VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
Including Independent Auditors' Report
as of and for the Years Ended June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee and Board of Directors of
Volunteers of America, Inc. and Subsidiaries

Report on the Consolidated 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, 2020 and 2019, 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 consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of VOANS Holding Company, a majority-owned subsidiary, whose statements reflect total assets constituting approximately 13% and 12% of the consolidated total assets at June 30, 2020 and 2019, respectively, and total revenues constituting approximately 3% and 9% of the consolidated total revenues for the years ended June 30, 2020 and 2019, respectively. We did not audit the financial statements of Edina Senior Living, LLC, a majority-owned subsidiary, whose statements reflect total assets constituting approximately 6% and 7% of the consolidated total assets at June 30, 2020 and 2019, respectively, and total revenues constituting approximately 6% and 4% of the consolidated total revenues for the years ended June 30, 2020 and 2019, respectively. Those statements were audited by other auditors, whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the VOANS Holding Company and Edina Senior Living, LLC, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the reports of the other auditors, 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in 2020, the Organization retrospectively adopted new accounting guidance on the presentation of amounts generally described as restricted cash and restricted cash equivalents in the consolidated statement of cash flows. Our opinion is not modified with respect to this matter.

The other auditor's report on the 2020 financial statements of Edina Senior Living, LLC included an emphasis-of-matter paragraph describing conditions that raised substantial doubt about Edina Senior Living, LLC's ability to continue as a going concern, as discussed in Note 1 to the financial statements. Our opinion on the consolidated financial statements is not modified with respect to that matter.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 44-49 is presented for purposes of additional analysis rather than to present the financial position, results of operations, functional expenses, and cash flows of the subsidiaries, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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 consolidating information, based on our audit and the reports of the other auditors, is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Minneapolis, Minnesota
October 22, 2020

(IN THOUSANDS)

**VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES**

	2020	2019
Assets:		
Current assets:		
Cash and cash equivalents	$ 87,779	$ 62,548
Accounts receivable, net of allowance for doubtful accounts	21,123	19,876
Current portion of notes receivable	3,690	3,317
Short-term investments	23,328	28,263
Prepaid expenses	4,199	3,691
Other current assets, net of allowance for doubtful accounts	10,490	9,219
Total current assets	150,609	126,914
Property and equipment, net of accumulated depreciation	266,449	265,916
Other assets:		
Encumbered assets	37,586	43,406
Long-term investments	15,222	15,926
Notes receivable, net of current portion and allowance for doubtful accounts	4,793	4,777
Reimbursable costs	12,756	10,271
Property held for sale	94	111
Deferred charges and other assets, net of accumulated amortization	10,890	10,721
Limited and general partnerships' assets	613,548	602,111
Total other assets	694,889	687,323
Total assets	$ 1,111,947	$ 1,080,153

See notes to Consolidated Financial Statements

(IN THOUSANDS)

	2020	2019
Liabilities and net assets:		
Current liabilities:		
Accounts payable	$ 12,432	$ 10,039
Accrued expenses	25,020	21,991
Current portion of long-term debt	11,074	6,839
Other current liabilities	39,737	24,361
Total current liabilities	88,263	63,230
Long-term liabilities:		
Long-term debt, net of current portion	248,814	252,075
Other long-term liabilities	106,917	103,682
Limited and general partnerships' liabilities	318,309	302,264
Total long-term liabilities	674,040	658,021
Total liabilities	762,303	721,251
Net assets:		
Without donor restrictions:		
Controlled limited and general partnerships	4,258	4,930
Board designated	14,820	14,820
Undesignated	144,936	142,332
Parent	164,014	162,082
Non-controlling interests in limited and general partnerships and other programs	183,368	194,393
Total net assets without donor restrictions	347,382	356,475
Net assets with donor restrictions	2,262	2,427
Total net assets	349,644	358,902
Total liabilities and net assets	$ 1,111,947	$ 1,080,153

(IN THOUSANDS)

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

	Net assets without donor restrictions	Net assets with donor restrictions	Operating subtotal	Without donor restrictions: Limited and general partnerships	Without donor restrictions: Eliminations	Total
Revenues from operations:						
Public support received directly:						
Contributions	$ 9,631	$ 3,153	$ 12,784	$ -	$ -	$ 12,784
Contributions, in-kind	6,487	-	6,487	-	-	6,487
Total public support	16,118	3,153	19,271	-	-	19,271
Government grants and contracts	9,185	-	9,185	30,151	-	39,336
Other revenue:						
Program fees	9,828	-	9,828	25,272	(7,320)	27,780
Resident service revenue	229,271	-	229,271	-	-	229,271
Administrative income from Local Offices	14,580	-	14,580	-	-	14,580
Other operating income	20	-	20	1,793	-	1,813
Total other revenue	253,699	-	253,699	27,065	(7,320)	273,444
Net assets released from restrictions	3,318	(3,318)	-	-	-	-
Total revenues from operations	282,320	(165)	282,155	57,216	(7,320)	332,051
Operating expenses:						
Program services:						
Fostering independence	222,908	-	222,908	50,671	(5,299)	268,280
Promoting self sufficiency	27,800	-	27,800	31,850	-	59,650
Total program services	250,708	-	250,708	82,521	(5,299)	327,930
Support services:						
Management and general	30,190	-	30,190	-	(480)	29,710
Fundraising	1,598	-	1,598	-	-	1,598
Total support services	31,788	-	31,788	-	(480)	31,308
Total operating expenses	282,496	-	282,496	82,521	(5,779)	359,238
Change in net assets from operations	(176)	(165)	(341)	(25,305)	(1,541)	(27,187)
Non-operating items:						
Interest and dividend income	3,011	1	3,012	-	-	3,012
Net realized gains on investments	358	-	358	-	-	358
Net unrealized losses on investments	(743)	(1)	(744)	-	-	(744)
Equity contributions related to limited and general partnerships	-	-	-	10,565	-	10,565
Other non-operating	508	-	508	4,292	-	4,800
Total non-operating items	3,134	-	3,134	14,857	-	17,991
Change in net assets before discontinued operations	2,958	(165)	2,793	(10,448)	(1,541)	(9,196)
Loss on discontinued operations	(62)	-	(62)	-	-	(62)
Change in net assets	2,896	(165)	2,731	(10,448)	(1,541)	(9,258)
Less change in net assets attributable to the non-controlling interest in limited and general partnerships and other programs	-	-	-	(11,025)	-	(11,025)
Change in net assets attributable to the parent	$ 2,896	$ (165)	$ 2,731	$ 577	$ (1,541)	$ 1,767

(IN THOUSANDS)

	Net assets without donor restrictions	Net assets with donor restrictions	Operating subtotal	Without donor restrictions: Limited and general partnerships	Without donor restrictions: Eliminations	Total
Revenues from operations:						
Public support received directly:						
Contributions	$ 33,132	$ 4,111	$ 37,243	$ -	$ -	$ 37,243
Contributions, in-kind	9,091	-	9,091	-	-	9,091
Total public support	42,223	4,111	46,334	-	-	46,334
Government grants and contracts	7,794	-	7,794	29,549	-	37,343
Other revenue:						
Program fees	1,238	-	1,238	24,306	-	25,544
Resident service revenue	222,542	-	222,542	-	-	222,542
Administrative income from Local Offices	14,351	-	14,351	-	-	14,351
Other operating income	10,710	-	10,710	2,702	(8,012)	5,400
Total other revenue	248,841	-	248,841	27,008	(8,012)	267,837
Net assets released from restrictions	4,202	(4,202)	-	-	-	-
Total revenues from operations	303,060	(91)	302,969	56,557	(8,012)	351,514
Operating expenses:						
Program services:						
Fostering independence	212,746	-	212,746	45,424	-	258,170
Promoting self sufficiency	33,139	-	33,139	32,069	(4,816)	60,392
Total program services	245,885	-	245,885	77,493	(4,816)	318,562
Support services:						
Management and general	32,978	-	32,978	-	(1,245)	31,733
Fundraising	999	-	999	-	-	999
Total support services	33,977	-	33,977	-	(1,245)	32,732
Total operating expenses	279,862	-	279,862	77,493	(6,061)	351,294
Change in net assets from operations	23,198	(91)	23,107	(20,936)	(1,951)	220
Non-operating items:						
Interest and dividend income	3,965	1	3,966	-	-	3,966
Net realized gains on investments	2,058	3	2,061	-	-	2,061
Net unrealized losses on investments	(1,296)	(144)	(1,440)	-	-	(1,440)
Equity contributions related to limited and general partnerships	-	-	-	34,800	-	34,800
Other non-operating	(751)	-	(751)	-	-	(751)
Total non-operating items	3,976	(140)	3,836	34,800	-	38,636
Change in net assets before discontinued operations	27,174	(231)	26,943	13,864	(1,951)	38,856
Loss on deconsolidation of certain entities	(5,917)	-	(5,917)	(216)	-	(6,133)
Loss on discontinued operations	(185)	-	(185)	-	-	(185)
Change in net assets	21,072	(231)	20,841	13,648	(1,951)	32,538
Less change in net assets attributable to the non-controlling interest in limited and general partnerships and other programs	(1,380)	-	(1,380)	14,429	-	13,049
Change in net assets attributable to the parent	$ 22,452	$ (231)	$ 22,221	$ (781)	$ (1,951)	$ 19,489

