

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
CONSOLIDATED FINANCIAL STATEMENTS  
With Independent Auditor's Report  
YEARS ENDED JUNE 30, 2011 AND 2010  
OMB A-133 SUPPLEMENTARY FINANCIAL REPORTS  
YEAR ENDED JUNE 30, 2011

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

December 6, 2011

Board of Directors  
Volunteers of America Western Washington  
Everett, Washington

We have audited the accompanying consolidated statements of financial position of Volunteers of America Western Washington, a nonprofit corporation, as of June 30, 2011 and 2010 and the related consolidated statements of activity, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of Volunteers of America Western Washington. 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; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Volunteers of America Western Washington as of June 30, 2011 and 2010, and the consolidated changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2011 on our consideration of Volunteers of America Western Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Volunteers of America Western Washington taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Jacobson Jarvis & Co, PLLC*

Jacobson Jarvis & Co, PLLC

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

YEARS ENDED JUNE 30, 2011 AND 2010

|   | <u>2011</u>                  | <u>2010</u>   |
|---|------------------------------|---------------|
| <u>ASSETS</u>                                     |                              |               |
| Current Assets                                    |                              |               |
| Cash and cash equivalents                         | \$ 2,430,790                 | \$ 3,545,686  |
| Accounts receivable                               | 1,696,554                    | 1,523,906     |
| Promises to give - current                        | 290,221                      | 235,911       |
| Prepaid expenses                                  | 191,546                      | 301,996       |
| Notes receivable - current                        | 3,445                        | -             |
| Inventories                                       | 132,005                      | 163,855       |
|   | Total Current Assets         | 5,771,354     |
| Property and Equipment                            |                              |               |
| Land  | 3,691,535                    | 2,810,453     |
| Buildings and improvements                        | 7,575,290                    | 7,283,435     |
| Furnishings and equipment                         | 1,273,836                    | 1,192,191     |
| Construction in progress                          | -                            | 10,000        |
| Accumulated depreciation                          | (3,938,274)                  | (3,465,292)   |
|   | Total Property and Equipment | 7,830,787     |
| Other Assets                                      |                              |               |
| Designated and restricted assets                  | 3,382,319                    | 3,175,569     |
| Long-term investments                             | 371,821                      | 377,477       |
| Notes receivable - long-term                      | 161,801                      | -             |
| Promises to give - long-term                      | 62,405                       | 93,437        |
|   | Total Other Assets           | 3,646,483     |
|   | \$ 17,325,294                | \$ 17,248,624 |
| <u>LIABILITIES AND NET ASSETS</u>                 |                              |               |
| Current Liabilities                               |                              |               |
| Accounts payable                                  | \$ 179,470                   | \$ 441,183    |
| Accrued payroll expenses                          | 768,512                      | 806,938       |
| Current portion of long-term obligations          | 23,306                       | 444,774       |
| Refundable advance                                | 21,295                       | 182,827       |
| Other current liabilities                         | 255,139                      | 408,104       |
|   | Total Current Liabilities    | 2,283,826     |
| Accrued Postretirement Benefit Costs              | 483,486                      | 490,411       |
| Long-term Obligations, less current portion above | 5,725,707                    | 4,336,384     |
|   | Total Liabilities            | 7,110,621     |
| Net Assets  |                              |               |
| Unrestricted                                      | 8,333,050                    | 8,665,077     |
| Temporarily restricted                            | 815,403                      | 767,133       |
| Permanently restricted                            | 719,926                      | 705,793       |
|   | Total Net Assets             | 10,138,003    |
|   | \$ 17,325,294                | \$ 17,248,624 |

See notes to financial statements.

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

CONSOLIDATED STATEMENTS OF ACTIVITY

YEARS ENDED JUNE 30, 2011 AND 2010

|   | 2011                |                               |                               |                   | 2010                |                               |                               |                   |
|---|---------------------|-------------------------------|-------------------------------|-------------------|---------------------|-------------------------------|-------------------------------|-------------------|
|   | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u>      | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u>      |
| Public Support and Revenues from Operations       |                     |                               |                               |                   |                     |                               |                               |                   |
| Public support received directly                  |                     |                               |                               |                   |                     |                               |                               |                   |
| Contributions                                     | \$ 1,102,935        | \$ 731,176                    | \$ 11,550                     | \$ 1,845,661      | \$ 1,105,909        | \$ 639,347                    | \$ 1,400                      | \$ 1,746,656      |
| Contributions, in-kind                            | 4,233,777           | -                             | -                             | 4,233,777         | 4,586,097           | -                             | -                             | 4,586,097         |
| Special events, net of direct benefit cost        | 205                 | -                             | -                             | 205               | 41,224              | 20,452                        | -                             | 61,676            |
| Contributed services, at fair value               | 80,929              | -                             | -                             | 80,929            | 92,074              | -                             | -                             | 92,074            |
| Public support received indirectly                |                     |                               |                               |                   |                     |                               |                               |                   |
| United Way  | -                   | 519,909                       | -                             | 519,909           | -                   | 503,894                       | -                             | 503,894           |
| Volunteers of America awards and grants           | -                   | 56,900                        | -                             | 56,900            | -                   | 34,830                        | -                             | 34,830            |
| Total Public Support                              | <u>5,417,846</u>    | <u>1,307,985</u>              | <u>11,550</u>                 | <u>6,737,381</u>  | <u>5,825,304</u>    | <u>1,198,523</u>              | <u>1,400</u>                  | <u>7,025,227</u>  |
| Revenue and Grants from Governmental Agencies     | <u>14,241,933</u>   |                               |                               | <u>14,241,933</u> | <u>14,145,172</u>   |                               |                               | <u>14,145,172</u> |
| Other Revenue                                     |                     |                               |                               |                   |                     |                               |                               |                   |
| Program service fees                              | 627,399             |                               |                               | 627,399           | 561,819             |                               |                               | 561,819           |
| Rental income                                     | 166,038             |                               |                               | 166,038           | 90,401              |                               |                               | 90,401            |
| Other operating income                            | <u>4,263</u>        |                               |                               | <u>4,263</u>      | <u>198</u>          |                               |                               | <u>198</u>        |
| Total Other Revenue                               | <u>797,700</u>      |                               |                               | <u>797,700</u>    | <u>652,418</u>      |                               |                               | <u>652,418</u>    |
| Net Assets Released from Restrictions             |                     |                               |                               |                   |                     |                               |                               |                   |
| Released from time restrictions                   | 563,650             | (563,650)                     | -                             | -                 | 1,033,068           | (1,033,068)                   | -                             | -                 |
| Released from purpose restrictions                | <u>810,120</u>      | <u>(810,120)</u>              | -                             | -                 | <u>642,731</u>      | <u>(642,731)</u>              | -                             | -                 |
| Total Net Assets Released from Restriction        | <u>1,373,770</u>    | <u>(1,373,770)</u>            | -                             | -                 | <u>1,675,799</u>    | <u>(1,675,799)</u>            | -                             | -                 |
| Total Public Support and Revenues from Operations | 21,831,249          | (65,785)                      | 11,550                        | 21,777,014        | 22,298,693          | (477,276)                     | 1,400                         | 21,822,817        |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
CONSOLIDATED STATEMENTS OF ACTIVITY (Continued)

YEARS ENDED JUNE 30, 2011 AND 2010

|  | 2011                |                                   |                                   |                     | 2010                |                                   |                                   |                     |
|--|---------------------|-----------------------------------|-----------------------------------|---------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
| Total Public Support and Revenues<br>from Operations (carried forward) | \$21,831,249        | \$ (65,785)                       | \$ 11,550                         | \$21,777,014        | \$22,298,693        | \$ (477,276)                      | \$ 1,400                          | \$21,822,817        |
| Expenses   |                     |                                   |                                   |                     |                     |                                   |                                   |                     |
| Program services   |                     |                                   |                                   |                     |                     |                                   |                                   |                     |
| Encouraging Positive Development                                       | 1,584,223           |                                   |                                   | 1,584,223           | 1,552,990           |                                   |                                   | 1,552,990           |
| Fostering Independence   | 9,336,574           |                                   |                                   | 9,336,574           | 9,089,867           |                                   |                                   | 9,089,867           |
| Promoting Self-Sufficiency   | 8,317,132           |                                   |                                   | 8,317,132           | 8,726,662           |                                   |                                   | 8,726,662           |
| Total Program Services   | <u>19,237,929</u>   |                                   |                                   | <u>19,237,929</u>   | <u>19,369,519</u>   |                                   |                                   | <u>19,369,519</u>   |
| Supporting Services  |                     |                                   |                                   |                     |                     |                                   |                                   |                     |
| Management and general   | 2,181,920           |                                   |                                   | 2,181,920           | 1,784,358           |                                   |                                   | 1,784,358           |
| Fundraising  | 626,076             |                                   |                                   | 626,076             | 673,636             |                                   |                                   | 673,636             |
| Total Supporting Services  | <u>2,807,996</u>    |                                   |                                   | <u>2,807,996</u>    | <u>2,457,994</u>    |                                   |                                   | <u>2,457,994</u>    |
| Affiliate Fees   | 363,978             |                                   |                                   | 363,978             | 331,534             |                                   |                                   | 331,534             |
| Total Expenses   | <u>22,409,903</u>   | -                                 | -                                 | <u>22,409,903</u>   | <u>22,159,047</u>   | -                                 | -                                 | <u>22,159,047</u>   |
| Change in Net Assets from Operations                                   | <u>(578,654)</u>    | <u>(65,785)</u>                   | <u>11,550</u>                     | <u>(632,889)</u>    | <u>139,646</u>      | <u>(477,276)</u>                  | <u>1,400</u>                      | <u>(336,230)</u>    |
| Non-operating Gains (Losses) and Other Revenue                         |                     |                                   |                                   |                     |                     |                                   |                                   |                     |
| Interest and dividend income   | 36,788              | 19,773                            | 2,583                             | 59,144              | 67,172              | 26,543                            |                                   | 93,715              |
| Gain on investments  | 224,742             | 94,282                            | -                                 | 319,024             | 96,142              | 50,839                            | -                                 | 146,981             |
| Other non-operating losses   | (14,903)            | -                                 | -                                 | (14,903)            | -                   | -                                 | -                                 | -                   |
| Change in Net Assets from Other Activities                             | <u>246,627</u>      | <u>114,055</u>                    | <u>2,583</u>                      | <u>363,265</u>      | <u>163,314</u>      | <u>77,382</u>                     | <u>-</u>                          | <u>240,696</u>      |
| Total Change in Net Assets   | <u>(332,027)</u>    | <u>48,270</u>                     | <u>14,133</u>                     | <u>(269,624)</u>    | <u>302,960</u>      | <u>(399,894)</u>                  | <u>1,400</u>                      | <u>(95,534)</u>     |
| Net Assets, beginning of year  | <u>8,665,077</u>    | <u>767,133</u>                    | <u>705,793</u>                    | <u>10,138,003</u>   | <u>8,362,117</u>    | <u>1,167,027</u>                  | <u>704,393</u>                    | <u>10,233,537</u>   |
| Net Assets, end of year  | <u>\$ 8,333,050</u> | <u>\$ 815,403</u>                 | <u>\$ 719,926</u>                 | <u>\$ 9,868,379</u> | <u>\$ 8,665,077</u> | <u>\$ 767,133</u>                 | <u>\$ 705,793</u>                 | <u>\$10,138,003</u> |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

