

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Volunteers of America Minnesota and Wisconsin  
Minneapolis, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Volunteers of America Minnesota and Wisconsin which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' 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 of America. Those standards require that we plan and perform the audits 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 auditors' 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 consolidated 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 Volunteers of America Minnesota and Wisconsin as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 10, 2020

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,736,228	\$ 2,013,203
Accounts Receivable, Net	5,620,801	7,217,753
Pledges Receivable	115,117	170,543
Prepaid Expenses and Other Current Assets	423,849	405,733
Residents' Funds and Deposits	84,016	114,789
Total Current Assets	7,980,011	9,922,021
<b>PROPERTY AND EQUIPMENT, Net</b>	14,902,141	15,389,324
<b>OTHER ASSETS</b>		
Escrow Funds	402,327	394,241
Funds Held by Foundation	28,574	30,817
Assets Under Bond and Indenture Agreements	544,067	501,903
Total Other Assets	974,968	926,961
Total Assets	\$ 23,857,120	\$ 26,238,306
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Maturities of Long-Term Debt	\$ 273,555	\$ 276,827
Current Maturities of Capital Lease Obligations	65,649	51,209
Line of Credit	679,887	34,557
Accounts Payable	625,031	1,035,081
Accrued Interest	69,491	60,228
Accrued Payroll and Payroll Taxes	1,572,046	2,397,290
Deferred Revenue	164,890	197,256
Refundable Advances	2,859	2,859
Residents' Funds and Deposits	103,473	101,224
Other Current Liabilities	317,378	329,901
Total Current Liabilities	3,874,259	4,486,432
<b>LONG-TERM LIABILITIES</b>		
Capital Lease Obligations	202,999	206,998
Deferred Loan Agreements	1,722,937	1,741,507
Accrued Payroll Taxes	465,814	-
Long-Term Debt, Less Current Maturities	9,109,828	8,741,272
Total Long-Term Liabilities	11,501,578	10,689,777
Total Liabilities	15,375,837	15,176,209
<b>NET ASSETS</b>		
Without Donor Restrictions	6,715,670	9,165,366
Without Donor Restrictions, Noncontrolling Interest	1,369,736	1,462,071
Total Net Assets Without Donor Restrictions	8,085,406	10,627,437
With Donor Restrictions	395,877	434,660
Total Net Assets	8,481,283	11,062,097
Total Liabilities and Net Assets	\$ 23,857,120	\$ 26,238,306

See accompanying Notes to Consolidated Financial Statements.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Direct Public Support	\$ 486,651	\$ 453,419	\$ 940,070
Indirect Public Support:			
Volunteer of America Awards and Grants	11,355	-	11,355
Governmental Contract and Grant Revenue	18,048,261	-	18,048,261
Program Service Fees, Medicaid, and Medicare	9,072,398	-	9,072,398
Program Service Fees	9,298,890	-	9,298,890
Expense Reimbursements	31,264	-	31,264
Rental Income	743,677	-	743,677
Miscellaneous Income	2,120,116	-	2,120,116
Net Assets Released from Restrictions	492,202	(492,202)	-
Total Support and Revenue	<u>40,304,814</u>	<u>(38,783)</u>	<u>40,266,031</u>
<b>EXPENSES</b>			
Program Services:			
Fostering Independence	19,928,507	-	19,928,507
Encouraging Positive Development	12,627,657	-	12,627,657
Promoting Self-Sufficiency	4,519,909	-	4,519,909
Total Program Services	<u>37,076,073</u>	<u>-</u>	<u>37,076,073</u>
Management and General	5,405,034	-	5,405,034
Fundraising	375,944	-	375,944
Total Expenses	<u>42,857,051</u>	<u>-</u>	<u>42,857,051</u>
<b>CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES</b>	(2,552,237)	(38,783)	(2,591,020)
<b>NONOPERATING ACTIVITIES</b>			
Interest and Dividends	9,525	-	9,525
Gain on Sale of Property and Equipment	8,171	-	8,171
Distributions to Subsidiary's Limited Partners	(7,490)	-	(7,490)
Total Nonoperating Activities	<u>10,206</u>	<u>-</u>	<u>10,206</u>
<b>CHANGE IN CONSOLIDATED NET ASSETS</b>	(2,542,031)	(38,783)	(2,580,814)
Change in Net Assets Without Restrictions Attributable to Noncontrolling Interest (Subsidiary's Limited Partners)	<u>92,335</u>	<u>-</u>	<u>92,335</u>
Change in Net Assets Attributable to the Parent	(2,449,696)	(38,783)	(2,488,479)
Net Assets - Controlling Interest - Beginning of Year	<u>9,165,366</u>	<u>434,660</u>	<u>9,600,026</u>
<b>NET ASSETS - CONTROLLING INTEREST - END OF YEAR</b>	<u>\$ 6,715,670</u>	<u>\$ 395,877</u>	<u>\$ 7,111,547</u>
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	\$ (92,335)	\$ -	\$ (92,335)
Net Assets - Noncontrolling Interest - Beginning of Year	<u>1,462,071</u>	<u>-</u>	<u>1,462,071</u>
<b>NET ASSETS - NONCONTROLLING INTEREST - END OF YEAR</b>	<u>\$ 1,369,736</u>	<u>\$ -</u>	<u>\$ 1,369,736</u>

See accompanying Notes to Consolidated Financial Statements.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Direct Public Support	\$ 612,591	\$ 392,928	\$ 1,005,519
Indirect Public Support:			
Volunteer of America Awards and Grants	25,406	-	25,406
Governmental Contract and Grant Revenue	20,591,651	-	20,591,651
Program Service Fees, Medicaid, and Medicare	10,051,388	-	10,051,388
Program Service Fees	10,591,739	-	10,591,739
Expense Reimbursements	31,978	-	31,978
Rental Income	691,054	-	691,054
Miscellaneous Income	2,391,069	-	2,391,069
Net Assets Released from Restrictions	403,414	(403,414)	-
Total Support and Revenue	<u>45,390,290</u>	<u>(10,486)</u>	<u>45,379,804</u>
<b>EXPENSES</b>			
Program Services:			
Fostering Independence	22,968,716	-	22,968,716
Encouraging Positive Development	8,139,974	-	8,139,974
Promoting Self-Sufficiency	8,353,459	-	8,353,459
Total Program Services	<u>39,462,149</u>	<u>-</u>	<u>39,462,149</u>
Management and General	5,518,418	-	5,518,418
Fundraising	303,928	-	303,928
Total Expenses	<u>45,284,495</u>	<u>-</u>	<u>45,284,495</u>
<b>CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES</b>	105,795	(10,486)	95,309
<b>NONOPERATING ACTIVITIES</b>			
Interest and Dividends	26,563	-	26,563
Gain (Loss) on Sale of Property and Equipment	195,466	-	195,466
Distributions to Subsidiary's Limited Partners	-	-	-
Total Nonoperating Activities	<u>222,029</u>	<u>-</u>	<u>222,029</u>
<b>CHANGE IN CONSOLIDATED NET ASSETS</b>	327,824	(10,486)	317,338
Change in Net Assets Without Restrictions Attributable to Noncontrolling Interest (Subsidiary's Limited Partners)	<u>54,342</u>	<u>-</u>	<u>54,342</u>
Change in Net Assets Attributable to the Parent	382,166	(10,486)	371,680
Net Assets - Controlling Interest - Beginning of Year	<u>8,783,200</u>	<u>445,146</u>	<u>9,228,346</u>
<b>NET ASSETS - CONTROLLING INTEREST - END OF YEAR</b>	<u>\$ 9,165,366</u>	<u>\$ 434,660</u>	<u>\$ 9,600,026</u>
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO NONCONTROLLING INTEREST</b>	\$ (54,342)	\$ -	\$ (54,342)
Net Assets - Noncontrolling Interest - Beginning of Year	<u>1,516,413</u>	<u>-</u>	<u>1,516,413</u>
<b>NET ASSETS - NONCONTROLLING INTEREST - END OF YEAR</b>	<u>\$ 1,462,071</u>	<u>\$ -</u>	<u>\$ 1,462,071</u>

