

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

YEARS ENDED JUNE 30, 2018 AND 2017

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

YEARS ENDED JUNE 30, 2018 AND 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 October 8, 2018 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." with a period at the end.

Cleveland, Ohio
October 8, 2018

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

BALANCE SHEETS - JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 13,039,044	\$ 13,988,880
Accounts receivable, net	1,276,644	1,488,393
Pledges receivable, net	42,341	31,152
Prepaid expenses	<u>224,353</u>	<u>223,962</u>
Total current assets	14,582,382	15,732,387
Fixed assets:		
Land and buildings	27,821,820	24,432,116
Furnishings and equipment	8,679,038	8,198,122
Accumulated depreciation	<u>(17,680,751)</u>	<u>(17,020,121)</u>
Total fixed assets	18,820,107	15,610,117
Other assets:		
Long-term investments	10,222,083	9,388,072
Other assets	<u>2,572,713</u>	<u>4,324,871</u>
Total other assets	<u>12,794,796</u>	<u>13,712,943</u>
	<u>\$ 46,197,285</u>	<u>\$ 45,055,447</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 853,677	\$ 1,266,547
Current portion of long-term debt	109,947	147,942
Accrued expenses	1,329,999	1,278,034
Contract/grant advances	68,338	471,967
Other current liabilities	<u>2,582,932</u>	<u>2,598,268</u>
Total current liabilities	4,944,893	5,762,758
Other liabilities:		
Mortgages payable, noncurrent	210,623	319,947
Other liabilities	<u>116,834</u>	<u>69,051</u>
Total other liabilities	<u>327,457</u>	<u>388,998</u>
Total liabilities	5,272,350	6,151,756
Net assets:		
Unrestricted:		
General	37,031,193	35,513,941
Board designated	<u>3,780,340</u>	<u>3,301,953</u>
Total unrestricted	40,811,533	38,815,894
Temporarily restricted	<u>113,402</u>	<u>87,797</u>
Total net assets	<u>40,924,935</u>	<u>38,903,691</u>
	<u>\$ 46,197,285</u>	<u>\$ 45,055,447</u>

See notes to financial statements.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues from operations:				
Public support received directly:				
Contributions	\$ 18,297,680	\$ 298,610	\$ -	\$ 18,596,290
Contributions, in-kind	-	88,049	-	88,049
Legacies and bequests	271,091	-	-	271,091
Total public support	18,568,771	386,659	-	18,955,430
Revenue and grants from governmental agencies	26,597,545	-	-	26,597,545
Other revenue:				
Program service fees	179,024	-	-	179,024
Rental income	314,121	-	-	314,121
Other operating revenue	38,333	-	-	38,333
Total revenue	45,697,794	386,659	-	46,084,453
Net assets released from restrictions	361,054	(361,054)	-	-
Total revenue from operations	46,058,848	25,605	-	46,084,453
Operating expenses:				
Retail stores	12,980,472	-	-	12,980,472
Veterans services	9,249,542	-	-	9,249,542
Re-entry programs	10,557,101	-	-	10,557,101
Housing programs	3,886,802	-	-	3,886,802
Total program services	36,673,917	-	-	36,673,917
Management and general	5,773,529	-	-	5,773,529
Resource development	1,490,235	-	-	1,490,235
Fees paid to National Organization	841,944	-	-	841,944
Total supporting services	8,105,708	-	-	8,105,708
Total operating expenses	44,779,625	-	-	44,779,625
Excess from operations	1,279,223	25,605	-	1,304,828
Nonoperating gains, losses and other revenue:				
Investment gain	355,402	-	-	355,402
Gain on disposition of fixed assets	137,577	-	-	137,577
Unrealized gain on investments	223,437	-	-	223,437
Excess from other activities	716,416	-	-	716,416
Change in net assets	1,995,639	25,605	-	2,021,244
Net assets, beginning of year	38,815,894	87,797	-	38,903,691
Net assets, ending of year	\$ 40,811,533	\$ 113,402	\$ -	\$ 40,924,935