|  | Program Services                       |                           |                                   |                              | Supporting Services          |                   |                                 | Total               |
|--|--|---------------------------|-----------------------------------|------------------------------|------------------------------|-------------------|---------------------------------|---------------------|
|  | Encouraging<br>Positive<br>Development | Fostering<br>Independence | Promoting<br>Self-<br>Sufficiency | Program<br>Services<br>Total | Management<br>and<br>General | Fundraising       | Supporting<br>Services<br>Total |                     |
| Salaries and wages                                   | \$ 895,691                             | \$ 6,766,293              | \$ 1,624,989                      | \$ 9,286,973                 | \$ 1,219,750                 | \$ 226,522        | \$ 1,446,272                    | \$10,733,245        |
| Payroll taxes  | 93,691                                 | 994,890                   | 158,572                           | 1,247,153                    | 102,392                      | 22,134            | 124,526                         | 1,371,679           |
| Employee benefits                                    | 101,394                                | 482,343                   | 134,300                           | 718,037                      | 145,435                      | 28,682            | 174,117                         | 892,154             |
| Total Payroll Expenses                               | 1,090,776                              | 8,243,526                 | 1,917,861                         | 11,252,163                   | 1,467,577                    | 277,338           | 1,744,915                       | 12,997,078          |
| Specific assistance to individuals                   | 41,408                                 | 185,615                   | 5,349,720                         | 5,576,743                    | -                            | -                 | -                               | 5,576,743           |
| Other professional fees                              | 127,017                                | 158,933                   | 195,593                           | 481,543                      | 133,244                      | 238,932           | 372,176                         | 853,719             |
| Occupancy  | 95,045                                 | 146,378                   | 226,961                           | 468,384                      | 76,535                       | 6,806             | 83,341                          | 551,725             |
| Depreciation   | 33,794                                 | 140,754                   | 225,957                           | 400,505                      | 123,652                      | 10,221            | 133,873                         | 534,378             |
| Supplies   | 74,126                                 | 81,071                    | 87,628                            | 242,825                      | 81,584                       | 25,541            | 107,125                         | 349,950             |
| Telecommunications                                   | 30,539                                 | 163,904                   | 79,115                            | 273,558                      | 32,531                       | 8,456             | 40,987                          | 314,545             |
| Travel and transportation                            | 30,321                                 | 103,093                   | 63,652                            | 197,066                      | 39,774                       | 13,527            | 53,301                          | 250,367             |
| Interest   | -                                      | 55,891                    | 59,347                            | 115,238                      | 58,056                       | 8,177             | 66,233                          | 181,471             |
| Insurance  | 11,434                                 | 15,902                    | 27,338                            | 54,674                       | 38,281                       | 6,826             | 45,107                          | 99,781              |
| Equipment rental and maintenance                     | 18,020                                 | 21,268                    | 46,087                            | 85,375                       | 11,319                       | 2,188             | 13,507                          | 98,882              |
| Conferences and meetings                             | 10,884                                 | 6,258                     | 11,073                            | 28,215                       | 13,830                       | 8,250             | 22,080                          | 50,295              |
| Accounting fees                                      | -                                      | -                         | -                                 | -                            | 47,573                       | -                 | 47,573                          | 47,573              |
| Postage  | 11,148                                 | 10,219                    | 14,644                            | 36,011                       | 3,923                        | 5,013             | 8,936                           | 44,947              |
| Printing and publications                            | 9,080                                  | 3,762                     | 9,497                             | 22,339                       | 11,073                       | 9,510             | 20,583                          | 42,922              |
| Legal fees   | -                                      | -                         | 73                                | 73                           | 40,832                       | -                 | 40,832                          | 40,905              |
| Other  | 631                                    | -                         | 2,586                             | 3,217                        | 2,136                        | 5,291             | 7,427                           | 10,644              |
| Total Functional Expenses                            | <u>\$ 1,584,223</u>                    | <u>\$ 9,336,574</u>       | <u>\$ 8,317,132</u>               | <u>\$19,237,929</u>          | <u>\$ 2,181,920</u>          | <u>\$ 626,076</u> | <u>\$ 2,807,996</u>             | 22,045,925          |
| Administrative fees paid to national<br>organization |  |                           |                                   |                              |                              |                   |                                 | <u>363,978</u>      |
| Total Expenses                                       |  |                           |                                   |                              |                              |                   |                                 | <u>\$22,409,903</u> |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

|  | Program Services                       |                           |                                   |                              | Supporting Services          |                   |                                 | Total               |
|--|--|---------------------------|-----------------------------------|------------------------------|------------------------------|-------------------|---------------------------------|---------------------|
|  | Encouraging<br>Positive<br>Development | Fostering<br>Independence | Promoting<br>Self-<br>Sufficiency | Program<br>Services<br>Total | Management<br>and<br>General | Fundraising       | Supporting<br>Services<br>Total |                     |
| Salaries and wages                                   | \$ 888,484                             | \$ 6,839,879              | \$ 1,637,465                      | \$ 9,365,828                 | \$ 1,025,321                 | \$ 201,154        | \$ 1,226,475                    | \$10,592,303        |
| Payroll taxes  | 89,779                                 | 822,120                   | 151,381                           | 1,063,280                    | 77,842                       | 18,200            | 96,042                          | 1,159,322           |
| Employee benefits                                    | 77,488                                 | 445,409                   | 120,821                           | 643,718                      | 146,493                      | 27,833            | 174,326                         | 818,044             |
| Total Payroll Expenses                               | 1,055,751                              | 8,107,408                 | 1,909,667                         | 11,072,826                   | 1,249,656                    | 247,187           | 1,496,843                       | 12,569,669          |
| Specific assistance to individuals                   | 51,085                                 | 172,758                   | 5,817,887                         | 6,041,730                    | -                            | -                 | -                               | 6,041,730           |
| Other professional fees                              | 135,941                                | 148,130                   | 224,981                           | 509,052                      | 103,617                      | 292,970           | 396,587                         | 905,639             |
| Occupancy  | 81,546                                 | 153,417                   | 206,668                           | 441,631                      | 62,145                       | 9,253             | 71,398                          | 513,029             |
| Depreciation   | 23,252                                 | 57,578                    | 177,082                           | 257,912                      | 82,765                       | 14,467            | 97,232                          | 355,144             |
| Supplies   | 69,070                                 | 90,361                    | 75,183                            | 234,614                      | 61,067                       | 35,190            | 96,257                          | 330,871             |
| Telecommunications                                   | 30,982                                 | 177,417                   | 94,578                            | 302,977                      | 24,244                       | 11,981            | 36,225                          | 339,202             |
| Travel and transportation                            | 31,232                                 | 73,319                    | 57,987                            | 162,538                      | 28,423                       | 15,979            | 44,402                          | 206,940             |
| Interest   | -                                      | 27,504                    | 32,804                            | 60,308                       | 13,252                       | 7,952             | 21,204                          | 81,512              |
| Insurance  | 18,470                                 | 25,040                    | 25,583                            | 69,093                       | 23,868                       | 7,268             | 31,136                          | 100,229             |
| Equipment rental and maintenance                     | 16,704                                 | 19,572                    | 46,580                            | 82,856                       | 10,679                       | 2,988             | 13,667                          | 96,523              |
| Conferences and meetings                             | 15,502                                 | 13,619                    | 18,878                            | 47,999                       | 10,655                       | 6,547             | 17,202                          | 65,201              |
| Accounting fees                                      | -                                      | -                         | -                                 | -                            | 38,477                       | -                 | 38,477                          | 38,477              |
| Postage  | 12,948                                 | 11,327                    | 13,314                            | 37,589                       | 18,430                       | 5,997             | 24,427                          | 62,016              |
| Printing and publications                            | 10,498                                 | 8,082                     | 20,930                            | 39,510                       | 6,190                        | 14,931            | 21,121                          | 60,631              |
| Legal fees   | -                                      | 4,335                     | -                                 | 4,335                        | 49,425                       | -                 | 49,425                          | 53,760              |
| Other  | 9                                      | -                         | 4,540                             | 4,549                        | 1,465                        | 926               | 2,391                           | 6,940               |
| Total Functional Expenses                            | <u>\$ 1,552,990</u>                    | <u>\$ 9,089,867</u>       | <u>\$ 8,726,662</u>               | <u>\$19,369,519</u>          | <u>\$ 1,784,358</u>          | <u>\$ 673,636</u> | <u>\$ 2,457,994</u>             | 21,827,513          |
| Administrative fees paid to national<br>organization |  |                           |                                   |                              |                              |                   |                                 | <u>331,534</u>      |
| Total Expenses                                       |  |                           |                                   |                              |                              |                   |                                 | <u>\$22,159,047</u> |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