See accompanying Notes to Consolidated Financial Statements.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

	Fostering Independence	Encouraging Positive Development	Promoting Self- Sufficiency	Management and General			Fundraising	Total
				VOA Of MN	VOA In MN	VOA WI		
Salaries and Wages	\$ 11,677,095	\$ 7,271,153	\$ 2,485,026	\$ 2,629,393	\$ -	\$ 130,813	\$ 261,266	\$ 24,454,746
Employee Benefits	2,418,800	1,391,078	548,644	482,753	-	33,031	55,389	4,929,695
Professional Fees	759,533	204,782	187,602	1,443,828	1,718	710	9,436	2,607,609
Program Supplies and Expenses	387,475	145,713	116,405	55,283	-	2,134	356	707,366
Office Supplies and Expenses	455,094	245,066	66,525	27,053	-	1,431	24,905	820,074
Occupancy	1,456,587	1,028,976	637,973	190,770	(485,234)	53,615	13,463	2,896,150
Interest	310,297	11,343	2,779	94,832	54,528	351	-	474,130
Travel, Conferences, and Meetings	540,449	107,760	23,733	58,095	(74,228)	4,354	5,340	665,503
Specific Assistance to Individuals	995,464	1,364,572	421,550	22	-	-	1,282	2,782,890
Other	436,246	801,430	8,431	88,960	46	4,836	4,507	1,344,456
Depreciation and Amortization	491,467	55,784	21,241	58,088	547,852	-	-	1,174,432
<b>Total Expenses</b>	<b>\$ 19,928,507</b>	<b>\$ 12,627,657</b>	<b>\$ 4,519,909</b>	<b>\$ 5,129,077</b>	<b>\$ 44,682</b>	<b>\$ 231,275</b>	<b>\$ 375,944</b>	<b>\$ 42,857,051</b>

See accompanying Notes to Consolidated Financial Statements.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019**

	Fostering Independence	Encouraging Positive Development	Promoting Self- Sufficiency	Management and General			Fundraising	Total
				VOA Of MN	VOA In MN	VOA WI		
Salaries and Wages	\$ 13,396,629	\$ 4,421,140	\$ 4,385,984	\$ 2,751,174	\$ -	\$ 268,346	\$ 210,150	\$ 25,433,423
Employee Benefits	2,715,335	884,310	968,265	490,556	-	76,912	43,069	5,178,447
Professional Fees	821,729	188,253	328,499	1,318,261	6,760	982	6,081	2,670,565
Program Supplies and Expenses	357,896	136,132	189,799	32,323	-	3,563	945	720,658
Office Supplies and Expenses	545,768	172,622	153,755	71,385	-	5,894	18,962	968,386
Occupancy	1,286,008	815,305	1,245,565	88,225	(520,783)	54,427	8,773	2,977,520
Interest	256,396	-	73,695	51,991	58,647	26	-	440,755
Travel, Conferences, and Meetings	685,988	91,711	89,354	100,405	-	29,713	8,390	1,005,561
Specific Assistance to Individuals	1,655,310	1,131,035	603,146	59	-	14	5,816	3,395,380
Other	923,966	299,466	83,697	34,100	(70)	3,599	1,742	1,346,500
Depreciation and Amortization	323,691	-	231,700	92,815	499,094	-	-	1,147,300
<b>Total Expenses</b>	<b>\$ 22,968,716</b>	<b>\$ 8,139,974</b>	<b>\$ 8,353,459</b>	<b>\$ 5,031,294</b>	<b>\$ 43,648</b>	<b>\$ 443,476</b>	<b>\$ 303,928</b>	<b>\$ 45,284,495</b>

See accompanying Notes to Consolidated Financial Statements.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,580,814)	\$ 317,338
Noncash Adjustments:		
Depreciation and Amortization	1,174,432	1,147,300
Change in Funds Held at Community Foundation	2,243	(4,184)
Gain on Sale of Property and Equipment	(8,171)	(195,466)
Noncash Donations of Low Interest and Forgivable Loans	(29,853)	(29,212)
Change in Assets and Liabilities:		
Accounts Receivable	1,596,952	216,479
Pledge Receivable	55,426	(17,716)
Prepaid Expenses and Other Current Assets	(18,116)	(70,778)
Resident's Funds and Deposits	33,022	(40,001)
Accounts Payable	(410,050)	(328,815)
Accrued Interest	9,263	9,711
Accrued Payroll and Payroll Taxes	(359,430)	(232,714)
Deferred Revenue	(32,366)	32,704
Other Liabilities	(12,523)	(64,804)
Net Cash Provided (Used) by Operating Activities	(579,985)	739,842
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(651,727)	(489,110)
Proceeds from Sale of Property and Equipment	52,375	282,116
(Increase) Decrease in Escrow Funds	(8,086)	56,662
(Increase) Decrease in Assets Under Bond and Indenture Agreements	(42,164)	(61,515)
Net Cash Used by Investing Activities	(649,602)	(211,847)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Proceeds (Payments) on Line of Credit	645,330	(252,875)
Proceeds from Issuance of Long-Term Debt	635,809	-
Principal Payments of Long-Term Debt and Capital Leases	(328,527)	(365,921)
Net Cash Provided (Used) by Financing Activities	952,612	(618,796)
 <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(276,975)	(90,801)
Cash and Cash Equivalents - Beginning of Year	2,013,203	2,104,004
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 1,736,228	\$ 2,013,203
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 474,130	\$ 440,755
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Assets Acquired Through Capital Leases	\$ 67,586	\$ 142,852

See accompanying Notes to Consolidated Financial Statements.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The consolidated financial statements for Volunteers of America Minnesota and Wisconsin include Volunteers of America of Minnesota, Volunteers of America in Minnesota, and Volunteers of America of Wisconsin, which collectively are referred to as the Organization. Volunteers of America Minnesota and Wisconsin is a nonprofit spiritually-based human services organization, incorporated in Minnesota, that provides social services within Minnesota and Wisconsin 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.

The Organization provides program services in the following Impact Areas:

***Fostering Independence***

Volunteers of America fosters the health and independence of the elderly and persons with disabilities, mental illness, and HIV/AIDS through quality affordable housing, health care services, and a wide range of community services. The Organization's senior services provide home delivered and group meal services, caregiver support, care management and consultation, legal services, senior volunteer programs, and culturally appropriate support for African American and Hmong populations. The Organization's program for people with special needs offers community-based services to those with developmental disabilities and mental illness, increasing their self-sufficiency and community involvement. The Organization also provides outpatient clinical mental health services and targeted case management.

