

Volunteers of America of Greater Ohio
(A Non-Profit Organization)

YEARS ENDED JUNE 30, 2017 AND 2016

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

YEARS ENDED JUNE 30, 2017 AND 2016

CONTENTS

	<u>Page</u>
Independent auditor's report	1-2
Financial statements:	
Balance sheets	3
Statements of activities	4-5
Statements of functional expenses	6-7
Statements of cash flows	8
Notes to financial statements	9-20

Independent Auditor's Report

Board of Directors
Volunteers of America of Greater Ohio
(A Non-Profit Organization)

Report on the Financial Statements

We have audited the accompanying financial statements of Volunteers of America of Greater Ohio (the "Organization") (A Non-Profit Organization), which comprise the balance sheets as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Volunteers of America of Greater Ohio as of June 30, 2017 and 2016, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017 on our consideration of Volunteers of America of Greater Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Volunteers of America of Greater Ohio's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "H W & Co". The letters are cursive and somewhat stylized.

Cleveland, Ohio
September 25, 2017

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

BALANCE SHEETS - JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents	\$ 13,988,880	\$ 13,081,779
Accounts receivable, net	1,488,393	1,764,780
Pledges receivable, net	31,152	27,207
Prepaid expenses	<u>223,962</u>	<u>277,711</u>
Total current assets	15,732,387	15,151,477
Fixed assets:		
Land and buildings	24,432,116	25,969,109
Furnishings and equipment	8,198,122	7,830,659
Accumulated depreciation	<u>(17,020,121)</u>	<u>(16,575,717)</u>
Total fixed assets	15,610,117	17,224,051
Other assets:		
Long-term investments	9,388,072	8,584,732
Other assets	<u>4,324,871</u>	<u>1,543,954</u>
Total other assets	<u>13,712,943</u>	<u>10,128,686</u>
	<u>\$ 45,055,447</u>	<u>\$ 42,504,214</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 1,266,547	\$ 786,076
Current portion of long-term debt	147,942	195,258
Accrued expenses	1,278,034	1,191,634
Contract/grant advances	471,967	282,206
Other current liabilities	<u>2,598,268</u>	<u>2,346,787</u>
Total current liabilities	5,762,758	4,801,961
Other liabilities:		
Mortgages payable, noncurrent	319,947	1,005,594
Other liabilities	<u>69,051</u>	<u>67,178</u>
Total other liabilities	<u>388,998</u>	<u>1,072,772</u>
Total liabilities	6,151,756	5,874,733
Net assets:		
Unrestricted:		
General	35,513,941	33,474,521
Board designated	<u>3,301,953</u>	<u>2,958,253</u>
Total unrestricted	38,815,894	36,432,774
Temporarily restricted	<u>87,797</u>	<u>196,707</u>
Total net assets	<u>38,903,691</u>	<u>36,629,481</u>
	<u>\$ 45,055,447</u>	<u>\$ 42,504,214</u>

See notes to financial statements.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues from operations:				
Public support received directly:				
Contributions	\$ 18,466,615	\$ 164,591	\$ -	\$ 18,631,206
Contributions, in-kind	-	127,398	-	127,398
Legacies and bequests	112,760	-	-	112,760
Total public support	18,579,375	291,989	-	18,871,364
Revenue and grants from governmental agencies	26,670,797	-	-	26,670,797
Other revenue:				
Program service fees	196,068	-	-	196,068
Rental income	469,145	-	-	469,145
Other operating revenue	36,788	-	-	36,788
Total revenue	45,952,173	291,989	-	46,244,162
Net assets released from restrictions	400,899	(400,899)	-	-
Total revenue from operations	46,353,072	(108,910)	-	46,244,162
Operating expenses:				
Retail stores	13,447,938	-	-	13,447,938
Veterans services	9,182,583	-	-	9,182,583
Re-entry programs	9,711,397	-	-	9,711,397
Housing programs	5,017,490	-	-	5,017,490
Total program services	37,359,408	-	-	37,359,408
Management and general	5,380,265	-	-	5,380,265
Resource development	1,331,312	-	-	1,331,312
Fees paid to National Organization	824,831	-	-	824,831
Total supporting services	7,536,408	-	-	7,536,408
Total operating expenses	44,895,816	-	-	44,895,816
Excess from operations	1,457,256	(108,910)	-	1,348,346
Nonoperating gains, losses and other revenue:				
Investment gain	467,793	-	-	467,793
Gain on disposition of fixed assets	226,581	-	-	226,581
Unrealized gain on investments	231,490	-	-	231,490
Excess from other activities	925,864	-	-	925,864
Change in net assets	2,383,120	(108,910)	-	2,274,210
Net assets, beginning of year	36,432,774	196,707	-	36,629,481
Net assets, ending of year	\$ 38,815,894	\$ 87,797	\$ -	\$ 38,903,691