|  | <u>2011</u>      | <u>2010</u>     |
|--|------------------|-----------------|
| <b>Cash Flows from Operating Activities</b>  |                  |                 |
| Change in net assets   | \$ (269,624)     | \$ (95,534)     |
| Adjustments to reconcile change in net assets to net cash<br>(used) provided by operating activities |                  |                 |
| Depreciation   | 534,378          | 355,144         |
| Loss (gain) on disposal of equipment   | 47,410           | (5,311)         |
| Gain on investments  | (319,024)        | (146,981)       |
| Reinvested dividends   | (47,934)         | (63,653)        |
| Contributions and grants restricted to capital projects  | -                | (25,000)        |
| Contributions restricted to endowment  | (11,550)         | (1,400)         |
| Interest accrued   | 37,254           | 18,750          |
| (Increase) decrease in   |                  |                 |
| Accounts receivable  | (172,648)        | 134,433         |
| Promises to give   | (23,278)         | 372,667         |
| Prepaid expenses   | 110,450          | 10,106          |
| Inventories  | 31,850           | (22,109)        |
| (Decrease) increase in   |                  |                 |
| Accounts payable   | (159,613)        | 71,635          |
| Accrued payroll expenses   | (38,426)         | 43,680          |
| Refundable advance   | (161,532)        | (89,446)        |
| Accrued postretirement benefit costs   | (6,925)          | 2,971           |
| Other current liabilities  | <u>(152,965)</u> | <u>(44,602)</u> |
| Net Cash (Used) Provided by Operating Activities   | <u>(602,177)</u> | <u>515,350</u>  |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| <b>Cash Flows from Investing Activities</b>                        |                     |                     |
| Purchases of investments   | (209,193)           | (156,597)           |
| Proceeds from sale of property and equipment                       | 4,300               | 8,500               |
| Sales of investments   | 165,057             | 2,428               |
| Purchases of property and equipment                                | <u>(464,788)</u>    | <u>(852,711)</u>    |
| Net Cash Used by Investing Activities                              | <u>(504,624)</u>    | <u>(998,380)</u>    |
| <b>Cash Flows from Financing Activities</b>                        |                     |                     |
| Principal payments on long-term obligations                        | (19,645)            | (34,056)            |
| Receipt of contributions and grants restricted to capital projects | -                   | 25,000              |
| Receipt of contributions restricted to endowment                   | 11,550              | 1,400               |
| Proceeds from issuance of forgivable note                          | <u>-</u>            | <u>167,969</u>      |
| Net Cash (Used) Provided by Financing Activities                   | <u>(8,095)</u>      | <u>160,313</u>      |
| Change in Cash and Cash Equivalents                                | (1,114,896)         | (322,717)           |
| Cash and Cash Equivalents - beginning of year                      | <u>3,545,686</u>    | <u>3,868,403</u>    |
| Cash and Cash Equivalents - end of year                            | <u>\$ 2,430,790</u> | <u>\$ 3,545,686</u> |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE A - ORGANIZATION

The consolidated financial statements for Volunteers of America Western Washington include Volunteers of America Western Washington and VOA Property Corporation of NWW, which collectively are referred to as the Organization.

Volunteers of America Western Washington is a locally incorporated nonprofit Christian human services organization that provides services for those in need and opportunities for individual and community involvement. The Organization operates under a charter from Volunteers of America, Inc., a national nonprofit spiritually-based organization.

Collectively, the staff and volunteers of Volunteers of America Western Washington reach, uplift and empower those we serve. Services from any of Volunteers of America Western Washington's programs have lasting impact on the individual, family, the community, and future generations. People get the help they need as well as the support and resources to help themselves into the future.

Our programs and services create a comprehensive framework that:

- Encourages positive development
- Fosters independence
- Promotes self-sufficiency

***Encouraging Positive Development***

Many Volunteers of America's services provide support and direction for children and youth, promoting their healthy development and building healthier, stronger families. Our programs provide a continuum of physical, emotional, and educational supports that foster social, emotional and intellectual growth. These programs particularly focus on uplifting children who would otherwise have few opportunities for success, giving them hope for a positive future, and often ending the generational cycle of poverty.

Our programs and services in this impact area include:

**Child Care Resource and Referral** (Skagit and Snohomish Counties) — *Multi-faceted resource for parents searching for child care and providers offering it, helping our community to nurture child care opportunities that are licensed, safe, and constructive.*

**Northsound 2-1-1** (Skagit, Island, San Juan, Whatcom and Snohomish Counties) — *Comprehensive information and referral connecting individuals with health and human service resource information. The first and best place to find out where to go for the help you need.*

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE A - ORGANIZATION (Continued)

**ECEAP and Community Preschool** (located in Everett, WA) — *Free preschool for qualifying families, particularly those with English as Second Language. Kids from low-income families get the opportunity to start kindergarten at the same level of development as their more affluent peers.*

**Mentoring Children of Promise** (King, Kitsap, Pierce, Skagit and Snohomish Counties) — *Mentoring program that matches caring adults to children whose parents are incarcerated.*

**Safe Stop Youth Group** (located in Sultan, WA) — *Youth group that offers regular Friday night activities. A safe and healthy alternative to typical teen small town activities that prevents vandalism, violence, and other negative behaviors.*

**Scholastic Books** (Skagit and Snohomish Counties) — *Community book distribution program that gives away thousands of books per year.*

**Sky Valley Resource Center** (East King and Snohomish Counties) — *Family support center that connects Skykomish Valley residents with youth programs, as well as emergency and family support services.*

**Words Travel Family Connection** (located in Monroe and Purdy prisons) — *Literacy program that helps incarcerated parents connect with their children through reading.*

**WRAP!** (Island, San Juan, Skagit, Snohomish and Whatcom Counties) — *Training and resources for parents looking for out-of-school programs, and providers offering after school care and programs.*

***Fostering Independence***

Other Volunteers of America programs foster the health and independence of seniors and people with developmental disabilities, those especially vulnerable to becoming isolated within our communities. Our organization recognizes the importance of reaching out to – and connecting with – these individuals and offers programs that include housing, companionship, and recreation.

Our programs and services in this impact area include:

**Accessible Recreational Travel** (greater community) — *Escorted recreational trips for adults with developmental disabilities who enjoy the social interaction and excitement of “real” vacations at interesting locations. Decreases isolation, improves socialization skills, and promotes positive community acceptance of people with disabilities.*

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE A - ORGANIZATION (Continued)

**Northsound 2-1-1** (Skagit, Island, San Juan, Whatcom and Snohomish Counties) — *Comprehensive information and referral connecting individuals with health and human service resource information.*

**Greater Residential Options** (King, Skagit, Snohomish and Whatcom Counties) — *Supported living program for adults with developmental disabilities emphasizing self-determination, dignity, and the development of independent living skills.*

**Senior Companion Program** (King County) — *Program matches seniors one-on-one with other seniors for companionship, and more. Allows seniors to stay in their homes and gives caregivers of frail seniors a break so that the family can stay together.*

***Promoting Self-sufficiency***

Volunteers of America promotes self-sufficiency for individuals and families who have experienced hunger, homelessness, or other personal crisis. We work with people using a strengths-based, solution-focused approach, offering a continuum of services from prevention to intervention to empowerment. We have demonstrated how restoring self-respect creates hope for the future.

Our programs and services in this impact area include:

**Care Crisis Response Services** (Island, San Juan, Skagit, Snohomish, Whatcom Counties) — *Crisis line for the greater community, and triage line for emergency service professionals, providing 24/7 access to crisis intervention and mental health emergency services.*

**Northsound 2-1-1** (Skagit, Island, San Juan, Whatcom and Snohomish Counties) — *Comprehensive information and referral connecting individuals with health and human service resource information.*

**Community Voice Mail** (Snohomish County) — *Provides a private voicemail box so that low-income, homeless, and isolated individuals can connect with vital services and employment.*

**Dispute Resolution Center of Snohomish, Skagit and Island Counties** — *Nationally acclaimed conflict resolution training and mediation services for issues related to landlord/tenant, home and family, school, courts, and the workplace.*

**Emergency Services** (Snohomish County) — *Voucher program provides individuals and families with access to clothes, furniture, household goods, eyeglasses, prescriptions, gas, bus tickets and more.*

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE A - ORGANIZATION (Continued)

**Everett and Greenwood Food Banks** (located in Everett and Seattle's Greenwood neighborhood) — *Supplemental food supply for those in need throughout the areas served. The Food Distribution Center coordinates and distributes food for 19 food banks in small communities throughout Snohomish County feeding the hungry in their own neighborhoods.*

**Housing and Transitional Services** (Snohomish County) — *Homeless families with children work with expert case managers to achieve self-sufficiency and secure permanent, affordable housing. Individualized services include homelessness prevention services, shelter and transitional housing resources, and case management.*

**Snohomish County Food Bank Distribution Center** — *Distribution center feeds those that are hungry in their own neighborhoods by receiving, processing and distributing 3 million pounds of food annually to 19 community food banks and 15 local feeding programs. It also coordinates monthly home deliveries of fresh produce to seniors and the annual Holiday Basket Bureau that provides food and gifts for families in need.*

**Sky Valley Resource Center** (East King and Snohomish Counties) — *This family support center reaches out to all community members, particularly youth, seniors, people with disabilities, the homeless and low-income families in the Skykomish Valley. Events, programs, basic needs services such as housing and clothing, and educational opportunities are provided to strengthen individuals and families resulting in a healthier, safer, more inclusive community.*

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Volunteers of America Western Washington and its wholly-owned subsidiary, VOA Property Corporation of NWW. All material inter-organization transactions have been eliminated.

Basis of accounting

The accounting policies of the agency conform to generally accepted accounting principles (GAAP) as applicable to voluntary health and welfare organizations.

Income taxes

Under provision of Section 501(c)(3) of the Internal Revenue Code and the applicable tax regulations of the State of Washington, Volunteers of America Western Washington 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 WESTERN WASHINGTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Volunteers of America, Inc. is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3). There were no unrelated business activities in 2011 and 2010. Accordingly, no tax expense was incurred during the years ended June 30, 2011 and 2010.

VOA Property Corporation of NWW is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(3). Accordingly, no provision for income tax is reflected in these consolidated financial statements.

Concentration of credit risk

The Organization maintains cash accounts at financial institutions located in Washington State. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

In November 2010 the FDIC adopted its Temporary Liquidity Guarantee Program. This program contains the Transaction Account Guarantee Program, in which the FDIC committed to provide a full guarantee for deposits held at FDIC-insured institutions in noninterest-bearing transaction accounts. The Transaction Account Guarantee Program has been extended until December 31, 2011.

There were no uninsured cash accounts as of June 30, 2011 and 2010.