***Encouraging Positive Development***

Volunteers of America 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. The Organization provides residential treatment for children and youth with emotional and chemical dependency challenges; operates an alternative high school for youth and authorizes charter schools; and supports foster care parents who provide residential care to children with high emotional and behavioral needs.

***Promoting Self-Sufficiency***

Volunteers of America 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. Programs include residential reentry services for men and women exiting correctional settings and one-to-one prison visitation and mentoring.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (CONTINUED)**

**Basis of Accounting**

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

**Principles of Consolidation**

The consolidated financial statements include Volunteers of America Minnesota and Wisconsin, Volunteers of America of Minnesota; Volunteers of America in Minnesota; Volunteers of America of Wisconsin; VOA MN 1900, LLC; and 2100 Bloomington, LP (collectively, the Organization). The economic interest and control factors between the organizations require a consolidated financial statement presentation. All material inter-organization transactions and accounts have been eliminated.

Volunteers of America Minnesota and Wisconsin (VOA MNWI) had no assets or liabilities or activity as of June 30, 2020 and 2019

Volunteers of America of Minnesota (VOA of MN) is a nonprofit human services organization, incorporated in Minnesota, that provides social services within the state of Minnesota. VOA MNWI is the sole member of VOA of MN.

Volunteers of America in Minnesota (VOA in MN) is a nonprofit corporation organized for the purposes of holding title to real property and equipment for the benefit of carrying out its affiliate's charitable missionary and social service functions. VOA MNWI is the sole member of VOA in MN.

Volunteers of America of Wisconsin, Inc. (VOA WI) is a nonprofit human services organization, incorporated in Wisconsin, that provides social services within the state of Wisconsin. VOA MNWI is the sole member of VOA WI.

VOA MN 1900, LLC (Monroe) is a limited liability company that operates a 51-unit senior apartment complex in Minneapolis, Minnesota. Monroe provides affordable housing for seniors over age 55. Monroe has entered into a regulatory agreement with HUD/FHA to operate its senior housing project. VOA of MN is the sole member of Monroe.

2100 Bloomington, LP (Franklin Station) is a tax credit housing project located at 2100 Bloomington Avenue in Minneapolis that consists of a 90-unit multifamily apartment building for low-income families. The project's general partner is 2100 Bloomington, LLC whose sole member is VOA in MN. The general partner holds a 0.01% equity interest in the project with the remaining 99.99% balance of equity interest held by limited partners.

**Consolidation of Franklin Station**

The Organization follows the accounting guidance under FASB ASC 810-20. This guidance includes a presumption that a general partner controls the partnership no matter what the ownership interest is and requires the sole general partner in a limited partnership to consolidate the partnership unless that presumption of control is overcome.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (CONTINUED)**

**Consolidation of Franklin Station (Continued)**

Organization evaluated its relationship with Franklin Station in which it is currently the general partner and determined the presumption of control, as defined by accounting guidance, could not be overcome. Therefore, the Organization has consolidated the assets, liabilities, and results of operations and recorded the noncontrolling interest's share of this limited partnership since control was obtained.

**Statement Presentation**

Net assets and revenue, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Without Donor Restrictions* – Net assets without donor restrictions consist of those resources over which the board of directors has discretionary control.

*With Donor Restrictions* – Net assets with donor restrictions consist of those resources which are limited as to use by donor-imposed stipulations or those resources subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as Net Assets Released from Restrictions. The donors of those resources required to be maintained in perpetuity by the Organization permit the Organization to use all or part of the income earned, including capital appreciation or related investment income, for purposes without donor restriction.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, 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.

The Organization maintains checking and savings accounts. A portion of these balances may exceed the Organization's Federal Deposit Insurance Corporation coverage at times during the year.

**Accounts Receivable**

Accounts receivable are stated at their net realizable value. The Organization provides for an allowance for uncollectible accounts and provider reductions based on the reserve method using management's judgment. Services are provided on an unsecured basis. Payment for services is required upon receipt of invoice or claim submitted. The allowance for uncollectible accounts and provider reductions was approximately \$368,000 and \$1,333,000 on June 30, 2020 and 2019, respectively.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pledges Receivable**

The Organization accounts for uncollectible pledges receivable by the reserve method. Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the promise is received. Conditional promises to give are not included in support until such time as the conditions are substantially met. Pledges receivable at June 30, 2020 and 2019 are expected to be collected within one year. No allowance was considered necessary at June 30, 2020 and 2019.

**Property and Equipment**

Property and equipment purchased by the Organization is recorded at cost at the date of acquisition or fair market value at the date of the donation in the case of donated property. If the donor stipulates how long the asset must be used, the contribution is recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as contributions without donor restrictions. The Organization follows the practice of capitalizing all expenditures for furnishings, equipment, and improvements in excess of \$3,000; 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, which range between 3 and 30 years. Leasehold improvements are amortized over the shorter of the life of the asset or the lease term.

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**Financing Fees**

Financing fees consist of issuance costs for certain long-term debt and are amortized over the respective term of the related debt. These costs are presented net with the related long-term debt (Note 8).

**Funds Held by Foundation**

The Organization has established the Volunteers of America of Minnesota Fund accounts at The Minneapolis Foundation and the Saint Paul and Minnesota Foundation. The Organization's agreement with the Foundations states the Foundations will distribute to the Organization the Fund's net income or principal or both as determined by the Foundations. The Organization retains a future economic benefit in the transferred assets and, therefore, has an ongoing economic interest in the net assets of the Foundations.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition**

The Organization receives revenue primarily from contracts, grants, rental income, and program services. Cost-reimbursable federal and state contracts and grants are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization was awarded cost-reimbursable grants of \$5,223,929 that have not been recognized at June 30, 2020 because qualifying expenditures have not yet been incurred. To the extent that grant advances exist, these amounts are deferred until such time as the related services are provided. Rental income is recognized when earned.

Program service fees are recorded at established billing rates, net of contractual adjustments, resulting from agreements with third-party payors. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of the Organization's operations.

Expenditures under governmental contracts are subject to review by the granting authority. While management anticipates no disallowance, to the extent that such a review reduces expenditures allowable under these contracts, the Organization will reduce revenues for the period within which the disallowance is determined.

**Contributions**

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

Contributions of property and equipment are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues with donor restrictions; the restrictions are considered to be released at the time such long-lived assets are placed in service.

**Contributed Services**

Volunteers have made significant contributions of their time to develop, enhance, and deliver the Organization's programs. The value of this contributed volunteer time does not meet the recognition requirements for contributed services and, as such, is not reflected in these statements.

**Operations**

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

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (CONTINUED)**

**Program Service Fees**

Program service fee revenue is recorded net of contractual adjustments and related discounts from clients, third-party payors, and others for services rendered. Contractual adjustments represent estimated differences between service revenue at established rates and amounts expected to be realized from third-party payors under contractual agreements. Medicare reimburses home health agencies for covered services under a prospective payment system (PPS). Under PPS, the Agency is reimbursed a prospective amount based on the level of care required by each patient. This prospective amount is paid periodically over the entire episode of care.

