

# **Volunteers of America, Inc. and Subsidiaries**

Consolidated Financial Statements  
and Supplementary Information

June 30, 2023 and 2022

# Volunteers of America, Inc. and Subsidiaries

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Table of Contents  
June 30, 2023 and 2022

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Consolidated Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	5
Statements of Changes in Net Assets	7
Statements of Cash Flows	8
Statements of Functional Expenses	10
Notes to Consolidated Financial Statements	12
<b>Supplementary Information</b>	
Consolidating Schedule of Financial Position	42
Consolidating Schedule of Activities	44
Consolidating Schedule of Cash Flows	45
Consolidating Schedule of Functional Expenses	47

## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of Volunteers of America, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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.

In our opinion, based on our audit and the reports of the other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Volunteers of America, Inc. and Subsidiaries as of June 30, 2023 and 2022, 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.

We did not audit the financial statements of VOANS Holding Company, a majority-owned subsidiary, whose statements reflect total assets constituting 17% of the consolidated total assets at June 30, 2023 and 2022, and total revenues constituting 2% of the consolidated total revenues for the years ended June 30, 2023 and 2022. 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, is based solely on the report of the other auditors.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### **Supplementary 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 42-50 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*

Minneapolis, Minnesota  
December 5, 2023

## Volunteers of America, Inc. and Subsidiaries

Consolidated Statements of Financial Position

June 30, 2023 and 2022

(In Thousands)

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 74,117	\$ 99,726
Accounts receivable, net of allowance for doubtful accounts	34,856	33,385
Current portion of notes receivable	577	536
Short-term investments	20,815	21,440
Prepaid expenses	5,925	7,357
Other current assets, net of allowance for doubtful accounts	400	331
	<u>136,690</u>	<u>162,775</u>
Total current assets	<u>136,690</u>	<u>162,775</u>
<b>Property and Equipment, Net of Accumulated Depreciation</b>	<u>211,859</u>	<u>274,135</u>
<b>Other Assets</b>		
Encumbered assets	36,545	42,336
Long-term investments	12,692	11,062
Notes receivable, net of current portion and allowance for doubtful accounts	5,059	5,819
Reimbursable costs	15,722	12,198
Property held for sale	656	717
Right-of-use assets	16,363	4,631
Deferred charges and other assets, net of accumulated amortization	13,162	13,433
Limited and general partnerships' assets	805,645	729,981
	<u>905,844</u>	<u>820,177</u>
Total other assets	<u>905,844</u>	<u>820,177</u>
Total assets	<u>\$ 1,254,393</u>	<u>\$ 1,257,087</u>

See notes to consolidated financial statements

## Volunteers of America, Inc. and Subsidiaries

Consolidated Statements of Financial Position

June 30, 2023 and 2022

(In Thousands)

	<u>2023</u>	<u>2022</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 16,371	\$ 14,200
Accrued expenses	22,135	37,015
Lines of credit	16,112	13,612
Current portion of long-term debt	6,552	8,161
Other current liabilities	23,378	13,793
	<u>84,548</u>	<u>86,781</u>
<b>Long-term Liabilities</b>		
Long-term debt, net of current portion	265,292	273,193
Other long-term liabilities	47,462	114,295
Limited and general partnerships' liabilities	440,020	376,634
	<u>752,774</u>	<u>764,122</u>
Total liabilities	<u>837,322</u>	<u>850,903</u>
<b>Net Assets</b>		
Without donor restrictions:		
Controlled limited and general partnerships	11,573	17,846
Board designated	10,453	14,820
Undesignated	211,648	193,235
	<u>233,674</u>	<u>225,901</u>
Parent	<u>233,674</u>	<u>225,901</u>
Non-controlling interests in limited and general partnerships and other programs	176,670	172,100
	<u>410,344</u>	<u>398,001</u>
Total net assets without donor restrictions	<u>410,344</u>	<u>398,001</u>
<b>Net Assets With Donor Restrictions</b>	6,727	8,183
	<u>417,071</u>	<u>406,184</u>
Total net assets	<u>417,071</u>	<u>406,184</u>
Total liabilities and net assets	<u>\$ 1,254,393</u>	<u>\$ 1,257,087</u>

See notes to consolidated financial statements

**Volunteers of America, Inc. and Subsidiaries**

Consolidated Statement Of Activities  
Year Ended June 30, 2023  
(In Thousands)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Operating Subtotal	Without Donor Restrictions		Total
				Limited and General Partnerships	Eliminations	
<b>Revenues From Operations</b>						
Public support received directly:						
Contributions	\$ 4,197	\$ 6,608	\$ 10,805	\$ -	\$ -	\$ 10,805
Contributions, in-kind	477	-	477	-	-	477
Total public support	4,674	6,608	11,282	-	-	11,282
<b>Government Grants and Contracts</b>	28,121	-	28,121	40,320	-	68,441
<b>Other Revenue</b>						
Program fees	22,806	-	22,806	28,963	(17,191)	34,578
Resident service revenue	237,361	-	237,361	195	-	237,556
Administrative income from Local Offices	16,002	-	16,002	-	-	16,002
Other operating (expense) income	(186)	-	(186)	3,801	-	3,615
Total other revenue	275,983	-	275,983	32,959	(17,191)	291,751
<b>Net Assets Released From Restrictions</b>	8,070	(8,070)	-	-	-	-
Total revenues from operations	316,848	(1,462)	315,386	73,279	(17,191)	371,474
<b>Operating Expenses</b>						
Program services:						
Fostering independence	230,862	-	230,862	69,098	(7,144)	292,816
Encouraging positive development	16,144	-	16,144	-	-	16,144
Promoting self sufficiency	31,652	-	31,652	34,615	-	66,267
Total program services	278,658	-	278,658	103,713	(7,144)	375,227
<b>Support Services</b>						
Management and general	53,630	-	53,630	-	(3,369)	50,261
Fundraising	2,014	-	2,014	-	-	2,014
Total support services	55,644	-	55,644	-	(3,369)	52,275
Total operating expenses	334,302	-	334,302	103,713	(10,513)	427,502
Change in net assets from operations	(17,454)	(1,462)	(18,916)	(30,434)	(6,678)	(56,028)
<b>Nonoperating Items</b>						
Interest and dividend income	3,639	1	3,640	-	-	3,640
Net realized gains on investments	778	2	780	-	-	780
Net unrealized gains on investments	1,437	3	1,440	-	-	1,440
Gain (loss) on disposal	405	-	405	-	-	405
Loss on defeasement of bonds	-	-	-	-	-	-
Related-party contributions	10,210	-	10,210	-	-	10,210
Equity contributions related to limited and general partnerships	-	-	-	21,631	-	21,631
Other non-operating	1,178	-	1,178	-	-	1,178
Total non-operating items before deconsolidation of certain entities	17,647	6	17,653	21,631	-	39,284
Gain on deconsolidation of certain entities	27,631	-	27,631	-	-	27,631
Total non-operating items	45,278	6	45,284	21,631	-	66,915
Change in net assets	27,824	(1,456)	26,368	(8,803)	(6,678)	10,887
Less change in net assets attributable to the non-controlling interest in limited and general partnerships and other programs	7,100	-	7,100	(2,530)	-	4,570
Change in net assets attributable to the paren	\$ 20,724	\$ (1,456)	\$ 19,268	\$ (6,273)	\$ (6,678)	\$ 6,317

See notes to consolidated financial statements

**Volunteers of America, Inc. and Subsidiaries**

Consolidated Statement of Activities  
Year Ended June 30, 2022  
(In Thousands)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Operating Subtotal	Without Donor Restrictions		Total
				Limited and General Partnerships	Eliminations	
<b>Revenues From Operations</b>						
Public support received directly:						
Contributions	\$ 3,472	\$ 3,944	\$ 7,416	\$ -	\$ -	\$ 7,416
Contributions, in-kind	578	-	578	-	-	578
Total public support	4,050	3,944	7,994	-	-	7,994
<b>Government Grants and Contracts</b>	43,445	-	43,445	38,081	-	81,526
<b>Other Revenue</b>						
Program fees	16,939	-	16,939	27,488	(10,678)	33,749
Resident service revenue	225,706	-	225,706	-	-	225,706
Administrative income from Local Offices	15,173	-	15,173	-	-	15,173
Other operating income	-	-	-	2,013	-	2,013
Total other revenue	257,818	-	257,818	29,501	(10,678)	276,641
<b>Net Assets Released From Restrictions</b>	6,395	(6,395)	-	-	-	-
Total revenues from operations	311,708	(2,451)	309,257	67,582	(10,678)	366,161
<b>Operating Expenses</b>						
Program services:						
Fostering independence	230,230	-	230,230	59,914	(6,638)	283,506
Encouraging positive development	11,461	-	11,461	-	-	11,461
Promoting self sufficiency	28,600	-	28,600	34,268	-	62,868
Total program services	270,291	-	270,291	94,182	(6,638)	357,835
<b>Support Services</b>						
Management and general	41,158	-	41,158	-	(1,020)	40,138
Fundraising	1,713	-	1,713	-	-	1,713
Total support services	42,871	-	42,871	-	(1,020)	41,851
Total operating expenses	313,162	-	313,162	94,182	(7,658)	399,686
Change in net assets from operations	(1,454)	(2,451)	(3,905)	(26,600)	(3,020)	(33,525)
<b>Nonoperating Items</b>						
Interest and dividend income	1,882	1	1,883	-	-	1,883
Net realized gains on investments	1,029	2	1,031	2,151	-	3,182
Net unrealized (losses) gains on investments	(6,805)	19	(6,786)	-	-	(6,786)
Loss on disposal	(2,717)	-	(2,717)	-	-	(2,717)
Loss on defeasement of bonds	(1,434)	-	(1,434)	-	-	(1,434)
Related-party contributions	12,210	-	12,210	-	-	12,210
Equity contributions related to limited and general partnerships	-	-	-	13,821	-	13,821
Other non-operating	(243)	-	(243)	-	191	(52)
Total non-operating items	3,922	22	3,944	15,972	191	20,107
Change in net assets	2,468	(2,429)	39	(10,628)	(2,829)	(13,418)
Less change in net assets attributable to the non-controlling interest in limited and general partnerships and other programs	-	-	-	(19,988)	-	(19,988)
Change in net assets attributable to the paren	\$ 2,468	\$ (2,429)	\$ 39	\$ 9,360	\$ (2,829)	\$ 6,570

