

**VOLUNTEERS OF AMERICA  
WESTERN WASHINGTON  
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2016

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Note: There were no prior year findings or questioned costs relative to federal awards, so a schedule of prior audit findings is not included.

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Volunteers of America Western Washington and Subsidiary  
Everett, Washington

We have audited the accompanying consolidated financial statements of Volunteers of America Western Washington and Subsidiary ("the Organization"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

## **Other Matters - Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of non-federal government awards on pages 29 and 30 is also presented for the purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards and the schedule of non-federal governmental awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Peterson Sullivan LLP.*

December 14, 2016

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

ASSETS	2016	2015
Current Assets		
Cash and cash equivalents	\$ 1,161,420	\$ 745,040
Accounts receivable, net	1,323,734	1,106,257
Pledges receivable - current	406,452	384,323
Prepaid expenses	217,710	290,925
Property held for sale	1,280,133	499,000
Other current assets	34,802	45,236
Total current assets	4,424,251	3,070,781
Property and Equipment		
Land	1,093,091	3,646,915
Buildings and improvements	5,785,219	6,871,919
Furnishings and equipment	1,427,138	1,412,343
Construction in progress		32,978
Accumulated depreciation	(5,126,882)	(5,364,847)
Total property and equipment	3,178,566	6,599,308
Other Assets		
Designated/restricted assets	2,249,067	2,312,244
Pledges receivable - long-term	9,047	9,047
Other long-term assets	71,914	74,492
Total other assets	2,330,028	2,395,783
Total assets	\$ 9,932,845	\$ 12,065,872
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 564,427	\$ 432,518
Accrued payroll expenses	1,161,052	1,099,933
Accrued post-retirement benefits	38,900	92,982
Current portion of notes and loans payable	9,919	430,851
Refundable advance		54,706
Line of credit - related party	745,000	
Other current liabilities	138,906	161,705
Total current liabilities	2,658,204	2,272,695
Notes and Loans Payable, less current portion	3,383,123	5,001,554
Total liabilities	6,041,327	7,274,249
Net Assets		
Unrestricted	2,264,518	3,130,356
Temporarily restricted	901,188	932,877
Permanently restricted	725,812	728,390
Total net assets	3,891,518	4,791,623
Total liabilities and net assets	\$ 9,932,845	\$ 12,065,872

See Notes to Consolidated Financial Statements

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF ACTIVITIES  
For the Years Ended June 30, 2016 and 2015

	2016				2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue from Operations								
Public support received directly								
Contributions	\$ 68,937	\$ 1,165,242	\$ -	\$ 1,234,179	\$ 271,590	\$ 874,244	\$ -	\$ 1,145,834
In-kind contributions of food	3,774,703			3,774,703	3,609,546			3,609,546
In-kind contributions of rent	10,000	18,096		28,096	10,000	36,190		46,190
In-kind contributions of services	920			920				
Public support received indirectly								
United Way	117,015	250,294		367,309	6,687	663,689		670,376
Volunteers of America, Inc.		7,616		7,616		7,616		7,616
Total public support	3,971,575	1,441,248		5,412,823	3,897,823	1,581,739		5,479,562
Revenue and grants from governmental agencies	15,459,592			15,459,592	14,702,186			14,702,186
Other revenue								
Program service fees	658,728			658,728	883,583			883,583
Rental income	147,363			147,363	167,952			167,952
Other operating income	17,318			17,318	19,089			19,089
Total other revenue	823,409			823,409	1,070,624			1,070,624
Net Assets Released from Restrictions								
Released from time restrictions	294,207	(294,207)			9,048	(9,048)		
Released from purpose restrictions	1,178,267	(1,178,267)			1,325,351	(1,325,351)		
Total net assets released from restrictions	1,472,474	(1,472,474)			1,334,399	(1,334,399)		
Total public support and revenue from operations	21,727,050	(31,226)		21,695,824	21,005,032	247,340		21,252,372

See Notes to Consolidated Financial Statements

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF ACTIVITIES

(Continued)

For the Years Ended June 30, 2016 and 2015

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses								
Program services								
Encouraging Positive Development	\$ 1,027,487	\$ -	\$ -	\$ 1,027,487	\$ 1,406,443	\$ -	\$ -	\$ 1,406,443
Fostering Independence	10,545,895			10,545,895	9,742,081			9,742,081
Promoting Self-Sufficiency	8,133,919			8,133,919	7,514,211			7,514,211
Total program services	19,707,301			19,707,301	18,662,735			18,662,735
Supporting services								
Management and general	2,353,240			2,353,240	2,498,357			2,498,357
Fundraising	517,037			517,037	454,006			454,006
Total supporting services	2,870,277			2,870,277	2,952,363			2,952,363
Affiliate fees	295,234			295,234	327,334			327,334
Total expenses	22,872,812			22,872,812	21,942,432			21,942,432
Change in net assets from operations	(1,145,762)	(31,226)		(1,176,988)	(937,400)	247,340		(690,060)
Non-Operating Gains (Losses)								
Interest and dividend income	33,276	9,604		42,880	52,578	9,225		61,803
Losses on investments	(44,711)	(11,067)		(55,778)	(17,873)	(1,476)		(19,349)
Gain on sale of property and equipment	160,771			160,771				
Other non-operating gains (losses)	166,867		(2,578)	164,289	(4,620)		(1,396)	(6,016)
Contributions restricted for capital campaign		1,000		1,000		120,000		120,000
Capital campaign expenses	(36,279)			(36,279)	(18,792)			(18,792)
Change in net assets from non-operating activities	279,924	(463)	(2,578)	276,883	11,293	127,749	(1,396)	137,646
<b>Total change in net assets</b>	<b>(865,838)</b>	<b>(31,689)</b>	<b>(2,578)</b>	<b>(900,105)</b>	<b>(926,107)</b>	<b>375,089</b>	<b>(1,396)</b>	<b>(552,414)</b>
Net Assets, beginning of year	3,130,356	932,877	728,390	4,791,623	4,056,463	557,788	729,786	5,344,037
Net Assets, end of year	<u>\$ 2,264,518</u>	<u>\$ 901,188</u>	<u>\$ 725,812</u>	<u>\$ 3,891,518</u>	<u>\$ 3,130,356</u>	<u>\$ 932,877</u>	<u>\$ 728,390</u>	<u>\$ 4,791,623</u>