**Allocation of Functional Expenses**

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. The consolidated statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the community programs, management and general, and fundraising expenses. Certain administrative costs associated with the grant process are not included under grants on the statement of functional expenses and have been more appropriately reflected under community programs.

Certain direct care costs are program specific and recorded directly to the program category itself. Salaries that can be allocated to multiple programs are allocated based on an estimate of time provided to each program. Insurance specific to facilities and programs are allocated to each program based on facility costs. Facility costs are allocated based on square footage. Technology expenses are allocated based on the number of full-time equivalent employees.

**Income Taxes**

Under the provision of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the state of Minnesota and the state of Wisconsin, Volunteers of America Minnesota and Wisconsin and Volunteers of America of Wisconsin, Inc., are 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. are exempt from federal income taxes under Section 501(a) of the Internal Revenue Service as a religious organization described in Section 501(c)(3).

Monroe and Franklin Station are separate legal entities for state law and bankruptcy purposes. However, because Volunteers of America in and of Minnesota are the sole member of these entities, activities of these organizations are included in the Section 501(c)(3) tax filings of Volunteers of America in and of Minnesota.

The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization has minimal activities that are subject to tax on unrelated business income.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

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

**Reclassification**

Certain 2019 amounts have been reclassified to conform to the 2020 financial statement presentation.

**Concentration of Credit Risk**

The Organization receives a significant amount of funding from the government through various grants and contracts. If a significant reduction in the level of this funding were to occur, it might have a significant effect on the Organization's programs and activities.

**Change in Accounting Principle**

In June 2018, FASB issued ASU 2018-08, *Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transaction subject to other guidance and (2) determining whether a contribution is conditional. These consolidated financial statements reflect the adoption of ASU 2018-08 beginning in fiscal year 2020. The implementation of the standard did not impact the Organization's reported revenue and has been applied prospectively.

**Risks and Uncertainties**

In March 2020, the World Health Organization declared a pandemic as a result of Coronavirus (COVID-19). Future contributions, revenues, and expenses of the Organization are uncertain due to the potential impact on the market and other general market conditions. As of November 10, 2020, the amount and likelihood of any loss relating to these events is not yet determined.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 2 PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

	2020	2019
Office Equipment and Devices	\$ 1,685,207	\$ 1,670,666
Vehicles	1,061,986	1,029,191
Furnishings	630,228	607,149
Other Equipment	443,870	443,870
Work in Process	-	117,246
Building and Leasehold Improvements	7,370,926	6,817,849
Buildings	21,376,699	21,251,786
Land	1,661,798	1,661,798
Subtotal	<u>34,230,714</u>	<u>33,599,555</u>
Less: Accumulated Depreciation	<u>(19,328,573)</u>	<u>(18,210,231)</u>
Total	<u>\$ 14,902,141</u>	<u>\$ 15,389,324</u>

**NOTE 3 ESCROW FUNDS**

Escrow funds consisted of the following at June 30:

<u>Description</u>	<u>2020</u>	<u>2019</u>
The HUD Regulatory Agreement related to the Monroe project requires that an escrow be established for the payment of real estate taxes, personal property taxes, and mortgage insurance.	\$ 58,731	\$ 64,757
Under the terms of the IRP Escrow and Debt Service Account Security Agreement with U.S. Bank, Franklin Station has established the accounts to deposit the IRP payments received and to pay monthly principal and interest.	211,416	211,401
Other	132,180	118,083
Total	<u>\$ 402,327</u>	<u>\$ 394,241</u>

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 4 ASSETS UNDER BOND AND INDENTURE AGREEMENTS**

**For Monroe**

*Replacement Reserve Funds* – An agreement with the U.S. Department of Housing and Urban Development requires Monroe to maintain a reserve for the replacement and major repair of Monroe’s property. Under terms of the agreement, Monroe deposits \$1,275 into the reserve monthly; withdrawals are available only with HUD approval. Funds are held by Monroe in a bank deposit account.

**For Franklin Station**

*Repair and Replacement Reserve Funds* – An agreement with US Bank to establish the repair and replacement reserve fund to be funded by Franklin Station. The annual reserve amount was initially set at \$27,000 as of May 1, 2007, which is to be increased 3% each year. The reserve shall be used to make disbursements to the project for capital improvements noted.

*Real Estate Tax and Insurance Reserve Funds* – An agreement with US Bank to make monthly payments into an interest bearing real estate tax and insurance reserve account. Cash may be withdrawn from this account for payment of real estate and insurance.

*Operating Reserve Funds* – An agreement with US Bank to establish an operating reserve in the amount of \$25,811 at the time of closing.

The following is a summary of assets under bond and indenture agreements at cost at June 30:

	2020	2019
Replacement Reserve Funds:		
Money Market Funds	\$ 91,599	\$ 99,735
Repair and Replacement Reserve Funds:		
Money Market Funds	411,554	363,169
Real Estate Tax and Insurance Reserve Funds:		
Money Market Funds	14,900	12,987
Operating Reserve Funds:		
Money Market Funds	26,014	26,012
Total	\$ 544,067	\$ 501,903

**NOTE 5 REFUNDABLE ADVANCES**

The refundable advances represent the unearned federal and state grant revenue. The balance in this account would be disbursed to the grantor should the program no longer be operated by the Organization. When the Organization was awarded the grants, it also was given possession of the equipment used in the programs. This equipment, along with the purchases with grant funds during the term of the Organization’s grant, is property of the grantor and is not recorded as assets of the Organization.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 6 SHORT-TERM CREDIT ARRANGEMENTS**

VOA of MN has a line of credit of \$3,000,000. The line of credit carries a variable interest rate of Prime plus 0.5% with a 4.75% floor (4.75% as of June 30, 2020), and is secured by all Company assets and accounts receivable of VOA of MN. The maturity date is December 1, 2020. The outstanding debt on the line of credit as of June 30, 2020 and 2019 is \$679,887 and \$34,557, respectively.

VOA WI has a line of credit of \$200,000. The line of credit carries a variable interest rate of Prime plus 1.75% and is secured by a general business security agreement. The maturity date is September 2021. There is no outstanding debt of the line of credit as of June 30, 2020 and 2019.