See notes to financial statements.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues from operations:				
Public support received directly:				
Contributions	\$ 18,899,256	\$ 196,707	\$ -	\$ 19,095,963
Contributions, in-kind	-	188,008	-	188,008
Legacies and bequests	111,538	-	-	111,538
Total public support	19,010,794	384,715	-	19,395,509
Revenue and grants from governmental agencies	27,311,162	-	-	27,311,162
Other revenue:				
Program service fees	219,211	-	-	219,211
Rental income	981,178	-	-	981,178
Other operating revenue	26,977	-	-	26,977
Total revenue	47,549,322	384,715	-	47,934,037
Net assets released from restrictions	378,167	(378,167)	-	-
Total revenue from operations	47,927,489	6,548	-	47,934,037
Operating expenses:				
Retail stores	13,196,783	-	-	13,196,783
Veterans services	10,213,499	-	-	10,213,499
Re-entry programs	9,501,782	-	-	9,501,782
Housing programs	7,521,556	-	-	7,521,556
Total program services	40,433,620	-	-	40,433,620
Management and general	4,890,064	-	-	4,890,064
Resource development	1,451,306	-	-	1,451,306
Fees paid to National Organization	818,858	-	-	818,858
Total supporting services	7,160,228	-	-	7,160,228
Total operating expenses	47,593,848	-	-	47,593,848
Excess from operations	333,641	6,548	-	340,189
Nonoperating gains, losses and other revenue:				
Investment gain	330,962	-	-	330,962
Gain on disposition of fixed assets	-	-	-	-
Unrealized loss on investments	(89,538)	-	-	(89,538)
Excess from other activities	241,424	-	-	241,424
Change in net assets	575,065	6,548	-	581,613
Net assets, beginning of year	35,857,709	190,159	-	36,047,868
Net assets, ending of year	<u>\$ 36,432,774</u>	<u>\$ 196,707</u>	<u>\$ -</u>	<u>\$ 36,629,481</u>

See notes to financial statements.

VOLUNTEERS OF AMERICA OF GREATER OHIO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services				Program Services Total	Supporting Services		Supporting Services Total	Total Program and Supporting Services Expenses
	Retail Stores	Veteran Services	Re-entry Programs	Housing Programs		Management and General	Resource Development		
Salaries	\$ 6,972,938	\$ 4,382,623	\$ 4,431,138	\$ 2,252,996	\$ 18,039,695	\$ 2,688,400	\$ 490,726	\$ 3,179,126	\$ 21,218,821
Pension expense	62,502	7,235	14,423	4,618	88,778	185,525	27,809	213,334	302,112
Other employee benefits	667,997	570,331	481,947	333,078	2,053,353	262,372	59,272	321,644	2,374,997
Payroll taxes	808,587	494,652	511,682	254,655	2,069,576	209,554	50,754	260,308	2,329,884
Legal fees	17,348	17,420	36,892	2,655	74,315	8,829	-	8,829	83,144
Accounting and auditing fees	-	-	-	-	-	40,550	-	40,550	40,550
Other professional fees	91,138	150,391	172,899	367,765	782,193	906,375	473,554	1,379,929	2,162,122
Supplies and expenses	1,051,525	744,555	1,222,709	191,365	3,210,154	85,034	46,860	131,894	3,342,048
Telephone	90,501	198,356	126,240	100,212	515,309	66,615	16,735	83,350	598,659
Postage and shipping	491,547	1,838	1,781	181	495,347	13,880	27,726	41,606	536,953
Occupancy expense	1,987,536	634,083	1,425,376	283,093	4,330,088	322,449	12,037	334,486	4,664,574
Interest	-	1,458	1,110	-	2,568	28,965	-	28,965	31,533
Insurance	83,254	79,167	247,493	84,447	494,361	66,846	12,017	78,863	573,224
Equipment rental and maintenance	76,030	125,655	338,494	39,645	579,824	74,531	8,993	83,524	663,348
Printing and publications	498,588	5,132	5,398	1,762	510,880	8,626	62,507	71,133	582,013
Travel	257,639	126,428	153,506	47,638	585,211	37,520	13,043	50,563	635,774
Conferences and conventions	4,378	63,663	104,555	16,017	188,613	102,302	16,341	118,643	307,256
Direct client expenses	-	1,039,790	28,113	836,871	1,904,774	-	-	-	1,904,774
Other	18,124	12,405	10,106	6,304	46,939	8,697	3,744	12,441	59,380
Depreciation and amortization	268,306	527,401	397,535	194,188	1,387,430	263,195	9,194	272,389	1,659,819
Total functional expenses	<u>\$ 13,447,938</u>	<u>\$ 9,182,583</u>	<u>\$ 9,711,397</u>	<u>\$ 5,017,490</u>	<u>\$ 37,359,408</u>	<u>\$ 5,380,265</u>	<u>\$ 1,331,312</u>	<u>\$ 6,711,577</u>	44,070,985
Fees paid to National Organization									<u>824,831</u>
Total expenses									44,895,816
Direct benefit costs									<u>-</u>
									<u>\$ 44,895,816</u>