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2020 AND 2019
(IN THOUSANDS)

	Attributable to the parent			Attributable to the non-controlling interests	
	Net assets without donor restrictions	Net assets with donor restrictions	Subtotal	Net assets without donor restrictions	Total
Balance, June 30, 2018	$ 142,362	$ 2,658	$ 145,020	$ 181,344	$ 326,364
Change in net assets	19,720	(231)	19,489	13,049	32,538
Balance, June 30, 2019	162,082	2,427	164,509	194,393	358,902
Change in net assets	1,932	(165)	1,767	(11,025)	(9,258)
Balance, June 30, 2020	**$ 164,014**	**$ 2,262**	**$ 166,276**	**$ 183,368**	**$ 349,644**

AND SUBSIDIARIES (IN THOUSANDS)

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ (9,258)**	$ 32,538
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-controlling interest in limited and general partnerships and other programs	**11,025**	(13,049)
Change in limited and general partnerships	**(6,417)**	(25,035)
Increase in allowance for doubtful accounts	**113**	2,715
Depreciation and amortization	**12,525**	11,986
Loss (gain) on:		
Disposal of discontinued operations	**62**	185
Joint ventures	**(81)**	64
Sale or disposal of property and equipment	**-**	5
Refinancing	**-**	22
Settlement of forward delivery agreement	**-**	183
Impairment	**-**	333
Loss on deconsolidation of certain entities	**-**	6,133
Net realized and unrealized investment losses (gains)	**371**	(1,223)
(Increase) decrease in operating assets:		
Accounts receivable	**(2,399)**	2,927
Prepaid expenses	**(507)**	(1,184)
Other current assets	**66**	226
Deferred charges and other assets	**(538)**	(667)
Increase (decrease) in operating liabilities:		
Accounts payable	**1,537**	(872)
Accrued expenses	**2,619**	145
Other liabilities	**10,898**	(415)
Net cash provided by operating activities	**20,016**	15,017
Cash flows from investing activities:		
Purchase of property and equipment	**(11,071)**	(21,596)
Sale of property and equipment	**425**	65
Deconsolidation of certain entities	-	(2,447)
Change in reimbursable costs and other assets	**(2,460)**	(3,034)
Notes receivable:		
Advances	**(5,709)**	(10,536)
Payments	**4,910**	6,973
Increase in unearned revenue and other long term liabilities	**5,622**	2,688
Cash proceeds withdrawn from investments	**1,407**	839
Change in investments including encumbered assets	**691**	(629)
Net cash used in investing activities	**(6,185)**	(27,677)
Cash flows from financing activities:		
Changes in line of credit	**4,000**	(1,000)
Long-term debt and capital lease liability:		
Proceeds	**6,164**	1,116
Payments	**(7,499)**	(8,066)
Decrease in other long-term assets	**(257)**	(341)
Net cash provided by (used in) financing activities	**2,408**	(8,291)
Net increase (decrease) in cash and cash equivalents and restricted cash equivalents	**16,239**	(20,951)
Cash and cash equivalents and restricted cash equivalents, beginning	**103,255**	124,206
Cash and cash equivalents and restricted cash equivalents, ending [1]	**$ 119,494**	$ 103,255
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 30,514**	$ 30,896
Non-cash financing activity:		
Property and equipment financed through debt	**$ 1,486**	$ 164
Repayment of long-term debt with proceeds received in issuance of long-term debt	**$ -**	$ 2,222

[1] Reconciliation of cash and cash equivalents and restricted cash equivalents to consolidated statement of financial position:

	2020	2019
Cash and cash equivalents	**$ 87,779**	$ 62,548
Restricted cash equivalents included in short-term investments	**9,994**	13,490
Restricted cash equivalents included in encumbered assets (bond trust funds)	**21,721**	27,217
Total cash and cash equivalents and restricted cash equivalents	**$ 119,494**	$ 103,255

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(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 and wages	$ 91,233	$ 6,694	$ 97,927	$ 15,282	$ -	$ 15,282	$ 113,209	$ 4,866	$ 3,461	$ 8,327	$ -	$ 121,536
Employee benefits	16,695	1,859	18,554	6,473	-	6,473	25,027	768	438	1,206	-	26,233
Professional services	14,011	4,292	18,303	4,084	1,514	5,598	23,901	3,513	1,377	4,890	-	28,791
In-Kind	-	6,840	6,840	-	-	-	6,840	-	-	-	-	6,840
Occupancy	6,537	134	6,671	575	-	575	7,246	8,161	7,409	15,570	-	22,816
Specific assistance	44,580	3,021	47,601	17	-	17	47,618	-	-	-	-	47,618
Program supplies and expenses	8,641	911	9,552	179	-	179	9,731	1,597	1,011	2,608	-	12,339
Office supplies and expenses	3,046	1,221	4,267	550	57	607	4,874	8	7	15	-	4,889
Travel, conferences & meetings	1,782	1,290	3,072	800	-	800	3,872	126	92	218	-	4,090
Depreciation and amortization	11,262	577	11,839	265	-	265	12,104	13,801	9,090	22,891	-	34,995
Interest	17,085	267	17,352	823	-	823	18,175	11,737	6,946	18,683	(5,299)	31,559
Other	8,036	694	8,730	1,142	27	1,169	9,899	6,094	2,019	8,113	(480)	17,532
	$ 222,908	$ 27,800	$ 250,708	$ 30,190	$ 1,598	$ 31,788	$ 282,496	$ 50,671	$ 31,850	$ 82,521	$ (5,779)	$ 359,238

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(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 and wages	$ 88,252	$ 6,975	$ 95,227	$ 12,195	$ 69	$ 12,264	$ 107,491	$ 4,225	$ 3,190	$ 7,415	$ -	$ 114,906
Employee benefits	16,720	1,741	18,461	5,724	17	5,741	24,202	1,125	851	1,976	-	26,178
Professional services	13,839	4,588	18,427	4,213	610	4,823	23,250	3,413	1,526	4,939	-	28,189
In-Kind	-	9,028	9,028	-	-	-	9,028	-	-	-	-	9,028
Occupancy	6,174	412	6,586	762	6	768	7,354	8,373	7,783	16,156	-	23,510
Specific assistance	40,429	4,696	45,125	-	-	-	45,125	-	-	-	-	45,125
Program supplies and expenses	7,828	974	8,802	99	-	99	8,901	1,522	1,057	2,579	-	11,480
Office supplies and expenses	2,764	1,279	4,043	902	260	1,162	5,205	4	5	9	-	5,214
Travel, conferences & meetings	2,011	2,313	4,324	1,200	5	1,205	5,529	215	136	351	-	5,880
Depreciation and amortization	11,216	472	11,688	298	-	298	11,986	12,834	8,329	21,163	-	33,149
Interest	16,166	333	16,499	628	1	629	17,128	11,690	7,155	18,845	(4,816)	31,157
Other	7,347	328	7,675	6,957	31	6,988	14,663	2,023	2,037	4,060	(1,245)	17,478
	$ 212,746	$ 33,139	$ 245,885	$ 32,978	$ 999	$ 33,977	$ 279,862	$ 45,424	$ 32,069	$ 77,493	$ (6,061)	$ 351,294

1. Nature of business and summary of significant accounting policies:

Nature of business:

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 31 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.

Organization:

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 and Subsidiary; VOA Care Centers, Minnesota and Subsidiary; 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; The Homestead at Coon Rapids, Inc., The Homestead at Montrose, Inc.; Sleepy Eye Area Home Health; Volunteers of America Homestead 2000, Inc.; VOA Rehabilitation Centers, Inc.; VOA Lee County Health Care Facility, Inc.; VOANS Senior CommUnity Meals, Inc.; VOANS PACE Holding Company and Subsidiaries, including a 60% owned subsidiary; Essex St. Commercial, LLC.; Edina Senior Living, LLC, an 80% owned subsidiary; VOANS Holding Company; VOANS Insurance Company, Inc.; Summit VOANS, LLC; Intrepid VOA LLC; Coronado VOANS, LLC; Sunshine Development 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 Futures Fund, Inc. (VOA Futures Fund) is a wholly owned subsidiary formed in June 2017.

Volunteers of America Texas, Inc. (VOAT) was an unchartered Local Office until September 30, 2018. VOAT was awarded a 5-year charter by the Organization effective October 1, 2018. VOAT includes the accounts for Volunteers of America Texas Development Corporation, Inc., Volunteers of America Texas Foundation, and certain real estate limited partnerships.