See Notes to Consolidated Financial Statements

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2016

	Program Services				Supporting Services			Total
	Encouraging Positive Development	Fostering Independence	Promoting Self-Sufficiency	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 664,545	\$ 7,946,390	\$ 2,102,899	\$ 10,713,834	\$ 1,346,228	\$ 163,599	\$ 1,509,827	\$ 12,223,661
Payroll taxes	102,949	974,990	183,294	1,261,233	86,682	12,723	99,405	1,360,638
Employee benefits	93,069	474,352	187,300	754,721	204,302	18,464	222,766	977,487
Total payroll expenses	860,563	9,395,732	2,473,493	12,729,788	1,637,212	194,786	1,831,998	14,561,786
Specific assistance to individuals	17,944	46,105	4,823,367	4,887,416				4,887,416
Professional fees	27,022	307,663	129,613	464,298	45,521	265,143	310,664	774,962
Occupancy	75,436	261,599	397,200	734,235	36,650	7,682	44,332	778,567
Depreciation and amortization		32,453	19,968	52,421	267,084		267,084	319,505
Travel and transportation	18,027	145,518	117,619	281,164	24,536	3,931	28,467	309,631
Telecommunications	13,019	115,873	81,480	210,372	20,235	4,832	25,067	235,439
Other		160,039	336	160,375	3,505	2	3,507	163,882
Interest					156,297		156,297	156,297
Supplies	7,344	40,568	21,429	69,341	26,606	2,960	29,566	98,907
Equipment rental and maintenance	5,416	17,038	35,405	57,859	35,895	1,919	37,814	95,673
Printing and publications	742	9,820	22,833	33,395	11,992	27,542	39,534	72,929
Accounting fees					46,746		46,746	46,746
Insurance	1,817	917	637	3,371	19,929	2,166	22,095	25,466
Conferences and meetings		11,240	7,096	18,336	4,948	1,909	6,857	25,193
Postage	157	1,206	2,693	4,056	7,474	4,165	11,639	15,695
Legal fees		124	750	874	8,610		8,610	9,484
Total functional expenses	<u>\$ 1,027,487</u>	<u>\$ 10,545,895</u>	<u>\$ 8,133,919</u>	<u>\$ 19,707,301</u>	<u>\$ 2,353,240</u>	<u>\$ 517,037</u>	<u>\$ 2,870,277</u>	22,577,578
Affiliate fees								295,234
Total expenses								<u>\$ 22,872,812</u>

See Notes to Consolidated Financial Statements

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015

	Program Services				Supporting Services			Total
	Encouraging Positive Development	Fostering Independence	Promoting Self-Sufficiency	Total Program Services	Management and General	Fundraising	Total Supporting Services	
	Salaries and wages	\$ 932,731	\$ 7,048,343	\$ 1,845,777	\$ 9,826,851	\$ 1,325,306	\$ 118,618	
Payroll taxes	82,586	936,801	170,018	1,189,405	182,790	8,608	191,398	1,380,803
Employee benefits	58,455	654,603	186,849	899,907	138,494	18,138	156,632	1,056,539
<b>Total payroll expenses</b>	<b>1,073,772</b>	<b>8,639,747</b>	<b>2,202,644</b>	<b>11,916,163</b>	<b>1,646,590</b>	<b>145,364</b>	<b>1,791,954</b>	<b>13,708,117</b>
Specific assistance to individuals	9,459	156,588	4,417,220	4,583,267				4,583,267
Professional fees	18,578	223,763	136,144	378,485	227,738	266,460	494,198	872,683
Occupancy	69,738	179,998	239,927	489,663	121,377	10,084	131,461	621,124
Telecommunications	41,932	203,709	146,568	392,209	63,426	6,671	70,097	462,306
Depreciation and amortization	15,999	65,591	136,191	217,781	155,873	2,493	158,366	376,147
Travel and transportation	16,469	161,035	97,996	275,500	40,475	3,592	44,067	319,567
Supplies	123,931	68,291	39,089	231,311	24,304	987	25,291	256,602
Interest	6,230	12,640	51,927	70,797	88,436		88,436	159,233
Equipment rental and maintenance	11,461	14,193	23,770	49,424	8,598	860	9,458	58,882
Accounting fees					47,452		47,452	47,452
Conferences and meetings	18,256	6,801	6,830	31,887	6,084	6,100	12,184	44,071
Printing and publications	586	4,884	11,385	16,855	2,613	7,600	10,213	27,068
Postage	32	1,662	4,520	6,214	16,508	972	17,480	23,694
Legal fees					23,086		23,086	23,086
Insurance		2,218		2,218	15,845		15,845	18,063
Other		961		961	9,952	2,823	12,775	13,736
<b>Total functional expenses</b>	<b>\$ 1,406,443</b>	<b>\$ 9,742,081</b>	<b>\$ 7,514,211</b>	<b>\$ 18,662,735</b>	<b>\$ 2,498,357</b>	<b>\$ 454,006</b>	<b>\$ 2,952,363</b>	<b>21,615,098</b>
Affiliate fees								327,334
<b>Total expenses</b>								<b>\$ 21,942,432</b>

See Notes to Consolidated Financial Statements

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Change in net assets	\$ (900,105)	\$ (552,414)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	319,505	376,147
Gain on sale of property and equipment	(160,771)	
Loss on investments	55,778	19,349
Contributions restricted for purchase of long-term assets	(1,000)	(120,000)
Changes in operating assets and liabilities		
Accounts receivable	(217,477)	866,650
Pledges receivable	(22,129)	(223,370)
Prepaid expenses	73,215	73,050
Other current assets	13,012	10,713
Accounts payable	131,909	110,374
Accrued payroll expenses	61,119	(100,673)
Refundable advance	(54,706)	12,506
Accrued post-retirement benefit costs	(54,082)	(126,204)
Other current liabilities	(22,799)	(80,225)
Net cash flows from operating activities	(778,531)	265,903
Cash Flows from Investing Activities		
Collections on notes receivable		383,058
Proceeds from sales of investments and designated/restricted assets	304,801	952,307
Purchases of investments and designated/restricted assets	(297,402)	(469,513)
Proceeds from sales of property and equipment	2,843,620	
Purchases of property and equipment	(362,745)	(44,987)
Net cash flows from investing activities	2,488,274	820,865
Cash Flows from Financing Activities		
Proceeds (payments) on line of credit	745,000	(530,000)
Principal payments on notes and loans payable	(2,039,363)	(232,771)
Contributions received for long-term asset purchases	1,000	120,000
Net cash flows from financing activities	(1,293,363)	(642,771)
<b>Net change in cash and cash equivalents</b>	<b>416,380</b>	<b>443,997</b>
Cash and Cash Equivalents, beginning of year	745,040	301,043
Cash and Cash Equivalents, end of year	\$ 1,161,420	\$ 745,040
Supplemental disclosure of cash flow information		
Interest paid on a cash basis	\$ 156,297	\$ 159,233

See Notes to Consolidated Financial Statements

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Organization

The consolidated financial statements for Volunteers of America Western Washington include Volunteers of America Western Washington and its Subsidiary, VOA Property Corporation of NWW, which collectively are referred to as "the Organization." Volunteers of America Western Washington is a nonprofit spiritually-based human services organization incorporated in Washington that provides social services within Western Washington under a charter from Volunteers of America, Inc., a national nonprofit spiritually-based organization providing local human service programs and opportunities for individual and community involvement. VOA Property Corporation of NWW is a nonprofit organization incorporated in Washington that holds property for use by Volunteers of America Western Washington.