**NOTE 7 DEFERRED LOAN AGREEMENTS**

Deferred loan agreements consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Note Payable to the City of Minneapolis Under the NRP Affordable Housing Reserve Fund Deferred Forgivable Loan Program (NRP Note) (Monroe)	\$ 443,907	\$ 439,747
Hennepin County Housing and Redevelopment Authority (IN MN)	400,000	400,000
Federal Home Loan Bank of Des Moines (VOA in MN)	500,000	500,000
Department of Housing and Urban Development Supportive Housing Grant (VOA of MN)	136,380	159,110
Waukesha County (VOA WI)	242,650	242,650
Total	<u>\$ 1,722,937</u>	<u>\$ 1,741,507</u>

The Neighborhood Revitalization Program (NRP) note carries a 1% interest rate and one-third of the note and interest will be forgiven every 10 years starting October 15, 2013, if no event of default occurs. On October 15, 2013, one-third of the note and interest were forgiven, which totaled \$270,400. Total accrued interest was \$23,746 and \$19,586 at June 30, 2020 and 2019, respectively. The funds must be used for affordable housing for low-income families and individuals, including the elderly and persons with special needs within the city of Minneapolis. Expenditures of the NRP funds totaled \$624,000 and were incurred for senior housing construction costs of VOA 1900, LLC. The NRP note is secured by the respective property of VOA 1900, LLC.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 7 DEFERRED LOAN AGREEMENTS (CONTINUED)**

Hennepin County Housing and Redevelopment Authority granted VOA in MN a \$400,000 loan for use in construction of a portion of 2100 Bloomington Limited Partnership. The grant agreement required VOA in MN to execute a note with 2100 Bloomington Limited Partnership in the amount of the AHIF funds. VOA in MN may assign its interest in the note to the Authority. The grant agreement expires 30 years from the latter of the date of the agreement or the date all 45 low income units are available to occupancy (May 2037). The grant agreement states VOA in MN shall only be required to repay such funds out of amounts recovered from 2100 Bloomington Limited Partnership pursuant to the note or VOA in MN's mortgage. This effectively limits the ability of the Authority to recover the \$400,000 up to the amount recoverable from 2100 Bloomington Limited Partnership. However, upon expiration of the agreement, VOA in MN is still entitled to receive repayment from 2100 Bloomington Limited Partnership but no longer needs to repay the Authority. The receipt becomes at that time a restricted net asset because the grant agreement requires that the repaid amount be spent on capital improvements for housing in Hennepin County that is affordable to very low-income people.

Federal Home Loan Bank of Des Moines agreement is between the Organization, 2100 Bloomington Limited Partnership, and US Bank NA (the Assignee). VOA in MN is committed to the LLP a loan in the amount of \$500,000, subject to funding by FHLB. The minimum useful life of the project is stated as 15 years (December 31, 2021). During this estimated useful life, the project can only be used for the purposes stated in the agreement. VOA in MN assigned its interest in the mortgage and note receivable. However, after the expiration of the "retention period" the assignment terminates, which is 15 years after substantial completion of the project. Provided certain circumstances in the agreement do not occur, 2100 Bloomington Limited Partnership would still be required to pay the note to Volunteers of America in Minnesota on May 2, 2037 and VOA in MN would not have to repay the assignee.

The Department of Housing and Urban Development supportive housing grant will be forgiven at a rate of 10% beginning August 2016 for each year in excess of 10 years that the Our Home Permanent Supportive Housing project is used as supportive housing. If the project ceases to be used as supportive housing within 10 years after the project is placed in service, VOA of MN will be obligated to repay the entire grant to the Department of Housing and Urban Development.

In 2008, Waukesha County made three 0% interest loans to VOA WI totaling \$242,650 for the rehabilitation of the Marion House. Loans for \$150,000 and \$22,650 were made under Title II, Section 216 and 217 of the National Affordable Housing Act of 1990, and 24 CFR Part 92 (the HOME program), and a loan for \$70,000 was made under Title I of the Housing and Community Development Act of 1974. The loans shall be repayable upon the sale, transfer of title, material noncompliance with the terms of the HOME Rental Project agreement or the Community Development Block Grant agreement, or the change in use of the property. If none of these conditions occur, the loans will be forgiven after 20 years (August 2028).

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 8 LONG-TERM DEBT**

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

<u>Description</u>	<u>2020</u>	<u>2019</u>
Prudential Mortgage - The mortgage bears interest at the rate of 3.8% per annum and is insured by HUD under Section 221(d)(4) of the Housing Act of 1959. The mortgage is payable in monthly installments of \$23,322 including interest through December 2051. The debt is secured by a first mortgage. The mortgage may not be prepaid prior to January 1, 2014; commencing January 1, 2014, the mortgage may be prepaid with a penalty of 8% declining by 1% annually for eight years. Commencing January 1, 2022, the mortgage may be prepaid without a penalty. (Monroe)	\$ 5,135,816	\$ 5,218,806
The Minnesota Housing Finance Agency loan payable is for the Our Home Permanent Supportive Housing project. The loan is noninterest-bearing and due in a lump sum payment on October 7, 2034, or on an event of default as outlined in the loan agreement. (VOA of MN)	230,000	230,000
The Greater Minnesota Housing Fund note payable is for the Our Home Permanent Supportive Housing project. The note has a face amount of \$120,000 and is noninterest bearing and due in a lump sum payment on October 7, 2034, or on an event of default as outlined in the note agreement. Imputed interest of \$59,665 has been made on this note using an interest rate of 4.61% derived from comparable municipal bond rates from October 2004. This loan is secured by property of the Organization. (VOA of MN)	120,000	120,000
Beacon Bank Mortgage - The note is payable in monthly installments of \$4,500, including interest and principal. The interest rate was set on January 1, 2007 and will be adjusted every three years thereafter at 3.25% plus the weekly average rate of U.S. Treasury Securities. Final payment is due February 1, 2024. The loan was refinanced with Alerus Bank in December 2019. (VOA of MN)	-	219,562

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 8 LONG-TERM DEBT (CONTINUED)**

<u>Description</u>	<u>2020</u>	<u>2019</u>
Alerus Bank Mortgage - The note is payable in monthly installments of \$4,569, including interest and principal. The interest rate was set on December 16, 2019 and is fixed at 4.65%. Final payment is due on December 1, 2023 for all unpaid principal and accrued interest. This loan is secured by the real property at Omegon. (VOA of MN)	\$ 176,582	\$ -
First Bank & Trust and Blaine Economic Development Authority Mortgage - The mortgage bears a variable interest rate of 4% per annum and is issued to Volunteers of America in Minnesota for property in Blaine, Minnesota. The interest rate was set February 28, 2008 and will be adjusted every five years thereafter equal to the rate of the current five-year treasury bond rate, with a floor of 3.5%. The current rate of interest on the mortgage is 3.5%. The Mortgage is payable in monthly installments of \$8,453.00 through February 2033. The property is located at Avanti Center for Girls in Blaine, Minnesota and VOA of MN is a guarantor of the mortgage. (VOA in MN)	1,036,500	1,100,437
First National Bank of Milaca Mortgage - The note is payable in monthly installments of \$862 through June 20, 2019, and in monthly installments of \$900 thereafter, including interest and principal, and is issued to Volunteers of America in Minnesota for property in Milaca, Minnesota. The interest rate is fixed at 5.75% and a final balloon payment is due May 20, 2024. The loan is secured by property in Milaca, Minnesota and Volunteers of America of Minnesota is a guarantor of the mortgage. (VOA in MN)	84,734	90,945
Northeast Bank - The note is payable in monthly installments of \$7,835, including interest and principal through August 2019. The interest rate was fixed at 5%. The loan was paid in full in August 2019. (VOA in MN)	-	16,291
Center for Energy and Environment - The loan is payable in monthly principal installments of \$324 through April 23, 2021. There is no interest on the loan. The loan is secured by property of the Organization and Volunteers of America in Minnesota is guarantor of the note. (VOA in MN)	3,236	7,121

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 8 LONG-TERM DEBT (CONTINUED)**