Volunteers of America, Inc., Volunteers of America National Services, VOA Futures Fund, and Volunteers of America Correctional Services are referred to collectively as the Organization.

1. Nature of business and summary of significant accounting policies (continued):

The standalone financial statements of Edina Senior Living, LLC, dated October 5, 2020, disclosed that there is substantial doubt about Edina Senior Living, LLC's ability to continue as a going concern, due to lower than budgeted occupancy levels for each of the years ending June 30, 2020 and June 30, 2019. These lower than budgeted occupancy levels along with the required minimum lease payments and long-term debt obligations of the Company have led to cash flow issues for Edina Senior Living, LLC. As a result of the cash flow issues, the amount owed to an affiliated company has grown over the last two fiscal years. Edina Senior Living, LLC's members acknowledged that, in its current financial condition, they would be unable to meet its obligations. Edina Senior Living, LLC's members have budgeted for increased occupancy levels and operating expenses savings in fiscal year 2021 to help with cash flow. Because it is not possible at this time to predict the outcome of the member's efforts, substantial doubt remains regarding the ability of the Edina Senior Living, LLC to continue as a going concern during the ensuing year. Volunteers of America Care Facilities and Subsidiary has guaranteed certain obligations of Edina Senior Living, LLC, and accordingly, may have to absorb those obligations in the event of default by Edina Senior Living, LLC. Edina Senior Living, LLC constitutes approximately 6% and 7% of the consolidated total assets at June 30, 2020 and 2019, respectively, and approximately 6% and 4% of the consolidated total revenues for the years ended June 30, 2020 and 2019, 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, and secures 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.

1. Nature of business and summary of significant accounting policies (continued):

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 (SAEs) and is developing additional affordable housing sites to be organized as SAEs. The SAEs are stand-alone entities and are not consolidated with the Organization. See disclosure further within Note 1 regarding reimbursable costs for the 3 and 4 individual and family properties under development at June 30, 2020 and 2019, respectively.

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's and Local Office's 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.

1. Nature of business and summary of significant accounting policies (continued):

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 provides 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.

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.

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 statements of financial position.

Intercompany profits eliminated in consolidation related to developer fees earned and paid to National Services were $2,007,000 and $2,864,000 for the years ended June 30, 2020 and 2019, respectively. The cumulative amount of intercompany profits eliminated in consolidation related to developer fees earned and paid to National Services was $49,478,000 and $47,471,000 at June 30, 2020 and 2019, respectively.

1. Nature of business and summary of significant accounting policies (continued):

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 with substantive participating rights, regardless of the percentage ownership in the limited partnerships.

There are 163 Housing and Urban Development (HUD) financed properties and general partnership entities that National Services controls or in which it has economic interest, but not both. National Organization also has economic interests in all chartered local offices but does not possess control. Occasionally, the Organization may have 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 31 Local Offices for the fiscal years ended June 30, 2020 and 2019. As a result of the deconsolidation of VOAT during the year ended June 30, 2019, the Organization recognized a loss of $6,133,000 reported on the consolidated statements of activities.

Use of estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 3). The carrying amount approximates fair value because of the short maturity of those instruments.

Investments:

Investments consist of: (a) cash and cash equivalents; (b) certificates of deposits, and (c) deposits that have been pooled with those of other affiliates of the Organization (pooled investments). The pooled investments are maintained in accounts consisting primarily of marketable securities (Note 4). The pooled investments are recorded at fair value based on quoted market prices of the underlying securities. 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.

1. Nature of business and summary of significant accounting policies (continued):

Although the Organization's investments are invested in a variety of financial instruments managed by investment advisors, the fair values reported in the consolidated financial statements are subject to various market risks including changes in the equity markets, the interest rate environment, and economic conditions. Due to the level of risk associated with investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the fair value of investments reported in the accompanying consolidated statements of financial position could change materially in the near term.

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.

Notes and accounts receivable:

Notes and accounts receivable consist of third-party payors and patient receivables, housing, and other receivables and 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. At June 30, 2020 and 2019, the allowance for doubtful accounts for accounts receivable was $2,736,000 and $3,497,000, respectively, and the allowance for doubtful accounts for notes receivable was $11,241,000 and $10,430,000, respectively.

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 some loans to Local Offices for operations (see Notes 6 and 17).

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.

1. Nature of business and summary of significant accounting policies (continued):

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

Land and improvements	10 years
Building	30-40 years
Building improvements	10-40 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.

Amortization of assets acquired under capital leases is included in accumulated depreciation.

Impairment of property and equipment:

Property and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. If expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the assets. During the year ended June 30, 2019, the Organization recognized an impairment loss of $290,000 relating to land held for sale. Effective September 5, 2019, the Organization executed a contract to sell the property to an unrelated third party for approximately $425,000. The value of the land was written down as of June 30, 2019 to the sale price. There was no impairment loss recognized during the year ended June 30, 2020.

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 donor restricted assets, board designated assets, bond trust funds, equity investments, and escrow deposits required by funding sources in the development of low-income housing (see Note 3).

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 using 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.

1. Nature of business and summary of significant accounting policies (continued):

Limited and general partnerships:

The Organization 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 1%. 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 (See further detail in Note 13). Non-controlled interests in the limited partnerships of $190,059,000 and $199,812,000 at June 30, 2020 and 2019, respectively, represent 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.

The Organization, through several of the majority-owned general partnerships, has notes receivable from the related limited partnerships totaling approximately $3,387,000 at June 30, 2020 and 2019. 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 two categories: net assets without donor restrictions and net assets with donor restrictions. All net assets are considered to be without donor restrictions unless specifically restricted by the donor or by law. Net assets with donor restrictions include contributions with temporary, donor-imposed time, or purpose restrictions. Net assets with donor restrictions become net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions, when the time restrictions expire, or the contributions are used for their restricted purpose. Net assets with donor restrictions also 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.

Revenue from 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.

1. Nature of business and summary of significant accounting policies (continued):

Public support:

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 – that is, those with a measureable performance or other barrier and a right of return – are not included as support until such time as the conditions are substantially met. Contributions are recorded within net assets without donor restrictions unless specifically restricted by the donor or by law. As of June 30, 2020, the Organization has received approximately $2,002,000 of conditional promises to give, which is recorded within other current liabilities.

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

Government grants and contracts:

VOAPR has a multi-year agreement with the Federal Bureau of Prisons for residential reentry program services for the previously incarcerated. The contracts specified daily billable rates for each category of service. Performance obligations are determined based on the nature of services provided. Payments for the services have the same timing and pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied over time as services are provided.

Other operating revenue:

Resident services revenue consists of skilled nursing, assisted living, independent living, and ancillary services which are reported at the estimated net realizable amounts from residents, third-party payers, and others for services rendered. National services has determined that the services included in the monthly or daily fees have the same timing and pattern of transfer and are a series of distinct services that are considered on performance obligation which is satisfied over time as services are provided.

Administrative income from Local Office represents the fees earned by the National Organization providing administrative and management services to 31 locally chartered and unchartered corporations (Local Offices) authorized to operate under the name of Volunteers of America. The fee is based on a percentage of net revenue reported by locally chartered and unchartered offices to the National Organization and billed on a monthly basis. The Organization has determined that the services included in the monthly affiliate fee have the same timing pattern of transfer and are a series of distinct services that are considered one performance obligation which is satisfied during the month the services are billed and provided.

Other operating revenues in 2020 includes amounts received from federal and state funding sources related to the COVID-19 pandemic. The Organization accounts for this funding in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and accordingly, revenues are recognized when barriers are substantially met.

1. Nature of business and summary of significant accounting policies (continued):

In March 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law to combat the financial effects of COVID-19. The CARES Act created a Provider Relief Fund to provide financial support for hospitals and other healthcare providers. The Organization received approximately $6,322,000 in 2020 related to this and other state funding sources. In accordance with the original terms and conditions, the Organization could apply the funding against lost revenues and eligible expenses. Noncompliance with the terms and conditions could result in repayment of some or all of the support. The Department of Health and Human Services (HHS) has indicated Relief Fund payments are subject to future reporting and audit requirements and in September 2020, HHS released updated guidance on the reporting and use of the funds. The substantive changes in the updated guidance are that lost revenue is now represented as a negative change in year-over-year net patient care operating income rather than any revenue a health care provider lost due to coronavirus, applying the funds to eligible expenses before lost revenues, and the reporting period for determination of eligible amounts is set at a calendar year keeping the measurement period open until then. Accordingly, there is a reasonable possibility these changes could result in claw-back or reversal of amounts previously recognized. The Organization is assessing the impact of the updated guidance on its financial statements and whether amounts recognized in the year ended June 30, 2020 could change or become repayable in subsequent periods; however, an estimate of the possible financial effect cannot be made as of the date these financial statements were issued. In addition, it is unknown whether there will be further developments in the regulatory guidance.