The staff and volunteers of the Organization reach, uplift, and empower those we serve. Services from any of the Organization's programs have a 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, and
- Promotes self-sufficiency

#### **Encouraging Positive Development**

The Organization provides services to encourage positive development for troubled and at-risk children and youth while also promoting the healthy development of all children, adolescents, and their families. Our programs provide a continuum of care and support for young people ages birth to 21 through prevention, early intervention, crisis intervention, and long-term services.

Our programs and services in this impact area include:

- **Children and Youth**
  - **Early Childhood Education and Assistance Program (ECEAP)** (Everett, Granite Falls, Gold Bar and Sultan, Snohomish County) – Free preschool for qualifying families, including a large percentage with English as a Second Language. Kids from low-income families get the opportunity to start kindergarten at the same level of development as their more affluent peers.
  - **Rural Youth Development** (East Snohomish County) – Programs and activities that support child and youth development and safe environments in Sultan and other communities to the east.
  - **Supporting Parenting Teen School Success** (Granite Falls, Snohomish County) – Child care offered in the Granite Falls alternative high school to remove the barrier of child care for teen parents striving to complete their high school education.

- **Crisis Intervention Around Challenging Youth Behaviors** (Snohomish County) – Support for families, ECEAP teachers, child care providers, and the children they care for around challenging youth behaviors. This support increases child development by addressing adverse behaviors that impact children, the adults in their lives, and their classmates.
- **Community Enhancement**
  - **Sky Valley Family Resource Center** (East Snohomish County) – Integrated neighborhood service center that brings together youth programs (including a partnership with the Sultan Boys & Girls Club), hunger prevention, homeless programs, mental health counseling (partnership with Sunrise Services), senior center meals and events, and other services.
  - **North Sound 2-1-1** (Skagit, Island, San Juan, Whatcom, and Snohomish Counties) – Comprehensive information and referral connecting individuals with health and human service resource information 24/7.
  - **Care Crisis Response Services** (Skagit, Island, San Juan, Whatcom, and Snohomish 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.

### **Fostering Independence**

The Organization fosters the health and independence of persons with disabilities, mental illness, and HIV/AIDS through quality affordable housing, personal support, and a wide range of community services.

Our programs and services in this impact area include:

- **Community Enhancement**
  - **North Sound 2-1-1** (Skagit, Island, San Juan, Whatcom, and Snohomish Counties) – Comprehensive information and referral connecting individuals with health and human service resource information 24/7.
- **Disabilities Services**
  - **Meaningful Day Program** (greater community) – Escorted recreational trips for adults with developmental disabilities who enjoy the social interaction and excitement of "real" vacations at interesting locations. This service decreases isolation, improves socialization skills, and promotes positive community acceptance of people with disabilities.
  - **Disability Services** (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 Services**
  - **Sultan Senior Center** (Snohomish County) – Program provides activities and meals for seniors in Skykomish Valley (East Snohomish County). The program gives seniors multiple opportunities to gather each week and also encourages them to get out of the house and look after each other.

## **Promoting Self-Sufficiency**

The Organization promotes self-sufficiency for individuals and families who have experienced homelessness, or other personal crisis, including chemical dependency, involvement with the corrections system, and unemployment. We focus on solution-oriented approaches, using a continuum of services from prevention to intervention to long-term support.

Our programs and services in this impact area include:

- **Community Enhancement**

- **North Sound 2-1-1** (Skagit, Island, San Juan, Whatcom, and Snohomish Counties) – Comprehensive information and referral connecting individuals with health and human service resource information 24/7.
- **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.
- **Sky Valley Family Resource Center** (East Snohomish County) – Integrated neighborhood service center that brings together youth programs (including a partnership with the Sultan Boys & Girls Club), hunger prevention, homeless programs, mental health counseling (partnership with Sunrise Services), and senior center meals and events, this family support center reaches out to all community members, particularly youth, seniors, people with disabilities, and homeless and low-income families in the Skykomish Valley. Events, programs, and 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.
- **Reduced Isolation for Sky Valley Seniors** (Snohomish County) - Sultan Senior Center enhances independence by providing affordable meals for seniors, group activities, and a sense of community.

- **Emergency Services**

- **Care Crisis Response Services** (Skagit, Island, San Juan, Whatcom, and Snohomish 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.
- **Food Banks** (located in Everett, Mill Creek and Sultan in Snohomish County, and North Seattle in King County) – Supplemental food supply for those in need throughout the areas served.
- **Snohomish County Food Bank Distribution Center** – Distribution center feeds those that are hungry in their own neighborhoods by receiving, processing, and distributing more than 3 million pounds of food annually to 21 community food banks and numerous local feeding programs. It also coordinates monthly home deliveries of fresh produce to seniors.
- **Homeless Services** (Snohomish County) – Homeless families and individuals work with navigators to improve self-sufficiency when housing options are not available. Families and individuals who are at risk of losing their apartments or homes work with prevention navigators who explore mediation/conciliation and/or rent subsidies to ensure they retain their shelter. The agency also provides supportive services for families in permanent housing.

- **Employment and Training Services**

- **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.

- **Housing**

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

## **Note 2. Significant Accounting Policies**

### **Basis of Accounting**

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

### **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.

### **Cash Equivalents**

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

### **Accounts Receivable**

Accounts receivable are stated at net realizable value and consist primarily of amounts due from government agencies. The Organization considers accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts (based on historical collection rates). When an account is deemed uncollectible, it is generally written off against the allowance. The Organization does not require collateral for its accounts receivable. In addition, the Organization does not charge interest on its accounts receivable. The allowance for doubtful accounts related to accounts receivable was \$15,000 and \$12,000 at June 30, 2016 and 2015, respectively.

### **Contributions/Pledges Receivable**

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of the amounts expected to be collected using an estimated discount rate (the discount was not significant at June 30, 2016 or 2015). Unconditional promises expected to be collected in the future are also discounted for potentially uncollectible amounts. This results in long-term pledges being recorded at fair value. Conditional promises to give are not included as support until such time the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor or by law. Promises to give from two donors represented 81% and 98% of total pledges receivable at June 30, 2016 and 2015, respectively. No allowance for doubtful accounts was deemed necessary as of June 30, 2016 or 2015.