See notes to financial statements.

VOLUNTEERS OF AMERICA OF GREATER OHIO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program Services				Program Services Total	Supporting Services		Supporting Services Total	Total Program and Supporting Services Expenses
	Retail Stores	Veteran Services	Re-entry Programs	Housing Programs		Management and General	Resource Development		
Salaries	\$ 6,681,322	\$ 4,519,225	\$ 4,441,876	\$ 3,392,164	\$ 19,034,587	\$ 2,381,012	\$ 457,025	\$ 2,838,037	\$ 21,872,624
Pension expense	58,152	12,865	12,123	5,345	88,485	140,575	24,344	164,919	253,404
Other employee benefits	659,300	658,632	593,532	520,094	2,431,558	252,876	62,209	315,085	2,746,643
Payroll taxes	785,486	510,261	499,242	384,251	2,179,240	192,846	49,050	241,896	2,421,136
Legal fees	2,317	18,589	45,391	4,627	70,924	3,140	-	3,140	74,064
Accounting and auditing fees	-	-	-	-	-	37,600	-	37,600	37,600
Other professional fees	68,802	115,682	376,572	786,777	1,347,833	866,509	581,232	1,447,741	2,795,574
Supplies and expenses	1,011,573	812,534	1,276,362	292,607	3,393,076	90,583	84,976	175,559	3,568,635
Telephone	85,938	160,459	112,754	111,100	470,251	60,090	14,120	74,210	544,461
Postage and shipping	548,344	1,255	1,789	847	552,235	14,380	34,044	48,424	600,659
Occupancy expense	2,017,202	653,779	991,572	471,500	4,134,053	318,011	14,798	332,809	4,466,862
Interest	-	2,104	3,762	-	5,866	39,277	-	39,277	45,143
Insurance	76,451	76,370	210,839	144,433	508,093	67,896	9,931	77,827	585,920
Equipment rental and maintenance	65,785	95,785	368,045	88,912	618,527	54,850	13,175	68,025	686,552
Printing and publications	549,514	11,900	5,395	3,355	570,164	15,326	68,790	84,116	654,280
Travel	257,318	120,942	138,595	69,813	586,668	35,879	8,825	44,704	631,372
Conferences and conventions	2,506	44,709	97,852	14,778	159,845	80,580	18,233	98,813	258,658
Direct client expenses	-	1,833,413	31,626	931,862	2,796,901	-	-	-	2,796,901
Other	19,779	11,430	11,574	8,968	51,751	8,472	3,962	12,434	64,185
Depreciation and amortization	306,994	553,565	282,881	290,123	1,433,563	230,162	6,592	236,754	1,670,317
Total functional expenses	<u>\$ 13,196,783</u>	<u>\$ 10,213,499</u>	<u>\$ 9,501,782</u>	<u>\$ 7,521,556</u>	<u>\$ 40,433,620</u>	<u>\$ 4,890,064</u>	<u>\$ 1,451,306</u>	<u>\$ 6,341,370</u>	46,774,990
Fees paid to National Organization									<u>818,858</u>
Total expenses									47,593,848
Direct benefit costs									<u>-</u>
									<u>\$ 47,593,848</u>

See notes to financial statements.

