VOLUNTEERS OF AMERICA OF INDIANA, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2013 and 2012

CAPINCROUSE LLP
Certified Public Accountants

VOLUNTEERS OF AMERICA OF INDIANA, INC.

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SECTION I

Audited Financial Statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

June 30, 2013 and 2012

CAPINCROUSE LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors and Audit Committee
Volunteers of America of Indiana, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Volunteers of America of Indiana, Inc. (VOAI) (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors and Audit Committee
Volunteers of America of Indiana, Inc.
Indianapolis, Indiana

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Volunteers of America of Indiana, Inc. as of June 30, 2013 and 2012, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Capin Crouse LLP

Greenwood, Indiana
October 2, 2013

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Financial Position

	June 30, 2013	June 30, 2012
ASSETS:		
Current assets:		
Cash and cash equivalents, including quasi-endowment money market funds of $4,430 and $13,578	$ 248,805	$ 543,464
Accounts receivable–net of allowance of $7,500 in each year	817,765	932,238
Grants receivable	89,376	43,890
Prepaid expenses and other	32,652	36,669
Investments–operating reserves	446,251	401,069
Funds held for correctional clients	101,130	106,319
Total current assets	1,735,979	2,063,649
Other assets:		
Investments–quasi-endowment funds	244,537	207,760
Other	10,142	5,680
Total other assets	254,679	213,440
Fixed assets:		
Land and buildings	6,280,411	6,201,146
Furnishings and equipment	2,217,245	2,113,676
	8,497,656	8,314,822
Accumulated depreciation	(3,474,075)	(3,133,233)
Construction in progress	-	50,400
Total property and equipment	5,023,581	5,231,989
Total Assets	$ 7,014,239	$ 7,509,078

(continued)

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Financial Position
(continued)

	June 30, 2013	June 30, 2012
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	$ 138,175	$ 218,819
Current portion of bank term loans	178,091	175,261
Accrued expenses	266,621	229,290
Accrued administrative fee	24,565	14,036
Deferred revenue	-	106,167
Funds held for correctional clients	101,130	106,319
Total current liabilities	708,582	849,892
Long-term liabilities:		
Bank term loans	89,365	268,580
Total liabilities	797,947	1,118,472
Net assets:		
Unrestricted:		
Undesignated	1,043,742	1,381,120
Board-designated–quasi-endowment	248,967	221,338
Equity in property and equipment	4,756,125	4,788,148
Total unrestricted	6,048,834	6,390,606
Temporarily restricted	167,458	-
Total net assets	6,216,292	6,390,606
Total Liabilities and Net Assets	$ 7,014,239	$ 7,509,078

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Activities

	Year Ended June 30,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE FROM OPERATIONS:						
Public support:						
Public support received directly–contributions	$ 285,986	$ 167,458	$ 453,444	$ 279,306	$ -	$ 279,306
Public support received directly–contributions, in-kind	37,500	-	37,500	82,718	-	82,718
Public support received indirectly–United Way	367,735	-	367,735	372,420	-	372,420
Public support received indirectly–VOA grants	25,025	-	25,025	68,134	-	68,134
Total public support	716,246	167,458	883,704	802,578	-	802,578
Other revenue:						
Government fees and grants	6,068,075	-	6,068,075	5,846,605	-	5,846,605
Program service fees	528,850	-	528,850	512,900	-	512,900
Investment gains (losses)	34,139	-	34,139	(7,461)	-	(7,461)
Other revenues	59,100	-	59,100	59,849	-	59,849
Total other revenue	6,690,164	-	6,690,164	6,411,893	-	6,411,893
Net assets released from restrictions	-	-	-	-	-	-
Total revenue from operations	7,406,410	167,458	7,573,868	7,214,471	-	7,214,471

(continued)

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Activities
(continued)