Pledges receivable are due as follows as of June 30:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 406,452	\$ 384,323
One to five years	<u>9,047</u>	<u>9,047</u>
	<u>\$ 415,499</u>	<u>\$ 393,370</u>

### **Property and Equipment/Land Held for Sale**

Land, buildings, and equipment purchased by the Organization are recorded at cost. All expenditures for land, buildings, and equipment over \$3,000 are capitalized; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed on the straight-line method based upon the estimated useful lives of the assets as follows:

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

In March 2016, The Learning Center property in Lynnwood, Washington was vacated by the Organization and listed for sale. Accordingly, the building and attached land are shown as an asset held for sale at June 30, 2016, on the consolidated statements of financial position, with a net book value of \$1,280,133 as of June 30, 2016. The property held for sale at June 30, 2015, was sold in fiscal year 2016.

### **Designated/Restricted Assets/Investments**

Designated and restricted assets represent the total of all assets that are encumbered by donor restrictions, legal agreements, and board designation, or are otherwise unavailable for the general use of the Organization. This category generally includes client/custodial funds, escrow/reserve funds, temporarily and permanently restricted assets, and securities that are pledged and held by the lender as collateral for financing.

Designated and restricted assets were categorized as follows as of June 30:

	2016	2015
Future development and capital improvements	\$ 298,969	\$ 326,296
Endowment fund	1,515,748	1,520,623
Assets held in trust	434,350	465,325
	<u>\$ 2,249,067</u>	<u>\$ 2,312,244</u>

In October 2015, the Organization completed its feasibility study and entered into a collaborative agreement with Trinity Lutheran Church, to potentially build an integrated service center in South Snohomish County. The purpose of this agreement is to build a multi-generational gathering place where acceptance and diversity enhance service solutions.

The collaborative agreement calls for an oversight committee, consisting of an equal number of representatives from each organization that will manage and govern the capital campaign and facilities development efforts. The Organization will lead the capital campaign, create the design for the facility, and after approval by the oversight committee, will engage the resources necessary to construct the facility. Trinity Lutheran Church will own the ground under the center and will enter into a long-term land lease with the Organization, which will own the completed facility.

During the years ended June 30, 2016 and 2015, \$1,000 and \$120,000, respectively, was contributed for the capital campaign related to the feasibility study. As of June 30, 2016 and 2015, \$65,929 and \$101,208, respectively, of unspent capital campaign funds are included in future development and capital improvements on the schedule above.

Also in October 2015, in order to facilitate the creation of this center, one donor pledged \$2 million toward the capital campaign that is conditional upon whether (1) the Organization has secured the funds needed to build the center in accordance with the approved plan from the feasibility study noted above, and (2) the donor has reviewed and approved the plan. As of June 30, 2016, the Organization has not met the conditions of this grant. Accordingly, no amounts related to this donation have been recognized in these consolidated financial statements.

Designated and restricted assets consisted of the following at June 30:

	2016	2015
Cash and cash equivalents	\$ 73,532	\$ 101,208
Investment in certificates of deposit	225,437	225,088
Investment in mutual funds		
Bond/fixed income funds	608,987	610,854
International equity funds	117,222	121,970
Large cap equity funds	206,191	228,120
Equity growth funds	307,352	297,493
Equity value funds	118,947	107,327
Other global asset funds	157,049	154,859
Total mutual funds	<u>1,515,748</u>	<u>1,520,623</u>
Assets held in trust	434,350	465,325
	<u>\$ 2,249,067</u>	<u>\$ 2,312,244</u>

Investments consist of certificates of deposit, which are recorded at cost plus accrued interest (which approximates fair value) and represent debt agreements with original maturities of longer than three months. Certificates of deposit have maturities up to 36 months with interest rates of 0.01%. Certificates of deposit are held at multiple banks so that the deposits do not exceed federally insured limits.

Investments also include a variety of mutual funds (which are listed above) and are recorded at fair value (see Note 14) using Level 1 inputs (which consist of quoted market prices for identical assets) and Level 2 inputs (which consists of quoted market prices for similar assets).

Assets held in trust are valued using Level 3 inputs and are discussed in Note 14.

### **Contributed Goods and Services**

The Organization receives donations of food for distribution from the Federal government, businesses, and individuals. Federal commodities and donations are recognized based on an average value per pound basis, as determined by Feeding America. Food contributed for the years ended June 30, 2016 and 2015, was \$3,774,703 and \$3,609,546, of which \$1,257,049 and \$1,312,242, respectively, was from non-federal sources.

The Organization also recognizes contribution revenue for certain services received at the fair value of the 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. There were \$920 of recognized services contributed to the Organization for the year ended June 30, 2016. There were no recognized services contributed to the Organization for the year ended June 30, 2015.

In-kind rent contributed during the years ended June 30, 2016 and 2015, is discussed in Notes 6 and 7.

A number of volunteers donated services with an estimated value of \$1,681,000 and \$3,871,000 to other programs for the years ended June 30, 2016 and 2015, respectively. The Organization discontinued two programs at the end of the year ended June 30, 2015, which led to the decrease. The contributed services to these programs are not reflected in the consolidated financial statements, as they do not meet the recognition criteria.

### **Other Revenue**

Contribution revenue recognition was described earlier in this note. Other revenue is recognized as follows:

- Revenue from most grants with governmental organizations is recognized when an expenditure related to the grant is made. Fee based grant and contract revenue is recognized as the services are performed.
- Program service fees are recognized when the service is performed and amounts are due.
- Rental income is recognized on a straight-line basis in accordance with rental terms.

## **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 statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned.

Temporarily restricted net assets are available for the following purposes as of June 30:

	<u>2016</u>	<u>2015</u>
Unappropriated endowment earnings	\$ 388,660	\$ 390,123
Promoting self-sufficiency programs	169,163	138,292
United Way Programs	250,294	276,112
Capital Campaign - Neighborhood Community Center	65,929	101,208
Value of donated facilities to be used in future periods	27,142	27,142
	<u>\$ 901,188</u>	<u>\$ 932,877</u>

Permanently restricted net assets consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Endowment fund	\$ 216,359	\$ 216,359
Assets held in trust (permanent corpus)	437,539	437,539
Other	71,914	74,492
	<u>\$ 725,812</u>	<u>\$ 728,390</u>

## **Operations**

The Organization defines operations as all program and supporting activity undertaken (see Note 1). 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.

## **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, 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 2016 or 2015, so no tax expense was incurred during the years ended June 30, 2016 or 2015.

VOA Property Corporation of NWW is a non-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).

Based on the discussions above, no provision for income tax is reflected in these consolidated financial statements.

### **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 activities and functional expenses. Accordingly, certain costs have been allocated among the various functions.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

### **Reclassifications**

Certain amounts from the 2015 financial statements have been reclassified to conform to the 2016 financial statement presentation.