See notes to consolidated financial statements



**Volunteers of America, Inc. and Subsidiaries**

Consolidated Statements of Changes in Net Assets

Years Ended June 30, 2023 And 2022

(In Thousands)

	Attributable To The Parent			Attributable To The Non-Controlling Interests Net Assets Without Donor Restrictions	Total
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Subtotal		
<b>Balance, June 30, 2021</b>	\$ 216,902	\$ 10,612	\$ 227,514	\$ 192,088	\$ 419,602
Change in net assets	8,999	(2,429)	6,570	(19,988)	(13,418)
<b>Balance, June 30, 2022</b>	225,901	8,183	234,084	172,100	406,184
Change in net assets	7,773	(1,456)	6,317	4,570	10,887
<b>Balance, June 30, 2023</b>	<u>\$ 233,674</u>	<u>\$ 6,727</u>	<u>\$ 240,401</u>	<u>\$ 176,670</u>	<u>\$ 417,071</u>

*See notes to consolidated financial statements*

## Volunteers of America, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

Years Ended June 30, 2023 And 2022

(In Thousands)

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 10,887	\$ (13,418)
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	(4,570)	19,988
Change in limited and general partnerships	(911)	(2,836)
Change in allowance for doubtful accounts	4,781	1,455
Depreciation and amortization	12,801	13,855
Amortization of right of use assets	2,004	717
Increase in finance lease liabilities	2,434	-
Related party contributions	(10,210)	(12,210)
Operating lease payments	(228)	(703)
(Gain) loss on:		
Sale of fixed asset	(424)	2,701
Deconsolidation of certain entities	(27,631)	-
Defeasement of bonds	-	1,190
Forgiveness of PPP loan	-	(2,594)
Net realized and unrealized investment (gains) losses	(2,219)	5,657
Payments on operating lease liabilities	(432)	-
(Increase) decrease in operating assets:		
Accounts receivable	(306)	(4,389)
Prepaid expenses	1,357	1,479
Other current assets	41	(331)
Deferred charges and other assets	(288)	1,024
Increase (decrease) in operating liabilities:		
Accounts payable	(4,555)	(2,079)
Accrued expenses	2,232	7,414
Other liabilities	4,353	(11,204)
Net cash (used in) provided by operating activities	<u>(10,884)</u>	<u>5,716</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	(6,700)	(3,209)
Sale of property and equipment	554	79
Notes receivable:		
Advances	(4,448)	(3,636)
Payments	2,073	2,862
Increase (decrease) in unearned revenue, other long term liabilities and other assets	(7,633)	(4,658)
Cash proceeds withdrawn from (deposits to) investments	5,049	(227)
Limited and general partnerships investing outflows	(4,863)	(18,412)
Change in investments including encumbered assets	<u>(691)</u>	<u>7,251</u>
Net cash used in investing activities	<u>(16,659)</u>	<u>(19,950)</u>

See notes to consolidated financial statements

## Volunteers of America, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

Years Ended June 30, 2023 And 2022

(In Thousands)

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Financing Activities</b>		
Changes in line of credit	2,300	7,312
Long-term debt and capital lease liability:		
Proceeds	164	8,182
Payments	(14,074)	(9,349)
Related-party contributions	10,210	12,210
Limited and general partnerships financing outflows	(1,934)	(7,264)
Change in:		
Other long-term assets / Other LT Liabilities	2,620	1,359
	<u>(714)</u>	<u>12,450</u>
Net cash (used in) provided by financing activities	(714)	12,450
Net decrease in cash and cash equivalents and restricted cash equivalent:	(28,257)	(1,784)
<b>Cash and Cash Equivalents and Restricted Cash Equivalents, Beginning</b>	<u>130,507</u>	<u>137,606</u>
<b>Cash and Cash Equivalents and Restricted Cash Equivalents, Ending (1)</b>	<u>\$ 102,250</u>	<u>\$ 135,822</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for interest	<u>\$ 33,308</u>	<u>\$ 36,734</u>
Cash paid for income taxes	<u>\$ 456</u>	<u>\$ 1</u>
<b>Non-Cash Investing and Financing Activity</b>		
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ 13,727</u>	<u>\$ 114</u>
Acquired debt to defease bonds	<u>\$ -</u>	<u>\$ 4,111</u>
Property and equipment financed through debt	<u>\$ 1,301</u>	<u>\$ 27,619</u>
<b>(1) Reconciliation of Cash and Cash Equivalents and Restricted Cash Equivalents to Consolidated Statement of Financial Position</b>		
Cash and cash equivalents	\$ 74,117	\$ 99,726
Restricted cash equivalents included in short-term investments	7,026	9,393
Restricted cash equivalents included in encumbered assets	-	5,315
Restricted cash equivalents included in encumbered assets (bond trust funds)	<u>21,107</u>	<u>21,388</u>
Total cash and cash equivalents and restricted cash equivalents	<u>\$ 102,250</u>	<u>\$ 135,822</u>

See notes to consolidated financial statements

**Volunteers of America, Inc. and Subsidiaries**

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

(In Thousands)

	Program Services				Support Services			Consolidated Operating Subtotal	Limited and General Partnerships			Eliminations	Total
	Fostering Independence	Encouraging Positive Development	Promoting Self Sufficiency	Total Program Services	Management and General	Fundraising	Total Support Services		Fostering Independence	Promoting Self Sufficiency	Total Program Services		
Salaries and wages	\$ 99,359	\$ 5,434	\$ 9,030	\$ 113,823	\$ 19,940	\$ 102	\$ 20,042	\$ 133,865	\$ 6,176	\$ 3,545	\$ 9,721	\$ -	\$ 143,586
Employee benefits	16,155	1,626	2,494	20,275	6,202	34	6,236	26,511	1,635	756	2,391	-	28,902
Professional services	16,013	2,578	6,284	24,875	6,169	1,308	7,477	32,352	5,176	1,458	6,634	-	38,986
In-Kind	-	-	462	462	-	-	-	462	-	-	-	-	462
Occupancy	8,624	2,383	1,010	12,017	1,203	-	1,203	13,220	14,458	9,036	23,494	-	36,714
Specific assistance	46,212	3	6,824	53,039	8	41	49	53,088	-	-	-	-	53,088
Program supplies and expenses	7,311	3,167	1,234	11,712	1,691	3	1,694	13,406	2,243	1,002	3,245	-	16,651
Office supplies and expenses	1,850	882	939	3,671	894	440	1,334	5,005	12	12	24	-	5,029
Travel, conferences & meetings	2,593	71	1,914	4,578	1,049	54	1,103	5,681	242	320	562	-	6,243
Depreciation and amortization	10,603	-	721	11,324	1,477	-	1,477	12,801	18,871	8,991	27,862	-	40,663
Interest	15,510	-	122	15,632	2,112	-	2,112	17,744	16,563	6,655	23,218	(7,144)	33,818
Other	6,632	-	618	7,250	12,885	32	12,917	20,167	3,722	2,840	6,562	(3,369)	23,360
	<u>\$ 230,862</u>	<u>\$ 16,144</u>	<u>\$ 31,652</u>	<u>\$ 278,658</u>	<u>\$ 53,630</u>	<u>\$ 2,014</u>	<u>\$ 55,644</u>	<u>\$ 334,302</u>	<u>\$ 69,098</u>	<u>\$ 34,615</u>	<u>\$ 103,713</u>	<u>\$ (10,513)</u>	<u>\$ 427,502</u>

See notes to consolidated financial statements

**Volunteers of America, Inc. and Subsidiaries**

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

(In Thousands)