The Organization has incurred lost revenues and eligible expenses in accordance with the original terms and conditions of the Provider Relief Fund as of June 30, 2020 of approximately $5,521,000, which are included in government grants and contracts in the table in Note 2. The remaining $801,000 is included in other current liabilities on the June 30, 2020 balance sheet as the Organization has determined the recognition criteria has not yet been met as of year-end.

Other revenue also includes fees earned through the management and development of affordable housing and rental income for the limited and partnership interests.

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 other operating income within other revenues in the consolidated statements 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 $256,000 and $2,608,000 of developer fees as reimbursable costs for the fiscal years ended June 30, 2020 and 2019, 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.

1. Nature of business and summary of significant accounting policies (continued):

Allocation of functional Expenses:

Program and support service expenses are specifically identified with or allocated to the various functions. Expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

Income taxes:

Under provisions 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, other than VOANS Insurance Company, Inc. and Edina Senior Living, LLC, and is 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 recognized income tax expense of $22,000 and $131,000 related to unrelated business income generated from investments in joint ventures, and there were cash payments for income taxes of $96,000 and $144,000 in 2020 and 2019, respectively.

Concentration of credit risk:

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

The Organization places its cash and cash equivalents, investments, and encumbered assets with high credit quality financial institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Company (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.

New accounting standards:

During 2020, the Organization retrospectively adopted the FASB ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* The amendments in this update require that a statement of cash flows explain the change during the period in total of cash, cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows.

1. Nature of business and summary of significant accounting policies (continued):

The following line items on the consolidated statement of cash flows for the year ended June 30, 2019 were affected by this change in accounting principle:

	As Previously Reported, adjusted for Discounted Operations (in thousands)	As Reported Under ASU 2016-18 (in thousands)
Change in investments including encumbered assets	$ 2,876	$ (629)
Net cash used in investing activities	(24,439)	(27,677)
Increase in bond trust funds	16,029	-
Net cash used in financing activities	7,738	(8,291)
Net change in cash and cash equivalents	(815)	-
Cash and cash equivalents at beginning of period	63,363	-
Cash and cash equivalents at end of period	62,548	-
Net change in cash and cash equivalents and restricted cash and cash equivalents	-	(20,951)
Cash and cash equivalents and restricted cash and cash equivalents at beginning of period	-	124,206
Cash and cash equivalents and restricted cash and cash equivalents at end of period	-	103,255

During June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted this guidance for fiscal year 2020 with no material impact to the consolidated financial statements.

New standards issued but not yet effective are not expected to have a material impact on the Organization’s consolidated financial statements.

Subsequent events:

On July 24, 2020, the Organization made a strategic decision to move forward with closing a skilled nursing facility located in Colorado Springs, CO. Management is working with the State of Colorado and other community stakeholders to develop a plan for transition, which focuses on finding new facilities for each resident based on individual needs. The transition is expected to take place over the next few months, and the facility is anticipated to close effective November 1, 2020. The results of operations for the facility are included in the change in net assets before discontinued operations.

1. Nature of business and summary of significant accounting policies (continued):

On August 11, 2020, the Organization received a loan through the Paychecks Protection Program through the Small Business Administration in the amount of $1,245,443. The interest rate on the loan is 1 percent per annum and no payments are due on the loan for 17 months. The loan will mature on August 11, 2025. The loan amount will be forgiven as long as the loan proceeds are used to cover payroll costs, mortgage principal, and interest payments, rent and utilities over the 24 week period after the loan was made and the Organization maintains its employee and compensation levels.

Management has evaluated for subsequent events through October 22, 2020, the date the consolidated financial statements were issued.

Reclassifications:

Certain reclassifications have been made to the 2019 consolidated financial statements to conform to the 2020 presentation.

2. Operating revenues:

Operating revenues consist of the following for the years ended June 30, 2020 and 2019. The Organization disaggregates revenue from contracts with customers by type of service as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors:

	2020					
	VOA, Inc	**VOA FF**	**VOA Corr.**	**VOA TX**	**VOANS**	**Total**
			(in thousands)			
Public support	**$ 10,560**	**$ 323**	**$ 26**	**$ -**	**$ 8,362**	**$ 19,271**
Resident service revenue	**-**	**-**	**-**	**-**	**229,271**	**229,271**
Program fees	**666**	**-**	**-**	**-**	**27,114**	**27,780**
Program fees-affiliate fees	**14,580**	**-**	**-**	**-**	**-**	**14,580**
Government grants and contracts	**-**	**-**	**3,664**	**-**	**35,672**	**39,336**
Other operating income	**20**	**-**	**-**	**-**	**1,793**	**1,813**
Total	**$ 25,826**	**$ 323**	**$ 3,690**	**$ -**	**$ 302,212**	**$ 332,051**

	2019					
	VOA, Inc	VOA FF	VOA Corr.	VOA TX	VOANS	Total
			(in thousands)			
Public support	$ 14,971	$ 100	$ -	$ 604	$ 30,659	$ 46,334
Resident service revenue	-	-	-	-	222,542	222,542
Program fees	993	-	-	245	24,306	25,544
Program fees-affiliate fees	14,351	-	-	-	-	14,351
Government contracts	-	-	3,254	4,540	29,549	37,343
Other operating income	(17)	-	-	257	5,160	5,400
Total	$ 30,298	$ 100	$ 3,254	$ 5,646	$ 312,216	$ 351,514

Payment terms and conditions for the National Services resident contracts vary by contract type and payor source, although terms generally include payment to be made within 30 days. Operating revenues for recurring and routine monthly services are generally billed each month as services are rendered. Operating revenues for ancillary services are generally billed monthly in arrears. Revenues collected from residents in advance are recognized as unearned revenue until the performance obligations are satisfied and are included in unearned revenues in the accompanying statements of financial position. National Services recognized approximately $0 and $2,416,000 in 2020 and 2019, respectively, of revenue that was included in the unearned revenue balance as of July 1, 2019 and 2018, respectively. National Services applies the practical expedient in ASC 606, and therefore does not disclose amounts for remaining performance obligations that have original expected durations of one year or less.

3. Encumbered assets:

At June 30, 2020 and 2019, encumbered assets included assets restricted either externally, by donor restriction or legal agreement, or restricted internally, by board designation.

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. These investments consisting of short-term treasury funds and certificates of deposit and are recorded at cost, which approximates fair value.

	VOA, Inc.	**VOANS**	**2020**	2019
		(in thousands)		
Cash and cash equivalents	$ **333**	$ **-**	$ **333**	$ 312
Investments (see Note 4)	**15,532**	**-**	**15,532**	15,877
Bond trust funds	**-**	**21,721**	**21,721**	27,217
Encumbered assets	$ **15,865**	$ **21,721**	$ **37,586**	$ 43,406

4. Investments:

At June 30, 2020 and 2019, investments were as follows:

	VOA, Inc.	**VOANS**	**2020**	2019
		(in thousands)		
Unencumbered and Encumbered Investments:				
Cash and cash equivalents	**$ 792**	**$ 8,821**	**$ 9,613**	$ 12,536
Certificates of deposit	**-**	**5,803**	**5,803**	6,965
Fixed income	**9,183**	**2,521**	**11,704**	9,508
Equities	**20,779**	**6,183**	**26,962**	31,057
	$ 30,754	**$ 23,328**	**$ 54,082**	$ 60,066
Investments included in encumbered assets (see Note 3)	**$ 15,532**	**$ -**	**$ 15,532**	$ 15,877
Short-term investments	**-**	**23,328**	**23,328**	28,263
Long-term investments	**15,222**	**-**	**15,222**	15,926
	$ 30,754	**$ 23,328**	**$ 54,082**	$ 60,066

4. Investments (continued):

National Organization sponsors the National Organization Pooled Investment program open to eligible Local Offices and subsidiaries. The combined fair value of the program's assets is approximately $68,427,000 and $69,192,000 at June 30, 2020 and 2019, respectively. There were 16 total active participants at June 30, 2020 which include the National Organization, 12 Local Offices, National Services, and two subsidiaries of National Services in the program. Local Offices, National Services, and subsidiaries account for 57.0% of the total portfolio in the program at June 30, 2020. Each participant has ownership of its allocated assets and recognizes its allocated earnings. The National Office records the portion of other participants' investment, $38,382,000 and $38,076,000 at June 30, 2020 and 2019, respectively, as assets and equal offsetting liabilities, netted within the investment line on the consolidated statements of financial position.

5. Liquidity and availability of resources:

The following table reflects the Organization's financial assets available for general expenditure within one year at June 30, 2020 and 2019. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Unavailable financial assets consist of assets whose use is limited by loan and other agreements.