### **Note 3. Line of Credit – Related Party**

In July 2015, the Organization obtained a line of credit from Volunteers of America, Inc., a related party. Maximum borrowing under the line of credit is \$750,000. The line bears interest at a rate of the 30-day LIBOR rate plus 1.5% (resulting in a rate of 1.97% as of June 30, 2016), and interest-only payments are payable monthly. The line matures on December 31, 2016; however, if the balance has not been fully repaid by the term-end, the due date is to be renewed automatically for an additional year unless the lender receives a written notice 30 days prior to the term-end to discontinue the renewal. The line is collateralized by 50% of the Organization's assets invested in the National Investment Program (assets invested totaled \$1,515,748 as of June 30, 2016, resulting in collateral of \$757,874 at that date) and no interim payments are required as long as the amount outstanding is equal to or less than the collateral value. If the amount borrowed were to exceed the collateral value, the difference is due upon demand by the lender.

#### Note 4. Notes and Loans Payable

Notes and loans payable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
<u>Notes and Loans:</u>		
Promissory note payable to Heritage Bank. Interest is based on a five-year index plus 2.75%, resulting in a rate of 4.25% as of June 30, 2015. The note was paid in full during the year ended June 30, 2016.	\$ -	\$ 1,661,566
Promissory note payable to Lynnwood Rotary Community Foundation, collateralized by first deed of trust on real property with a carrying value of \$1,030,133 at June 30, 2016. Interest is at 5% and monthly payments are interest-only until maturity on August 1, 2020.	950,000	950,000
Non-interest bearing notes payable to the State of Washington, due in annual installments of \$8,130 through January 1, 2055, and secured a deed of trust on real property with a carrying value of \$418,367 at June 30, 2016. The note expires and the estimated 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.	567,048	575,178
Note payable to Union Bank. Interest rate was 4.64%; due March 31, 2016. The note was paid in full during the year ended June 30, 2016.		367,879
Non-interest bearing note payable to the State of Washington, to be paid in annual installments of \$1,789 until it becomes due in January 1, 2055. The note is secured by a deed of trust on real property with a carrying value of \$75,055 at June 30, 2016.	<u>69,778</u>	<u>71,566</u>
Total non-forgivable loans	1,586,826	3,626,189

	2016	2015
<u>Forgivable Loans:</u>		
Non-interest bearing mortgage note payable to Snohomish County secured by a deed of trust on real property with a carrying value of \$755,745 at June 30, 2016. The note expires and the debt shall be forgiven on December 31, 2018, provided that no default has occurred. The Organization fully intends to comply with the terms of this and all other forgivable loans. This and all forgivable loans were 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 with a carrying value of \$223,388 at June 30, 2016. The note expires and the debt shall be forgiven on July 1, 2024, provided that no default has occurred.	250,000	250,000
Non-interest bearing note payable to Snohomish County, secured by a deed of trust on real property with a carrying value of \$199,958 at June 30, 2016. The note expires and the debt shall be forgiven on May 31, 2023, provided that no default has occurred.	225,000	225,000
Non-interest bearing note payable to Snohomish County, secured by a deed of trust on real property with a carrying value of \$119,431 at June 30, 2016. The note expires and the debt shall be forgiven on September 1, 2024, provided that no default has occurred.	167,969	167,969
Non-interest bearing notes payable to Snohomish County, secured by a deed of trust on real property with carrying values totaling \$235,719 at June 30, 2016. The notes expire and the debt shall be forgiven on December 31, 2046, provided that no default has occurred.	317,473	317,473
Total forgivable loans	1,806,216	1,806,216
Total notes and loans payable	3,393,042	5,432,405
Less current maturities	9,919	430,851
	\$ 3,383,123	\$ 5,001,554

Scheduled principal reductions are as follows for the years ending June 30:

2017	\$ 9,919
2018	9,919
2019	9,919
2020	9,919
2021	959,919
Thereafter	2,393,447
	\$ 3,393,042

**Note 5. Related Party - Other**

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, 2016 and 2015, totaled \$295,234 and \$327,334, respectively. Amounts due to Volunteers of America, Inc. totaled \$32,337 and \$31,133 at June 30, 2016 and 2015, respectively. Amounts due from Volunteers of America, Inc. totaled \$26,236 and \$48,844 at June 30, 2016 and 2015, respectively. Amounts due to and due from the Volunteers of America, Inc. are netted together for financial statement presentation and are included with accounts payable and accounts receivable at June 30, 2016 and 2015, respectively, on the consolidated statements of financial position.

During the years ended June 30, 2016 and 2015, Volunteers of America, Inc. assisted the Organization with its car donation program. Vehicles donated to the Organization under this program are turned over to Volunteers of America, Inc., which auctions the vehicle and gives the proceeds of the sale back to the Organization less a selling fee. Car sales revenue totaled \$215,170 and \$287,640 for the years ended June 30, 2016 and 2015, respectively, and this amount is included in Public Support Contributions on the consolidated statements of activities. Car sales expenses, which includes the selling fee kept by the related organization, totaled \$158,895 and \$236,321 for the years ended June 30, 2016 and 2015, respectively, and is included in professional fees on the statements of functional expenses. Beginning in May 2016, the Organization started to manage car donation sales without the assistance of Volunteers of America, Inc.

The Organization received grants from Volunteers of America, Inc. of \$7,616 for both years ended June 30, 2016 and 2015.

**Note 6. Nonmonetary Transactions**

At June 30, 2014, the Organization entered into an agreement with another nonprofit entity. The agreement allows the nonprofit entity to use land owned by the Organization in Sultan, Washington, for a period of fifty years. The nonprofit entity plans to build a building on the site for its operations. The building will revert to the Organization at the end of the agreement period. In exchange, the Organization will also receive 1,247 square feet of space in the building to use for its kindergarten program in Snohomish County. Management has determined that the substance of the transaction is a nonmonetary exchange, and has estimated the fair value of the land use contributed to the other nonprofit entity and classroom use the Organization will receive, approximate each other and are valued at \$10,000 per year. In-kind revenue and expense of \$10,000 was recognized during both years ended June 30, 2016 and 2015, and are included in in-kind contributions of rent on the consolidated statements of activities and rent expense on the consolidated statements of functional expenses.

## Note 7. Operating Leases

The Organization has certain non-cancelable leases for office space that expire through 2018, with certain options to renew. Rent expense was \$108,277 and \$162,844 for the years ended June 30, 2016 and 2015, respectively, and is included with occupancy expenses. Future minimum lease payments under operating leases with remaining lease terms greater than one year are as follows for the years ending June 30:

2017	\$	82,906
2018		15,268
		<hr/>
	\$	98,174
		<hr/> <hr/>

The Organization also has agreements to lease space to other nonprofit entities. Rental income for these leases was \$147,363 and \$167,952 for the years ended June 30, 2016 and 2015, respectively. All agreements are currently month-to-month.