	Program Services			Support Services			Consolidated Operating Subtotal	Limited and General Partnerships			Eliminations	Total	
	Fostering Independence	Encouraging Positive Development	Promoting Self Sufficiency	Total Program Services	Management and General	Fundraising		Total Support Services	Fostering Independence	Promoting Self Sufficiency			Total Program Services
Salaries and wages	\$ 95,199	\$ 4,581	\$ 8,519	\$ 108,299	\$ 20,425	\$ 89	\$ 20,514	\$ 128,813	\$ 5,959	\$ 3,560	\$ 9,519	\$ -	\$ 138,332
Employee benefits	17,253	1,359	2,380	20,992	5,127	32	5,159	26,151	903	423	1,326	-	27,477
Professional services	15,789	1,337	5,930	23,056	6,015	1,228	7,243	30,299	4,265	1,427	5,692	-	35,991
In-Kind	-	-	563	563	-	-	-	563	-	-	-	-	563
Occupancy	7,714	2,237	983	10,934	733	-	733	11,667	11,909	8,717	20,626	-	32,293
Specific assistance	43,653	-	5,448	49,101	8	-	8	49,109	-	-	-	-	49,109
Program supplies and expenses	7,687	1,482	1,272	10,441	1,196	-	1,196	11,637	1,897	1,041	2,938	-	14,575
Office supplies and expenses	2,033	450	1,081	3,564	868	296	1,164	4,728	13	19	32	-	4,760
Travel, conferences & meetings	2,219	15	1,283	3,517	720	28	748	4,265	191	100	291	-	4,556
Depreciation and amortization	11,738	-	709	12,447	939	-	939	13,386	15,898	9,186	25,084	-	38,470
Interest	18,095	-	144	18,239	2,128	-	2,128	20,367	15,802	7,748	23,550	(6,638)	37,279
Other	8,850	-	288	9,138	2,999	40	3,039	12,177	3,077	2,047	5,124	(1,020)	16,281
	<u>\$ 230,230</u>	<u>\$ 11,461</u>	<u>\$ 28,600</u>	<u>\$ 270,291</u>	<u>\$ 41,158</u>	<u>\$ 1,713</u>	<u>\$ 42,871</u>	<u>\$ 313,162</u>	<u>\$ 59,914</u>	<u>\$ 34,268</u>	<u>\$ 94,182</u>	<u>\$ (7,658)</u>	<u>\$ 399,686</u>

See notes to consolidated financial statements

# Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

## 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, owns and operates nursing care facilities for the elderly which provide skilled nursing, convalescent and rehabilitative care; apartments for the elderly which provide a secure, independent living environment and supportive services; and assisted living programs that provide assistance with activities of daily living to elderly residents who can no longer live in an independent environment. National Services operates facilities and programs in California, Colorado, Florida, Massachusetts, Michigan, Minnesota, Nevada, New York, North Carolina, Ohio, Puerto Rico and Texas. Additionally, National Services and its subsidiaries develop and manage subsidized and affordable housing throughout the country.

National Services includes the accounts of 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 its subsidiaries, 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; VOA PR SPE, LLC; VOANS Puerto Rico Holding Company; 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.

Effective May 13, 2021, Volunteers of America Southwest California, Inc. (VOACASW) became an unchartered Local Office, at which point Volunteers of America, Inc.'s National Organization and Board of Directors took control of VOACASW. As a result of the change in control, the financial statements of VOACASW are consolidated with the financial statements of the National Organization. VOACASW includes the accounts for Southern California Development Corporation of Volunteers of America, Inc., a wholly owned subsidiary.

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

## **Volunteers of America, Inc. and Subsidiaries**

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Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

Edina Senior Living, LLC is a limited liability company that operates an assisted living facility for the elderly. Through December 31, 2022, National Services held an 80% membership interest in Edina Senior Living, LLC. Effective December 31, 2022, National Services sold its membership interest to an unrelated party for \$1. The results of Edina Senior Living, LLC's operations for the six months ending December 31, 2022 are included in the consolidated statements of activities. Effective December 31, 2022, Edina Senior Living, LLC was deconsolidated. As a result of this deconsolidation, the Organization recognized a gain of \$27,631,000 in the consolidated statements of activities and approximately \$2,500,000 was recorded as bad debt expense and is presented as other expense in the consolidated statement of functional expenses.

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.

#### **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.

#### **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.

## **Volunteers of America, Inc. and Subsidiaries**

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Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### **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.

### **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.



## **Volunteers of America, Inc. and Subsidiaries**

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Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

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 \$10,048,000 and \$4,039,000 for the years ended June 30, 2023 and 2022, respectively. The cumulative amount of intercompany profits eliminated in consolidation related to developer fees earned and paid to National Services was \$70,751,000 and \$60,703,000 at June 30, 2023 and 2022, respectively.

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

There are 159 and 162 Housing and Urban Development (HUD) financed properties and general partnership entities at June 30, 2023 and 2022, respectively, 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, 2023 and 2022, except for VOACASW, as disclosed above.

### **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.

## Volunteers of America, Inc. and Subsidiaries

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Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 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.

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 - Quoted prices in active markets for identical assets or liabilities, which prices are available at the measurement date.

Level 2 - 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 - 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, 2023 and 2022, the allowance for doubtful accounts for accounts receivable was \$4,444,000 and \$2,968,000, respectively, and the allowance for doubtful accounts for notes receivable was \$19,304,000 and \$15,634,000, 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 16).

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### Property and Equipment and Depreciation Method

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

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

Land 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 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. There was no impairment loss recognized during the years ended June 30, 2023 and 2022.

### Leases

The Organization has entered into various building and equipment leases. The operating leases are included in right-of-use assets and other liabilities on the consolidated statements of financial position.

Right-of-use assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Leases with an initial term of 12 months or less are not recorded on the consolidated statements of financial position and are recognized as lease expense on a straight line basis over the lease term. The leases recorded on the consolidated balance sheet do not provide an implicit lease rate, therefore, the Organization has utilized an incremental borrowing rate as the basis to calculate the present value of future lease payments at lease commencement. The incremental borrowing rate represents the rate that would have to be paid to borrow funds on a collateralized basis over a similar term and in a similar economic environment.

The Organization has elected to include the assets relating to financing leases within property and equipment on the consolidated balance sheet. The Organization classifies leases as financing leases when the lease transfers ownership of the underlying asset to the Organization at the end of the lease term or the lease grants the Organization the option to purchase the underlying asset that the Organization is reasonably certain to exercise.

## Volunteers of America, Inc. and Subsidiaries

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Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 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.

### Limited and General Partnerships

National Services usually creates a limited partnership for tax credit properties where it is the general partner or wholly owns the general partner, and receives tax credits, which it in turn sells to an investor or to a limited partner. Overall, National Services' 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 \$178,332,000 and \$180,862,000 at June 30, 2023 and 2022, 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.

National Services, through several of the majority-owned general partnerships, has notes receivable from the related limited partnerships totaling approximately \$3,387,000 at June 30, 2023 and 2022. 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.

## Volunteers of America, Inc. and Subsidiaries

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Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### Revenues 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, disposing of other assets, related party contributions and equity contributions related to limited and general partnerships are reported as non-operating.

### 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 measurable 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, 2023 and 2022, the Organization has received approximately \$2,640,000 and \$2,485,000, respectively, 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. Government grants and contracts includes Paycheck Protection Program loan forgiveness (note 20).

### 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.

Operating revenues 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 measured and recognized when barriers are substantially met, which occurs when the Organization complies with the terms and conditions related to the purpose of the grant rather than those that are administrative in nature.

## Volunteers of America, Inc. and Subsidiaries

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Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

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 \$2,212,000 and \$4,169,000 in 2023 and 2022, respectively, related to this and other state funding sources. In accordance with the terms and conditions, the Organization could apply the funding against lost revenues and eligible expenses. The Organization estimated lost revenues by comparing to fiscal year 2019 actual revenues.

Management believes that the Organization complied with all terms and conditions of the PRF. However, the Department of Health and Human Services has indicated that PRF payments are subject to future reporting and audit requirements. Further, noncompliance with the terms and conditions of the PRF, which can be subject to future government review and interpretation, could result in repayment of some or all of the support received. An estimate of the possible effects cannot be made as of the date these financial statements were issued and, it is unknown whether there will be further developments in regulatory guidance.

The Organization has incurred lost revenues and eligible expenses in accordance with the current terms and conditions of the Provider Relief Fund as of June 30, 2023 and 2022, of approximately \$2,212,000 and \$5,183,000, respectively.

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 (expensing) approximately \$1,710,000 and \$(676,000) of developer fees as reimbursable costs for the fiscal years ended June 30, 2023 and 2022, 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.

### 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 \$158,000 and \$1,000 related to unrelated business income generated from investments in joint ventures, and there were cash payments for income taxes of \$456,000 and \$1,000 in 2023 and 2022, respectively.

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 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.

### Goodwill

Goodwill represents the excess of the purchase price and related costs over the fair value of net tangible and identifiable intangible assets acquired and is included in other assets on the consolidated balance sheets. The Organization has elected the accounting alternative to amortize goodwill, using a ten year life. Goodwill is tested for impairment when a triggering event occurs or other circumstances indicate the fair value of the Organization may be below the carrying value. The Organization has elected the accounting alternative to assess impairment at the entity level rather than the reporting unit level.

### Subsequent Events

Management has evaluated for subsequent events through December 5, 2023, the date the consolidated financial statements were issued.

On September 28, 2023, National Services agreed to support the operations of a related party, Gulf Care, Inc. dba Gulf Coast Village and Subsidiaries through June 30, 2024. The Organization currently has control of Gulf Care, Inc. through the assignment of the board of directors, and this financial support creates economic interest. Since both criteria of control and economic interest are met, Gulf Care, Inc. will need to be consolidated in the Organization's consolidated financial statements effective September 28, 2023. Had Gulf Care, Inc. been consolidated in the Organization's consolidated financial statements as of and for the years ending June 30, 2023 and 2022, it would have increased (decreased) the following significant categories of consolidated financial statement line items by approximately:

	<u>2023</u>	<u>2022</u>
	<u>(In Thousands)</u>	
Total assets	\$ 89,920	\$ 92,768
Total liabilities	120,535	117,668
Net assets	(30,615)	(24,900)
Change in net assets	(5,715)	(4,795)

### Reclassifications

Certain reclassifications have been made to the 2022 consolidated financial statements to conform to the 2023 presentation.