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 accompanying notes. Actual results could differ from those estimates.

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.

Accounts receivable

Accounts receivable are stated at net realizable value and consist primarily of amounts due from government agencies.

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of used donated vehicles and Federal food commodities recorded at fair values determined by the U.S. Department of Agriculture.

Reclassifications

Certain reclassifications have been made to the 2010 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Investments

Investments consist primarily of stock, bonds and cash reserve funds, which are recorded at fair value. Investments are as follows as of June 30, 2011:

|  | Designated<br>and Restricted<br>Assets | Long-term<br>Investments | Total               |
|--|--|--------------------------|---------------------|
| Mutual funds                           | \$ 2,064,681                           | \$ -                     | \$ 2,064,681        |
| Money market accounts                  | 36,447                                 | -                        | 36,447              |
| Assets held in trust                   | 453,013                                | -                        | 453,013             |
| Certificates of deposit                | 659,731                                | 371,821                  | 1,031,552           |
| Cash and cash equivalents              | 92,567                                 | -                        | 92,567              |
| Cash surrender value of life insurance | 75,880                                 | -                        | 75,880              |
|  | <u>\$ 3,382,319</u>                    | <u>\$ 371,821</u>        | <u>\$ 3,754,140</u> |

Investments are as follows as of June 30, 2010:

|  | Designated<br>and Restricted<br>Assets | Long-term<br>Investments | Total               |
|--|--|--------------------------|---------------------|
| Mutual funds                           | \$ 1,573,939                           | \$ -                     | \$ 1,573,939        |
| Money market accounts                  | 36,441                                 | 157,477                  | 193,918             |
| Assets held in trust                   | 378,067                                | -                        | 378,067             |
| Certificates of deposit                | 651,841                                | -                        | 651,841             |
| Cash and cash equivalents              | 460,644                                | -                        | 460,644             |
| Cash surrender value of life insurance | 74,637                                 | -                        | 74,637              |
| Property held for sale                 | -                                      | 220,000                  | 220,000             |
|  | <u>\$ 3,175,569</u>                    | <u>\$ 377,477</u>        | <u>\$ 3,553,046</u> |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and designated assets

Restricted and designated assets represent the total of all assets that are encumbered by donor restriction, 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.

Designated and restricted amounts are as follows as of June 30:

|   | <u>2011</u>         | <u>2010</u>         |
|---|---------------------|---------------------|
| Board designated                            |                     |                     |
| Future development and capital improvements | \$ 1,628,556        | \$ 1,865,395        |
| Endowment Fund                              | 709,296             | 398,253             |
| Donor-restricted endowment funds            |                     |                     |
| Endowment fund                              | 317,016             | 294,550             |
| Assets held in trust and related earnings   | 651,571             | 542,734             |
| Cash surrender value of life insurance      | <u>75,880</u>       | <u>74,637</u>       |
|   | <u>\$ 3,382,319</u> | <u>\$ 3,175,569</u> |

Contributions

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value (NPV) of the amounts expected to be collected using an estimated discount rate. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Promises to give are due as follows as of June 30, 2011:

|                                       |                   |
|---------------------------------------|-------------------|
| Less than one year                    | \$ 290,221        |
| One to five years                     | 63,455            |
| Six to ten years                      | <u>950</u>        |
|                                       | 354,626           |
| Less: allowance for doubtful accounts | <u>(2,000)</u>    |
|                                       | <u>\$ 352,626</u> |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes receivable

Note receivable consists of a receivable from a third party, collateralized by first deed of trust on real property, due in monthly payments of \$964 including interest at 5% through March 1, 2016. Total outstanding balance as of June 30, 2011 was \$165,246.

Property and Equipment

Land, buildings and equipment purchased by the Organization are recorded at cost. The Organization follows the practice of capitalizing the cost of land, buildings and equipment over \$3,000; the fair value of donated fixed assets is similarly capitalized. The Organization uses the direct expensing method to account for planned major maintenance activities. Depreciation is computed on the straight-line method based upon the following estimated useful lives of the assets:

|                            |            |
|----------------------------|------------|
| Furniture and equipment    | 5-15 years |
| Transportation vehicles    | 3-7 years  |
| Buildings and improvements | 5-40 years |

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 activity as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Temporarily restricted net assets are available for the following purposes as of June 30:

|  | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|
| Subsequent periods                               | \$ 66,288         | \$ 90,029         |
| United Way - 2-1-1 program in subsequent periods | 86,500            | 106,500           |
| Endowment earnings not yet appropriated          | 337,490           | 223,433           |
| Encouraging positive development                 | 34,354            | 69,174            |
| Fostering independence                           | -                 | 1,411             |
| Promoting self-sufficiency                       | 220,787           | 210,905           |
| Dispute Resolution Center                        | 19,834            | -                 |
| Christian Services                               | 46,900            | -                 |
| Volunteer management/development                 | 3,250             | 65,681            |
|  | <u>\$ 815,403</u> | <u>\$ 767,133</u> |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Contributed Services and Goods

Volunteers of America Western Washington 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.

Contributed services to the Dispute Resolution Center programs were \$80,929 and \$92,074 for the years ended June 30, 2011 and 2010, respectively.

A number of volunteers donated services with an estimated value of \$1,321,529 and \$932,718 to other programs for the years ended June 30, 2011 and 2010, respectively. The contributed services to these programs are not reflected in the consolidated financial statements, as they do not meet the recognition criteria.

Volunteers of America Western Washington receives donations of food for distribution from the Federal government, area businesses and individuals. The Organization records food donations on an average value per pound basis, as determined by the State of Washington, Emergency Food Assistance Program (EFAP). Excluding federal commodities, donated food is valued at \$1.50 per pound. This method was applied consistently and the estimated fair value was not expected to be materially different from that determined using a more detailed measurement of the fair value. Federal commodities are valued based on pricing lists published by the U.S. Department of Agriculture. Food contributed for the years ended June 30, 2011 and 2010 was \$4,208,774 and \$4,573,597, respectively, of which, \$3,111,759 and \$3,483,785, respectively, was from non-federal sources.

Donations from the Scholastic Book Programs were \$25,000 and \$12,500, respectively, for the years ended June 30, 2011 and 2010. Donated goods received are valued at fair value.

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government contracts and grants and related receivables

A substantial portion of revenues are derived from contracts and grants administered by federal, state, and local government agencies. Revenue from certain grant programs is subject to audit, which could result in adjustments. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the granting agency. For the years ended June 30, 2011 and 2010, there were no adjustments.

Operations

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

Allocation of functional expenses

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

Supplemental cash flow information

Cash paid for interest totaled \$181,471 and \$81,512 for the years ended June 30, 2011 and 2010, respectively. For the year ended June 30, 2011, property acquisition through the assumption of debt totaled \$950,000 and note receivable incurred through sale of investments totaled \$165,000.

NOTE C - LONG-TERM OBLIGATIONS

Long term obligations consist of the following mortgages and notes payable at June 30:

|  | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|
| Mortgage payable to Frontier Bank, collateralized by first deed of trust on real property, due in monthly payments of \$3,047 including interest at 5.95% through April 1, 2011.   | \$ -        | \$ 434,855  |
| Promissory note payable to Gail and Dean Douma, collateralized by first deed of trust on real property. Monthly interest incurred at 6% is \$9,125, of which \$6,000 is paid in cash. Unpaid interest is added to principal and accrues no additional interest cost. Total accrued interest of \$93,750 will be payable upon the note's maturity. Accrued interest totaled \$56,250 at June 30, 2011. The original principal and accrued interest is due on December 31, 2012. | 1,881,250   | 1,843,750   |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

| NOTE C - LONG-TERM OBLIGATIONS (Continued)  | <u>2011</u> | <u>2010</u> |
|---|-------------|-------------|
| Mortgage payable to Union Bank, collateralized by certificate of deposit of \$200,000, due in monthly payments of \$2,736 including interest at 4.64% through March 31, 2016.   | 425,129     | -           |
| Promissory note payable to Lynnwood Rotary Community Foundation, collateralized by first deed of trust on real property. Monthly interest incurred at 5% is \$3,958. The note is interest only until maturity on July 23, 2015.   | 950,000     | -           |
| Non-interest bearing mortgage note payable to Snohomish County secured by a deed of trust on real property. The note expires and the debt shall be forgiven on December 31, 2018 provided that no default has occurred. Volunteers of America Western Washington fully intends to comply with the terms of the note. This loan was funded by the Federal Community Development Block Grant Program. | 845,774     | 845,774     |
| Non-interest bearing note payable to City of Everett, secured by a deed of trust on real property. The note expires and the debt shall be forgiven on July 1, 2024 provided that no default has occurred. The Organization fully intends to comply with the terms of the note. The loan was funded by the Federal Community Development Block Grant Program.  | 250,000     | 250,000     |
| Non-interest bearing note payable to Snohomish County, secured by a deed of trust on real property. The note expires and the debt shall be forgiven on May 31, 2023 provided that no default has occurred. The Organization fully intends to comply with the terms of the note. The note was funded by the Federal Community Development Block Grant Program.                                       | 225,000     | 225,000     |
| Non-interest bearing note payable to Snohomish County, secured by a deed of trust on real property. The note expires and the debt shall be forgiven on September 1, 2024 provided that no default has occurred. The Organization fully intends to comply with the terms of the note. The note was funded by the Federal Community Development Block Grant Program.                                  | 167,969     | 167,969     |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

| NOTE C - LONG-TERM OBLIGATIONS (Continued)  | <u>2011</u>                | <u>2010</u>                |
|---|----------------------------|----------------------------|
| Non-interest bearing notes payable to Snohomish County, secured by a deed of trust on real property. The notes expire and the debt shall be forgiven on December 31, 2046 provided that no default has occurred. The Organization fully intends to comply with the terms of the notes. The notes were funded by the Federal Community Development Block Grant Program.          | 317,473                    | 317,473                    |
| Non-interest bearing notes payable to the State of Washington due in annual installments of \$8,130 through January 1, 2055 and secured by a deed of trust on real property. Notes expire and the remaining debt of \$250,000 shall be forgiven on January 1, 2055 provided that no default has occurred. The Organization fully intends to comply with the terms of the notes. | 607,696                    | 615,827                    |
| Non-interest bearing note payable to the State of Washington due in annual installments of \$1,789 through January 1, 2055. Note is secured by a deed of trust on real property.  | <u>78,722</u>              | <u>80,510</u>              |
|   | 5,749,013                  | 4,781,158                  |
| Less current maturities   | <u>23,306</u>              | <u>444,774</u>             |
|   | <u><u>\$ 5,725,707</u></u> | <u><u>\$ 4,336,384</u></u> |

Scheduled principal reductions are:

| Years ending June 30, |                            |
|-----------------------|----------------------------|
| 2012                  | \$ 23,306                  |
| 2013                  | 1,905,191                  |
| 2014                  | 24,605                     |
| 2015                  | 25,301                     |
| 2016                  | 1,327,571                  |
| Thereafter            | <u>2,443,039</u>           |
|                       | <u><u>\$ 5,749,013</u></u> |

**NOTE D - RELATED PARTY**

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, 2011 and 2010 totaled \$363,978 and \$331,826, respectively. Amounts due to Volunteers of America, Inc. for affiliate fees totaled \$118,159 and \$57,751 at June 30, 2011 and 2010, respectively.