<u>Description</u>	<u>2020</u>	<u>2019</u>
City of Minneapolis, Minnesota - Multifamily Housing Revenue Refunding Notes Series 2006A. Interest-only payments through December 2006. Monthly principal and interest payments of \$8,594 through December 1, 2035. The interest rate is 5.89%. The loan is secured by land, buildings, fixtures, and equipment owned by Franklin Station. (2100 Bloomington)	\$ 1,083,406	\$ 1,120,424
City of Minneapolis, Minnesota - Community Planning and Economic Development loan with 1% simple interest. No payments required until maturity in May 2036. Loan secured by mortgage assignment of leases and rents and financing statement of Franklin Station. (2100 Bloomington)	300,000	300,000
The Minnesota Housing Finance Agency PARIF - 0% interest loan with no payments until maturity in May 2036. Loan secured by first mortgage, security agreement and fixture financing statement of Franklin Station. (2100 Bloomington)	450,000	450,000
Associated Bank - The note is payable in monthly installments of \$859, including interest and principal through August 14, 2021, with a final installment of \$82,759. The interest rate is fixed at 4.68%. The loan is secured by the Summit house property. (VOA WI)	89,168	95,076
IFF - The note is payable in monthly installments of \$1,473, including interest and principal through November 1, 2024. The interest rate was set August 10, 2009 and will be adjusted every five years thereafter equal to the sum of the yield to maturity of United States Treasury obligations with a maturity equal to the maturity date plus 1.75%, with a floor of 5.5%. The current rate of interest on the mortgage is 5.88%. The loan is secured by the Booth house property. (VOA WI)	68,016	81,258
IFF - The note is payable in monthly installments of \$427, including interest and principal through January 1, 2027. The interest rate was set December 8, 2011 and will be adjusted every five years thereafter equal to the sum of the yield to maturity of United States Treasury obligations with a maturity equal to the maturity date plus 2.0%, with a floor of 5.5%. The current rate of interest on the mortgage is 5.25%. The loan is secured by the James house property. (VOA WI)	28,139	31,267

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 8 LONG-TERM DEBT (CONTINUED)**

<u>Description</u>	<u>2020</u>	<u>2019</u>
The note is payable to a charitable remainder annuity trust, monthly payments of \$1,750 through the death of the lead trust beneficiaries. The interest rate is imputed at 5.6%. The loan is secured by the Marion house property. (VOA WI)	\$ 120,186	\$ 127,217
The capital lease of Edward house is payable to a charitable remainder annuity trust, monthly payments of \$1,750 through the death of the lead trust beneficiaries. The interest rate is imputed at 5.6%. (VOA WI)	120,186	127,217
Payroll Protection Program loan payable - The PPP loan bears interest at a fixed rate of 1.0% per annum, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. (VOA WI)	<u>635,809</u>	<u>-</u>
Total	9,681,778	9,335,621
Less: Unamortized Discount (4.61%)	(56,375)	(59,665)
Less: Current Maturities	(273,555)	(276,827)
Less: Financing Fees	<u>(242,020)</u>	<u>(257,857)</u>
Long-Term Debt	<u>\$ 9,109,828</u>	<u>\$ 8,741,272</u>

The estimated principal payments of long-term debt at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 273,555
2022	486,160
2023	451,520
2024	444,198
2025	467,287
Thereafter	<u>7,559,058</u>
Total	<u>\$ 9,681,778</u>

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 9 CLASSIFICATION OF NET ASSETS**

Net assets with donor restrictions are available for the following purposes at June 30:

	<u>2020</u>	<u>2019</u>
Pledges Receivable	\$ 115,117	\$ 170,543
Purpose Restricted	154,628	131,310
Unamortized Discount on Noninterest-Bearing Note	56,375	59,665
Angel Fund	22,233	23,375
Funds Held in Perpetuity	47,524	49,767
Total	<u>\$ 395,877</u>	<u>\$ 434,660</u>

Net assets released from restriction were released for the following purposes for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Purpose/Time Restrictions	\$ 492,202	\$ 403,414
Total	<u>\$ 492,202</u>	<u>\$ 403,414</u>

Net assets restricted by donors to be maintained in perpetuity totaling \$49,767 and \$46,881 at June 30, 2020 and 2019, respectively, consist of endowment funds.

**NOTE 10 TAX INCREMENT FINANCING**

Monroe has entered into a Contract for Private Redevelopment (the Redevelopment Contract) with the city of Minneapolis (the City). In exchange for these funds, Monroe must make certain minimum improvements to the property as set forth in the Redevelopment Contract. As part of the Redevelopment Contract, the City has created a housing tax increment finance district. In accordance with this agreement, Monroe must comply with certain restrictions. In exchange for complying with these and other requirements of the agreement, the City will provide a semiannual cash subsidy (TIF) to Monroe, based on property tax collections from the Project equal to approximately 90% of the gross increment in real estate taxes payable over an estimated 25-year period. Repayment began July 30, 2006. The City's obligation is subject to Monroe's compliance with the agreement over the term.

The tax increment revenues have been assigned to Prudential as additional security for the first mortgage.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 11 RETIREMENT PLANS**

**Pension Plan – Ministers**

The National Volunteers of America, Inc. sponsors a noncontributory defined benefit pension and retirement plan for ministers nation-wide commissioned prior to December 31, 1999. The plan currently includes one minister within the Organization. The plan is administered through a commercial insurance company under contract to Volunteers of America, Inc. The Organization's expense was \$18,019 and \$41,763 for the years ended June 30, 2020 and 2019, respectively. This plan is a multiemployer plan and is not required to record the unfunded pension liability in its financials. The plan's disclosure information regarding the projected benefit obligation and unfunded status as they relate solely to the National Organization is not available, which is typical for multiemployer plans. Because this plan is a church plan and not subject to the Employment Retirement Security Act of 1974 (ERISA), the Organization is not required to file a Form 5500. The unfunded liability is collectively the liability of all participating employers. If there were any cash shortfalls in the plan, the plan would look towards the participating employers to help fund these amounts. As the participating employers of this plan are affiliated with the Organization, it is not anticipated that any employer will choose to stop participating.

The financial health of the multiemployer 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. As of June 30, 2020, the multiemployer plan is in red zone status. As of June 30, 2019, the multiemployer plan is in red zone status.

**NOTE 12 LEASES**

The Organization leases certain building space, office equipment, and vehicles under various operating and capital leases. Some of the building space and most of the office equipment are under leases that can be canceled upon 30-day written notice. Rent expense incurred under leases totaled \$927,873 and \$1,032,334 for the years ended June 30, 2020 and 2019, respectively.

The following is a summary of future minimum rental payments under operating leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 788,841
2022	623,294
2023	397,138
2024	288,205
2025	210,210
Thereafter	723,352
Total	<u>\$ 3,031,040</u>

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE 12 LEASES (CONTINUED)**

The following is a summary of future minimum rental payments under capital leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 83,385
2022	81,173
2023	61,048
2024	50,342
2025	30,205
Thereafter	<u>285</u>
Total Minimum Lease Payments	306,438
Less Amount Representing Interest	<u>(37,790)</u>
Capital Lease Obligation	<u><u>\$ 268,648</u></u>

**NOTE 13 RELATED PARTY TRANSACTIONS**

The Organization is affiliated with Volunteers of America, Inc., which provides supporting services to the Organization for a fee. Charter service fees for the fiscal years ended June 30, 2020 and 2019 were \$778,773 and \$763,039, respectively. The amount due to Volunteers of America National Services is \$77,143 and \$72,126 at June 30, 2020 and 2019, respectively.