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 2. Operating Revenues

Operating revenues consist of the following for the years ended June 30, 2023 and 2022. 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:

	2023					
	VOA, Inc.	VOA FF	VOA Corr.	VOA CASW	VOANS	Total
	(In Thousands)					
Public support	\$ 9,323	\$ 168	\$ 23	\$ 120	\$ 1,648	\$ 11,282
Resident service revenue	-	-	-	-	237,556	237,556
Program fees	1,593	-	-	2,325	30,660	34,578
Program fees-affiliate fees	16,002	-	-	-	-	16,002
Government grants and contracts	-	-	5,011	20,898	42,532	68,441
Other operating (expense) income	(226)	-	40	-	3,801	3,615
<b>Total</b>	<b>\$ 26,692</b>	<b>\$ 168</b>	<b>\$ 5,074</b>	<b>\$ 23,343</b>	<b>\$ 316,197</b>	<b>\$ 371,474</b>
	2022					
	VOA, Inc.	VOA FF	VOA Corr.	VOA CASW	VOANS	Total
	(In Thousands)					
Public support	\$ 5,013	\$ 1,338	\$ -	\$ 77	\$ 1,566	\$ 7,994
Resident service revenue	-	-	-	-	225,706	225,706
Program fees	1,178	-	-	2,763	29,808	33,749
Program fees-affiliate fees	15,173	-	-	-	-	15,173
Government grants and contracts	1,257	-	4,904	19,044	56,321	81,526
Other operating income	-	-	-	-	2,013	2,013
<b>Total</b>	<b>\$ 22,621</b>	<b>\$ 1,338</b>	<b>\$ 4,904</b>	<b>\$ 21,884</b>	<b>\$ 315,414</b>	<b>\$ 366,161</b>

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 consolidated statements of financial position. 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.



## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 3. Encumbered Assets

At June 30, 2023 and 2022, 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.

	<u>VOA, Inc.</u>	<u>VOANS</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)			
Cash and cash equivalents	\$ 4,164	\$ -	\$ 4,164	\$ 5,315
Investments (see Note 4)	11,274	-	11,274	15,633
Bond trust funds	-	21,107	21,107	21,388
	<u>\$ 15,438</u>	<u>\$ 21,107</u>	<u>\$ 36,545</u>	<u>\$ 42,336</u>

### 4. Investments

At June 30, 2023 and 2022, investments were as follows:

	<u>VOA, Inc.</u>	<u>VOANS</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)			
Unencumbered and encumbered investments:				
Cash and cash equivalents	\$ 2,832	\$ 327	\$ 3,159	\$ 2,679
Certificates of deposit	-	13,508	13,508	14,745
Fixed income	4,338	1,222	5,560	6,547
Equities	16,796	5,758	22,554	24,164
	<u>\$ 23,966</u>	<u>\$ 20,815</u>	<u>\$ 44,781</u>	<u>\$ 48,135</u>
Investments included in encumbered assets (see Note 3)	\$ 11,274	\$ -	\$ 11,274	\$ 15,633
Short-term investments	-	20,815	20,815	21,440
Long-term investments	12,692	-	12,692	11,062
	<u>\$ 23,966</u>	<u>\$ 20,815</u>	<u>\$ 44,781</u>	<u>\$ 48,135</u>

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 \$60,058,000 and \$63,478,000 at June 30, 2023 and 2022, respectively. There were 17 total active participants at June 30, 2023 which include the National Organization, 13 Local Offices, National Services, and two subsidiaries of National Services in the program. Local Offices, National Services, and subsidiaries account for 75% of the total portfolio in the program at June 30, 2023. Each participant has ownership of its allocated assets and recognizes its allocated earnings. The National Organization records the portion of other participants' investment, \$15,277,000 and \$15,343,000 at June 30, 2023 and 2022, respectively, as assets and equal offsetting liabilities, netted within the investment line on the consolidated statements of financial position.

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 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, 2023 and 2022. 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.

	<u>2023</u>	<u>2022</u>
	(In Thousands)	
Financial assets:		
Cash and cash equivalents	\$ 74,117	\$ 99,726
Short-term investments (uncollateralized)	13,815	14,440
Appropriation from board designated endowment for subsequent year	521	655
Receivables and other current assets	35,256	33,716
Cash and cash equivalents included in limited and general partnership's assets	7,866	8,109
Tenant receivables included in limited and general partnership's assets	4,206	2,508
	<u>4,206</u>	<u>2,508</u>
Total	<u>\$ 135,781</u>	<u>\$ 159,154</u>

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 \$60,343,000 at June 30, 2023 and \$55,869,000 at June 30, 2022.

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).

The National Organization maintains a board designated endowment fund of \$10,453,000 with cumulative earnings thereon of \$3,427,000 and \$2,640,000 as of June 30, 2023 and 2022, respectively (Note 15), 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 15).

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 6. Notes Receivable

Notes receivable consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
	<u>(In Thousands)</u>	
Notes receivable	\$ 24,789	\$ 21,893
Accrued interest, note receivable	151	96
Less current portion	<u>(577)</u>	<u>(536)</u>
	24,363	21,453
Less allowance	<u>(19,304)</u>	<u>(15,634)</u>
Notes receivable, long-term	<u>\$ 5,059</u>	<u>\$ 5,819</u>

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

	<u>2023</u>	<u>2022</u>
	<u>(In Thousands)</u>	
Balance at beginning of year	\$ 15,634	\$ 12,830
Provision for losses	4,205	3,401
Charge-off	(1)	-
Recoveries	<u>(534)</u>	<u>(597)</u>
Notes receivable, long-term	<u>\$ 19,304</u>	<u>\$ 15,634</u>

### 7. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
	<u>(In Thousands)</u>	
Land and improvements	\$ 20,968	\$ 21,098
Buildings and improvements	274,727	343,427
Furniture and equipment	<u>47,512</u>	<u>45,951</u>
	343,207	410,476
Less accumulated depreciation	<u>(131,348)</u>	<u>(136,341)</u>
	<u>\$ 211,859</u>	<u>\$ 274,135</u>

Depreciation expense for the years ended June 30, 2023 and 2022, was \$12,277,000 and \$13,304,000, respectively.

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 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, 2023 and 2022. There were no financial instruments valued using Level 3 inputs at June 30, 2023 and 2022.

	2023		
	Total	(In Thousands) Level 1	Level 2
Financial assets category:			
Fixed income	\$ 5,559	\$ -	\$ 5,559
Equities:			
Common stock	11,440	11,440	-
Mutual funds	2,030	2,030	-
Total financial assets at fair value	19,029	<u>\$ 13,470</u>	<u>\$ 5,559</u>
Investments measured at net assets value (a)	9,084		
Financial assets at cost:			
Cash and cash equivalents	7,324		
Certificates of deposit	13,508		
Bond trust funds	21,107		
Total short-term and long-term investments and encumbered assets	<u>\$ 70,052</u>		

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

	2022		
	Total	(In Thousands) Level 1	Level 2
Financial assets category:			
Fixed income	\$ 6,547	\$ -	\$ 6,547
Equities:			
Common stock	15,006	15,006	-
Mutual funds	1,533	1,533	-
Total financial assets at fair value	23,086	<u>\$ 16,539</u>	<u>\$ 6,547</u>
Investments measured at net assets value (a)	7,625		
Financial assets at cost:			
Cash and cash equivalents	7,994		
Certificates of deposit	14,745		
Bond trust funds	21,388		
Total short-term and long-term investments and encumbered assets	<u>\$ 74,838</u>		

(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. These investments are primarily comprised of privately traded mutual funds; there are no unfunded commitments or redemption restrictions on these investments.

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, 2023 and 2022.

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 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 \$4,666,000 and \$4,766,000 as of June 30, 2023 and 2022, respectively, at its fair value.

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 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, 2024. The unpaid principal balance bears interest at an annual rate equal to 2.1% plus the Secured Overnight Financing Rate (SOFR). The interest rate was 7.26% and 2.62% at June 30, 2023 and 2022, respectively. No collateral is required. At June 30, 2023 and 2022, \$5,000,000 and \$2,500,000 was outstanding on the Revolving Credit Agreement.

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, 2023 and 2022, \$11,112,000 and \$12,512,000, respectively, was outstanding from National Pooled Investment participants collectively, where the balance is collateralized by their investments. The unpaid principal balance bears interest at an annual rate equal to (i) the "Prime-Based Rate," defined as the greater of (A) 1.070% (the Prime Rate Note Floor) or (B) the Prime Rate minus 1.120%; or (ii) the "Daily Simple SOFR-Based Rate," defined as the greater of: (A) 1.070% (the Daily Simple SOFR Rate Note Floor) or (B) Daily Simple SOFR plus 1.070%. The interest rate was 6.12% and 2.51% at June 30, 2023 and 2022, respectively. The note is secured by the pooled investment funds. At June 30, 2023 and 2022, the National Services had an outstanding balance of \$7,000,000. At June 30, 2023 and 2022, the National Organization had an outstanding balance of \$4,112,000 borrowed on behalf of VOACASW (see Note 22, County of San Diego Contract Dispute section).

### 11. Long-Term Debt

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

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Real estate notes and mortgages, 0% to 9%, due in varying amounts through 2048	\$ 57,683	\$ 59,664
Revenue bonds, 3% to 8%, due in varying amounts through 2053	<u>220,869</u>	<u>228,875</u>
	278,552	288,539
Less unamortized discount	1,779	1,888
Less unamortized deferred financing cost	<u>4,929</u>	<u>5,297</u>
	271,844	281,354
Less current portion	<u>6,552</u>	<u>8,161</u>
Total	<u>\$ 265,292</u>	<u>\$ 273,193</u>

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

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

	<b>Amount</b>
	<b>(In Thousands)</b>
2024	\$ 6,552
2025	14,703
2026	6,425
2027	24,852
2028	8,082
Thereafter	217,938
Total	<u>\$ 278,552</u>

At June 30, 2023 and 2022, 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. Leases

National Services leases certain buildings and equipment under noncancelable operating leases expiring through October 2034, and noncancelable finance leases expiring through November 2046. The weighted-average remaining lease term as of June 30, 2023 is 3.3 years for the finance leases and 10.5 years for the operating leases. The weighted-average discount rate used for the year ending June 30, 2023 is 8.4% for the finance leases and 3.4% for the operating leases.