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE D - RELATED PARTY (Continued)

The Organization received grants from the Volunteers of America National Organization of \$56,900 and \$34,830 for the years ended June 30, 2011 and 2010, respectively. Through a partnership with Volunteers of America, Inc. and Scholastic Books, Volunteers of America Western Washington has distributed books to at-risk children. The value of books distributed was \$25,000 and \$12,500 for the years ended June 30, 2011 and 2010, respectively.

NOTE E - OPERATING LEASES

Volunteers of America Western Washington has certain non-cancelable leases for office space that expire through 2014, with certain options to renew. Rent expense was \$125,974 and \$146,118 for office space included in occupancy expenses for the years ended June 30, 2011 and 2010, respectively. Future minimum lease payments under operating leases with remaining lease terms greater than one year are as follows:

| Years ending June 30, |                   |
|-----------------------|-------------------|
| 2012                  | \$ 87,235         |
| 2013                  | 24,216            |
| 2014                  | <u>20,180</u>     |
|                       | <u>\$ 131,631</u> |

NOTE F - DEFERRED COMPENSATION PLANS

Volunteers of America Western Washington offers a tax deferred annuity program for its employees. The Organization collects and remits the employee-designated contributions to the contracting insurance company, and does not make contributions to the program.

Volunteers of America Western Washington offers a tax deferred annuity thrift program for employees who have completed two years of employment. The Organization matches an amount equal to \$.50 on the dollar for employees with two to five years of tenure, \$.60 on the dollar for employees with five to ten years of tenure and \$.70 on the dollar for employees with ten or more years of tenure. This match is made on all employee contributions up to 5% of the employee's salary. Employer contributions for the years ended June 30, 2011 and 2010 totaled \$77,835 and \$71,037, respectively.

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. Pension plan expense was \$34,220 and \$32,161 for the years ended June 30, 2011 and 2010, respectively. Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits as they relate solely to Volunteers of America Western Washington are not readily available.

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**NOTE G - POSTRETIREMENT HEALTH BENEFITS PLAN**

Effective January 1, 2003, Volunteers of America Western Washington adopted a non-funded, non-contributory Postretirement Health Benefit Plan. The Plan provides defined healthcare benefits based on years of service, employee classification and attainment of minimum age requirements. The Plan measurement date is June 30. Volunteers of America Western Washington does not require employee contributions to the Plan. There are no unrecognized prior service costs to date. The activity relating to the Plan for the years ended June 30, 2011 and 2010 is summarized as follows:

|   | <u>Accumulated<br/>Postretirement<br/>Benefit<br/>Obligation</u> |
|---|--|
| As of June 30, 2009   | \$ <u>487,440</u>  |
| Net Periodic postretirement benefit<br>cost included in Employee benefits | 32,770   |
| Benefit payments  | <u>(29,799)</u>  |
| Net Change  | <u>2,971</u>   |
| As of June 30, 2010   | <u>490,411</u>   |
| Net Periodic postretirement benefit<br>cost included in Employee benefits | 31,949   |
| Benefit payments  | <u>(38,874)</u>  |
| Net Change  | <u>(6,925)</u>   |
| As of June 30, 2011   | <u>\$ 483,486</u>  |

The accounting for the Plan used a 4% discount rate and health care costs were estimated to increase by 10% next year and an average of 10% in future years. Benefits expected to be paid in the next five years and in the aggregate for the five years thereafter are as follows:

| Years ending June 30, |    |                |
|-----------------------|----|----------------|
| 2012                  | \$ | 32,375         |
| 2013                  |    | 42,315         |
| 2014                  |    | 61,098         |
| 2015                  |    | 69,739         |
| 2016                  |    | 75,963         |
| 2017 - 2021           |    | <u>196,330</u> |
|                       | \$ | <u>477,820</u> |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE H - ADVERTISING

Volunteers of America Western Washington uses advertising to promote its programs among the community it serves. The cost of advertising is expensed as incurred. For the years ended June 30, 2011 and 2010 advertising costs totaled \$206,486 and \$217,547, respectively.

NOTE I - REVENUE AND GRANTS FROM GOVERNMENTAL AGENCIES

The following schedule reconciles Federal and Non-federal awards to total revenue and grants from governmental agencies for the years ended June 30:

|   | <u>2011</u>         | <u>2010</u>         |
|---|---------------------|---------------------|
| Total Federal awards  | \$ 3,220,054        | \$ 3,069,917        |
| Less: Federally Originating Loans                                   |                     | (167,969)           |
| Less: Federal food commodities<br>included in in-kind contributions | <u>(1,097,018)</u>  | <u>(1,089,720)</u>  |
|   | 2,123,036           | 1,812,228           |
| Non-federal awards  | <u>12,118,897</u>   | <u>12,332,944</u>   |
| Revenue and Grants from Governmental Agencies                       | <u>\$14,241,933</u> | <u>\$14,145,172</u> |

NOTE J - FEDERAL EMERGENCY FOOD AND SHELTER GRANT

The financial activity of the Federal Emergency Food and Shelter Grant (FEMA) is required to be disclosed in these consolidated financial statements by terms of the contract. The following is the activity for the years ended June 30:

|                      | <u>2011</u>       | <u>2010</u>       |
|----------------------|-------------------|-------------------|
| Revenues             | <u>\$ 284,138</u> | <u>\$ 420,609</u> |
| Shelter expenditures | \$ 126,250        | \$ 244,677        |
| Food expenditures    | 153,414           | 168,543           |
| Administrative fee   | <u>4,474</u>      | <u>7,389</u>      |
|                      | <u>\$ 284,138</u> | <u>\$ 420,609</u> |

NOTE K - SELF INSURANCE PROGRAMS

In 2006, Volunteers of America Western Washington began to self-insure for employee health benefits. The ultimate costs of claims are accrued when incidents occur that give rise to claims. Accrued amounts of \$68,344 and \$119,653 at June 30, 2011 and 2010, respectively, are included in other liabilities and represent management's estimate including claims incurred but not reported.

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE K - SELF INSURANCE PROGRAMS (Continued)

Volunteers of America Western Washington is self-insured for state unemployment insurance. The ultimate costs of claims are accrued when incidents occur that give rise to claims. At June 30, 2011 and 2010, respectively, \$257,969 and \$215,611 was held on deposit with 501(c) Agencies Trust. Management's estimate of claims incurred but not reported total \$117,731 and \$104,999 at June 30, 2011 and 2010, respectively.

NOTE L - FAIR VALUE MEASUREMENTS

In accordance with Financial Accounting Standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial Accounting Standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data. Fair values of assets and liabilities measured on a recurring basis at June 30, 2011 and 2010 were as follows:

|  | Fair Value Measurements at June 30, 2011 |              |            |              |
|--|--|--------------|------------|--------------|
|  | Level 1                                  | Level 2      | Level 3    | Total        |
| Mutual funds                           | \$ 1,966,847                             | \$ 97,834    | \$ -       | \$ 2,064,681 |
| Money market accounts                  | 36,447                                   | -            | -          | 36,447       |
| Assets held in trust                   | -  | -            | 453,013    | 453,013      |
| Certificates of deposit                | -  | 1,031,552    | -          | 1,031,552    |
| Cash and cash equivalents              | 92,567                                   | -            | -          | 92,567       |
| Cash surrender value of life insurance | -  | -            | 75,880     | 75,880       |
|  | \$ 2,095,861                             | \$ 1,129,386 | \$ 528,893 | \$ 3,754,140 |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE L - FAIR VALUE MEASUREMENTS (Continued)

|  | Fair Value Measurements at June 30, 2010 |            |            |              |
|--|--|------------|------------|--------------|
|  | Level 1                                  | Level 2    | Level 3    | Total        |
| Mutual funds                           | \$ 1,500,682                             | \$ 73,257  | \$ -       | \$ 1,573,939 |
| Money market accounts                  | 193,918                                  | -          | -          | 193,918      |
| Assets held in trust                   | -  | -          | 378,067    | 378,067      |
| Certificates of deposit                | -  | 651,841    | -          | 651,841      |
| Cash and cash equivalents              | 460,644                                  | -          | -          | 460,644      |
| Cash surrender value of life insurance | -  | -          | 74,637     | 74,637       |
| Investment property                    | -  | 220,000    | -          | 220,000      |
|  | \$ 2,155,244                             | \$ 945,098 | \$ 452,704 | \$ 3,553,046 |

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

|   | Cash Surrender          |                            |
|---|-------------------------|----------------------------|
|   | Assets held<br>in Trust | Value of life<br>Insurance |
| Fair Value as of June 30, 2009            | \$ 356,210              | \$ 73,295                  |
| Change in Fair Value of Underlying Assets | 39,103                  | 1,342                      |
| Payments received from trust              | (17,246)                | -                          |
| Fair Value as of June 30, 2010            | 378,067                 | 74,637                     |
| Change in Fair Value of Underlying Assets | 91,589                  | 1,243                      |
| Payments received from trust              | (16,643)                | -                          |
| Fair Value as of June 30, 2011            | \$ 453,013              | \$ 75,880                  |

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, federal commodities, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return, which is a level 3 input. Additionally, privately donated food is valued on a nonrecurring basis using a per pound estimate, which is a level 3 input. Volunteers of America Western Washington also uses fair value concepts to test various long-lived assets for impairment.