	Year Ended June 30,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING EXPENSES:						
Program services:						
Encouraging Positive Development–children and youth	538,491	-	538,491	604,670	-	604,670
Fostering Independence–mental health	212,277	-	212,277	202,162	-	202,162
Promoting Self-Sufficiency:						
Homeless services	738,902	-	738,902	463,077	-	463,077
Substance abuse	214,908	-	214,908	177,345	-	177,345
Correctional services	4,672,204	-	4,672,204	4,488,061	-	4,488,061
Total program services	6,376,782	-	6,376,782	5,935,315	-	5,935,315
Supporting activities:						
Management and general	1,065,683	-	1,065,683	1,160,175	-	1,160,175
Fund-raising	181,164	-	181,164	174,182	-	174,182
Administrative fees to national organization	145,903	-	145,903	142,593	-	142,593
Total supporting activities	1,392,750	-	1,392,750	1,476,950	-	1,476,950
Total operating expenses	7,769,532	-	7,769,532	7,412,265	-	7,412,265
Excess (loss) from operations	(363,122)	167,458	(195,664)	(197,794)	-	(197,794)

(continued)

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Activities
(continued)

	Year Ended June 30,					
	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
NONOPERATING GAIN (LOSS) AND OTHER REVENUE:						
Public support received indirectly–capital grants	9,215	-	9,215	882,450	-	882,450
Investment gain (loss)–quasi-endowment	27,629	-	27,629	(14,944)	-	(14,944)
Loss on insurance settlement and other	(15,494)	-	(15,494)	(6,703)	-	(6,703)
Net assets released from restrictions	-	-	-	360,423	(360,423)	-
Excess from other activities	21,350	-	21,350	1,221,226	(360,423)	860,803
CHANGE IN NET ASSETS	(341,772)	167,458	(174,314)	1,023,432	(360,423)	663,009
NET ASSETS, BEGINNING OF YEAR	6,390,606	-	6,390,606	5,367,174	360,423	5,727,597
NET ASSETS, END OF YEAR	$ 6,048,834	$ 167,458	$ 6,216,292	$ 6,390,606	$ -	$ 6,390,606

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statement of Functional Expenses

Year Ended June 30, 2013

	Program Services						Supporting Activities			
	Encouraging Positive Development	Fostering Independence	Promoting Self-Sufficiency							
	Children and Youth	Mental Health	Homeless Services	Substance Abuse	Correctional Services	Total	Management and General	Fund-raising	Total	Total
Salaries	$ 370,550	$ 115,951	$ 373,156	$ 161,952	$ 2,338,179	$ 3,359,788	$ 498,461	$ 140,712	$ 639,173	$ 3,998,961
Pension expense	20,437	4,351	6,862	9,364	111,904	152,918	27,770	10,490	38,260	191,178
Other employee benefits	55,579	14,764	38,067	16,132	346,092	470,634	51,588	11,019	62,607	533,241
Payroll taxes	22,062	9,139	31,719	12,498	166,742	242,160	54,179	566	54,745	296,905
Legal fees	-	-	-	-	-	-	24,549	-	24,549	24,549
Accounting fees	-	-	-	-	-	-	41,905	-	41,905	41,905
Other professional fees	1,628	738	9,475	547	181,957	194,345	210,459	3,459	213,918	408,263
Supplies and expenses	10,041	40,665	83,902	363	762,714	897,685	12,201	14	12,215	909,900
Telecommunications	5,323	1,661	7,269	1,288	33,773	49,314	7,670	1,271	8,941	58,255
Postage	16	39	305	13	1,829	2,202	3,805	4,159	7,964	10,166
Occupancy expenses	15,153	14,044	59,205	5,834	372,380	466,616	29,559	35	29,594	496,210
Interest	910	-	-	369	11,382	12,661	2,562	-	2,562	15,223
Insurance	1,601	1,132	9,423	819	36,485	49,460	18,634	178	18,812	68,272
Equipment rental and maintenance	231	1,429	5,412	218	23,763	31,053	11,450	-	11,450	42,503
Printing and publications	584	102	656	27	2,852	4,221	10,874	8,209	19,083	23,304
Travel and transportation	3,385	111	4,025	377	22,197	30,095	3,158	773	3,931	34,026
Conferences and meetings	1,500	282	6,314	540	21,349	29,985	21,363	279	21,642	51,627
Specific assistance to individuals	18,922	-	34,925	-	24,451	78,298	-	-	-	78,298
Depreciation	10,569	7,869	68,187	4,567	214,155	305,347	35,496	-	35,496	340,843
Total Functional Expense	$ 538,491	$ 212,277	$ 738,902	$ 214,908	$ 4,672,204	$ 6,376,782	$ 1,065,683	$ 181,164	$ 1,246,847	7,623,629
Administrative Fees to National Organization										145,903
Total Operating Expenses										$ 7,769,532