VOACASW leases program and administrative facilities under operating leases that expire over 1 to 11 years. The weighted-average remaining lease term as of June 30, 2023 is 7.6 years; the weighted-average discount rate used for the year ending June 30, 2023 is 2.9%.

VOA Puerto Rico, RRC leases its land under noncancelable operating leases expiring on July 1, 2023 and leases its building under noncancelable finance leases expiring on July 1, 2023. The lease term shall be month-to-month after expiration. The discount rate used for the year ending June 30, 2023 is 28.7% for the finance leases and 4.3% for the operating leases. The building was recorded at fair value on the lease commencement date.

The cost of the assets recorded under finance lease agreements and related accumulated amortization is as follows at June 30:

	<b>2023</b>	<b>2022</b>
	<b>(In Thousands)</b>	
Assets recorded under finance lease agreements	\$ 2,127	\$ 73,937
Less accumulated amortization (included in accumulated depreciation, Note 6)	1,212	15,550
	<u>\$ 915</u>	<u>\$ 58,387</u>

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

The lease cost and other required information for the year ended June 30, 2023 are:

	<b>2023</b>
	<b>(In Thousands)</b>
Finance lease cost:	
Amortization of right-of-use asset	\$ 1,503
Interest on lease liabilities	2,140
Operating lease cost	2,884
Short-term lease cost	8,080
	<hr/>
Total lease cost	\$ 14,607
	<hr/> <hr/>

Future minimum lease payments are as follows:

	<b>Finance</b>	<b>Operating</b>
	<b>(In Thousands)</b>	
Years ending June 30:		
2024	\$ 314	\$ 2,252
2025	265	2,072
2026	225	2,029
2027	138	2,002
2028	11	2,007
Thereafter	-	8,555
	<hr/>	<hr/>
Total lease payments	953	18,917
Less interest	<hr/> (128)	<hr/> (2,531)
Lease liabilities	825	16,386
Less current portion	<hr/> (255)	<hr/> (1,782)
Long-term portion of lease liabilities	<hr/> <hr/> \$ 570	<hr/> <hr/> \$ 14,604



## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	(In Thousands)	
Cash and cash equivalents	\$ 7,866	\$ 8,109
Account receivable, net	4,206	2,508
Prepaid expenses	7,673	4,763
	<hr/>	<hr/>
Total current assets	19,745	15,380
Property and equipment, net	792,126	717,626
Encumbered assets	60,343	55,869
Other long-term assets	29,278	26,273
	<hr/>	<hr/>
Total assets before eliminations	901,492	815,148
Eliminations	(95,847)	(85,167)
	<hr/>	<hr/>
Total limited and general partnerships' assets	\$ 805,645	\$ 729,981
	<hr/>	<hr/>
Accounts payable	\$ 24,812	\$ 13,283
Accrued expenses	71,300	62,129
Other current liabilities	6,949	4,348
	<hr/>	<hr/>
Total current liabilities	103,061	79,760
Long-term debt, net of current portion	583,448	521,072
Other long-term liabilities	25,078	15,608
	<hr/>	<hr/>
Total liabilities before eliminations	711,587	616,440
Eliminations	(271,567)	(239,806)
	<hr/>	<hr/>
Total limited and general partnerships' liabilities	\$ 440,020	\$ 376,634
	<hr/>	<hr/>

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 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:

	<u>2023</u>	<u>2022</u>
	(In Thousands)	
Market value of plan assets	\$ 76,321	\$ 94,083
Present value of accumulated plan benefits	<u>85,958</u>	<u>83,938</u>
Funded plan benefits	<u>\$ (9,637)</u>	<u>\$ 10,145</u>

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:

	<u>2023</u>	<u>2022</u>
	(In Thousands)	
Funded status	65% or more	65% or more
Employer's contribution to the plan	\$ 1,696	\$ 1,584
Total contributions received by the plan	\$ 3,975	\$ 4,586
Employer's contribution >5% of total contributions to the plan	Yes	Yes
Total fair value of plan assets at year end	\$ 84,599	\$ 75,394
Projected benefit obligation	\$ 109,264	\$ 109,632

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.

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
	(In Thousands)	
Plan assets, at fair value	\$ 7,988	\$ 6,814
Projected benefit obligation	<u>7,783</u>	<u>8,085</u>
Funded (unfunded) status	<u>\$ 205</u>	<u>\$ (1,271)</u>
Net periodic benefit cost	\$ 151	\$ 108
Employer contributions	553	550
Benefits paid	427	361
Weighted average assumptions used to determine benefit obligation at June 30:		
Discount rate	5.30%	4.80%
Rate of compensation increase	Graded	Graded
Weighted average assumptions used to determine net periodic benefit cost for the year ended June 30:		
Discount rate	4.80%	3.75%
Expected return on plan assets	7.25%	6.5%
Rate of compensation increase	Graded	Graded

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, 2023 and 2022 was approximately \$1,073,000 and \$(275,000), respectively, and is included in other non-operating income on the consolidated statement of activities. The net prior service credit related to the unrecognized component of net periodic pension cost recognized in the years ended June 30, 2023 and 2022 was \$0.

The accumulated benefit obligation was \$7,633,000 and \$8,013,000 at June 30, 2023 and 2022, respectively.

VOA National Housing Corporation uses the Pri-2012 Mortality Tables projected forward with scale MP-2021 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.

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

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, 2023 and 2022, by asset category (Note 8), are as follows

	<b>2023</b>	<b>2022</b>
	<b>Level 1</b>	<b>Level 1</b>
	<b>(In Thousands)</b>	
Global asset allocation mutual funds	<u>\$ 7,988</u>	<u>\$ 6,804</u>

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

	<b>Amount</b>
	<b>(In Thousands)</b>
Years ending June 30:	
2024	\$ 443
2025	460
2026	474
2027	486
2028	501
2029-2032	<u>2,804</u>
Total	<u>\$ 5,168</u>

### Defined Contribution Plans

The Organization participates in defined contribution retirement plans. The plans cover all employees who have met certain employment requirements. The Organization authorized contributions of \$1,181,000 and \$893,000 for the years ended June 30, 2023 and 2022, respectively.

## 15. Net Assets

### Net Assets With Donor Restrictions

At June 30, 2023 and 2022, net assets with donor restrictions could be expended for the following:

	<b>2023</b>	<b>2022</b>
	<b>Level 1</b>	<b>Level 1</b>
	<b>(In Thousands)</b>	
Awards of Volunteers of America Local Offices and other program services	\$ 5,906	\$ 7,370
Scholarships to Volunteers of America employees	66	58
Contributions received from donors to be maintained in perpetuity	<u>755</u>	<u>755</u>
	<u>\$ 6,727</u>	<u>\$ 8,183</u>

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

Net assets with donor restrictions were released from restriction during the years ended June 30, 2023 and 2022 fulfilling donor stipulations for the following purposes:

	<u>2022</u> <u>Level 1</u>	<u>2021</u> <u>Level 1</u>
	(In Thousands)	
Awards of Volunteers of America Local Offices and other program services	\$ 8,070	\$ 6,395

### 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.

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 Finance 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, 2023 and 2022, 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.

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

Board designated funds included in net assets without donor restrictions at June 30, 2023 and 2022 are as follows:

	<b>2023</b>			
	<b>Board Designated Endowment (Encumbered)</b>	<b>Other Board Designated (Encumbered)</b>	<b>Total Board Designated (Encumbered)</b>	<b>Earnings (Undesignated)</b>
	(In Thousands)			
Beginning balance, July 1, 2021	\$ 14,820	\$ -	\$ 14,820	\$ 2,640
Investment net gains (losses)	-	-	-	1,512
Withdrawal of endowment assets per approved	-	-	-	(535)
Reduction of endowment assets from fund programs (board approved)	-	-	-	(4,557)
Transfers	(4,367)	-	(4,367)	4,367
Ending balance, June 30, 2022	<u>\$ 10,453</u>	<u>\$ -</u>	<u>\$ 10,453</u>	<u>\$ 3,427</u>
Appropriation of endowment assets available for subsequent year				<u>\$ 521</u>
	<b>2022</b>			
	<b>Board Designated Endowment (Encumbered)</b>	<b>Other Board Designated (Encumbered)</b>	<b>Total Board Designated (Encumbered)</b>	<b>Earnings (Undesignated)</b>
	(In Thousands)			
Beginning balance, July 1, 2021	\$ 14,820	\$ -	\$ 14,820	\$ 5,766
Investment net gains (losses)	-	-	-	(2,969)
Withdrawal of endowment assets per approved	-	-	-	(690)
Transfer to endowment assets from fund programs (board approved)	-	-	-	533
Ending balance, June 30, 2022	<u>\$ 14,820</u>	<u>\$ -</u>	<u>\$ 14,820</u>	<u>\$ 2,640</u>
Appropriation of endowment assets available for subsequent year				<u>\$ 655</u>

## **Volunteers of America, Inc. and Subsidiaries**

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Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### **16. 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 2.20% 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 \$16,001,000 and \$15,173,000 during the years ended June 30, 2023 and 2022, respectively.