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

**NOTE M - ENDOWMENTS**

The Organization's endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Both the donor-restricted and board-designated funds are to provide investment returns for Volunteers of America Western Washington. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Board of Directors of the Organization manages the endowment funds in accordance with the Uniform Prudent Management of Institutional Funds Act (UMPIFA) as adopted by the State of Washington in July 2009.

The Board of Directors of the Organization has determined that requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary is appropriate. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment, as applicable, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. the purposes of the organization and the donor-restricted endowment fund;
3. general economic conditions;
4. the role that each investment or course of action plays within the overall investment portfolio of the fund;
5. the possible effect of inflation and deflation;
6. the expected total return from income and the appreciation of investments;
7. other resources of the Organization; and
8. the investment policies of the Organization.

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE M - ENDOWMENTS (Continued)

**Return Objectives and Risk Parameters**

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s).

Under the policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to prevent the fixed income returns from under performing the Lehman Govt. - Corporate fixed income index by 3% in any quarter. Also, the Organization expects to maintain the equity portfolio at a risk level equivalent to that of the equity market as a whole, with the objective of exceeding its results annually over a three year moving time period.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based and fixed income investments and to achieve its long-term return objectives within prudent risk bases. The Organization's investment policy guidelines for all investments is reviewed and reconfirmed or revised on at least an annual basis.

Performance of the Organization's investments and the Organization's Investment Manager is reviewed by the Finance Committee of the Board of Directors and reported to the Organization's Board of Directors on a regular basis.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization does not have a formal spending policy with regard to endowment funds.

The beneficial interest in a perpetual trust is not included in these disclosures as it is managed by a trustee and the Board of Directors does not have any ability to determine how the assets are invested. The corpus of the beneficial interest of \$437,539 as of the years ended June 30, 2011 and 2010 are included in permanently restricted net assets.

Endowment net assets consist of the following at June 30, 2011:

|  | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|--|-------------------|---------------------------|---------------------------|---------------------|
| Donor-restricted endowment funds - general | \$ -              | \$ 123,456                | \$ 280,989                | \$ 404,445          |
| Board-designated endowment funds           | 709,514           | -                         | -                         | 709,514             |
| Total funds                                | <u>\$ 709,514</u> | <u>\$ 123,456</u>         | <u>\$ 280,989</u>         | <u>\$ 1,113,959</u> |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE M - ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended June 30, 2011:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets,<br>beginning of year    | \$ 398,253          | \$ 100,990                        | \$ 268,196                        | \$ 767,439          |
| Investment return:                            |                     |                                   |                                   |                     |
| Investment income                             | 19,060              | 3,130                             | 1,243                             | 23,433              |
| Net gain (realized and unrealized)            | <u>117,757</u>      | <u>19,336</u>                     | <u>-</u>                          | <u>137,093</u>      |
| Total investment return                       | 136,817             | 22,466                            | 1,243                             | 160,526             |
| Contributions                                 | 174,444             | -                                 | 11,550                            | 185,994             |
| Appropriation of endowment<br>for expenditure | <u>-</u>            | <u>-</u>                          | <u>-</u>                          | <u>-</u>            |
| Endowment net assets, end of year             | <u>\$ 709,514</u>   | <u>\$ 123,456</u>                 | <u>\$ 280,989</u>                 | <u>\$ 1,113,959</u> |

Endowment net assets consist of the following at June 30, 2010:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Donor-restricted endowment<br>funds - general | \$ -                | \$ 100,990                        | \$ 268,196                        | \$ 369,186        |
| Board-designated endowment funds              | <u>398,253</u>      | <u>-</u>                          | <u>-</u>                          | <u>398,253</u>    |
| Total funds                                   | <u>\$ 398,253</u>   | <u>\$ 100,990</u>                 | <u>\$ 268,196</u>                 | <u>\$ 767,439</u> |

Changes in endowment net assets for the year ended June 30, 2010:

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets,<br>beginning of year    | \$ 346,498          | \$ 62,712                         | \$ 266,854                        | \$ 676,064        |
| Investment return:                            |                     |                                   |                                   |                   |
| Investment income                             | 12,570              | 9,297                             | 1,342                             | 23,209            |
| Net loss (realized and unrealized)            | <u>39,185</u>       | <u>28,981</u>                     | <u>-</u>                          | <u>68,166</u>     |
| Total investment return                       | 51,755              | 38,278                            | 1,342                             | 91,375            |
| Contributions                                 | -                   | -                                 | -                                 | -                 |
| Appropriation of endowment<br>for expenditure | <u>-</u>            | <u>-</u>                          | <u>-</u>                          | <u>-</u>          |
| Endowment net assets, end of year             | <u>\$ 398,253</u>   | <u>\$ 100,990</u>                 | <u>\$ 268,196</u>                 | <u>\$ 767,439</u> |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2011 AND 2010

NOTE N - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2011 through December 6, 2011, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2011, including the estimates inherent in the processing of financial statements.

**SUPPLEMENTARY INFORMATION**

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

**Federal Grantor**

*Pass-through Grantor*

| <u>"Program Title"</u>  | <u>Contract</u>  | <u>Contract Number</u> | <u>CFDA Number</u> | <u>Federal Expenditures</u> |
|---|--|------------------------|--------------------|-----------------------------|
| <b>Department of Agriculture Food and Nutrition Service</b>                                     |  |                        |                    |                             |
| <i>State of Washington</i>  |  |                        |                    |                             |
| "Commodity Supplemental Food Program"   | Commodity Supplemental Food Program (Administrative Costs) | 99608                  | 10.565             | \$ 63,760                   |
| "Commodity Supplemental Food Program"   | Commodity Supplemental Food Program (Food Commodities)     | None                   | 10.565             | <u>210,016</u>              |
|   |  |                        |                    | <u>273,776</u>              |
| <i>State of Washington</i>  |  |                        |                    |                             |
| "Child and Adult Care Food Program"   | OSPI Child Nutrition - ECEAP                               | 31070363               | 10.558             | 8,922                       |
| "Child and Adult Care Food Program"   | OSPI Child Nutrition - ECEAP                               | 31070363               | 10.558             | 18,968                      |
| "Child and Adult Care Food Program"   | OSPI Child Nutrition - ECEAP                               | 31070363               | 10.558             | <u>11,229</u>               |
|   |  |                        |                    | <u>39,119</u>               |
| <i>State of Washington</i>  |  |                        |                    |                             |
| "Emergency Food Assistance Program (Administrative Costs)"                                      | TEFAP Commodities Distribution                             | 99586                  | 10.568*            | 50,986                      |
| "ARRA - Emergency Food Assistance Program (Administrative Costs)"                               | TEFAP ARRA funds   | None                   | 10.568*            | 90,159                      |
| "Emergency Food Assistance Program (Food Commodities)"  | TEFAP Commodities Distribution - Food Inventory            | None                   | 10.569*            | 887,002                     |
| <i>Food Lifeline</i>  |  |                        |                    |                             |
| "Emergency Food Assistance Program (Administrative Costs)"                                      | TEFAP (Greenwood Food Bank)                                | Sub-contract           | 10.568*            | <u>1,304</u>                |
|   |  |                        |                    | <u>1,029,451</u>            |
| <b>Department of Housing and Urban Development Office of Community Planning and Development</b> |  |                        |                    |                             |
| <i>Snohomish County</i>   |  |                        |                    |                             |
| "Community Development Block Grants/Entitlement Grants"   | Rental Housing Mediation Service                           | HCD-10-24-1012-018     | 14.218             | 81,420                      |
| "Community Development Block Grants/Entitlement Grants"   | Sky Valley Resource Center                                 | HCD-10-24-1013-018     | 14.218             | 21,994                      |
| "Community Development Block Grants/Entitlement Grants"   | Emergency Housing Assistance                               | HCD-10-24-1011-018     | 14.218             | 51,400                      |
| <i>King County</i>  |  |                        |                    |                             |
| "Community Development Block Grants/Entitlement Grants"   | Skykomish Outreach   | D38816D                | 14.218             | 5,963                       |
| "Community Development Block Grants/Entitlement Grants"   | Skykomish Outreach   | D39850D                | 14.218             | 11,934                      |
| <i>City of Everett</i>  |  |                        |                    |                             |
| "Community Development Block Grants/Entitlement Grants"   | Outreach/Family & Children's Services                      | None                   | 14.218             | 10,000                      |
| "Community Development Block Grants/Entitlement Grants"   | Rental Housing Mediation Service                           | None                   | 14.218             | <u>4,873</u>                |
|   |  |                        |                    | <u>187,584</u>              |
| <i>Snohomish County</i>   |  |                        |                    |                             |
| "Emergency Shelter Grants Program"  | ESG Transitional Housing for Families                      | HCD-10-31-1005-018     | 14.231             | <u>17,111</u>               |
| <i>Snohomish County</i>   |  |                        |                    |                             |
| "Supportive Housing Program"  | HUD Supportive Housing (Transitional Housing)              | HCD 10-50-0982-018     | 14.235             | <u>73,679</u>               |
|   |  |                        |                    | <u>1,620,720</u>            |