	2020	2019
		(in thousands)
Financial assets:		
Cash and cash equivalents	**$ 87,779**	$ 62,548
Short-term investments (uncollateralized)	**16,328**	25,263
Appropriation from board designated endowment for subsequent year	**971**	1,020
Receivables	**30,426**	27,364
Cash and cash equivalents included in limited and general partnership’s assets	**6,802**	7,341
Tenant receivables included in limited and general partnership’s assets	**1,117**	649
Total	**$ 143,423**	$ 124,185

The Organization’s limited and general partnerships are required to maintain a reserve for replacement account and also deposit any residual revenue, as defined, into a residual receipts account. The use of the funds in these accounts is subject to approval by HUD, and is generally limited to capital expenditures and service coordinator expenses. The Organization’s limited and general partnerships also had escrow deposits held in a separate account in accordance with its loan agreements. These deposits are limited as to its use to the payment of real estate taxes and property and mortgage insurance. The total balance of such funds was $48,194,000 at June 30, 2020 and $47,103,000 at June 30, 2019.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments. To assist management with satisfying any unanticipated liquidity needs, the Organization has lines of credit that can be drawn upon (Note 10).

5. Liquidity and availability of resources (continued):

The National Organization maintains a board designated endowment fund of $14,820,000 with cumulative earnings thereon of $9,127,000 as of June 30, 2020 (Note 16), which is not included in the table above. It has a policy of appropriating endowment assets available for expenditure each year no greater than 4% of the market value of the funds at the end of the preceding fiscal year. Subject to the approval of the Organization's Board of Directors, the board designated endowment funds may be drawn upon for strategic program initiatives requiring initial working capital, or in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities (see Note 16).

6. Notes receivable:

Notes receivable consist of the following at June 30:

	2020 (in thousands)	2019 (in thousands)
Notes receivable	**$ 19,724**	$ 18,524
Less current portion	**(3,690)**	(3,317)
	16,034	15,207
Less allowance	**(11,241)**	(10,430)
Notes receivable, long term	**$ 4,793**	$ 4,777

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

	2020 (in thousands)	2019 (in thousands)
Balance at beginning of year	**$ 10,430**	$ 7,273
Provision for losses	**2,550**	3,311
Charge-offs	**(61)**	-
Recoveries	**(1,678)**	(154)
Balance at end of year	**$ 11,241**	$ 10,430

7. Property and equipment:

Property and equipment consists of the following at June 30:

	2020	2019
	(in thousands)	(in thousands)
Land and improvements	**$ 17,375**	$ 17,331
Buildings and improvements	**321,197**	311,822
Furniture and equipment	**44,699**	43,791
	383,271	372,944
Less accumulated depreciation	**(116,822)**	(107,028)
	$ 266,449	$ 265,916

Depreciation expense for the years ended June 30, 2020 and 2019, was $12,057,000 and $11,547,000, respectively.

Construction costs are included in building and improvements. During the years ended June 30, 2020 and 2019, National Services incurred interest costs totaling $33,133,000 and $33,711,000, respectively, of which approximately $1,912,000 and $2,974,000, respectively, was capitalized.

8. 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 years ended June 30, 2020 and 2019. There were no financial instruments valued using Level 3 inputs at June 30, 2020 and 2019.

	2020 (in thousands)		
	Total	**Level 1**	**Level 2**
Financial Assets Category			
Fixed income	**$ 11,704**	**$ -**	**$ 11,704**
Equities:			
Common stock	**18,034**	**18,034**	**-**
Mutual funds	**8,928**	**8,928**	**-**
Total financial assets	**38,666**	**$ 26,962**	**$ 11,704**
Investments measured at net assets value (a)	**-**		
Financial assets at cost			
Cash and cash equivalents	**9,946**		
Certificates of deposit	**5,803**		
Bond trust funds	**21,721**		
Total short-term and long-term investments and encumbered assets	**$ 76,136**		

8. Fair value measurements (continued):

	2019 (in thousands)		
	Total	Level 1	Level 2
Financial Assets Category			
Fixed income	$ 9,508	$ -	$ 9,508
Equities:			
Common stock	18,635	18,635	-
Mutual funds	12,422	12,422	-
Total financial assets	40,565	$ 31,057	$ 9,508
Investments measured at net assets value (a)	-		
Financial assets at cost			
Cash and cash equivalents	12,848		
Certificates of deposit	6,965		
Bond trust funds	27,217		
Total short-term and long-term investments and encumbered assets	$ 87,595		

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2020 and 2019.

Mutual funds and common stock are valued at fair value based on quoted market prices for identical securities in active markets that the Organization has the ability to access at the measurement date. Fixed income securities are valued at fair value based on quoted prices for similar assets in active markets and inputs other than quoted prices that are observable for the asset (i.e. interest rates, yield curves, etc.).

9. Deferred charges and other assets:

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 dissolved effective August 24, 2018. The Organization used the equity method to account for this investment and accordingly has reduced the investment to approximately $0 at June 30, 2019. The Organization’s share of the net loss for the years ended June 30, 2019 was $1,000.

9. Deferred charges and other assets (continued):

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. The Organization uses the equity method to account for this investment, and accordingly has reduced the investment to approximately $3,000 and $5,000 at June 30, 2020 and 2019, respectively. The Organization's share of the net loss was $2,000 for the years ended June 30, 2020 and 2019.

National Services is a 45% owner of the outstanding shares of Essential Decisions, Inc. (EDI). National Services uses the equity method to account for this investment, and accordingly has increased the investment to approximately $2,746,000 and $2,766,000 at June 30, 2020 and 2019, respectively. National Services share of the net income was $84,000 and $580,000 for the years ended June 30, 2020 and 2019, respectively.

National Services has a 10% interest in Coronado-VOANS-CDT JV, LLC and uses the cost method to account for this investment. National Services has invested $1,106,000 and $932,000 in Coronado VOANS-CDT JV, LLC at June 30, 2020 and 2019, respectively. The Organization recorded a loss on the investment during the year ended June 30, 2019 of $640,000, which reduced the carrying value to $466,000 and $292,000 at June 30, 2020 and 2019, respectively.

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 $5,173,000 and $4,637,000 as of June 30, 2020 and 2019, respectively, at its fair value.

10. Lines of credit:

The National Organization entered into a Revolving Credit Agreement for working capital in the amount of $10,000,000. The agreement expires February 28, 2021. The unpaid principal balance bears interest at an annual rate equal to 1.5% plus the one-month London Interbank Offered Rate (LIBOR). The interest rate was 1.68% and 3.93% at June 30, 2020 and 2019, respectively. No collateral is required. At June 30, 2020, the full amount of the Revolving Credit Agreement was available to the Organization.

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. Other participants in the National Pooled Investment program also have access to this line of credit. At June 30, 2020 and 2019, $10,190,000 and $5,876,000, respectively, was outstanding from other National Pooled Investment participants, where the balance is collateralized by their investments. The unpaid principal balance bears interest at an annual rate equal to 1.0% plus the overnight LIBOR rate. The interest rate was 1.08% and 3.37% at June 30, 2020 and 2019, respectively. The note is secured by the pooled investment funds. At June 30, 2020 and 2019, the National Services had an outstanding balance of $7,000,000 and $3,000,000, respectively.

11. Long-term debt:

Long-term debt consists of the following at June 30:

	2020 (in thousands)	2019 (in thousands)
Real estate notes and mortgages, 0% to 6.6%, due in varying amounts through 2041	**$ 30,091**	$ 25,719
Revenue bonds, 2.59% to 8%, due in varying amounts through 2053	**237,927**	241,774
	268,018	267,493
Less unamortized discount	**2,112**	2,227
Less unamortized deferred financing costs	**6,018**	6,352
	259,888	258,914
Less current portion	**11,074**	6,839
	$ 248,814	$ 252,075

Future annual maturities of long-term debt, for the year ended June 30, are as follows:

	Amount (in thousands)
2021	$ 11,074
2022	8,217
2023	6,885
2024	5,772
2025	14,770
Thereafter	221,300
	$ 268,018

At June 30, 2020 and 2019, substantially all of the property and equipment is pledged as collateral for the long-term debt. The term of these certain types of long-term debt agreements include various covenants including financial and other non-financial matters with which the Organization must comply.

12. Capital leases:

Edina Senior Living, LLC conducts its operations from a non-cancelable capital leased facility. In addition, the Organization is leasing vehicles and other equipment under capital leases recorded as equipment. The Organization's capital lease liabilities are included as other current liabilities and other long-term liabilities on the consolidated statements of financial position. The cost of the assets recorded under capital lease agreements and related accumulated amortization is as follows at June 30:

	2020 (in thousands)	2019 (in thousands)
Assets recorded under capital lease agreements	**$ 74,071**	$ 74,106
Less accumulated amortization (included in accumulated depreciation, Note 7)	**10,231**	7,539
	$ 63,840	$ 66,567

Future minimum payments on capital leases are as follows:

	Amount (in thousands)
Years ending June 30:	
2021	$ 4,796
2022	4,792
2023	5,066
2024	5,218
2025	5,323
Thereafter	136,397
Total lease payments	161,592
Less interest	78,592
Capital lease obligations	83,000
Less current portion	4,757
Long-term portion of capital lease obligations	$ 78,243

VOA Puerto Rico RRC, Inc. entered into a capital lease for a building during 2008, which expires on July 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 a 2.50% and 1.60% increase in rent during 2020 and 2019, respectively. The present value of future minimum lease payments was $420,000 and $497,000 at June 30, 2020 and 2019, respectively and is included in other long-term liabilities on the accompanying consolidated statement of financial position.