VOLUNTEERS OF AMERICA OF GREATER OHIO

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 2,274,210	\$ 581,613
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,659,819	1,670,317
Gain on disposition of fixed assets	(226,581)	-
Unrealized (gain) loss on investments	(231,490)	89,538
Decrease (increase) in assets:		
Accounts receivable	276,387	507,616
Pledges receivable	(3,945)	(507)
Prepaid expenses	53,749	(63,733)
Other assets	(2,366,629)	(182,717)
Increase (decrease) in liabilities:		
Accounts payable	114,800	(531,264)
Accrued expenses	86,400	(439,383)
Contract/grant advances	280,160	151,948
Other current liabilities	251,481	82,901
Other liabilities	1,873	16,756
Net cash provided by operating activities	2,170,234	1,883,085
Cash flows from investing activities:		
Purchases of fixed assets and construction-in-progress	(903,839)	(1,425,801)
Proceeds from sale of fixed assets	466,154	-
Net investment activity	(571,850)	(432,863)
Net cash used in investing activities	(1,009,535)	(1,858,664)
Cash flows from financing activities:		
Principal payments on long-term debt	(253,598)	(196,094)
Net cash used in financing activities	(253,598)	(196,094)
Net increase (decrease) in cash and cash equivalents	907,101	(171,673)
Cash and cash equivalents, beginning	13,081,779	13,253,452
Cash and cash equivalents, ending	\$ 13,988,880	\$ 13,081,779

See notes to financial statements.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

1. Description of organization and summary of significant accounting policies:

Description of organization:

Volunteers of America of Greater Ohio (“Organization”) is a nonprofit spiritually based human services organization, incorporated in Ohio, that provides social services within the State of Ohio under a charter from Volunteers of America, Inc., a national nonprofit spiritually based organization providing local human service programs, and opportunities for individual and community involvement.

Volunteers of America, Inc. focuses on three impact areas: promoting self-sufficiency, fostering independence and encouraging positive development. Within the impact area of promoting self-sufficiency, Volunteers of America, Inc. promotes self-sufficiency for individuals and families who have experienced homelessness, or other personal crisis, including chemical dependency, involvement with the corrections system and unemployment. We focus on solution-oriented approaches, using a continuum of services from prevention to intervention to long-term support. Our local programming includes a network of Retail Stores that serves communities surrounding Aurora, Brunswick, Columbus, Mansfield and North Olmsted that provide low-cost clothing and household items. In addition to meeting the emergency needs of our communities for clothing and household items, some of these locations also serve as food pantries providing food items throughout the year and holiday food and gift baskets. During 2017, a portion of a warehouse in Columbus was destroyed by fire. Insurance proceeds have been used to replace the vehicles that had been stored in the warehouse along with the warehouse structure.

Our Veterans Services include programming for transitional housing for homeless veterans under grants from Veterans Affairs in Cincinnati, Cleveland, Columbus, Dayton and Sandusky along with grants to address the special needs of chronically mentally ill veterans in both Cleveland and Columbus. Veteran employment programs have been located in Cleveland, Cincinnati, Columbus and Dayton. In addition there are Supportive Services for Veteran Families programs in Columbus, Cleveland and Dayton.

Our Re-entry Programs include halfway houses in Cincinnati, Dayton, Mansfield and Toledo providing rehabilitation services to adult populations. A program for youth with criminal records began in 2015. This Face Forward program is located in Cleveland.

The Housing Programs include emergency shelters for both homeless men and families, transitional housing programs for homeless men and permanent supportive housing for formerly homeless families. These programs are located in the Cleveland, Columbus, Mansfield and Sandusky areas. The Housing Programs also include youth programming in Columbus. The funding for the transitional housing program in Mansfield ended on July 31, 2016 and the program was closed. The funding for the transitional housing and emergency shelter for homeless men in Cleveland ended on April 30, 2017 and the programs were closed.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

1. Description of organization and summary of significant accounting policies (continued):

Description of organization (continued):

Through programs designed to provide care where needed, while supporting independence to the degree possible, Volunteers of America, Inc. fosters the health and independence of the elderly and persons with disabilities, mental illness, and HIV/AIDS through quality affordable housing, health care services, and a wide range of community services. Our fostering independence programming included housing for low-income individuals in Cincinnati. On September 30, 2016, the facility was sold and these services are now provided by the new owner. The Organization also operates housing programs for individuals dealing with mental health issues in the Sandusky and Toledo areas.