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statement of Functional Expenses

Year Ended June 30, 2012

	Program Services						Supporting Activities			
	Encouraging Positive Development	Fostering Independence	Promoting Self-Sufficiency							
	Children and Youth	Mental Health	Homeless Services	Substance Abuse	Correctional Services	Total	Management and General	Fund-raising	Total	Total
Salaries	$ 341,381	$ 104,869	$ 212,681	$ 131,117	$ 2,213,710	3,003,758	$ 532,388	$ 130,758	663,146	3,666,904
Pension expense	17,334	3,971	4,878	5,881	93,546	125,610	40,156	9,512	49,668	175,278
Other employee benefits	40,477	18,835	33,431	20,049	315,156	427,948	58,433	10,050	68,483	496,431
Payroll taxes	17,824	7,876	16,742	9,194	175,193	226,829	57,800	483	58,283	285,112
Legal fees	-	-	-	-	-	-	72,970	-	72,970	72,970
Accounting fees	-	-	-	-	-	-	22,815	-	22,815	22,815
Other professional fees	5,772	1,073	9,176	668	76,148	92,837	199,480	4,154	203,634	296,471
Supplies and expenses	18,169	38,587	62,930	295	819,565	939,546	20,020	615	20,635	960,181
Telecommunications	4,861	1,612	5,503	480	32,293	44,749	5,099	1,260	6,359	51,108
Postage	244	51	350	16	2,880	3,541	4,486	5,174	9,660	13,201
Occupancy expenses	16,441	15,057	51,711	4,514	405,747	493,470	36,271	35	36,306	529,776
Interest	1,877	-	-	210	19,743	21,830	4,147	-	4,147	25,977
Insurance	2,367	1,361	12,364	483	45,317	61,892	17,058	472	17,530	79,422
Equipment rental and maintenance	241	1,379	3,770	214	24,214	29,818	12,657	-	12,657	42,475
Printing and publications	216	84	1,339	245	1,809	3,693	7,759	8,506	16,265	19,958
Travel and transportation	6,461	45	4,117	260	23,227	34,110	3,826	631	4,457	38,567
Conferences and meetings	2,559	463	6,629	807	24,125	34,583	27,410	2,532	29,942	64,525
Specific assistance to individuals	116,775	85	4,674	-	4,381	125,915	-	-	-	125,915
Depreciation	11,671	6,814	32,782	2,912	211,007	265,186	37,400	-	37,400	302,586
Total Functional Expense	$ 604,670	$ 202,162	$ 463,077	$ 177,345	$ 4,488,061	$ 5,935,315	$ 1,160,175	$ 174,182	$ 1,334,357	7,269,672
Administrative Fees to National Organization										142,593
Total Operating Expenses										$ 7,412,265

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Cash Flows

	Year Ended June 30, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (174,314)	$ 663,009
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	340,843	302,586
Net realized and unrealized (gain) loss on investments	(52,031)	33,942
Support for capital projects	(9,215)	(882,450)
Changes in:		
Accounts receivable	114,473	91,067
Grants receivable	(45,486)	106,533
Prepaid expenses and other	(445)	(7,365)
Accounts payable	(80,644)	(71,178)
Accrued expenses	37,331	(162,508)
Accrued administrative fee	10,529	3,441
Other current liabilities	-	265
Deferred revenue	(106,167)	106,167
Net Cash Provided by Operating Activities	34,874	183,509
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(132,435)	(1,022,570)
Purchase of investments	(153,697)	(208,560)
Proceeds from sale of investments	123,769	226,988
Net Cash Used by Investing Activities	(162,363)	(1,004,142)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Support for capital projects	9,215	882,450
Proceeds from line of credit	-	100,000
Payments on debt–line of credit	-	(100,000)
Payments on debt–bank term loan	(176,385)	(171,444)
Net Cash Provided (Used) by Financing Activities	(167,170)	711,006