13. Limited and general partnerships:

The Organization has elected to present the assets and liabilities of the real estate limited and general partnerships on a non-classified basis in the consolidated statements of financial position, in accordance with industry practice for real estate companies. The assets and liabilities are composed of the following at June 30, 2020 and 2019:

	2020	2019
	(in thousands)	(in thousands)
Cash and cash equivalents	**$ 6,802**	$ 7,341
Account receivable, net	**1,117**	649
Prepaid expenses	**4,022**	3,485
Total current assets	**11,941**	11,475
Property and equipment, net	**601,017**	588,954
Encumbered assets	**48,194**	47,103
Other long-term assets	**20,175**	20,138
Total assets before eliminations	**681,327**	667,670
Eliminations	**(67,779)**	(65,559)
Total limited and general partnerships' assets	**$ 613,548**	$ 602,111
Accounts payable	**$ 6,665**	$ 7,000
Accrued expenses	**54,315**	50,049
Other current liabilities	**1,954**	1,810
Total current liabilities	**62,934**	58,859
Long-term debt, net of current portion	**411,729**	393,631
Other long-term liabilities	**12,347**	10,437
Total liabilities before eliminations	**487,010**	462,927
Eliminations	**(168,701)**	(160,663)
Total limited and general partnerships' liabilities	**$ 318,309**	$ 302,264

14. Retirement 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 thus the National Organization is not required to record the unfunded pension liability in its financial statements. 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.

The following table presents certain actuarial valuation information with respect to the plan for the plan year beginning on January 1:

	2020 (in thousands)	2019 (in thousands)
Market value of plan assets	**$ 72,918**	$ 61,002
Present value of accumulated plan benefits	**76,301**	69,696
Actuarial valuation of the unfunded pension liability	**$ 3,383**	$ 8,694

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.

The following table presents certain financial information for the plan as June 30:

	2020 (in thousands)	2019 (in thousands)
Funded status	**Less than 65%**	Less than 65%
Employer's contribution to the plan	**$ 1,531**	$ 1,409
Total contributions received by the plan	**$ 4,775**	$ 4,680
Employer's contribution >5% of total contributions to the plan	**Yes**	Yes
Total fair value of plan assets at year end	**$ 73,487**	$ 68,687
Projected benefit obligation	**$ 114,885**	$ 107,163

Because the plan is not subject to ERISA, a funding improvement plan based on the projected benefit obligation is not required; however, the Organization has voluntarily implemented a contribution assessment.

14. Retirement 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 pension costs. For the years ended June 30, 2020 and 2019, the funded status reported on the consolidated statements 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, 2020 and 2019:

	2020	2019
	(in thousands)	(in thousands)
Projected benefit obligation	**$ 8,744**	$ 8,738
Plan assets, at fair value	**6,115**	5,741
Unfunded status	**$ 2,629**	$ 2,997
Net periodic benefit cost	**$ 428**	$ 472
Employer contributions	**$ 347**	324
Benefits paid	**$ 312**	294
Weighted average assumptions used to determine benefit obligation at June 30:		
Discount rate	**3.75%**	4.00%
Rate of compensation increase	**4.00%**	4.00%
Weighted average assumptions used to determine net periodic benefit cost for the year ended June 30:		
Discount rate	**4.00%**	4.25%
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 VOA National Housing Corporation's historical rate of return and the expected rate of return on VOA National Housing Corporation's asset classes, weighted based on target allocations for each class.

The net gain (loss) related to the unrecognized component of net periodic pension cost recognized in the years ended June 30, 2020 and 2019 was approximately $449,000 and $(234,000), respectively. The net prior service credit related to the unrecognized component of net periodic pension cost recognized in the years ended June 30, 2020 and 2019 was approximately $385,000 and $0, respectively. The net (loss) and net prior service credit expected to be recognized as a component of net periodic pension cost over the next twelve months is $(216,000) and $55,000, respectively.

14. Retirement plans (continued):

The accumulated benefit obligation was $8,720,000 and $8,292,000 at June 30, 2020 and 2019, respectively.

VOA National Housing Corporation uses the Pri-2012 Mortality Tables projected forward with scale MP-2019 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.

VOA National Housing Corporation 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 VOA National Housing Corporation's postretirement plan assets at June 30, 2020 and 2019, by asset category (Note 8), are as follows

	2020 Level 1 (in thousands)	2019 Level 1 (in thousands)
Global asset allocation mutual funds	$ **6,115**	$ 5,741

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

	Amount (in thousands)
2021	$ 390
2022	417
2023	433
2024	452
2025	471
2026-2029	2,581

Defined contribution plan:

The Organization participates in defined contribution retirement plans. The plans cover all employees who have met certain employment requirements. The Organization authorized contributions of $1,077,000 and $1,043,000 for the years ended June 30, 2020 and 2019, respectively.

15. Guarantees and indemnifications:

The Organization has the following guarantees and indemnifications, which are contingent commitments:

		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 December 31, 2020	Loan default by beneficiary	Remote	None	
Volunteers of America National Services (on joint and several basis with Renaissance Neighborhood Development Corporation and Volunteers of America Southeast Louisiana, Inc.)	Renaissance Neighborhood Development Corporation and 1770 Tchoupitoulas LLC Community Development Corporation in favor of: State of Louisiana Office of Community Development	$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	

16. Net assets:

Net assets with donor restrictions:

At June 30, 2020 and 2019, net assets with donor restrictions could be expended for the following:

	2020 (in thousands)	2019 (in thousands)
Awards of Volunteers of America Local Offices and other program services	**$ 1,549**	$ 1,732
Scholarships to Volunteers of America employees	**54**	53
Contributions received from donors to be maintained in perpetuity	**659**	642
	$ 2,262	$ 2,427

Net assets with donor restrictions were released from restriction during the years ended June 30, 2020 and 2019 fulfilling donor stipulations for the following purposes:

	2020 (in thousands)	2019 (in thousands)
Awards of Volunteers of America Local Offices and other program services	**$ 3,318**	$ 4,202

Board designated net assets:

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 remaining board designated net assets include additional contributions to the board designated fund. The board designated net assets are not designated for a specific purpose other than to support the mission of the Organization to be used at the discretion of the Board of Directors.

16. Net assets: (continued):

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 Organization's 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 net return of 4.5-6% 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, 2020 and 2019, the National Organization has a policy of appropriating endowment assets available for expenditure each year no greater than 4% 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 4.25% 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.

16. Net assets: (continued):

Board designated funds included in net assets without donor restrictions at June 30, 2020 and 2019 are as follows:

	2020							
		Board Designated Endowment (Encumbered)		**Other Board Designated (Encumbered)**		**Total Board Designated (Encumbered)**		**2020 Earnings (Undesignated)**
				(in thousands)				
Beginning balance, July 1, 2019	$	**14,820**	$	**-**	$	**14,820**	$	**10,357**
Investment net gains								**272**
Withdrawal of endowment assets per approved								**(1,020)**
Reduction of endowment assets to fund programs (board approved)								**(482)**
Transfers								
Ending balance, June 30, 2020	$	**14,820**	$		**$**	**14,820**	$	**9,127**
Appropriation of endowment assets available for current year							$	1,020

	2019							
		Board Designated Endowment (Encumbered)		Other Board Designated (Encumbered)		Total Board Designated (Encumbered)		2019 Earnings (Undesignated)
				(in thousands)				
Beginning balance, July 1, 2018	$	16,100	$	62	$	16,162	$	9,650
Investment net gains		-		-		-		1,201
Withdrawal of endowment assets per approved appropriation		-		-		-		(998)
Reduction of endowment assets to fund programs (board approved)		-		-		-		(838)
Transfers		(1,280)		(62)		(1,342)		1,342
Ending balance, June 30, 2019	$	14,820	$	-	$	14,820	$	10,357
Appropriation of endowment assets available for current year							$	998

17. 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% of all revenues without donor restrictions 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. Total administrative fees charged were $14,580,000 and $14,351,000 during the years ended June 30, 2020 and 2019, respectively.

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. Total fees charged were $666,000 and $994,000 during the years ended June 30, 2020 and 2019, respectively.

Notes and advances to Local Offices:

Notes receivable from Local Offices are generally unsecured, carry no interest, and are due within 1 to 15 years. Specific repayment plans are negotiated with each Local Office based on their local Board-approved business plan and cash flow forecasts. Notes receivable from Local Offices was $1,128,000 and $1,992,000 at June 30, 2020 and 2019, respectively.