Within the area of encouraging positive development, Volunteers of America, Inc. provides services to encourage positive development for troubled and at-risk children and youth, while also promoting the healthy development of all children, adolescents and their families. Volunteers of America, Inc.'s programs provide a continuum of care and support for young people ages birth to 21 through prevention, early intervention, and long-term services. As referenced, this includes the youth programming in Columbus. This program was closed at the end of the school year and participants were placed in other programs throughout the city.

Basis of accounting:

The accounting policies of the Organization conform to generally accepted accounting principles as applicable to voluntary health and welfare organizations.

The more significant accounting policies of the Organization are described below:

Property and equipment:

Land, buildings and equipment purchased by the Organization are recorded at cost. The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment over \$5,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed on the straight-line method based upon the following estimated useful lives of the assets:

Furniture and equipment	2 – 10 years
Transportation vehicles	2 – 7 years
Buildings and improvements	2 – 40 years

Cash equivalents:

Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise restricted or designated. The carrying amount approximates fair value because of the short maturity of those instruments.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

1. Description of organization and summary of significant accounting policies (continued):

Cash equivalents (continued):

The Organization maintains its cash in several bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk on cash and cash equivalents.

Contributions:

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor or by law. Contributions of personal property (i.e., clothing, household goods and automobiles) as described more fully below, are recorded as revenue when the items are sold.

The Organization operates Retail Stores throughout Ohio. Items for sale in these stores are the result of contributions of personal property from the general public. Consistent with Volunteers of America, Inc., the Organization records revenue when the items are sold rather than upon receipt of the goods. In the opinion of management, fair market value cannot be reasonably estimated at the time of receipt of these noncash contributions. This same approach is used for the recording of automobiles sold through the Columbus auto auction.

Contributed services:

The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Restricted and designated assets:

Restricted and designated assets represent the total of all assets that are encumbered by donor restrictions, legal agreements, and board designation or are otherwise unavailable for the general use of the Organization. This category generally includes client/custodial funds, escrow/reserve funds, temporarily and permanently restricted assets, and securities that are pledged and held by the lender as collateral for financing. The board has designated certain investments and bequests as board designated assets. These amounts are detailed separately as part of the unrestricted net assets.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

1. Description of organization and summary of significant accounting policies (continued):

Net assets:

The Organization classifies net assets into three categories: unrestricted, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions. There are no permanently restricted net assets at June 30, 2017 and 2016.

Operations:

The Organization defines operations as all program and supporting service activities undertaken (see Note 1). Revenues that result from these activities and their related expenses are reported as operations. Gains, losses and other revenue that result from ancillary activities, such as investing liquid assets and disposing of fixed or other assets, are reported as nonoperating.

Income taxes:

Under provision of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the State of Ohio, Volunteers of America of Greater Ohio is exempt from income taxes, except for net income from unrelated business income, as a subordinate unit of Volunteers of America, Inc. Volunteers of America, Inc. is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3). For the fiscal years ended June 30, 2017 and 2016, there was no taxable net income resulting from unrelated business activities. Accordingly, no tax expense was incurred during the years ended June 30, 2017 and June 30, 2016, respectively. Any rental income on debt-financed property was completely offset by losses from automobiles purchased for resale.

The Organization is no longer subject to Federal income tax examinations by tax authorities for years before 2014.

Investments:

Investments consist primarily of cash and money market funds, mutual funds, government securities and corporate stocks and bonds. They are recorded at fair value based on quoted market prices. All other investments are reported at historical cost, if purchased, or if contributed, at fair value at the date of contribution.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

1. Description of organization and summary of significant accounting policies (continued):

Allocation of functional expenses:

The costs of providing various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various functions.

Use of estimates:

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

Pledges receivable:

Pledges receivable represent unconditional promises to give. Unpaid pledges from campaigns, net of allowance for doubtful pledges, are \$87,797 at June 30, 2017 and \$96,091 at June 30, 2016.

