	$ 71,630		$ 79,162	$ 4,648		$ 83,810
Pension	643		643	684		684	1,327	$ (312)	3,230			3,230
Other employee benefits	7,497		7,497	1,077		1,077	8,574		9,443	618		10,061
Payroll taxes	4,719		4,719	628		628	5,347		5,872	624		6,496
Legal fees	181	$ 3	184	679		679	863		1,033	127		1,160
Accounting fees	258		258	631	$ 6	637	895		1,017	628		1,645
Other professional fees	5,781		5,781	2,202	35	2,237	8,018		13,585	1,776		15,361
Other professional fees - In-kind									24,577			24,577
Supplies and office	2,570		2,570	156		156	2,726		3,476	1,553		5,029
Telecommunications	1,082	59	1,141	169		169	1,310		1,521	40		1,561
Postage	118		118	26		26	144		732			732
Occupancy	5,288	1	5,289	107		107	5,396		5,915	10,536		16,451
Interest	7,718		7,718	194		194	7,912		8,418	12,382		20,800
Insurance	1,617		1,617	84	1	85	1,702		1,996			1,996
Equipment rental and maintenance	2,256		2,256	49		49	2,305		2,497			2,497
Printing and publications	72		72	12		12	84		537			537
Travel and transportation	1,096		1,096	691		691	1,787		2,947	16		2,963
Conferences and meetings	174		174	193		193	367		535	182		717
Specific assistance to individuals	20,711		20,711			-	20,711		21,243			21,243
Awards and grants to affiliates:												
Development awards								(500)	2,816			2,816
Endowment awards									709			709
Other	5,671		5,671	6,605	23	6,628	12,299	(2,362)	11,226	2,810	$ (3,006)	11,030
Depreciation and amortization	5,947		5,947	71		71	6,018		6,814	14,394		21,208
	$ 135,262	$ 63	$ 135,325	$ 24,025	$ 65	$ 24,090	$ 159,415	$ (3,174)	$ 209,301	$ 50,334	$ (3,006)	$ 256,629