Notes receivable:

National Services was assigned a note receivable in 2013, which was originally associated with the sale of a related housing property. The original note included an obligation to pay a portion to Volunteers of America Chesapeake, Inc. The amount owed as of June 30, 2020 and 2019 is $1,571,000 and $1,510,000, respectively.

Awards and grants to Local Offices:

In the years ended June 30, 2020 and 2019, the National Organization awarded approximately $3,160,000 and $4,196,000, 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.

18. Contributions-in-kind

For the years ended June 30, 2020 and 2019, the National Organization received $19,000 and $10,000, respectively, in various goods, which its participating Local Offices use in its program services. The National Organization received $6,423,000 and $9,018,000 in professional services, and public service advertising and branding for the years ended June 30, 2020 and 2019, respectively. Additionally, National Services received $45,000 and $63,000 in various goods for the years ended June 30, 2020 and 2019, respectively. These amounts are reflected as revenue and expense in the accompanying consolidated financial statements.

19. Commitments and contingencies:

Self-insured medical benefits:

National Services has a self-insured employee health plan that the National Organization is also a participant. It contracts with an administrative service company to supervise and administer the program and act as its representative. The National Services insures for excessive and unexpected claims and is liable for claims with limits determined through actuarial reports. Claims up to the insurance limit will be funded by the National Services. The National Services has stop-loss insurance to cover excess claims over $250,000 per individual. Estimated future claims for incurred medical and dental services of approximately $3,425,000 and $3,453,000 were recorded as part of accrued expenses on the consolidated statements of financial position at June 30, 2020 and 2019, respectively.

Medical malpractice claims coverage:

National Services is subject to various legal proceedings and claims which arise in the ordinary course of business. National Services maintains malpractice insurance coverage for claims made during the policy year. In management’s opinion, adequate provision has been made for amounts expected to be paid under the policy’s deductible limits for unasserted claims not covered by the policy and any other uninsured liability.

Workers’ compensation insurance:

Workers’ compensation policies are subject to audit and retroactive adjustment. Any significant variations in anticipated claims cost could result in adjustments to health insurance and workers’ compensation expense for the Organization when the effect becomes reasonably determinable.

Sponsorship:

In November 2018, Volunteers of America, Inc. entered into a Title Sponsorship Agreement with the Ladies Professional Golf Association, Inc. for $8,500,000 over a 5-year period from 2019 to 2023. This is part of the National Organization’s Branding Initiative. The Organization also has an agreement for approximately $1,300,000 each year over a 4-year period from April 2019 to June 2023 for advertising.

Industry developments:

The senior living services industry is subject to numerous laws, regulations, and administrative directives of federal, state, and local governments and agencies. Compliance with these laws, regulations, and administrative directives is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Government activity continues to increase with respect to investigations and allegations concerning possible violations by healthcare providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for resident services previously billed.

Legal:

The Organization is party to various legal actions arising in the ordinary course of business. While it is not feasible for management to determine the outcome of these actions, information available at this time, including management’s discussions with legal counsel, does not indicate that these matters will have a material adverse effect on the Organization’s consolidated financial position or future results of operations.

19. Commitments and contingencies (continued):

World events:

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The Organization’s evaluation of the effects of these events is ongoing as of the date the accompanying financial statements were issued. COVID-19 may impact various parts of the Organization’s future operations and financial performance including but not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, supply chain disruption, or declines in revenue related to decreases in occupancy or volumes of certain revenue streams. The extent of the impact will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

(IN THOUSANDS)

**VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES**

	Volunteers of America, Inc.	Volunteers of America, Inc Futures Fund	Volunteers of America Correctional Services	Volunteers of America National Services	Eliminations	Total
Assets:						
Current assets:						
Cash and cash equivalents	$ 16,099	$ 1,130	$ 601	$ 69,949	$ -	$ 87,779
Accounts receivable, net	2,818	-	329	19,226	(1,250)	21,123
Current portion of notes receivable	1,685	-	-	2,488	(483)	3,690
Short-term investments	-	-	-	23,328	-	23,328
Prepaid expenses	324	-	120	3,755	-	4,199
Other current assets, net	510	-	-	9,980	-	10,490
Total current assets	21,436	1,130	1,050	128,726	(1,733)	150,609
Property and equipment, net	5,044	-	1,015	260,390	-	266,449
Other assets:						
Encumbered assets	15,865	-	-	21,721	-	37,586
Long-term investments	15,222	-	-	-	-	15,222
Notes receivable, net of current portion	-	202	-	4,591	-	4,793
Reimbursable costs	-	-	-	12,756	-	12,756
Property held for sale	94	-	-	-	-	94
Deferred charges and other assets, net	5,175	-	54	5,661	-	10,890
Limited and general partnerships' assets	-	-	-	613,548	-	613,548
Total other assets	36,356	202	54	658,277	-	694,889
Total assets	$ 62,836	$ 1,332	$ 2,119	$ 1,047,393	$ (1,733)	$ 1,111,947
Liabilities and net assets:						
Current liabilities:						
Accounts payable	$ 1,815	$ 30	$ 24	$ 10,792	$ (229)	$ 12,432
Accrued expenses	2,055	21	225	22,830	(111)	25,020
Current portion of long-term debt	330	-	483	10,744	(483)	11,074
Other current liabilities	13,939	-	103	26,470	(775)	39,737
Total current liabilities	18,139	51	835	70,836	(1,598)	88,263
Long-term liabilities:						
Long-term debt, net of current portion	3,639	-	-	245,175	-	248,814
Other long-term liabilities	5,512	25	317	101,198	(135)	106,917
Limited and general partnerships' liabilities	-	-	-	318,309	-	318,309
Total long-term liabilities	9,151	25	317	664,682	(135)	674,040
Total liabilities	27,290	76	1,152	735,518	(1,733)	762,303
Net assets:						
Without donor restrictions						
Controlled limited and general partnerships	-	-	-	4,258	-	4,258
Board designated	14,820	-	-	-	-	14,820
Undesignated	19,681	39	967	124,249	-	144,936
Parent	34,501	39	967	128,507	-	164,014
Non-controlling interests in limited and general partnerships and other programs	-	-	-	183,368	-	183,368
Total net assets without donor restrictions	34,501	39	967	311,875	-	347,382
Net assets with donor restrictions	1,045	1,217	-	-	-	2,262
Total net assets	35,546	1,256	967	311,875	-	349,644
Total liabilities and net assets	$ 62,836	$ 1,332	$ 2,119	$ 1,047,393	$ (1,733)	$ 1,111,947

(IN THOUSANDS)

	Volunteers of America, Inc.		Volunteers of America Futures Fund, Inc.		Volunteers of Correctional Services	Volunteers of National Services					
	Net assets without donor restrictions	Net assets with donor restrictions	Net assets without donor restrictions	Net assets with donor restrictions	Net assets without donor restrictions	Net assets without donor restrictions	Eliminations	Operating subtotal	Net assets without donor restrictions Limited and general partnerships	Eliminations	Total
Revenue from operations:											
Public support received directly:											
Contributions	$ 1,780	$ 2,830	$ -	$ 323	$ 26	$ 8,317	$ (492)	$ 12,784	$ -	$ -	$ 12,784
Contributions, in-kind	6,442	-	-	-	-	45	-	6,487	-	-	6,487
Total public support	8,222	2,830	-	323	26	8,362	(492)	19,271	-	-	19,271
Government grants and contracts	-	-	-	-	3,664	5,521	-	9,185	30,151	-	39,336
Other revenue:											
Program fees	2,970	-	-	-	-	9,162	(2,304)	9,828	25,272	(7,320)	27,780
Resident service revenue	-	-	-	-	-	229,271	-	229,271	-	-	229,271
Administrative income from Local Offices	14,949	-	-	-	-	-	(369)	14,580	-	-	14,580
Other operating income	247	-	-	-	-	-	(227)	20	1,793	-	1,813
Total other revenue	18,166	-	-	-	-	238,433	(2,900)	253,699	27,065	(7,320)	273,444
Net assets released from restrictions	2,793	(2,793)	525	(525)	-	-	-	-	-	-	-
Total revenues from operations	29,181	37	525	(202)	3,690	252,316	(3,392)	282,155	57,216	(7,320)	332,051
Operating expenses:											
Program services:											
Fostering independence	24	-	-	-	-	222,884	-	222,908	50,671	(5,299)	268,280
Promoting self sufficiency	24,471	-	520	-	3,262	63	(516)	27,800	31,850	-	59,650
Total program services	24,495	-	520	-	3,262	222,947	(516)	250,708	82,521	(5,299)	327,930
Support services:											
Management and general	5,325	-	5	-	434	27,326	(2,900)	30,190	-	(480)	29,710
Fundraising	1,546	-	-	-	-	52	-	1,598	-	-	1,598
Total support services	6,871	-	5	-	434	27,378	(2,900)	31,788	-	(480)	31,308
Total operating expenses	31,366	-	525	-	3,696	250,325	(3,416)	282,496	82,521	(5,779)	359,238
Change in net assets from operations	(2,185)	37	-	(202)	(6)	1,991	24	(341)	(25,305)	(1,541)	(27,187)
Non-operating items:											
Interest and dividend income	802	1	20	-	-	2,213	(24)	3,012	-	-	3,012
Net realized gains on investments	275	-	-	-	-	83	-	358	-	-	358
Net unrealized losses on investments	(561)	(1)	-	-	-	(182)	-	(744)	-	-	(744)
Equity contributions related to limited and general partnerships	-	-	-	-	-	-	-	-	10,565	-	10,565
Other non-operating	-	-	-	-	-	508	-	508	4,292	-	4,800
Total non-operating items	516	-	20	-	-	2,622	(24)	3,134	14,857	-	17,991
Change in net assets before discontinued operations	(1,669)	37	20	(202)	(6)	4,613	-	2,793	(10,448)	(1,541)	(9,196)
Loss on discontinued operations	-	-	-	-	-	(62)	-	(62)	-	-	(62)
Change in net assets	(1,669)	37	20	(202)	(6)	4,551	-	2,731	(10,448)	(1,541)	(9,258)
Less change in net assets attributable to the non-controlling interest in limited and general partnerships and other programs	-	-	-	-	-	-	-	-	(11,025)	-	(11,025)
Change in net assets attributable to the parent	$ (1,669)	$ 37	$ 20	$ (202)	$ (6)	$ 4,551	$ -	$ 2,731	$ 577	$ (1,541)	$ 1,767