These receivables are pledged to be received as follows:

<u>Year ending June 30,</u>	
2018	\$ 36,650
2019	30,100
2020	20,077
2021	13,964
2022	1,500
Thereafter	<u>1,000</u>
	<u>\$ 103,291</u>

At June 30, 2017 and 2016, an allowance of \$15,494 and \$16,957, respectively, was recorded for doubtful pledges.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

2. Investments:

Investments are shown on the balance sheets at fair market value. The following summarizes cost and market value:

<u>June 30, 2017</u>	<u>Aggregate Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and money market funds	\$ 238,983	\$ 238,983	
Certificates of deposit	1,048,250	1,039,818	\$ (8,432)
Corporate stocks and bonds	4,781,533	6,075,993	1,294,460
Government securities	53,886	52,920	(966)
Mutual funds	<u>1,600,919</u>	<u>1,980,358</u>	<u>379,439</u>
	<u>\$ 7,723,571</u>	<u>\$ 9,388,072</u>	<u>\$ 1,664,501</u>
<u>June 30, 2016</u>	<u>Aggregate Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and money market funds	\$ 564,566	\$ 564,566	
Certificates of deposit	500,000	503,833	\$ 3,833
Corporate stocks and bonds	4,236,181	5,408,731	1,172,550
Government securities	53,953	53,594	(359)
Mutual funds	<u>1,797,023</u>	<u>2,054,008</u>	<u>256,985</u>
	<u>\$ 7,151,723</u>	<u>\$ 8,584,732</u>	<u>\$ 1,433,009</u>

The Organization's investments and some cash equivalents are held and managed by investment managers. Although the Organization has a diverse investment portfolio, a substantial portion of its realization is dependent upon the markets in which the investments are traded and the investment managers' abilities to properly manage the portfolio.

3. Fair value:

The following information is presented in accordance with accounting guidance, which defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. The accounting guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements based upon the transparency of inputs to the valuation of an asset as of the measurement date.

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets in active markets, and inputs that are observable for the asset, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

3. Fair value (continued):

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value on a recurring basis at June 30, 2017 and 2016 were as follows:

<u>Level 1</u>	<u>2017</u>	<u>2016</u>
Equity securities:		
Basic materials	\$ 28,620	\$ 3,342
Consumer products industry	1,076,747	721,138
Entertainment industry	-	37,661
Financial industry	711,594	693,279
Food and beverage industry	215,176	230,110
Health care industry	556,951	550,026
Industrial goods industry	72,119	-
Manufacturing industry	387,429	310,276
Oil and gas industry	307,110	293,628
Services industry	560,875	509,956
Technology industry	307,137	258,217
Utilities industry	<u>206,103</u>	<u>229,606</u>
Total equity securities	4,429,861	3,837,239
Money market funds	21,962	21,764
Certificate of deposit	1,362,226	1,046,635
Government securities	52,964	53,594
Corporate bonds	1,558,081	1,571,492
Mutual funds:		
Equity funds	1,296,413	1,327,353
Bond funds	<u>666,565</u>	<u>726,655</u>
	<u>\$ 9,388,072</u>	<u>\$ 8,584,732</u>

The following is a description of the Organization's valuation methodologies for assets and liabilities measured at fair value. Fair value for Level 1 is based upon quoted market prices for equities, net asset values at the end of the year for mutual funds, and face value which approximates fair value for money market funds and bonds.

4. Line of credit:

At June 30, 2017 and 2016, the Organization had a line of credit with a total maximum amount of \$1,000,000 available. No funds were drawn on the line of credit at June 30, 2017 and 2016. The interest rate was 4.5% in 2017 and 2016.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

4. Line of credit (continued):

A second line of credit with a total maximum amount of \$150,000 is available. No funds were drawn on the line of credit at June 30, 2017 and 2016. The interest rate was 3.50% in 2017 and 3.25% in 2016.

A third line of credit with a total maximum of \$2,000,000 is available. No funds were drawn on the line of credit at June 30, 2017 and 2016. The interest rate was 4.50% in 2017 and 3.75% in 2016.

5. Mortgages payable:

A mortgage payable in the amount of \$26,905 at June 30, 2017 and \$43,200 at June 30, 2016 is due in monthly installments of \$1,479 including interest at 4.00%, payable to a bank. Interest expense totaled \$1,458 in 2017 and \$2,104 in 2016. The loan is collateralized by associated property and is payable through December 2018.