Other services are also provided to Local Offices in exchange for negotiated "program fees." These services for assistance in programs include, direct mail fundraising, website development and maintenance, and low-income housing development. Total fees charged were \$1,594,000 and \$1,178,000 during the years ended June 30, 2023 and 2022, respectively.

#### **Notes and Advances to Local Offices**

Notes receivable from Local Offices are generally unsecured, carry no interest, and are due within one 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, net from Local Offices was \$3,726,000 and \$3,947,000 at June 30, 2023 and 2022, respectively. National Organization also has a receivable due from VOACASW for funds provided to defease the outstanding bonds held by VOACASW (see Note 22, County of San Diego Contract Dispute section). This receivable is eliminated in the Organization's consolidated financial statement.

#### **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, 2023 and 2022 is \$1,157,000 and \$1,699,000, respectively.

#### **Awards and Grants to Local Offices**

In the years ended June 30, 2023 and 2022, the National Organization awarded approximately \$6,215,000 and \$4,638,000, respectively, to various Local Offices for development purposes, which are presented as other expense in the consolidated statement of functional expenses. 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.

#### **Related-Party Contributions**

During the years ended June 30, 2023 and 2022, the Organization received contributions of \$10,210,000 and \$12,210,000, respectively, from affiliated housing properties. The amounts are included in other changes in net assets without donor restrictions on the consolidated statements of activities.

## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### 17. Contributions-In-Kind

For the years ended June 30, 2023 and 2022, the National Organization received \$17,000 in various goods, which its participating Local Offices use in its program services. The National Organization received \$447,000 and \$546,000 in professional services, and public service advertising and branding for the years ended June 30, 2023 and 2022, respectively. Additionally, National Services received \$15,000 in various goods for the years ended June 30, 2023 and 2022, respectively. These amounts are reflected as revenue and expense in the accompanying consolidated financial statements.

### 18. Acquisition

On December 9, 2021, VOANS Puerto Rico Holding Company, a wholly owned subsidiary of National Services, acquired 100% of the outstanding capital stock in I.B.L. Corporation (IBL); Inmobiliaria Ragil, Inc. (Ragil); S & GR Corporation (S&GR); Rio Arenas Development Corp. (Rio Arenas); and GR Management Corp (GR) (collectively, the Companies). IBL, Ragil and Rio Arenas are general partners and S&GR are limited partners in a series of limited partnerships that collectively own 455 low-income housing units in Puerto Rico under U.S. Department of Agriculture Rural Development programs. GR manages the operations of the low-income housing projects. This acquisition expands National Services' mission by expanding its existing projects in Puerto Rico. The acquisition was accounted for under the acquisition method of accounting under ASC Topic 805, *Business Combinations*. Under the acquisition method, the purchase price was allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair values, with the remainder allocated to goodwill.

Goodwill represents the excess of the purchase price over the fair value of identifiable assets and liabilities acquired in business combinations; the total amount of goodwill is approximately \$2,625,110. Goodwill represents the synergies that will be gained through combining the operations of the two entities. Acquisition costs related to the transaction were approximately \$99,000 and were expensed.

The following table summarizes the acquisition-date fair value of the consideration transferred (in thousands):

Cash paid at closing	\$	18
Debt financing, seller note		11,742
Debt financing, term loan		3,597
		<hr/>
Total	\$	15,357

The following table summarizes the estimated fair values of the assets acquired, liabilities assumed and goodwill for the acquisition (in thousands):

Cash	\$	786
Accounts receivable, net		356
Deposits		2,003
Other assets		327
Property, plant and equipment		28,574
Accounts payable and accrued expenses		(327)
Long-term debt		(18,582)
Other liabilities		(405)
Goodwill		2,625
		<hr/>
Total	\$	15,357



## Volunteers of America, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

For the period December 9, 2021 through June 30, 2022, the Companies had operating revenue of \$3,440,000 and operating income and total change in net assets of \$395,000.

The following unaudited pro forma financial information presents the combined results of the Organization and the Companies for the fiscal year ended June 30, 2022 and fiscal year 2021 as though the business combination transaction had occurred as of the beginning of each reporting period. The full-year financial information for fiscal years 2022 and 2021 are derived from the audited consolidated financial statements of the Organization for the years ended June 30, 2022 and 2021, and the audited financial statements of the respective projects comprising the Companies for the years ended December 31, 2021 and 2020.

The following unaudited pro forma financial information presents the combined results of the Organization and the Companies for the fiscal year ended June 30, 2023 and fiscal year 2022 as though the business combination transaction had occurred as of the beginning of each reporting period. The full-year financial information for fiscal years 2023 and 2022 are derived from the audited consolidated financial statements of the Organization for the years ended June 30, 2023 and 2022, and the audited financial statements of the respective projects comprising the Companies for the years ended December 31, 2022 and 2021.

The pro forma financial information is not necessarily indicative of the results of operations that would occur if these entities were consolidated into the Organization during that period, nor is it necessarily indicative of future operating results. Pro forma financial information for the year ended June 30, 2022 are as follows (in thousands):

	<u>2022</u>
Total operating revenue	\$ 317,115
Revenue in excess (less than) expenses	(32,451)
Change in net assets	(6,658)

### 19. Goodwill

As a result of the transaction described in Note 18, the excess purchase price of the fair value of the tangible and identifiable intangible assets and liabilities acquired resulted in goodwill of \$2,625,000. Goodwill is reported in other assets on the consolidated balance sheets and consists of the following at June 30, 2023 (in thousands):

	<u>2023</u>	<u>2022</u>
Goodwill	\$ 2,625	\$ 2,625
Accumulated amortization	(416)	(153)
Total goodwill, net	<u>\$ 2,209</u>	<u>\$ 2,472</u>

## **Volunteers of America, Inc. and Subsidiaries**

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Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### **20. Paycheck Protection Program**

In fiscal year 2021, the Organization received proceeds in the amount of \$15,651,000 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. The Organization initially recorded the funds as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived.

The Organization overcame the remaining barriers during the year ending June 30, 2022, and the remaining refundable advances are reported as PPP loan forgiveness within government grants and contracts on the consolidated statement of activities for the year ended June 30, 2022.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan is forgiven or repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the consolidated financial statements.

### **21. 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 \$3,204,000 and \$3,276,000 were recorded as part of accrued expenses on the consolidated statements of financial position at June 30, 2023 and 2022, 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.

## **Volunteers of America, Inc. and Subsidiaries**

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Notes to Consolidated Financial Statements  
June 30, 2023 and 2022

### **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 four-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.

### **County of San Diego Contract Dispute**

The County of San Diego (County) discontinued a contract with VOACASW in January 2020. VOACASW is currently involved in a contract dispute with the County of San Diego. The dispute is related to questioned disallowance cost associated with the quality of the documentation standards used by VOACASW to record costs incurred with the implementation of a new contract. The amount of the dispute is \$6,760,250. During the year ended June 30, 2022, VOACASW worked with the National Organization who provided the legal counsel and funds, in the amount of \$4,111,881, to defuse the outstanding bonds held by VOACASW related to the purchase of the RTC Property. Subsequently, VOACASW entered into a Settlement Agreement with the County to release VOACASW of all claims in return for the transfer of the RTC Property to the County. The initial claims amount from the County was \$6,760,250 and was negotiated down to \$3,872,230 as part of the Settlement Agreement. The RTC property is appraised for \$4,100,000. The purchase agreement and transfer of title was finalized on December 29, 2022 in which VOACASW sold the RTC property to the County for the release of all claims and \$181,403. The consolidated financial statements do not include any adjustments related to the settlement liability owed to the County. However, the book value of the RTC Property was reserved for to offset the purchase by the County.

### **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.

## Volunteers of America, Inc. and Subsidiaries

Consolidating Schedule of Financial Position

June 30, 2023

(In Thousands)

	Volunteers of America, Inc.	Volunteers of America, Inc Futures Fund	Volunteers of America Correctional Services	Volunteers of America Southwest California	Volunteers of America National Services	Eliminations	Total
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 10,047	\$ 2,480	\$ 753	\$ 1,115	\$ 59,722	\$ -	\$ 74,117
Accounts receivable, net	14,615	8	1,068	2,716	25,502	(9,053)	34,856
Current portion of notes receivable	577	-	-	-	-	-	577
Short-term investments	-	-	-	-	20,815	-	20,815
Prepaid expenses	570	-	268	222	4,865	-	5,925
Other current assets, net	400	-	-	-	-	-	400
Total current assets	26,209	2,488	2,089	4,053	110,904	(9,053)	136,690
<b>Property and Equipment, Net</b>	6,309	-	34	157	205,359	-	211,859
<b>Other Assets</b>							
Encumbered assets	15,438	-	-	-	21,107	-	36,545
Long-term investments	12,542	150	-	-	-	-	12,692
Notes receivable, net of current portion	3,149	-	-	86	1,824	-	5,059
Reimbursable costs	-	-	-	-	15,722	-	15,722
Property held for sale	-	-	-	656	-	-	656
Right-of-use assets	-	-	-	10,482	5,881	-	16,363
Deferred charges and other assets, net	5,290	-	54	164	7,654	-	13,162
Limited and general partnerships' assets	-	-	-	-	805,645	-	805,645
Total other assets	36,419	150	54	11,388	857,833	-	905,844
Total assets	\$ 68,937	\$ 2,638	\$ 2,177	\$ 15,598	\$ 1,174,096	\$ (9,053)	\$ 1,254,393