During the year ended June 30, 2015, the Organization entered into a three-year lease agreement for space to be used as a food bank with rent of \$1 per year. Management has estimated the fair value of the rent contributed over the life of the lease to be \$54,285. This amount is included in in-kind contributions of rent on the consolidated statements of activities. An asset was recorded for the fair value of the contribution and will be amortized over the life of the lease. As of both June 30, 2016 and 2015, \$27,142 remained unamortized and portions are included in pledges receivable – current and pledges receivable – long-term on the consolidated statements of financial position.

## Note 8. Deferred Compensation Plans

The Organization 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 its own contributions to the program.

The Organization also offers a tax deferred annuity thrift program for employees who have completed two years of employment. The Organization matches an amount equal to \$0.50 on the dollar for employees with two to five years of tenure, \$0.60 on the dollar for employees with five to ten years of tenure, and \$0.70 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, 2016 and 2015, totaled \$77,299 and \$98,419, respectively.

The Organization participates in a non-contributory defined benefit pension and retirement plan with Volunteers of America, Inc. and its affiliates called The Volunteers of America National Pension Plan. The plan's employer identification number is 13-1692595 and the plan year-end is December 31. This plan is a multi-employer plan and the Organization is not required to record the unfunded pension liability in its financial statements. The plan's information regarding the projected benefit obligation and unfunded status as they relate solely to the Organization is not available, which is typical for multi-employer plans. Because this plan is a church plan and not subject to the Employment Retirement Income Security Act of 1974 ("ERISA"), Volunteers of America, Inc. is not required to file a Form 5500. This unfunded liability is collectively the liability of all participating employers. If there were any cash shortfalls in the plan, the plan would look towards the participating employers to help fund these amounts. As the participating employers of this plan are affiliated with Volunteers of America, Inc., it is not anticipated that any employer would choose to stop participating.

The financial health of the multi-employer pension plan is indicated by the zone status, as defined by the Pension Protection Act of 2006, which represents the funded status of the plan as certified by the plan's actuary. Plans in the red zone are less than 65% funded, the yellow zone are between 65% and 80% funded, and the green zone are at least 80% funded. Because the Plan is not subject to ERISA, a funding improvement plan is not required; however, Volunteers of America, Inc. has voluntarily implemented a contribution assessment. Plan financial status is summarized as follows:

	<u>January 1, 2016</u>	<u>January 1, 2015</u>
Market value of plan assets	\$ 52,265,000	\$ 52,243,000
Present value of accumulated plan benefits	<u>64,179,000</u>	<u>62,758,000</u>
Actuarial valuation of the unfunded pension liability	<u>\$ 11,914,000</u>	<u>\$ 10,515,000</u>
	<u>At June 30, 2016</u>	<u>At June 30, 2015</u>
Funded status	Less than 65%	Less than 65%
The Organization's contribution to the plan	\$ 51,691	\$ 40,917
Total contributions received by the plan	4,023,000	4,007,000
The Organization's contribution >5% of total contributions to the plan	No	No
Total fair value of plan assets at June 30	\$ 53,424,000	\$ 53,744,000

#### **Note 9. Post-Retirement Health Benefits Plan**

Effective January 1, 2003, the Organization adopted a non-funded, non-contributory post-retirement health benefit plan. The plan provides defined healthcare benefits to executive-level employees based on years of service, employee classification, and attainment of minimum age requirements. The plan measurement date is June 30. The Organization does not require employee contributions to the plan.

During the year ended June 30, 2015, the plan was terminated. The original plan, as adopted by the Board of Directors, stated the plan could be terminated at any time and that there was no requirement that employees be compensated for the accumulated benefits as of the date of termination of the plan. However, it was determined that employees will be paid a portion of the accumulated benefits, and a gain of \$126,204 in the year ended June 30, 2015, was recognized for the difference between the accumulated post-retirement benefit amount and the amount to be paid to employees. This gain is included in other non-operating gains (losses) on the consolidated statements of activities. As of June 30, 2016 and 2015, respectively, \$38,900 and \$92,982 has been accrued and is expected to be paid to employees in the next year.

#### **Note 10. Advertising**

The Organization uses advertising to promote its programs among the communities it serves. The cost of advertising is expensed as incurred. For the years ended June 30, 2016 and 2015, advertising costs totaled \$193,360 and \$220,415, respectively, and are included with professional fees on the consolidated statements of functional expenses.

**Note 11. Revenue and Grants from Governmental Agencies**

Revenue from grants and governmental agencies consist of grants and contracts administered by various federal, state, and local 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>2016</u>	<u>2015</u>
Total federal awards	\$ 3,183,785	\$ 3,206,779
Less: federal food commodities included with in-kind contributions	<u>(2,511,676)</u>	<u>(2,297,304)</u>
	672,109	909,475
Non-federal awards (state and local)	<u>14,787,483</u>	<u>13,792,711</u>
Revenue and grants from governmental agencies	<u><u>\$ 15,459,592</u></u>	<u><u>\$ 14,702,186</u></u>

**Note 12. Federal Emergency Food and Shelter Grant**

The financial activity of one of the Federal Emergency Food and Shelter ("FEMA") grants 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>2016</u>	<u>2015</u>
Revenues	<u>\$ 128,566</u>	<u>\$ 41,709</u>
Food expenditures	\$ 127,633	\$ 41,659
Administrative fee	<u>933</u>	<u>50</u>
	<u><u>\$ 128,566</u></u>	<u><u>\$ 41,709</u></u>

**Note 13. Self-Insurance Programs**

The Organization 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, 2016 and 2015, respectively, \$108,314 and \$222,668 was held on deposit with 501(c) Agencies Trust and is included in prepaid expenses. Management's estimate of claims incurred but not reported totaled \$75,316 and \$68,038 at June 30, 2016 and 2015, respectively, which is included with other current liabilities in the consolidated statements of financial position.

#### Note 14. Fair Value Measurements

The Organization values at fair value certain financial assets included in designated and restricted assets that are measured and reported at fair value at each reporting period.