A mortgage payable in the amount of \$405,580 at June 30, 2017 and \$495,163 at June 30, 2016 is due in monthly installments of \$8,699 including interest at a rate of 3.95% at June 30, 2017 and 3.36% at June 30, 2016, payable to a bank. Interest expense under this mortgage totaled \$23,849 in 2017 and \$31,917 in 2016. This loan is collateralized by the associated property and includes an interest rate swap and is payable through May 2021.

A mortgage payable in the amount of \$22,516 at June 30, 2017 and \$53,968 at June 30, 2016 is due in monthly installments of \$2,550 including interest at 3.875% in 2017 and 2016, payable to a bank. The mortgage is due March 28, 2018 and the interest rate adjusts every six years, with the last adjustment made in March 2013. Interest expense under this mortgage totaled \$1,722 in 2017 and \$3,020 in 2016. The loan is collateralized by associated property and is payable through March 2018.

A mortgage payable in the amount of \$12,888 at June 30, 2017 and \$74,176 at June 30, 2016 is due in monthly installments of \$707 including interest at a rate of 5.00% at June 30, 2017 and 2016, payable to a bank with a final payment of \$67,075. Interest expense under this mortgage totaled \$2,483 in 2017 and \$4,342 in 2016. This loan is collateralized by the associated property and is payable through November 2017. During the past fiscal year, payments were accelerated to avoid the impact on cash flows from the final payment. This mortgage should be completely repaid by the end of the first quarter of the new fiscal year.

A mortgage payable has been repaid by June 30, 2017 and had a balance of \$54,980 at June 30, 2016 with monthly installments of \$5,602 including interest at a rate of 4.1%, payable to a bank. Interest expense under this mortgage totaled \$1,082 in 2017 and \$3,760 in 2016. This loan was collateralized by the associated property.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

5. Mortgages payable (continued):

Along with the second mortgage noted above, the Organization entered into an interest rate swap agreement with a financial institution in May 2011, which expires in May 2021 to fix the monthly mortgage payment at a set amount. The notional amount of the interest rate swap was \$405,580 at June 30, 2017 and \$495,163 at June 30, 2016. The Organization's interest rate swap liability is \$10,765 at June 30, 2017 and \$28,495 at June 30, 2016. The potential interest rate swap liability is not recorded on the balance sheets at June 30, 2017 and 2016. The fair value of the interest rate swap is based on calculations prepared by the financial institution which provides for a reasonable approximation of the fair market value. The fair value represents an amount the financial institution would receive from the Organization if the swap agreement was canceled at that date. The fair value fluctuates based on current interest rates. The Organization makes monthly payments at a fixed rate of 5.75% and receives monthly payments at a variable rate of 3.95% at June 30, 2017 and 3.37% at June 30, 2016 (based on USD-LIBOR – ICE plus 2.9%). The net amounts are recorded monthly as interest expense.

In addition, Ohio Housing Finance Association had provided a mortgage without interest. Repayment, if any, was to be provided from surplus cash generated by the property which also served as collateral for this mortgage. During the year, this property was sold and \$196,032 of the mortgage was forgiven prior to the balance being transferred to the new owner. The balance of this mortgage was \$479,365 at June 30, 2016.

Annual maturities are as follows:

<u>Year ending June 30,</u>	
2018	\$ 147,942
2019	111,011
2020	107,147
2021	<u>101,789</u>
	<u>\$ 467,889</u>

6. Operating leases:

The Organization leases vehicles, equipment, apartments and buildings under both non-cancelable and month-to-month leases. The non-cancelable leases have various terms, the latest expiring in April 2040. Lease payments required for non-cancelable leases over the next five years are as follows:

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

6. Operating leases (continued):

Year ending June 30,

2018	\$ 1,442,842
2019	1,232,067
2020	900,745
2021	807,234
2022	429,799
Thereafter	<u>2,439,008</u>
	<u>\$ 7,251,695</u>

Rent expense under these leases and other leases that expired during the year was \$3,119,231 for the year ended June 30, 2017 and \$2,855,701 for the year ended June 30, 2016.

The Organization has entered into various non-cancelable operating lease agreements to lease portions of their facilities. Future rental income to be received under non-cancelable leases are as follows:

Year ending June 30,

2018	\$ 170,685
2019	166,300
2020	172,905
2021	180,645
2022	<u>108,010</u>
	<u>\$ 798,545</u>

Rent income under these leases and other leases that expired during the year was \$166,668 in 2017 and \$174,998 in 2016.