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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	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	\$ 6,908,183	\$ 4,416,384	\$ 4,886,457	\$ 1,750,184	\$ 17,961,208	\$ 2,789,216	\$ 544,019	\$ 3,333,235	\$ 21,294,443
Pension expense	54,910	12,689	11,217	3,170	81,986	220,157	30,421	250,578	332,564
Other employee benefits	656,927	527,313	500,955	298,580	1,983,775	272,803	84,754	357,557	2,341,332
Payroll taxes	646,913	404,371	446,834	158,624	1,656,742	142,685	44,162	186,847	1,843,589
Legal fees	22,423	14,818	13,551	2,580	53,372	20,291	-	20,291	73,663
Accounting and auditing fees	-	-	-	-	-	41,700	-	41,700	41,700
Other professional fees	74,809	152,778	264,106	76,588	568,281	1,025,842	522,121	1,547,963	2,116,244
Supplies and expenses	972,679	689,713	1,303,375	138,263	3,104,030	59,696	16,470	76,166	3,180,196
Telephone	93,816	239,919	150,119	77,945	561,799	86,989	22,529	109,518	671,317
Postage and shipping	441,448	842	2,100	102	444,492	15,807	38,274	54,081	498,573
Occupancy expense	1,968,677	565,904	1,560,600	179,604	4,274,785	426,519	15,345	441,864	4,716,649
Interest	-	786	-	-	786	22,370	-	22,370	23,156
Insurance	119,932	100,926	258,231	66,713	545,802	82,216	12,563	94,779	640,581
Equipment rental and maintenance	54,181	94,985	419,743	34,489	603,398	72,044	12,546	84,590	687,988
Printing and publications	448,406	5,557	8,113	1,428	463,504	9,431	81,509	90,940	554,444
Travel	250,476	142,928	166,539	36,778	596,721	32,871	13,767	46,638	643,359
Conferences and conventions	5,235	50,878	138,462	12,470	207,045	75,729	36,871	112,600	319,645
Direct client expenses	-	1,344,173	49,004	911,622	2,304,799	-	-	-	2,304,799
Other	17,881	13,898	11,957	5,708	49,444	23,242	5,398	28,640	78,084
Depreciation and amortization	243,576	470,680	365,738	131,954	1,211,948	353,921	9,486	363,407	1,575,355
Total functional expenses	\$ 12,980,472	\$ 9,249,542	\$ 10,557,101	\$ 3,886,802	\$ 36,673,917	\$ 5,773,529	\$ 1,490,235	\$ 7,263,764	43,937,681
Fees paid to National Organization									841,944
Total expenses									44,779,625
Direct benefit costs									-
									\$ 44,779,625

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 2,021,244	\$ 2,274,210
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,575,355	1,659,819
Gain on disposition of fixed assets	(137,577)	(226,581)
Unrealized gain on investments	(223,437)	(231,490)
Decrease (increase) in assets:		
Accounts receivable	211,749	276,387
Pledges receivable	(11,189)	(3,945)
Prepaid expenses	(391)	53,749
Other assets	(426,340)	(2,366,629)
Increase (decrease) in liabilities:		
Accounts payable	(555,720)	114,800
Accrued expenses	51,965	86,400
Contract/grant advances	(403,629)	280,160
Other current liabilities	(15,336)	251,481
Other liabilities	47,783	1,873
Net cash provided by operating activities	2,134,477	2,170,234
 Cash flows from investing activities:		
Purchases of fixed assets and construction-in-progress	(2,688,562)	(903,839)
Proceeds from sale of fixed assets	362,142	466,154
Net investment activity	(610,574)	(571,850)
Net cash used in investing activities	(2,936,994)	(1,009,535)
 Cash flows from financing activities:		
Principal payments on long-term debt	(147,319)	(253,598)
Net cash used in financing activities	(147,319)	(253,598)
 Net increase (decrease) in cash and cash equivalents	(949,836)	907,101
 Cash and cash equivalents, beginning	13,988,880	13,081,779
 Cash and cash equivalents, ending	\$ 13,039,044	\$ 13,988,880

See notes to financial statements.