The Organization received a contribution of \$11,355 and \$25,406 from Volunteers of America, Inc. during the years ended June 30, 2020 and 2019, respectively.

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

**Legal Contingencies**

The Organization is involved in various legal claims and disputes arising in the ordinary course of business. Although it is not possible to predict the outcome of these matters, it is management's opinion that the outcomes will not have a material effect on the consolidated balance sheets of the Organization.

**NOTE 15 LIQUIDITY AND AVAILABILITY**

The Organization manages its liquidity to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity including cash and cash equivalents, accounts receivable, pledges receivable, and a line of credit. In addition to its financial assets, the Organization operates with a balanced budget and anticipates collecting enough revenue to cover general expenditures.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE 15 LIQUIDITY AND AVAILABILITY (CONTINUED)**

As of June 30, 2020 and 2019, the following table shows the amounts of financial assets due within one year of the balance sheet date available for general expenditures:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,736,228	\$ 2,013,203
Accounts Receivable, Net	5,620,801	7,217,753
Pledges Receivable	115,117	170,543
Less: Assets With Donor Restrictions	<u>(395,877)</u>	<u>(434,660)</u>
Total	<u>\$ 7,076,269</u>	<u>\$ 8,966,839</u>

As part its liquidity management practices, the Organization has a goal to maintain cash and cash equivalents with available lines of credit to meet 30 days of normal operating expenses. As of June 30, 2020 and 2019, the following table shows the calculated available cash:

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,736,228	\$ 2,013,203
Available Lines of Credit	<u>2,520,113</u>	<u>3,165,443</u>
Total Cash Available	<u>\$ 4,256,341</u>	<u>\$ 5,178,646</u>
Days of Available Cash	<u>37</u>	<u>42</u>

**NOTE 16 SUBSEQUENT EVENTS**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 10, 2020, the date the consolidated financial statements were issued.

In April 2020, Volunteers of America of Minnesota entered into a purchase agreement for the sale of its membership interests in VOA MN 1900, LLC (Monroe Village) to Volunteers of America National Services. The sale of the membership interests is priced at \$1,200,000. Monroe Village will retain all real and personal property, debt, and TIF agreements. Volunteers of America of Minnesota will continue to manage the property. As of November 10, 2020, the sale has not yet closed, however, it is expected to occur later in 2020.

Additionally, subsequent to year-end, Volunteers of America in Minnesota entered into a purchase agreement for the sale of the Children's Residential Treatment Center (CRTC) building for \$800,000. As of November 10, 2020, the sale has not yet closed, however, it is expected to occur later in 2020.

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
CONSOLIDATING BALANCE SHEET  
JUNE 30, 2020**

	VOA in Minnesota Subsidiaries			VOA of Minnesota VOA of Minnesota Programs		VOA Wisconsin	Adjustments And Eliminations	Total
	VOA in Minnesota	Monroe	Franklin Station	Subtotal				
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Cash and Cash Equivalents	\$ 885,606	\$ 98,897	\$ 277,987	\$ 1,262,490	\$ 178,486	\$ 295,252	\$ -	\$ 1,736,228
Accounts Receivables, Net	-	126,305	4,998	131,303	4,965,341	524,157	-	5,620,801
Pledges Receivable	-	-	-	-	115,117	-	-	115,117
Prepaid Expenses and Other Current Assets	-	29,450	10,680	40,130	334,957	48,762	-	423,849
Residents' Funds and Deposits	-	54,742	25,544	80,286	3,730	-	-	84,016
Due from (to) Affiliates	6,725,101	(466,228)	(705,036)	5,553,837	(6,169,382)	624,745	(9,200)	-
Total Current Assets	<u>7,610,707</u>	<u>(156,834)</u>	<u>(385,827)</u>	<u>7,068,046</u>	<u>(571,751)</u>	<u>1,492,916</u>	<u>(9,200)</u>	<u>7,980,011</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	4,457,407	4,521,992	3,399,300	12,378,699	1,646,742	876,700	-	14,902,141
<b>OTHER ASSETS</b>								
Escrow Funds	-	76,001	318,972	394,973	7,354	-	-	402,327
Funds Held by Foundation	-	-	-	-	28,574	-	-	28,574
Assets Under Bond and Indenture Agreements	-	91,599	452,468	544,067	-	-	-	544,067
Investment in Subsidiary	301,536	-	-	301,536	-	-	(301,536)	-
Deferred Notes Receivable	-	-	-	-	-	-	-	-
Deferred Interest Receivable	-	-	-	-	-	-	-	-
Total Other Assets	<u>301,536</u>	<u>167,600</u>	<u>771,440</u>	<u>1,240,576</u>	<u>35,928</u>	<u>-</u>	<u>(301,536)</u>	<u>974,968</u>
Total Assets	<u>\$ 12,369,650</u>	<u>\$ 4,532,758</u>	<u>\$ 3,784,913</u>	<u>\$ 20,687,321</u>	<u>\$ 1,110,919</u>	<u>\$ 2,369,616</u>	<u>\$ (310,736)</u>	<u>\$ 23,857,120</u>