(IN THOUSANDS)

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

	Volunteers of America, Inc.	Volunteers of America, Inc Futures Fund	Volunteers of America Correctional Services	Volunteers of America National Services	Eliminations	Total
Cash flows from operating activities:						
Change in net assets	$ (1,632)	$ (182)	$ (6)	$ (7,438)	$ -	$ (9,258)
Adjustments to reconcile change in net assets to net cash provided by operating activities:						
Non-controlling interest in limited and general partnerships and other programs	-	-	-	11,025	-	11,025
Change in limited and general partnerships	-	-	-	(6,417)	-	(6,417)
Increase in allowance for doubtful accounts	4	8	-	101	-	113
Depreciation and amortization	401	-	327	11,797	-	12,525
Loss (gain) on:						
Disposal of discontinued operations	-	-	-	62	-	62
Joint ventures	-	-	-	(81)	-	(81)
Net realized and unrealized investment (gain) losses	286	(14)	-	99	-	371
(Increase) decrease in operating assets:						
Accounts receivable	(68)	-	228	(2,473)	(86)	(2,399)
Prepaid expenses	675	-	15	(1,197)	-	(507)
Other current assets	66	-	-	-	-	66
Deferred charges in other assets	(538)	-	-	-	-	(538)
Increase (decrease) in operating liabilities:						
Accounts payable	(382)	30	(1)	1,871	19	1,537
Accrued expenses	240	3	88	2,252	36	2,619
Other liabilities	10,306	25	-	671	(104)	10,898
Net cash provided by operating activities	9,358	(130)	651	10,272	(135)	20,016
Cash flows from investing activities:						
Purchase of property and equipment, net	(453)	-	(157)	(10,461)	-	(11,071)
Sale of property and equipment	-	-	-	425	-	425
Change in reimbursable costs and other assets	-	-	-	(2,460)	-	(2,460)
Notes Receivable:						
Advances	(504)		-	(5,039)	(166)	(5,709)
Payments	2,431	(84)	-	2,397	166	4,910
Increase in unearned revenue and other long term liabilities		-	-	5,487	135	5,622
Cash proceeds withdrawn from investments	1,407	-	-	-	-	1,407
Change in investments including encumbered assets	(663)	14	-	1,340	-	691
Net cash (used in) provided by investing activities	2,218	(70)	(157)	(8,311)	135	(6,185)
Cash flows from financing activities:						
Changes in line of credit	-	-	-	4,000	-	4,000
Long-term debt and capital lease liability:						
Proceeds	-	-	-	6,164	-	6,164
Payments	(331)	-	(166)	(7,002)	-	(7,499)
Decrease in:						
Other long-term assets	-	-	(77)	(180)	-	(257)
Net cash (used in) provided by financing activities	(331)	-	(243)	2,982	-	2,408
Net (decrease) increase in cash and cash equivalents and restricted cash equivalents	11,245	(200)	251	4,943	-	16,239
Cash and cash equivalents and restricted cash equivalents, beginning	4,854	1,330	350	96,721	-	103,255
Cash and cash equivalents and restricted cash equivalents, ending	$ 16,099	$ 1,130	$ 601	$ 101,664	$ -	$ 119,494
Supplemental disclosures of cash flow information:						
Cash paid for interest	$ 202	$ -	$ 159	$ 30,153	$ -	$ 30,514
Non-cash financing activity:						
Property and equipment financed through debt	$ -	$ -	$ -	$ 1,486	$ -	$ 1,486

(IN THOUSANDS)

VOLUNTEERS OF AMERICA, INC.
AND SUBSIDIARIES

	Volunteers of America, Inc.							Volunteers of America, Inc Futures Fund			Volunteers of America Correctional Services		
	Program services			Support 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	Promoting self sufficiency	Management and general	Subtotal
Salaries and wages	$ -	$ 5,755	$ 5,755	$ 1,726	$ -	$ 1,726	$ 7,481	$ 109	$ -	$ 109	$ 830	$ -	$ 830
Employee benefits	-	1,495	1,495	2,551	-	2,551	4,046	36	-	36	328	-	328
Professional services	7	4,060	4,067	553	1,469	2,022	6,089	3	-	3	229	434	663
In-Kind	-	6,442	6,442	-	-	-	6,442	-	-	-	398	-	398
Occupancy	-	134	134	112	-	112	246	-	-	-	-	-	-
Specific assistance	-	3,160	3,160	-	-	-	3,160	353	-	353	-	-	-
Program supplies and expenses	-	-	-	-	-	-	-	-	-	-	848	-	848
Office supplies and expenses	-	1,143	1,143	100	57	157	1,300	2	-	2	76	-	76
Travel, conferences & meetings	-	1,219	1,219	43	-	43	1,262	8	-	8	63	-	63
Depreciation and amortization	17	250	267	134	-	134	401	-	-	-	327	-	327
Interest	-	132	132	70	-	70	202	-	-	-	159	-	159
Other	-	681	681	36	20	56	737	9	5	14	4	-	4
	$ 24	$ 24,471	$ 24,495	$ 5,325	$ 1,546	$ 6,871	$ 31,366	$ 520	$ 5	$ 525	$ 3,262	$ 434	$ 3,696

(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
Salaries and wages	$ 91,233	$ -	$ 91,233	$ 13,556	$ -	$ 13,556	$ 104,789	$ -	$ 113,209
Employee benefits	16,695	-	16,695	4,291	-	4,291	20,986	(369)	$ 25,027
Professional services	14,004	-	14,004	5,401	45	5,446	19,450	(2,304)	$ 23,901
In-Kind	-	-	-	-	-	-	-	-	$ 6,840
Occupancy	6,537	-	6,537	690	-	690	7,227	(227)	$ 7,246
Specific assistance	44,580	-	44,580	17	-	17	44,597	(492)	$ 47,618
Program supplies and expenses	8,641	63	8,704	179	-	179	8,883	-	$ 9,731
Office supplies and expenses	3,046	-	3,046	450	-	450	3,496	-	$ 4,874
Travel, conferences & meetings	1,782	-	1,782	757	-	757	2,539	-	$ 3,872
Depreciation and amortization	11,245	-	11,245	131	-	131	11,376	-	$ 12,104
Interest	17,085	-	17,085	753	-	753	17,838	(24)	$ 18,175
Other	8,036	-	8,036	1,101	7	1,108	9,144	-	9,899
	$ 222,884	$ 63	$ 222,947	$ 27,326	$ 52	$ 27,378	$ 250,325	$ (3,416)	$ 282,496

(IN THOUSANDS)

	Limited and general partnerships	Eliminations	Consolidated total
Salaries and wages	$ 8,327	$ -	$ 121,536
Employee benefits	1,206	-	26,233
Professional services	4,890	-	28,791
In-Kind	-	-	6,840
Occupancy	15,570	-	22,816
Specific assistance	-	-	47,618
Program supplies and expenses	2,608	-	12,339
Office supplies and expenses	15	-	4,889
Travel, conferences & meetings	218	-	4,090
Depreciation and amortization	22,891	-	34,995
Interest	18,683	(5,299)	31,559
Other	8,113	(480)	17,532
	$ 82,521	$ (5,779)	$ 359,238