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

Fair values of assets measured on a recurring basis at June 30, 2016 and 2015, were as follows:

	Fair Value Measurements at June 30, 2016			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 1,455,754	\$ 59,994	\$ -	\$ 1,515,748
Assets held in trust			434,350	434,350
	<u>\$ 1,455,754</u>	<u>\$ 59,994</u>	<u>\$ 434,350</u>	<u>\$ 1,950,098</u>

  

	Fair Value Measurements at June 30, 2015			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 1,440,619	\$ 80,004	\$ -	\$ 1,520,623
Assets held in trust			465,325	465,325
	<u>\$ 1,440,619</u>	<u>\$ 80,004</u>	<u>\$ 465,325</u>	<u>\$ 1,985,948</u>

Assets held in trust consist of a 30% interest in a charitable trust fund. Interests in the trust fund are not readily transferable, but the investments in the trust have readily determinable fair values. The trust is invested into equities (63% and 68% as of June 30, 2016 and 2015) and various other investment pools, and the value of the trust was supplied by the trustee. The following is a summary of changes in assets held in trust for the years ended June 30:

Fair value as of June 30, 2014	\$ 489,407
Change in fair value of underlying assets	(3,862)
Payments received from trust	<u>(20,220)</u>
Fair value as of June 30, 2015	465,325
Change in fair value of underlying assets	(9,459)
Payments received from trust	<u>(21,516)</u>
Fair value as of June 30, 2016	<u>\$ 434,350</u>

## Note 15. Endowments

The Organization's endowment fund includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment ("quasi-endowment"), the income is considered unrestricted. Both the donor-restricted and Board-designated funds are to provide investment returns for the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

### Interpretation of Relevant Law

The Board of Directors of the Organization have interpreted the State of Washington Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as 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. 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, plus (b) the original value of subsequent gifts to the permanent endowment. 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 funds:

- The duration and preservation of the endowment fund
- The purposes of the Organization and donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net assets consisted of the following at June 30:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds - general	\$ -	\$ 388,660	\$ 216,359	\$ 605,019
Board-designated funds	910,729			910,729
	<u>\$ 910,729</u>	<u>\$ 388,660</u>	<u>\$ 216,359</u>	<u>\$ 1,515,748</u>
	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds - general	\$ -	\$ 390,123	\$ 216,359	\$ 606,482
Board-designated funds	914,141			914,141
	<u>\$ 914,141</u>	<u>\$ 390,123</u>	<u>\$ 216,359</u>	<u>\$ 1,520,623</u>

The beneficial interest in a perpetual trust included in permanently restricted net assets of \$437,539 for the years ended June 30, 2016 and 2015, 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.

Changes in endowment net assets for the years ended June 30 are as follows:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 914,141	\$ 390,123	\$ 216,359	\$ 1,520,623
Investment return				
Investment income	22,410	9,604		32,014
Net loss (realized and unrealized)	(25,822)	(11,067)		(36,889)
Total investment return	(3,412)	(1,463)		(4,875)
Endowment net assets, end of year	<u>\$ 910,729</u>	<u>\$ 388,660</u>	<u>\$ 216,359</u>	<u>\$ 1,515,748</u>
	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 896,058	\$ 382,374	\$ 216,359	\$ 1,494,791
Investment return				
Investment income	21,527	9,225		30,752
Net loss (realized and unrealized)	(3,444)	(1,476)		(4,920)
Total investment return	18,083	7,749		25,832
Endowment net assets, end of year	<u>\$ 914,141</u>	<u>\$ 390,123</u>	<u>\$ 216,359</u>	<u>\$ 1,520,623</u>

### **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 donor-specified periods, as well as quasi-endowment funds. 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 underperforming 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.

The general investment objectives of the endowment accounts are to 1) limit risk exposure through adequate diversification and credit quality; 2) manage for current income in income only endowment accounts; 3) protect principal by managing for total return in growth and income accounts; and 4) control costs of administering and managing the portfolio.

### **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 investments 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.

### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires. There were no deficiencies as of June 30, 2016 or 2015.

### **Note 16. Subsequent Events**

Management has evaluated events through the date these consolidated financial statements were available to be issued, which was December 14, 2016.

S U P P L E M E N T A R Y   I N F O R M A T I O N

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
AND SUBSIDIARY**

SCHEDULE OF NON-FEDERAL GOVERNMENTAL AWARDS

For the Year Ended June 30, 2016

Grantor/Program Title	Contract Number	July 1, 2015 - June 30, 2016
<b>State of Washington</b>		
GRO Intensive Tenant Support	1512-42793	\$ 6,222,195
GRO Intensive Tenant Support	1512-42899	2,379,547
Nurse Delegation	1512-42793	1,587
Nurse Delegation	1512-42899	1,791
EFAP Thru Food Resources	K1184	2,320
Emergency Food Assistance Program	K1187	382,918
CARE Crisis Response Services	NSMHA-VOA-MEDICAID	2,162,775
CARE Crisis Response Services	NSMHA-VOA-Medicaid-13-15 AMDI	676,094
State of Washington Subtotal		11,829,227
<b>Snohomish County</b>		
Dispute Resolution Center/Snohomish County Surcharge	HCS-15-80-01-018	119,359
Dispute Resolution Center Rental Housing Certificate	HCS-15-62-1318-0181	112,897
Housing Navigation Project	HCS-15-62-1520-018	183,071
Prevention Navigation Services	HCS-16-62-1621-018	294,053
Fair Housing	HCS-14-24-1314-018	7,656
Fair Housing	HCS-15-24-1509-018	5,502
Rapid ReHousing	HCS15-66-1514-018	26,551
Rapid ReHousing	HCS-15-62-1514-018	137,738
Targeted Prevention	HCS-15-62-1514-018	158,821
Targeted Prevention	HCS-15-62-1512-018	201,238
First Responders	HCS-15-15-01-018	3,481
CHG Targeted Prevention	HCS-14-66-1411-018	218,012
Sky Valley Resource Center	HCS-15-75-04-018	22,151
Sky Valley Resource Center	HCS-16-75-04-018	20,076
Community Information Line	HCS-15-75-05-018	66,295
Early Childhood Education Assistance Program	EL-16-60-17-018	900,303
Community Navigator	MH-15-10-11-018	45,209
Community Navigator	MH-15-24-1509-018	193,245
Snohomish County Subtotal		2,715,658
<b>Island County</b>		
Dispute Resolution Center/Island County	None	11,644
Island County Subtotal		11,644

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
AND SUBSIDIARY**

SCHEDULE OF NON-FEDERAL GOVERNMENTAL AWARDS  
(Continued)

For the Year Ended June 30, 2016

Grantor/Program Title	Contract Number	July 1, 2015 - June 30, 2016
<b>Kitsap County</b>		
DRS State Legislative Funds-Snohomish	S14-31445-001	\$ 21,878
Kitsap County Subtotal		21,878
<b>Skagit County</b>		
DRC Surcharge	C20140580	25,205
General Fund	C20140580	55,325
State Leg Funds	S14-31445-001	21,880
Edward Byrne Memorial Grant	C20130137	4,910
Skagit County Subtotal		107,320
<b>City of Everett</b>		
Community Information Line	None	15,630
Human Needs Grant	None	1,460
City of Everett Subtotal		17,090
<b>City of Seattle</b>		
Home Delivery (Greenwood Food Bank)	DA15-1380	3,393
Home Delivery (Greenwood Food Bank)	DA16-1380	3,396
City of Seattle Subtotal		6,789
<b>NW Ed Service District</b>		
Infant and Toddler Consulting	1121400153	6,375
NW Ed Service District Subtotal		6,375
<b>City of Sedro-Woolley</b>		
Community Information Line	None	1,510
City of Sedro-Woolley Subtotal		1,510
<b>Public Hospital Distr. #2</b>		
South Snohomish County 2-1-1 CR Advocate Program	None	69,992
Public Hospital Distr. #2 Subtotal		69,992
		<u>\$ 14,787,483</u>

S U P P L E M E N T A R Y   R E P O R T S  
A N D   S C H E D U L E S  
I N   A C C O R D A N C E   W I T H   G O V E R N M E N T  
A U D I T I N G   S T A N D A R D S   A N D  
T H E   U N I F O R M   G U I D A N C E

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

To the Board of Directors  
Volunteers of America Western Washington and Subsidiary  
Everett, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Volunteers of America Western Washington and Subsidiary ("the Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.