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
CONSOLIDATING BALANCE SHEET (CONTINUED)  
JUNE 30, 2020**

	VOA in Minnesota				VOA of Minnesota		Adjustments And Eliminations	Total
	VOA in Minnesota	Subsidiaries		Subtotal	VOA of Minnesota Programs	VOA Wisconsin		
		Monroe	Franklin Station					
<b>CURRENT LIABILITIES</b>								
Current Maturities of Long-Term Debt	\$ 76,666	\$ 86,199	\$ 39,490	\$ 202,355	\$ 47,521	\$ 23,679	\$ -	\$ 273,555
Current Maturities of Capital Lease Obligations	37,897	-	-	37,897	-	27,752	-	65,649
Lines of Credit	-	-	-	-	679,887	-	-	679,887
Accounts Payable	-	20,491	11,507	31,998	569,582	23,451	-	625,031
Accrued Interest	2,107	16,263	50,000	68,370	1,121	-	-	69,491
Accrued Payroll and Payroll Taxes	-	-	20,446	20,446	1,392,695	158,905	-	1,572,046
Deferred Revenue	-	218	1,361	1,579	158,763	4,548	-	164,890
Refundable Advances	-	-	-	-	2,859	-	-	2,859
Residents' Funds and Deposits	-	51,513	23,293	74,806	25,555	3,112	-	103,473
Other Current Liabilities	101,228	126,964	73,001	301,193	25,385	-	(9,200)	317,378
Total Current Liabilities	<u>217,898</u>	<u>301,648</u>	<u>219,098</u>	<u>738,644</u>	<u>2,903,368</u>	<u>241,447</u>	<u>(9,200)</u>	<u>3,874,259</u>
<b>LONG-TERM LIABILITIES</b>								
Capital Lease Obligations	114,402	-	-	114,402	-	88,597	-	202,999
Deferred Loan Agreements	-	443,907	-	443,907	136,380	242,650	900,000	1,722,937
Accrued Payroll Taxes	-	-	-	-	420,400	45,414	-	465,814
Long-Term Debt, Less								
Current Maturities	1,014,452	4,975,190	2,560,807	8,550,449	422,121	1,037,258	(900,000)	9,109,828
Total Long-Term Liabilities	<u>1,128,854</u>	<u>5,419,097</u>	<u>2,560,807</u>	<u>9,108,758</u>	<u>978,901</u>	<u>1,413,919</u>	<u>-</u>	<u>11,501,578</u>
Total Liabilities	1,346,752	5,720,745	2,779,905	9,847,402	3,882,269	1,655,366	(9,200)	15,375,837
<b>NET ASSETS (DEFICIT)</b>								
Without Donor Restrictions (Deficit)	11,003,948	(1,187,987)	(364,728)	9,451,233	(3,126,044)	692,017	(301,536)	6,715,670
Noncontrolling Interest (Subsidiary's Limited Partners)	-	-	1,369,736	1,369,736	-	-	-	1,369,736
Total Net Assets Without Donor Restrictions (Deficit)	11,003,948	(1,187,987)	1,005,008	10,820,969	(3,126,044)	692,017	(301,536)	8,085,406
With Donor Restrictions	18,950	-	-	18,950	354,694	22,233	-	395,877
Total Net Assets ( Deficit)	<u>11,022,898</u>	<u>(1,187,987)</u>	<u>1,005,008</u>	<u>10,839,919</u>	<u>(2,771,350)</u>	<u>714,250</u>	<u>(301,536)</u>	<u>8,481,283</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 12,369,650</u>	<u>\$ 4,532,758</u>	<u>\$ 3,784,913</u>	<u>\$ 20,687,321</u>	<u>\$ 1,110,919</u>	<u>\$ 2,369,616</u>	<u>\$ (310,736)</u>	<u>\$ 23,857,120</u>

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	VOA in Minnesota			Subtotal	VOA of Minnesota		Adjustments And Eliminations	Total
	VOA in Minnesota	Subsidiaries			VOA of Minnesota Programs	VOA Wisconsin		
		Monroe	Franklin Station					
<b>NET ASSETS WITHOUT RESTRICTIONS</b>								
Support and Revenue:								
Direct Public Support	\$ -	\$ -	\$ -	\$ -	\$ 473,470	13,181	\$ -	\$ 486,651
Indirect Public Support:								
Volunteers of America Awards and Grants	-	-	-	-	10,770	585	-	11,355
Government Contract and Grant Revenue	-	-	4,714	4,714	16,129,090	1,914,457	-	18,048,261
Program Service Fees, Medicaid and Medicare	-	-	-	-	6,427,542	2,644,856	-	9,072,398
Program Service Fees	-	-	890,480	890,480	8,408,410	-	-	9,298,890
Expense Reimbursements	-	-	-	-	31,264	-	-	31,264
Rental Income	760,796	743,677	-	1,504,473	67,524	-	(828,320)	743,677
Miscellaneous Income	-	1,180	4,728	5,908	2,808,236	155,813	(849,841)	2,120,116
Net Assets Released from Restrictions	-	-	-	-	491,028	1,174	-	492,202
Total Support and Revenue	<u>760,796</u>	<u>744,857</u>	<u>899,922</u>	<u>2,405,575</u>	<u>34,847,334</u>	<u>4,730,066</u>	<u>(1,678,161)</u>	<u>40,304,814</u>
<b>EXPENSES</b>								
Program Services:								
Fostering Independence	-	741,520	984,874	1,726,394	16,873,390	4,566,384	(3,237,661)	19,928,507
Positive Development	-	-	-	-	14,918,702	-	(2,291,045)	12,627,657
Promoting Self-Sufficiency	-	-	-	-	5,138,681	-	(618,772)	4,519,909
Total Program Services	-	741,520	984,874	1,726,394	36,930,773	4,566,384	(6,147,478)	37,076,073
Management and General	805,476	-	-	805,476	(72,548)	283,299	4,388,807	5,405,034
Fundraising	-	-	-	-	374,753	1,191	-	375,944
Total Expenses	<u>805,476</u>	<u>741,520</u>	<u>984,874</u>	<u>2,531,870</u>	<u>37,232,978</u>	<u>4,850,874</u>	<u>(1,758,671)</u>	<u>42,857,051</u>
<b>CHANGE IN NET ASSETS BEFORE NONOPERATING ACTIVITIES</b>	(44,680)	3,337	(84,952)	(126,295)	(2,385,644)	(120,808)	80,510	(2,552,237)

**VOLUNTEERS OF AMERICA MINNESOTA AND WISCONSIN  
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

	VOA in Minnesota			Subtotal	VOA of Minnesota		Adjustments And Eliminations	Total
	VOA in Minnesota	Subsidiaries			VOA of Minnesota Programs	VOA Wisconsin		
		Monroe	Franklin Station					
<b>NONOPERATING ACTIVITIES</b>								
Interest and Dividends	\$ 80,510	\$ 19	\$ 99	\$ 80,628	\$ 9,375	\$ 32	\$ (80,510)	\$ 9,525
Gain on Sale of Property and Equipment	6,412	-	-	6,412	-	1,759	-	8,171
Distributions to Subsidiary's Limited Partners	-	-	(74,891)	(74,891)	67,401	-	-	(7,490)
Total Nonoperating Activities	<u>86,922</u>	<u>19</u>	<u>(74,792)</u>	<u>12,149</u>	<u>76,776</u>	<u>1,791</u>	<u>(80,510)</u>	<u>10,206</u>
<b>CHANGE IN NET ASSETS WITHOUT RESTRICTIONS (DEFICIT) BEFORE NONCONTROLLING INTEREST</b>	42,242	3,356	(159,744)	(114,146)	(2,308,868)	(119,017)	-	(2,542,031)
Noncontrolling Interest (Subsidiary's Limited Partners)	-	-	92,335	92,335	-	-	-	92,335
<b>CHANGE IN NET ASSETS WITHOUT RESTRICTIONS (DEFICIT) CONTROLLING INTEREST</b>	42,242	3,356	(67,409)	(21,811)	(2,308,868)	(119,017)	-	(2,449,696)
<b>NET ASSETS WITH RESTRICTIONS</b>								
Support and Revenue:								
Direct Public Support	-	-	-	-	453,387	32	-	453,419
Net Assets Released from Restriction	-	-	-	-	(491,028)	(1,174)	-	(492,202)
<b>CHANGE IN NET ASSETS WITH RESTRICTIONS</b>	-	-	-	-	(37,641)	(1,142)	-	(38,783)
<b>CHANGE IN NET ASSETS (DEFICIT) - CONTROLLING INTEREST</b>	<u>\$ 42,242</u>	<u>\$ 3,356</u>	<u>\$ (67,409)</u>	<u>\$ (21,811)</u>	<u>\$ (2,346,509)</u>	<u>\$ (120,159)</u>	<u>\$ -</u>	<u>\$ (2,488,479)</u>