## Volunteers of America, Inc. and Subsidiaries

Consolidating Schedule of Financial Position

June 30, 2023

(In Thousands)

	Volunteers of America, Inc.	Volunteers of America, Inc Futures Fund	Volunteers of America Correctional Services	Volunteers of America Southwest California	Volunteers of America National Services	Eliminations	Total
<b>Liabilities and Net Assets</b>							
<b>Current Liabilities</b>							
Accounts payable	\$ 2,418	\$ 9	\$ 49	\$ 1,748	\$ 12,641	\$ (494)	\$ 16,371
Accrued expenses	2,441	153	628	1,470	17,682	(239)	22,135
Lines of credit	9,112	-	-	-	12,000	(5,000)	16,112
Current portion of long-term debt	332	-	-	-	6,220	-	6,552
Other current liabilities	4,699	-	-	1,371	18,466	(1,158)	23,378
Total current liabilities	19,002	162	677	4,589	67,009	(6,891)	84,548
<b>Long-Term Liabilities</b>							
Long-term debt, net of current portion	2,645	-	-	6,212	260,547	(4,112)	265,292
Other long-term liabilities	5,302	662	-	9,533	32,171	(206)	47,462
Limited and general partnerships' liabilities	-	-	-	-	440,020	-	440,020
Total long-term liabilities	7,947	662	-	15,745	732,738	(4,318)	752,774
Total liabilities	26,949	824	677	20,334	799,747	(11,209)	837,322
<b>Net Assets</b>							
Without donor restrictions							
Controlled limited and general partnerships	-	-	-	-	11,573	-	11,573
Board designated	10,453	-	-	-	-	-	10,453
Undesignated	26,550	72	1,500	(4,736)	186,106	2,156	211,648
Parent	37,003	72	1,500	(4,736)	197,679	2,156	233,674
Non-controlling interests in limited and general partnerships and other programs	-	-	-	-	176,670	-	176,670
Total net assets without donor restrictions	37,003	72	1,500	(4,736)	374,349	2,156	410,344
<b>Net Assets With Donor Restrictions</b>							
Total net assets	41,988	1,814	1,500	(4,736)	374,349	2,156	417,071
Total liabilities and net assets	\$ 68,937	\$ 2,638	\$ 2,177	\$ 15,598	\$ 1,174,096	\$ (9,053)	\$ 1,254,393

**Volunteers of America, Inc. and Subsidiaries**

Consolidating Statement of Activities

Year Ended June 30, 2023

(In Thousands)

	Volunteers of America, Inc.		Volunteers of America Futures Fund, Inc.		Volunteers of America Correctional Services	Volunteers of America Southwest California		Volunteers of America National Services	Eliminations	Operating Subtotal	Net Assets Without Donor Restrictions Limited and General Partnerships		Eliminations	Total
	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	Net Assets With Donor Restrictions	Net Assets Without Donor Restrictions						
<b>Revenue From Operations</b>														
Public support received directly:														
Contributions	\$ 2,772	\$ 6,449	\$ 9	\$ 159	\$ 23	\$ 120	\$ -	\$ 1,633	\$ (360)	\$ 10,805	\$ -	\$ -	\$ -	\$ 10,805
Contributions, in-kind	462	-	-	-	-	-	-	15	-	477	-	-	-	477
Total public support	3,234	6,449	9	159	23	120	-	1,648	(360)	11,282	-	-	-	11,282
<b>Government Grants And Contracts</b>					5,011	20,898	-	2,212		28,121	40,320	-	-	68,441
<b>Other Revenue</b>														
Program fees	3,895	-	-	-	-	2,325	-	18,888	(2,302)	22,806	28,963	(17,191)	-	34,578
Resident service revenue	-	-	-	-	-	-	-	237,361	-	237,361	195	-	-	237,556
Administrative income from Local Offices	16,610	-	-	-	-	-	-	-	(608)	16,002	-	-	-	16,002
Other operating income	335	-	-	-	40	-	-	-	(561)	(186)	3,801	-	-	3,615
Total other revenue	20,840	-	-	-	40	2,325	-	256,249	(3,471)	275,983	32,959	(17,191)	-	291,751
Net assets released from restrictions	7,600	(7,600)	470	(470)	-	-	-	-	-	-	-	-	-	-
Total revenues from operations	31,674	(1,151)	479	(311)	5,074	23,343	-	260,109	(3,831)	315,386	73,279	(17,191)	-	371,474
<b>Operating Expenses</b>														
Program services:														
Fostering independence	6	-	-	-	-	2,262	-	228,594	-	230,862	69,098	(7,144)	-	292,816
Encouraging positive development	-	-	-	-	-	16,144	-	-	-	16,144	-	-	-	16,144
Promoting self sufficiency	25,239	-	465	-	4,608	1,722	-	62	(444)	31,652	34,615	-	-	66,267
Total program services	25,245	-	465	-	4,608	20,128	-	228,656	(444)	278,658	103,713	(7,144)	-	375,227
<b>Support Services</b>														
Management and general	5,077	-	5	-	601	3,378	-	48,039	(3,470)	53,630	-	(3,369)	-	50,261
Fundraising	1,942	-	-	-	-	5	-	67	-	2,014	-	-	-	2,014
Total support services	7,019	-	5	-	601	3,383	-	48,106	(3,470)	55,644	-	(3,369)	-	52,275
Total operating expenses	32,264	-	470	-	5,209	23,511	-	276,762	(3,914)	334,302	103,713	(10,513)	-	427,502
Change in net assets from operations	(590)	(1,151)	9	(311)	(135)	(168)	-	(16,653)	83	(18,916)	(30,434)	(6,678)	-	(56,028)
<b>Nonoperating Items</b>														
Interest and dividend income	752	1	10	-	-	-	-	3,020	(143)	3,640	-	-	-	3,640
Net realized gains on investments	600	2	-	-	-	-	-	178	-	780	-	-	-	780
Net unrealized gains on investments	1,089	3	-	-	-	-	-	348	-	1,440	-	-	-	1,440
Gain on disposal	-	-	-	-	-	187	-	218	-	405	-	-	-	405
Loss on defeasement of bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Related-party contributions	-	-	-	-	(60)	-	-	10,210	60	10,210	-	-	-	10,210
Equity contributions related to limited and general partnerships	-	-	-	-	-	-	-	-	-	-	21,631	-	-	21,631
Other non-operating	3	-	-	-	-	259	-	916	-	1,178	-	-	-	1,178
Total non-operating items before deconsolidation of certain entities	2,444	6	10	-	(60)	446	-	14,890	(83)	17,653	21,631	-	-	39,284
Gain on deconsolidation	-	-	-	-	-	-	-	27,631	-	27,631	-	-	-	27,631
Total non-operating items	2,444	6	10	-	(60)	446	-	42,521	(83)	45,284	21,631	-	-	66,915
Change in net assets	1,854	(1,145)	19	(311)	(195)	278	-	25,868	-	26,368	(8,803)	(6,678)	-	10,887
Less change in net assets attributable the non-controlling interest in limited and general partnerships and other programs	-	-	-	-	-	-	-	7,100	-	7,100	(2,530)	-	-	4,570
Change in net assets attributable to the parent	\$ 1,854	\$ (1,145)	\$ 19	\$ (311)	\$ (195)	\$ 278	\$ -	\$ 18,768	\$ -	\$ 19,268	\$ (6,273)	\$ (6,678)	\$ -	\$ 6,317

**Volunteers of America, Inc. and Subsidiaries**

Consolidating Schedule of Cash Flows

Year Ended June 30, 2023

(in Thousands)

	Volunteers of America, Inc.	Volunteers of America, Inc.4 Futures Fund	Volunteers of America Correctional Services	Volunteers of America Southwest California	Volunteers of America National Services	Eliminations	Total
<b>Cash Flows From Operating Activities</b>							
Change in net assets	\$ 709	\$ (292)	\$ (195)	\$ 278	\$ 10,387	\$ -	\$ 10,887
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	-	-	-	-	(4,570)	-	(4,570)
Change in limited and general partnerships	-	-	-	-	(911)	-	(911)
Change in allowance for doubtful accounts	(263)	(14)	-	(274)	5,332	-	4,781
Depreciation and amortization	467	-	394	17	11,923	-	12,801
Amortization of right-of-use assets	-	-	228	1,330	446	-	2,004
Increase in finance lease liabilities	-	-	-	-	2,434	-	2,434
Related-party contributions	-	-	-	-	(10,210)	-	(10,210)
Operating lease payments	-	-	(228)	-	-	-	(228)
Gain on:							
Sale of fixed asset	-	-	-	(187)	(237)	-	(424)
Deconsolidation of certain entities	-	-	-	-	(27,631)	-	(27,631)
Net realized and unrealized investment gain	(1,694)	-	-	-	(525)	-	(2,219)
Payments on operating lease liabilities	-	-	-	-	(432)	-	(432)
(Increase) decrease in operating assets:							
Accounts receivable	(4,042)	(8)	1,560	(1,843)	(1,257)	5,284	(306)
Prepaid expenses	150	10	14	(21)	1,204	-	1,357
Other current assets	(69)	-	-	165	(55)	-	41
Deferred charges in other assets	(288)	-	-	-	-	-	(288)
Increase (decrease) in operating liabilities:							
Accounts payable	(147)	0	32	1,233	(366)	(5,307)	(4,555)
Accrued expenses	275	147	391	410	-	1,009	2,232
Other liabilities	3,362	-	(1,148)	(1,320)	4,264	(805)	4,353
Net cash (used in) provided by operating activities	(1,540)	(157)	1,048	(212)	(10,204)	181	(10,884)
<b>Cash Flows From Investing Activities</b>							
Purchase of property and equipment, net	(1,951)	-	(56)	(128)	(4,565)	-	(6,700)
Sale of property and equipment	-	-	-	187	367	-	554
Notes Receivable:							
Advances	(496)	-	-	-	(3,952)	-	(4,448)
Payments	1,281	151	-	-	641	-	2,073
Increase (decrease) in unearned revenue, other long-term liabilities, and other assets	-	-	-	-	(7,633)	-	(7,633)
Cash proceeds withdrawn from investments	5,049	-	-	-	-	-	5,049
Limited and general partnerships investing outflows	-	-	-	-	(4,863)	-	(4,863)
Change in investments including encumbered assets	675	(150)	-	-	(1,216)	-	(691)
Net cash provided by (used in) investing activities	4,558	1	(56)	59	(21,221)	-	(16,659)