Page Subtotal 1,620,720

\* Denotes major program

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

**Federal Grantor**

*Pass-through Grantor*

| "Program Title"  | Contract  | Contract<br>Number | CFDA<br>Number                | Federal<br>Expenditures |
|--|---|--------------------|-------------------------------|-------------------------|
| <b>Department of Housing and Urban Development Office of Community Planning and Development (Continued)</b>              |   |                    |                               |                         |
| <i>State of Washington</i>   |   |                    |                               |                         |
| "ARRA - Homelessness Prevention and Rapid Re-Housing"  | Department of Commerce - ARRA                       | 10-46111-623(B)    | 14.257*                       | <u>124,602</u>          |
| <b>Department of Justice</b>   |   |                    |                               |                         |
| <i>Skagit County</i>   |   |                    |                               |                         |
| "ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government" | Victim Offender Program - ARRA                      | C20090588          | 16.804                        | 19,993                  |
| "ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government" | Victim Offender Program - ARRA                      | 2009-SB-B9-0530    | 16.804                        | <u>6,989</u>            |
|  |   |                    |                               | <u>26,982</u>           |
| "ARRA - Recovery Act - Edward Byrne Memorial Competitive Grant Program"  | Mentoring Children of Promise one-on-one - ARRA     | 2010-SC-B9-0024    | 16.808                        | <u>119,627</u>          |
| <b>Department of Transportation Federal Transit Administration (FTA)</b>   |   |                    |                               |                         |
| <i>State of Washington</i>   |   |                    |                               |                         |
| "Job Access - Reverse Commute"   | Department of Transportation - Mobility Coordinator | GCA6224-01         | 20.516                        | <u>62,340</u>           |
| <b>Department of Health and Human Services Administration for Children and Families</b>                                  |   |                    |                               |                         |
| "Mentoring Children of Prisoners"  | Mentoring Children of Promise                       | 90CV0479/02        | 93.616                        | 45,987                  |
| "Mentoring Children of Prisoners"  | Mentoring Children of Promise                       | 90CV0279/02        | 93.616                        | <u>154,656</u>          |
|  |   |                    |                               | <u>200,643</u>          |
| <i>Snohomish County</i>  |   |                    |                               |                         |
| "Community Services Block Grant"   | Shelter Case Management                             | CS-10-10-06-018    | 93.570                        | 24,395                  |
| "ARRA - Community Services Block Grant"  | North Sound 2-1-1 - ARRA                            | CS-09-12-06-018(1) | 93.710                        | <u>48,566</u>           |
|  |   |                    |                               | <u>72,961</u>           |
| "ARRA - Early Head Start"  | ARRA Early Head Start                               | CS10-65-04-018(2)  | 93.709                        | <u>7,289</u>            |
| "Block Grants for Prevention and Treatment of Substance Abuse"   | Sky Valley Treasures Project                        | SA-10-81-08-018(1) | 93.959                        | <u>4,947</u>            |
|  |   |                    | Page Subtotal carried forward | <u>1,620,720</u>        |
|  |   |                    | Page Subtotal                 | <u>2,240,111</u>        |

\* Denotes major program

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2011

**Federal Grantor**

| Pass-through Grantor<br>"Program Title"   | Contract  | Contract<br>Number | CFDA<br>Number                       | Federal<br>Expenditures |
|---|---|--------------------|--------------------------------------|-------------------------|
| <b>Department of Health and Human Services Administration for Children and Families (Continued)</b> |   |                    |                                      |                         |
| <i>YWCA of Seattle-King County</i>  |   |                    |                                      |                         |
| "Child Care and Development Block Grant"  | WRAP (School's Out Washington)                                  | None               | 93.575*                              | 65,998                  |
| <i>Washington State Childcare Resource and Referral Network</i>                                     |   |                    |                                      |                         |
| "Child Care and Development Block Grant"  | Washington State Childcare Resource and Referral Network        | None               | 93.575*                              | 283,826                 |
| "ARRA - Child Care and Development Block Grant"   | Washington State Childcare Resource and Referral Network - ARRA | None               | 93.713*                              | <u>51,500</u>           |
|   |   |                    |                                      | <u>401,324</u>          |
| <b>Department of Health and Human Services Administration on Aging</b>                              |   |                    |                                      |                         |
| <i>City of Seattle</i>  |   |                    |                                      |                         |
| "National Family Caregiver Support, Title III, Part E"  | Outreach/Family & Children's Services                           | DA09-4016          | 93.052                               | <u>12,078</u>           |
| <b>Corporation for National and Community Service</b>   |   |                    |                                      |                         |
| "Volunteers in Service to America"  | VISTA Administration  | 08VSPWA006         | 94.013                               | 1,741                   |
| "Volunteers in Service to America"  | VISTA Administration  | 08VSPWA006         | 94.013                               | 10,642                  |
| "Volunteers in Service to America"  | VISTA Administration  | 11SRPWA009         | 94.013                               | <u>28,470</u>           |
|   |   |                    |                                      | <u>40,853</u>           |
| "Senior Companion Program"  | Senior Companion Program  | 09SCPWA002         | 94.016                               | 130,698                 |
| "Senior Companion Program"  | Senior Companion Program  | 09SCPWA002         | 94.016                               | <u>110,852</u>          |
|   |   |                    |                                      | <u>241,550</u>          |
| <b>Department of Homeland Security</b>  |   |                    |                                      |                         |
| "Emergency Food and Shelter National Board Program"   | Phase XXVIII  | 23-8924-00-003     | 97.024                               | <u>284,138</u>          |
|   |   |                    | Page subtotal carried forward        | <u>2,240,111</u>        |
|   |   |                    | Total Expenditures of Federal Awards | <u>\$ 3,220,054</u>     |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Volunteers of America Western Washington and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair value of the commodities received and disbursed. At June 30, 2011, Volunteers of America Western Washington had food commodities in inventory totaling \$86,005.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

December 6, 2011

Board of Directors  
Volunteers of America Western Washington  
Everett, Washington

We have audited the consolidated financial statements of Volunteers of America Western Washington as of and for the year ended June 30, 2011, and have issued our report thereon dated December 6, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Volunteers of America Western Washington's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Volunteers of America Western Washington's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Volunteers of America Western Washington's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item 11-01 in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 11-02 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Volunteers of America Western Washington's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Volunteers of America Western Washington's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Volunteers of America Western Washington's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jacobson Jarvis & Co, PLLC

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

December 6, 2011

Board of Directors  
Volunteers of America Western Washington  
Everett, Washington

Compliance

We have audited the compliance of Volunteers of America Western Washington with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Volunteers of America Western Washington's major federal programs for the year ended June 30, 2011. Volunteers of America Western Washington's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Volunteers of America Western Washington's management. Our responsibility is to express an opinion on Volunteers of America Western Washington's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about Volunteers of America Western Washington's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Volunteers of America Western Washington's compliance with those requirements.

In our opinion, Volunteers of America Western Washington complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

Management of Volunteers of America Western Washington is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Volunteers of America Western Washington's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Volunteers of America Western Washington's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 11- 01 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 11-03 to be a significant deficiency.

Volunteers of America Western Washington's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Volunteers of America Western Washington's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Jacobson Jarvis & Co, PLLC*

Jacobson Jarvis & Co, PLLC

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the consolidated financial statements of Volunteers of America Western Washington.
2. Significant deficiencies relating to the financial statements are reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." Of these significant deficiencies, one was deemed to be a material weakness.
3. No instances of noncompliance material to the financial statements of Volunteers of America Western Washington were disclosed during the audit.
4. Significant deficiencies relating to the audit of the major federal award program are reported in the "Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133." Of these significant deficiencies, one was deemed to be a material weakness.
5. The auditor's report on compliance for the major federal award program for Volunteers of America Western Washington expresses an unqualified opinion.
6. Audit findings relative to the major federal award program for Volunteers of America Western Washington are reported in Part C of this Schedule.
7. The programs tested as major were "Emergency Food Assistance Cluster," CFDA No. 10.568 and CFDA No. 10.569; "Child Care and Development Block Grant Cluster," CFDA No. 93.575 and 93.713; and "ARRA - Homelessness Prevention and Rapid Re-Housing Program" CFDA No. 14.527.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Volunteers of America Western Washington was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

11- 01: Completeness of Schedule of Expenditures of Federal Awards (Material Weakness)

See details of Finding 11-01 in Part C Federal Award Findings and Questioned Costs below.

11-02: Monitoring (Significant Deficiency)

There is a lack of documentation of certain transaction level controls performed which precludes the ability to monitor the system as a whole. In addition, Volunteers of America Western Washington has not implemented a formal risk assessment and monitoring process to ensure the effectiveness of the internal controls sufficient to ensure its ongoing effectiveness, nor does it have a formal process in place to assess the risk of fraud.

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2011

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

*Views of a Responsible Official:* Management concurs with the above finding. We will begin to develop a system for monitoring internal controls, including formal assessment of the risk of fraud and monitoring effectiveness of internal controls.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

11-01: Completeness of Schedule of Expenditures of Federal Awards (Material Weakness)

Federal Agency: U.S. Department of Health and Human Services

Child Care and Development Block Grant, CFDA No. 93.575 and CFDA No. 93.713

*Criteria:* OMB Circular A-133 requires that all expenditures of federal awards be included on the schedule of expenditures of federal awards.

*Condition :* During our audit we noted that certain funds from the US Department of Health and Human Services had been improperly excluded from the schedule of expenditures of federal awards for the year ending June 30, 2011.

*Questioned Costs :* None. We identified no questioned costs in our tests of compliance.

*Context:* This finding was identified while reviewing completeness of the schedule of expenditures of federal awards. Volunteers of America Western Washington had identified themselves as a vendor for the Child Care and Development Block Grant program. The contract for these funds states that Volunteers of America Western Washington is a sub-recipient of these funds, and this was confirmed with the pass through grantor of the funds.

*Effect:* Certain federal award funds were not included, resulting in federal expenditures in the June 30, 2011 schedule of expenditures of federal awards originally being understated by \$399,812. Corrections have subsequently been made by Volunteers of America Western Washington to reflect these awards on the accompanying schedule of expenditures of federal awards for the current year in accordance with the requirements of OMB Circular A-133.

*Recommendation:* We suggest that Volunteers of America Western Washington establish written policies and procedures to ensure completeness of the schedule of expenditures of federal awards.

*Views of a Responsible Official:* Management concurs with the above finding and will take corrective action as outlined in the Corrective Action Plan.

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2011

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT  
(Continued)

11-03: Procurement and Suspension and Debarment (Significant Deficiency)

Federal Agency: U.S. Department of Agriculture

Emergency Food Assistance Program, CFDA No. 10.568 and CFDA No. 10.569

*Criteria:* OMB Circular A-110, Uniform Administrative Requirements for Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, and OMB 2 CFR 180, Guidance for Government wide Debarment and Suspension (Nonprocurement), requires entities to have comprehensive written procurement policies, including procedures to ensure that the contractors or sub-recipients are not suspended, debarred, or otherwise excluded from receiving federal dollars.

*Condition:* Volunteers of America of Western Washington did not have the required procurement and suspension and debarment policies and procedures in place at June 30, 2011.

*Questioned Costs:* None. We identified no questioned costs in our tests of compliance.

*Context:* This finding was identified while obtaining an understanding of internal controls over federal awards.

*Effect:* Lack of established procedures could lead to violation of procurement or suspension and debarment requirements.