VOLUNTEERS OF AMERICA OF GREATER OHIO

(A Non-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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. A housing program for female veterans opened in the Cincinnati area in October 2017.

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 was located in Cleveland and closed in 2017.

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. This program was closed on June 30, 2017. 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, 2018 AND 2017

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 included 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, 2018 AND 2017

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, 2018 AND 2017

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, 2018 and 2017.

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, 2018 and 2017, there was no taxable net income resulting from unrelated business activities. Accordingly, no tax expense was incurred during the years ended June 30, 2018 and June 30, 2017, 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 2015.

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, 2018 AND 2017

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 \$88,402 at June 30, 2018 and \$87,797 at June 30, 2017.

These receivables are pledged to be received as follows:

<u>Year ending June 30,</u>	
2019	\$ 49,813
2020	24,977
2021	19,964
2022	7,500
2023	<u>1,748</u>
	<u>\$ 104,002</u>

At June 30, 2018 and 2017, an allowance of \$15,600 and \$15,494, respectively, was recorded for doubtful pledges.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

2. Investments:

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

<u>June 30, 2018</u>	<u>Aggregate Cost</u>	<u>Market Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and money market funds	\$ 131,671	\$ 131,671	
Certificates of deposit	848,250	825,699	\$ (22,551)
Corporate stocks and bonds	5,408,343	6,884,214	1,475,871
Government securities	103,321	101,812	(1,509)
Mutual funds	<u>1,842,560</u>	<u>2,278,687</u>	<u>436,127</u>
	<u>\$ 8,334,145</u>	<u>\$ 10,222,083</u>	<u>\$ 1,887,938</u>
<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>

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017 were as follows:

<u>Level 1</u>	<u>2018</u>	<u>2017</u>
Equity securities:		
Basic materials	\$ 11,219	\$ 28,620
Consumer products industry	1,160,770	1,076,747
Financial industry	833,984	711,594
Food and beverage industry	160,743	215,176
Health care industry	530,822	556,951
Industrial goods industry	87,332	72,119
Manufacturing industry	488,568	387,429
Oil and gas industry	263,749	307,110
Services industry	656,806	560,875
Technology industry	233,160	307,137
Utilities industry	<u>237,310</u>	<u>206,103</u>
Total equity securities	4,664,463	4,429,861
Money market funds	22,334	21,962
Certificate of deposit	935,036	1,362,226
Government securities	101,812	52,964
Corporate bonds	2,219,751	1,558,081
Mutual funds:		
Equity funds	1,559,716	1,296,413
Bond funds	<u>718,971</u>	<u>666,565</u>
	<u>\$ 10,222,083</u>	<u>\$ 9,388,072</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. Lines of credit:

At June 30, 2018 and 2017, 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, 2018 and 2017. The interest rate was 5.0% in 2018 and 4.5% in 2017.

VOLUNTEERS OF AMERICA OF GREATER OHIO

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

4. Lines 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, 2018 and 2017. The interest rate was 4.98% in 2018 and 3.50% in 2017.

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, 2018 and 2017. The interest rate was 5.25% in 2018 and 4.50% in 2017.

5. Mortgages payable:

A mortgage payable in the amount of \$9,938 at June 30, 2018 and \$26,905 at June 30, 2017 is due in monthly installments of \$1,479 including interest at 4.00%, payable to a bank. Interest expense totaled \$786 in 2018 and \$1,458 in 2017. The loan is collateralized by associated property and is payable through December 2018.

A mortgage payable in the amount of \$310,632 at June 30, 2018 and \$405,580 at June 30, 2017 is due in monthly installments of \$8,699 including interest at a rate of 4.88% at June 30, 2018 and 3.95% at June 30, 2017, payable to a bank. Interest expense under this mortgage totaled \$21,352 in 2018 and \$23,849 in 2017. 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 was due in monthly installments of \$2,550 including interest at 3.875% payable to a bank. The mortgage was repaid during 2018 and the interest rate adjusts every six years, with the last adjustment made in March 2013. Interest expense under this mortgage totaled \$320 in 2018 and \$1,722 in 2017. The loan was collateralized by associated property and was payable through March 2018.