**Volunteers of America, Inc. and Subsidiaries**

Consolidating Schedule of Cash Flows

Year Ended June 30, 2023

(in Thousands)

	Volunteers of America, Inc.	Volunteers of America, Inc.4 Futures Fund	Volunteers of America Correctional Services	Volunteers of America Southwest California	Volunteers of America National Services	Eliminations	Total
<b>Cash Flows From Financing Activities</b>							
Changes in line of credit	-	-	-	(200)	2,500	-	2,300
Long-term debt and finance lease liability:							
Proceeds	-	-	-	-	164	-	164
Payments	(333)	-	(292)	-	(13,449)	-	(14,074)
Related-party contributions					10,210		10,210
Limited and general partnerships financing outflows					(1,934)		(1,934)
Change in:							
Other long-term assets/other long-term liabilities	-	(677)	-	-	3,478	(181)	2,620
Net cash (used in) provided by financing activities	(333)	(677)	(292)	(200)	969	(181)	(714)
Net change in cash and cash equivalents and restricted cash equivalents	2,685	(833)	700	(353)	(30,456)	-	(28,257)
<b>Cash and Cash Equivalents and Restricted Cash Equivalents, Beginning</b>	<u>7,362</u>	<u>3,313</u>	<u>53</u>	<u>1,468</u>	<u>118,311</u>	<u>-</u>	<u>130,507</u>
<b>Cash and Cash Equivalents and Restricted Cash Equivalents, Ending</b>	<u>\$ 10,047</u>	<u>\$ 2,480</u>	<u>\$ 753</u>	<u>\$ 1,115</u>	<u>\$ 87,855</u>	<u>\$ -</u>	<u>\$ 102,250</u>
<b>Supplemental Disclosures of Cash Flow Information</b>							
Cash paid for interest	<u>\$ 332</u>	<u>\$ -</u>	<u>\$ 30</u>	<u>\$ 6</u>	<u>\$ 32,940</u>	<u>\$ -</u>	<u>\$ 33,308</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 456</u>	<u>\$ -</u>	<u>\$ 456</u>
<b>Non-Cash Investing and Financing Activity:</b>							
Right-of-use assets obtained in exchange for new operating lease liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,811</u>	<u>\$ 1,916</u>	<u>\$ -</u>	<u>\$ 13,727</u>
Property and equipment financed through debt or obtained in exchange for new financing lease liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,301</u>	<u>\$ -</u>	<u>\$ 1,301</u>



**Volunteers of America, Inc. and Subsidiaries**

Consolidating Schedule of Functional Expenses

Year Ended June 30, 2023

(In Thousands)

	Volunteers of America, Inc.						Volunteers of America, Inc Futures Fund			
	Program Services			Support Services			Program Services	Support Services		
	Fostering Independence	Promoting Self Sufficiency	Total Program Services	Management And General	Fundraising	Total Support Services	Subtotal	Promoting Self Sufficiency	Management and General	Subtotal
Salaries and wages	\$ -	\$ 7,033	\$ 7,033	\$ 2,213	\$ 102	\$ 2,315	\$ 9,348	\$ 98	\$ -	\$ 98
Employee benefits	-	1,777	1,777	2,040	34	2,074	3,851	28	-	28
Professional services	4	5,500	5,504	741	1,241	1,982	7,486	116	-	116
In-Kind	-	462	462	-	-	-	462	-	-	-
Occupancy	-	183	183	122	-	122	305	-	-	-
Specific assistance	-	6,474	6,474	-	41	41	6,515	226	-	226
Program supplies and expenses	-	-	-	-	-	-	-	-	-	-
Office supplies and expenses	-	845	845	510	439	949	1,794	2	-	2
Travel, conferences & meetings	-	1,773	1,773	80	54	134	1,907	9	-	9
Depreciation and amortization	2	327	329	138	-	138	467	-	-	-
Interest	-	237	237	101	-	101	338	-	-	-
Other	-	628	628	(868)	31	(837)	(209)	(14)	5	(9)
	<u>\$ 6</u>	<u>\$ 25,239</u>	<u>\$ 25,245</u>	<u>\$ 5,077</u>	<u>\$ 1,942</u>	<u>\$ 7,019</u>	<u>\$ 32,264</u>	<u>\$ 465</u>	<u>\$ 5</u>	<u>\$ 470</u>

**Volunteers of America, Inc. and Subsidiaries**

Consolidating Schedule of Functional Expenses

Year Ended June 30, 2023

(In Thousands)

	Volunteers of America Southwest						Volunteers of America Correctional Services		
	Program Services			Support Services			Program Services	Support Services	Subtotal
	Encouraging Positive Development	Fostering Independence	Promoting Self Sufficiency	Management And General	Fundraising	Subtotal	Promoting Self Sufficiency	Management and General	
Salaries and wages	\$ 5,434	\$ 1,036	\$ 673	\$ 737	\$ -	\$ 7,880	\$ 1,226	\$ -	\$ 1,226
Employee benefits	1,626	352	228	263	-	2,469	461	-	461
Professional services	2,578	37	239	1,099	1	3,954	429	601	1,030
In-Kind	-	-	-	-	-	-	-	-	-
Occupancy	2,383	420	88	849	-	3,740	739	-	739
Specific assistance	3	21	423	4	-	451	-	-	-
Program supplies and expenses	3,167	272	17	49	3	3,508	1,155	-	1,155
Office supplies and expenses	882	116	39	218	1	1,256	53	-	53
Travel, conferences & meetings	71	8	15	5	-	99	117	-	117
Depreciation and amortization	-	-	-	17	-	17	394	-	394
Interest	-	-	-	137	-	137	30	-	30
Other	-	-	-	-	-	-	4	-	4
	<u>\$ 16,144</u>	<u>\$ 2,262</u>	<u>\$ 1,722</u>	<u>\$ 3,378</u>	<u>\$ 5</u>	<u>\$ 23,511</u>	<u>\$ 4,608</u>	<u>\$ 601</u>	<u>\$ 5,209</u>

## Volunteers of America, Inc. and Subsidiaries

Consolidating Schedule of Functional Expenses

Year Ended June 30, 2023

(In Thousands)

	Volunteers of America National Services						
	Program Services			Support Services			Subtotal
	Fostering Independence	Promoting Self Sufficiency	Total Program Services	Management and General	Fundraising	Total Support Services	
Salaries and wages	\$ 98,323	\$ -	\$ 98,323	\$ 16,990	\$ -	\$ 16,990	\$ 115,313
Employee benefits	15,803	-	15,803	4,184	-	4,184	19,987
Professional services	15,972	-	15,972	6,685	66	6,751	22,723
In-Kind	-	-	-	-	-	-	-
Occupancy	8,204	-	8,204	460	-	460	8,664
Specific assistance	46,191	-	46,191	4	-	4	46,195
Program supplies and expenses	7,039	62	7,101	1,642	-	1,642	8,743
Office supplies and expenses	1,734	-	1,734	166	-	166	1,900
Travel, conferences & meetings	2,585	-	2,585	964	-	964	3,549
Depreciation and amortization	10,601	-	10,601	1,322	-	1,322	11,923
Interest	15,510	-	15,510	1,874	-	1,874	17,384
Other	6,632	-	6,632	13,748	1	13,749	20,381
	<u>\$ 228,594</u>	<u>\$ 62</u>	<u>\$ 228,656</u>	<u>\$ 48,039</u>	<u>\$ 67</u>	<u>\$ 48,106</u>	<u>\$ 276,762</u>

## Volunteers of America, Inc. and Subsidiaries

Consolidating Schedule of Functional Expenses

Year Ended June 30, 2023

(In Thousands)

	Eliminations	Consolidated Operating Subtotal	Limited and General Partnerships	Eliminations	Consolidated Total
Salaries and wages	\$ -	\$ 133,865	\$ 9,721	\$ -	\$ 143,586
Employee benefits	(285)	26,511	2,391	-	28,902
Professional services	(2,957)	32,352	6,634	-	38,986
In-Kind	-	462	-	-	462
Occupancy	(228)	13,220	23,494	-	36,714
Specific assistance	(299)	53,088	-	-	53,088
Program supplies and expenses	-	13,406	3,245	-	16,651
Office supplies and expenses	-	5,005	24	-	5,029
Travel, conferences & meetings	-	5,681	562	-	6,243
Depreciation and amortization	-	12,801	27,862	-	40,663
Interest	(145)	17,744	23,218	(7,144)	33,818
Other	-	20,167	6,562	(3,369)	23,360
	<u>\$ (3,914)</u>	<u>\$ 334,302</u>	<u>\$ 103,713</u>	<u>\$ (10,513)</u>	<u>\$ 427,502</u>