The Organization has also entered into a rent to own agreement. A portion of the monthly rental of \$1,000 is applied to the purchase price of \$155,000 if paid on time. In addition, a 20% deposit of the sales price is being held until the full completion of this agreement on July 31, 2018.

7. Retirement plans:

The Organization participates in a non-contributory defined benefit pension and retirement plan. The plan is administered through a commercial insurance company and covers all ministers commissioned through December 31, 1999. The Plan also covers executive management effective July 1, 2013. Pension plan expense was \$191,975 in 2017 and \$155,162 in 2016. Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits as they relate solely to the Organization are not readily available.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

7. Retirement plans (continued):

All employees are covered by a 403(b) plan provided by Volunteers of America, Inc. Under this plan, fulltime employee contributions are matched 1% to 3% up to 9% of compensation. Fulltime employees vest in the Organization's match over a period of five years based on initial service date. Expenses for the 403(b) plan were \$110,136 in 2017 and \$98,039 in 2016.

8. Related party transactions:

The Organization is affiliated with Volunteers of America, Inc., which provides supporting services to the Organization for a fee. Affiliate fees for the fiscal years ended June 30, 2017 and 2016 totaled \$824,831 and \$818,858, respectively. No amounts were due to Volunteers of America, Inc. for national fees at June 30, 2017 and 2016.

Volunteers of America, Inc. Direct Mail Campaign generated \$185,537 in 2017 and \$201,611 in 2016, of which the Organization received \$87,384 in 2017 and \$86,384 in 2016.

In August 2014, the Organization signed an additional guaranty of completion for the construction of a 100-unit mental health housing facility located in Columbus. This tax credit project began construction in September 2014 and was completed in January 2016. The equity partners have fully funded the project and all loans are being repaid at which time the guarantee will no longer be required. The amount guaranteed to cover this agreement is \$8.2 million. In addition, the Organization receives a developer fee related to the tax credit project. The Organization received \$311,540 and \$790,048, respectively, in 2017 and 2016 and these amounts are included in revenue and grants from government agencies on the statements of activities.

9. Temporarily restricted net assets:

Temporarily restricted net assets totaling \$87,797 in 2017 and \$196,707 in 2016 consisted mainly of time restricted pledges.

10. Net assets released from restriction:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, by occurrence of other events specified by donors during the fiscal year or the passage of time.

Purpose restrictions accomplished at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Capital expenditures	<u>\$ 261,591</u>	<u>\$ 68,255</u>
Other expenditures	<u>\$ 139,308</u>	<u>\$ 309,912</u>

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2017 AND 2016

11. Commitments and contingencies:

For the period from July 1, 2002 through June 30, 2006, a portion of the Organization participated in the Ohio Bureau of Workers' Compensation Retrospective Rating Plan. Under the plan, a portion of the risk associated with claims was assumed by the Organization. In addition to premiums paid, all the claim cost associated with claims that occurred while participating are evaluated for 10 years and billed annually. At the end of the 10-year evaluation period, any reserves remaining on these claims will be billed to the Organization. Due to the nature of the claims incurred and the reporting of these claims through the State, an estimate of the potential loss cannot be reasonably made.

12. Beneficial interest in trust:

Volunteers of America of Greater Ohio is one of several beneficiaries of a charitable trust. The Organization elected to receive 5% of the average market value. The total amount received was \$7,250 for the year ended June 30, 2017 and \$7,553 for the year ended June 30, 2016. The fair market value of the charitable trust was \$961,279 in 2017 and \$918,986 in 2016. The charitable trust will continue until the date of termination and final distributions are made on a family charitable remainder annuity trust, at which time the Organization will receive 16.33% of the principal balance.

Because neither the trust termination value nor the trust termination date can be determined, no amounts have been recorded as an asset, instead income is recognized as received.

13. Statements of cash flows:

During fiscal years ended June 30, 2017 and 2016, the Organization paid cash for interest totaling \$31,533 and \$45,143, respectively.

The Organization financed construction-in-progress, included in other assets, totaling \$365,671 in 2017 with accounts payable, trade.

14. Subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 25, 2017, the date the Organization's financial statements were available to be issued.