We noted certain matters that we reported to management of the Organization in a separate letter dated December 14, 2016.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Peterson Sullivan LLP.*

December 14, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Volunteers of America Western Washington and Subsidiary  
Everett, Washington

**Report on Compliance for Each Major Federal Program**

We have audited Volunteers of America Western Washington and Subsidiary's ("the Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended June 30, 2016. The Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 the Organization'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance 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, 2016.

## **Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for 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 Organization's internal control over compliance.

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 a 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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Peterson Sullivan LLP.*

December 14, 2016

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
AND SUBSIDIARY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor	Contract	Federal CFDA Number	Contract Number	Federal Expenditures
<b>U.S. Department of Agriculture Food and Nutrition Service</b>				
<i>State of Washington</i> Child and Adult Care Food Program	OSPI Child Nutrition - ECEAP	10.558	31-07-0363	\$ 52,475
<b>Food Distribution Cluster</b>				
<i>State of Washington</i> Commodity Supplemental Food Program	Commodity Supplemental Food Program (Administrative Costs)	10.565*	K1187	13,453
Commodity Supplemental Food Program	Commodity Supplemental Food Program (Administrative Costs)	10.565*	K1678	46,783
				<u>60,236</u>
Commodity Supplemental Food Program	Commodity Supplemental Food Program (Food Commodities)	10.565*	K1187	113,101
Commodity Supplemental Food Program	Commodity Supplemental Food Program (Food Commodities)	10.565*	K1678	387,469
				<u>500,570</u>
<i>State of Washington</i> Emergency Food Assistance Program	TEFAP Commodities Distribution (Administrative Costs)	10.568*	K1187	31,458
Emergency Food Assistance Program	TEFAP Commodities Distribution (Administrative Costs)	10.568*	K1678	56,639
				<u>88,097</u>
Emergency Food Assistance Program	TEFAP Commodities Distribution (Food Commodities)	10.569*	K1187	327,240
Emergency Food Assistance Program	TEFAP Commodities Distribution (Food Commodities)	10.569*	K1678	1,683,866
				<u>2,011,106</u>
Total food distribution cluster				<u>2,660,009</u>
Total U.S. Department of Agriculture Food and Nutrition Service				2,712,484
<b>U.S. Department of Housing and Urban Development Office of Community Planning and Development</b>				
<b>CDBG - Entitlement Grants Cluster</b>				
<i>Snohomish County</i> Community Development Block Grants/Entitlement Grants	Fair Housing Services EHP	14.218	HCS-15-24-1509-018	45,561
<i>City of Everett</i> Community Development Block Grants/Entitlement Grants	Rental Housing Meditation Service	14.218	CDBG 2015	11,000
Total CDBG - Entitlement Grants Cluster				<u>56,561</u>
<i>Snohomish County</i> Emergency Solutions Grants Program	HUD Supportive Housing (Housing First for Families)	14.267	HCS-15-50-1482-018	76,508
Total from U.S. Department of Housing and Urban Development Office of Community Planning and Development				<u>133,069</u>
			Page Subtotal	2,845,553

See Notes to Schedule of Expenditures of Federal Awards

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
AND SUBSIDIARY**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

(Continued)

For the Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor	Contract	Federal CFDA Number	Contract Number	Federal Expenditures
<b>U.S. Department of Justice</b>				
<i>WA State Department of Commerce</i>				
Antiterrorism Emergency Reserve	Victims of Crime Act	16.321	F15-31119-506	\$ 43,819
Total from U.S. Department of Justice				43,819
<b>U.S. Department of Health and Human Services Administration</b>				
Substance Abuse and Mental Health Services	Linked2Health Solutions	93.243	1U79SM060778-01	17,499
Substance Abuse and Mental Health Services	Linked2Health Solutions	93.243	3U79DM060778-03D2	52,501
				70,000
<i>Snohomish County</i>				
Community Services Block Grant	First Responders	93.569	HCS-15-15-01-018	95,847
Total from U.S. Department of Health and Human Services Administration				165,847
<b>Department of Homeland Security</b>				
Emergency Food and Shelter National Board Program	FEMA	97.024	LRO892400-003 phase 32	128,566
Total Department of Homeland Security				128,566
			Page Subtotal Carried Forward	2,845,553
			Total Expenditures of Federal Awards	\$ 3,183,785

\* Program tested as major

See Notes to Schedule of Expenditures of Federal Awards

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards ("the Schedule") includes the federal grant activity of Volunteers of America Western Washington ("the Organization") under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("the Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

### **Note 2. Summary of Significant Accounting Principles**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Food commodities consist of donated food, all other expenditures are cash expenditures. Such expenditures are recognized following the cost principles contained in 2 CFR Part 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

The Organization has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

### **Note 3. Food Distribution**

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair value of the food commodities received and disbursed. At June 30, 2016, the Organization had food commodities in inventory totaling \$34,802 (\$28,824 related to the Commodity Supplemental Food Program and \$5,978 related to the Emergency Food Assistance Program), which is included with other current assets on the consolidated statements of financial position.

**VOLUNTEERS OF AMERICA WESTERN WASHINGTON  
AND SUBSIDIARY**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2016

A. Summary of Audit Results

**Financial Statements:**

Type of auditors' report issued: Unmodified

**Internal Control Over Financial Reporting:**

Material weaknesses identified: No

Significant deficiencies identified not considered  
to be material weaknesses: None reported

Noncompliance material to financial statements noted: None

**Federal Awards:**

Material weaknesses identified: None

Significant deficiencies identified not considered  
to be material weaknesses: None reported

Type of auditor's report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are required  
to be reported: None

**Identification of major programs:**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.565 / 10.568 / 10.569	U.S. Department of Agriculture - Food Distribution Cluster

**Dollar threshold used to distinguish between  
Type A and B programs:**

\$ 750,000

**Auditee qualified as low-risk auditee:**

No

B. Findings - Financial Statement Audit - None

C. Findings and Questioned Costs - Major Federal Award Programs Audits - None