*Recommendation:* We suggest that Volunteers of America Western Washington establish written procurement and suspension and debarment policies and procedures as required by OMB Circular A-110 and OMB 2 CFR 180.

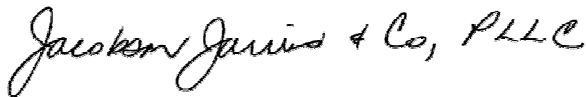
*Views of a Responsible Official:* Management concurs with the above finding and will take corrective action as outlined in the Corrective Action Plan.

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF  
NON-FEDERAL GOVERNMENTAL AWARDS

December 6, 2011

Board of Directors  
Volunteers of America Western Washington  
Everett, Washington

We have audited the consolidated financial statements of Volunteers of America Western Washington as of and for the year ended June 30, 2011, and have issued our report thereon dated December 6, 2011. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of Volunteers of America Western Washington taken as a whole. The information on pages 46 through 48 is presented for the purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the same auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.



Jacobson Jarvis & Co, PLLC

VOLUNTEERS OF AMERICA WESTERN WASHINGTON

SCHEDULE OF NON-FEDERAL GOVERNMENT AWARDS

YEAR ENDED JUNE 30, 2011

| <b>Grantor</b>   | <b>Contract</b>       | <b>7/1/2010 -</b> |
|--|-----------------------|-------------------|
| <b>"Program Title"</b>   | <b>Number</b>         | <b>6/30/2011</b>  |
| <b>State of Washington</b>                                     |                       |                   |
| "GRO Intensive Tenant Support"                                 | 0912-67952            | \$ 1,961,300      |
| "GRO Intensive Tenant Support"                                 | 0912-65530            | 5,572,132         |
| "EFAP Thru Food Resources/Fremont Public Assoc."               | None                  | 3,704             |
| "Emergency Food Assistance Program"                            | S10-32101-027(3)      | 240,319           |
| "CARE Crisis Response Services"                                | NSMHA-VOA-XXX-09-11   | 1,088,981         |
| "CARE Crisis Response Services"                                | NSMHA-VOA-xxx-09-11   | 410,377           |
| "CARE Crisis Response Services"                                | NSMHA-VOA-xxx-09-11   | 583,960           |
| "CARE Crisis Response Enhanced DD Services"                    | NSMHA-VOA-DDD-09-11   | 10,020            |
| "Community Service Voice Mail"                                 | S-10-32102-010        | 17,697            |
| "H1N1"   | None                  | 1,320             |
| "2-1-1 Operating Grant"  | None                  | 27,674            |
| "Child Care Subsidy Training"                                  | None                  | 6,672             |
| "Child Care Subsidy Training"                                  | None                  | 7,403             |
| "Train the Trainer"  | None                  | 1,200             |
| "Train the Trainer"  | None                  | 2,400             |
| "Senior Involvement in Community Programs"                     | None                  | 6,908             |
| "Child Care Resource and Referral"                             | None                  | 500               |
| "Child Care Resource and Referral"                             | None                  | 2,500             |
| "Child Care Resource and Referral - Quality Assurance"         | None                  | 15,000            |
| "Income Tax Call Assistance"                                   | None                  | 6,185             |
| State of Washington Sub-Total                                  |                       | <u>9,966,252</u>  |
| <b>Snohomish County</b>  |                       |                   |
| "Dispute Resolution Center/Snohomish County"                   | PS-HS-10-01           | 24,344            |
| "Dispute Resolution Center/Snohomish County"                   | PS-HS-11-01           | 122,293           |
| "Dispute Resolution Center Rental Housing Certificate Program" | HCD-10-62-1018-018    | 64,179            |
| "Emergency Shelter & Homelessness Prevention"                  | HCD-09-61-0912-018(2) | 54,315            |
| "HGAP Project Anchor"  | HCD-09-65-0902-018(1) | 387,362           |
| "Housing First Sky Valley"                                     | HCD-1017-018          | 231,354           |
| "Ending Homelessness Program"                                  | HCD-10-62-1019-018    | 93,456            |
| "Ending Homelessness Program"                                  | HCD-10-62-1016-08     | 48,383            |
| "Sky Valley Resource Center"                                   | CS-10-14-05-018       | 13,453            |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
SCHEDULE OF NON-FEDERAL GOVERNMENT AWARDS

YEAR ENDED JUNE 30, 2011

| <b>Grantor</b>                                   | <b>Contract</b>       | <b>7/1/2010 -</b> |
|--|-----------------------|-------------------|
| <b>"Program Title"</b>                           | <b>Number</b>         | <b>6/30/2011</b>  |
| <b>Snohomish County (Continued)</b>              |                       |                   |
| "Sky Valley Resource Center"                     | CS-11-14-05-018       | 17,131            |
| "Early Childhood Education Assistance Program"   | CS-10-60-17-18(3)     | 730,476           |
| "Community Information Line"                     | CS-11-14-08-018       | 16,172            |
| "Community Information Line"                     | CS-10-14-08-018       | 10,556            |
| "THOR"   | HCD-09-60-0902-018(1) | 57,173            |
| "Crisis Line Technical Assistance"               | None                  | 6,794             |
| Snohomish County Sub-Total                       |                       | <u>1,877,441</u>  |
| <b>Island County</b>                             |                       |                   |
| "Dispute Resolution Center/Island County"        | None                  | 8,550             |
| "Dispute Resolution Center/Island County"        | None                  | 6,843             |
| Island County Sub-Total                          |                       | <u>15,393</u>     |
| <b>Kitsap County</b>                             |                       |                   |
| "Dispute Resolution Center/Capacity Improvement" | S10-34016-001         | 20,928            |
| "Dispute Resolution Center/Capacity Improvement" | S10-34016-001         | 20,163            |
| Kitsap County Sub-Total                          |                       | <u>41,091</u>     |
| <b>Skagit County</b>                             |                       |                   |
| "DRC Surcharge"                                  | None                  | 26,530            |
| "General Fund"                                   | C20090587             | 44,448            |
| "Victim Offender Reconciliation"                 | C20110150             | 9,849             |
| Skagit County Sub-Total                          |                       | <u>80,827</u>     |
| <b>City of Everett</b>                           |                       |                   |
| "Emergency Services Food Bank Program"           | None                  | 14,997            |
| "Housing and Transitional Services"              | None                  | 3,448             |
| "Housing and Transitional Services"              | None                  | 6,152             |
| City of Everett Sub-Total                        |                       | <u>24,597</u>     |
| <b>City of Seattle</b>                           |                       |                   |
| "VOA (Greenwood) Food Bank"                      | DA 10-2991            | 25,508            |
| "VOA (Greenwood) Food Bank"                      | DA 11-2991            | 25,494            |
| "Home Delivery (Greenwood Food Bank)"            | DA 10-1380            | 3,186             |
| "Home Delivery (Greenwood Food Bank)"            | DA11-1380             | 3,192             |
| "Seattle Public Utilities"                       | DA2010-53             | 19,600            |
| "People Point"                                   | DA11-1214             | 500               |
| City of Seattle Sub-Total                        |                       | <u>77,480</u>     |

VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
 SCHEDULE OF NON-FEDERAL GOVERNMENT AWARDS

YEAR ENDED JUNE 30, 2011

| <b>Grantor</b><br>"Program Title"     | <b>Contract<br/>Number</b> | <b>7/1/2010 -<br/>6/30/2011</b> |
|---------------------------------------|----------------------------|---------------------------------|
| <b>Edmonds Community College</b>      |                            |                                 |
| "Building Bridges"                    | None                       | 14,400                          |
| "P-3 Alignment"                       | None                       | <u>1,400</u>                    |
| Edmonds Community College Sub-Total   |                            | <u>15,800</u>                   |
| <b>Skagit Valley College</b>          |                            |                                 |
| "Building Bridges"                    | None                       | <u>13,012</u>                   |
| <b>Sound Transit</b>                  |                            |                                 |
| "Bus Buddy"                           | 130-08                     | <u>38</u>                       |
| <b>NW Ed Service District</b>         |                            |                                 |
| "P-3 Alignment"                       | None                       | <u>6,000</u>                    |
| <b>Sound Transit</b>                  |                            |                                 |
| "Juvenile Justice"                    | None                       | <u>966</u>                      |
| Total Non-Federal Governmental Awards |                            | <u><u>\$12,118,897</u></u>      |

**Volunteers of America Western Washington**

**December 6, 2011**

Volunteers of America Western Washington, submits the following corrective action plan for the year ended June 30, 2011.

**Name and address of independent accounting firm:** Jacobson Jarvis & Co, PLLC, 600 Stewart Street, Suite 1900, Seattle WA 98101-1219

**Audit period:** July 1, 2010 – June 30, 2011

**Contact person(s) responsible for corrective action:** CFO, Controller

**11- 01: Completeness of Schedule of Expenditures of Federal Awards (Material Weakness)**

**Action Taken:** Effective December 6, 2011 Volunteers of America Western Washington will take the following corrective action:

1. An annual review of the schedule of Federal Awards will be conducted by the Controller to compare updated contract information received with prior contract information.
2. Facilitate communication process for contract change information.

**11-02: Monitoring (Significant Deficiency)**

**Action Taken:** Effective December 6, 2011 Volunteers of America Western Washington will take the following corrective action:

1. Assign a representative population of the departments to a Risk Assessment Committee.
2. Schedule an informational meeting to explain the purpose of the committee and its responsibilities.
3. Schedule regular meeting to discuss findings and recommended solutions for weaknesses observed.
4. Maintain regular minutes for all meetings.

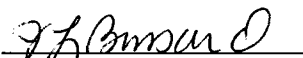
**11-03: Procurement and Suspension and Debarment (Significant Deficiency)**

**Action Taken:** Effective December 6, 2011 Volunteers of America Western Washington will take the following corrective action:

1. The CFO will define and document the vendor approval process and distribute necessary forms for an on-going vendor review and communication with barred vendors.
2. The Controller will monitor the documentation and on-going review of existing vendors.
3. The Accounts Payable Specialist will document the review of the Excluded Parties List System for each new vendor and will review existing vendors as assigned by the Controller.

If you have any questions regarding this Corrective Action Plan, please contact [NAME AND NUMBER]

Sincerely,

Signature: 

Title: CFO - Interim

Volunteers of America Western Washington