A mortgage payable in the amount of \$12,888 at June 30, 2017 was due in monthly installments of \$707 including interest at a rate of 5% at June 30, 2017, payable to a bank with a final payment of \$67,075. Interest expense under this mortgage totaled \$103 in 2018 and \$2,483 in 2017. This loan was collateralized by the associated property and was payable through November 2017. During the 2017 fiscal year, the mortgage payable was repaid by accelerating payments to avoid the impact on cash flows from the final payment.

A mortgage payable has been repaid by June 30, 2017 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. This loan was collateralized by the associated property.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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 \$310,632 at June 30, 2018 and \$405,580 at June 30, 2017. The Organization's interest rate swap liability is \$1,594 at June 30, 2018 and \$10,765 at June 30, 2017. The potential interest rate swap liability is not recorded on the balance sheets at June 30, 2018 and 2017. 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 4.88% at June 30, 2018 and 3.95% at June 30, 2017 (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 2017, this property was sold and \$196,032 of the mortgage was forgiven prior to the balance being transferred to the new owner.

Annual maturities are as follows:

<u>Year ending June 30,</u>	
2019	\$ 109,947
2020	108,300
2021	<u>102,323</u>
	<u>\$ 320,570</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:

<u>Year ending June 30,</u>	
2019	\$ 1,339,044
2020	1,004,672
2021	847,772
2022	537,520
2023	289,110
Thereafter	<u>1,479,167</u>
	<u>\$ 5,497,285</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

6. Operating leases (continued):

Rent expense under these leases and other leases that expired during the year was \$3,113,607 for the year ended June 30, 2018 and \$3,119,231 for the year ended June 30, 2017.

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:

<u>Year ending June 30,</u>	
2019	\$ 198,100
2020	204,705
2021	212,448
2022	139,810
2023	<u>31,800</u>
	<u>\$ 786,863</u>

Rent income under these leases and other leases that expired during the year was \$175,985 in 2018 and \$166,668 in 2017.

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. The building was sold to the organization in June 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 \$250,578 in 2018 and \$191,975 in 2017. 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.

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 \$81,986 in 2018 and \$110,136 in 2017.

VOLUNTEERS OF AMERICA OF GREATER OHIO

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017 totaled \$841,944 and \$824,831, respectively. No amounts were due to Volunteers of America, Inc. for national fees at June 30, 2018 and 2017.

Volunteers of America, Inc. Direct Mail Campaign generated \$145,508 in 2018 and \$185,537 in 2017, of which the Organization paid \$15,672 in 2018 and received \$87,384 in 2017.

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 \$243,791 and \$311,540, respectively, in 2018 and 2017 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 \$113,402 in 2018 and \$87,797 in 2017 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Capital expenditures	<u>\$ 269,574</u>	<u>\$ 261,591</u>
Other expenditures	<u>\$ 91,480</u>	<u>\$ 139,308</u>

VOLUNTEERS OF AMERICA OF GREATER OHIO

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 30, 2018 AND 2017

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 \$7,286 for the year ended June 30, 2018 and \$7,250 for the year ended June 30, 2017. The fair market value of the charitable trust was \$976,479 in 2018 and \$961,279 in 2017. 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, 2018 and 2017, the Organization paid cash for interest totaling \$23,156 and \$31,533, respectively.

The Organization financed leasehold improvements, included in fixed assets, totaling \$142,850 in 2018 with accounts payable, trade.

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

14. Subsequent events:

Effective July 1, 2018, the Board of Volunteers of America, Inc. increased the service area for the Organization to include the territory formerly covered by Volunteers of America of Indiana. All assets and associated liabilities of Volunteers of America of Indiana have been assumed as of July 1, 2018 and should result in an increase in net assets in excess of approximately \$8.5 million.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 8, 2018, the date the Organization's financial statements were available to be issued.