(continued)

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Cash Flows
(continued)

	Year Ended June 30,	
	2013	2012
CHANGE IN CASH AND CASH EQUIVALENTS	(294,659)	(109,627)
CASH AND CASH EQUIVALENTS:		
Beginning of year	543,464	653,091
End of year	$ 248,805	$ 543,464
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest expense (none capitalized)	$ 15,223	$ 25,977
Noncash donations for enterprise program	$ -	$ 12,802
Noncash donations of food, computers, property, books, toys, and vehicles	$ 37,500	$ 82,718
Fixed assets reported in accounts payable and retainage payable	$ 7,071	$ 50,340

See notes to financial statements

1. NATURE OF ORGANIZATION:

Volunteers of America of Indiana, Inc. (VOAI) is a nonprofit, spiritually based, church-related human services agency, incorporated in Indiana, which provides social services within Indiana under a charter from Volunteers of America, Inc. (VOA), a national nonprofit spiritually based organization providing local human service programs, and opportunities for individual and community involvement.

VOAI has three impact areas: encouraging positive development, fostering independence, and promoting self-sufficiency. Included in these impact areas there are five program service classifications: children and youth, mental health, homeless services, substance abuse, and correctional services. These impact areas and program services include numerous different programs to further their mission to operate a religious, missionary, and welfare society to reach and uplift people, both spiritually and materially.

In addition, VOAI manages a 52-unit senior housing project operating under HUD Section 202 and owned by VOA. VOAI also provides management consulting services to VOA for a Federal Halfway House in Puerto Rico. Early in the current fiscal year, this contract was terminated.

ENCOURAGING POSITIVE DEVELOPMENT

VOAI provides services to promote the healthy development of all children, adolescents, and their families.

Children and Youth–The programs include the Healing Families Program, the Look Up and Hope Program, and the Scholastic Books Program. The Healing Families Program serves both male and female correctional clients and their children. The program features family reunification efforts, enhancement of parenting skills, and supervised visitation. The Look Up and Hope Program involves Family Coaches assisting children of our correctional clients, and the caregivers of those children. The Scholastic Books Program includes distribution of new books to area disadvantaged youth. In addition, Scholastic and Volunteers of America team to offer the Words Travel Program. This program promotes reading as a bond between incarcerated women and their children. Finally, through a partnership with the Major League Baseball Player's Trust for children, VOAI offers the Action Team Program. This program promotes volunteerism for high schoolers.

FOSTERING INDEPENDENCE

Volunteers of America fosters the health and independence of the elderly and persons with disabilities or mental illness through quality affordable housing and a wide range of community services.

- Mental Health–The program involves mentally ill veterans who are provided residential and other support services through a Veterans Administration (VA) contract.

- Affordable Housing for Seniors–VOAI manages the 52-unit VOA Brownstone Manor Senior Housing Facility in Terre Haute, which provides safe, decent, and affordable housing for low-income seniors.

1. NATURE OF ORGANIZATION, continued:

PROMOTING SELF-SUFFICIENCY

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

- Homeless services–The program provides short-term residential and other services to honorably discharged United States Veterans who have been classified as homeless. Services are provided to veterans referred through the VA Homeless Outreach Team. Homeless Prevention and Rapid Re-housing is a program beginning in the fiscal year ending June 30, 2010, that provides rental and utility payment support for individuals and families at immediate risk of becoming homeless. The program is funded by federal stimulus dollars administered by the City of Indianapolis and the United Way of Central Indiana. The funding for the program was discontinued during the year ended June 30, 2012.

- Substance abuse treatment services–They are designed to offer counseling for substance abuse offenders. These programs include assessments, individual and group counseling, educational groups, crisis intervention, case management, residential services, and drug urinalysis. The program focuses on alcohol and drug dependency, drinking and driving, relapse prevention, co-dependency, anger management, domestic abuse, communication skills, and avoiding self-sabotage. VOAI is a state-certified provider of substance abuse treatment services.

- Correctional services–These services are minimum-security programs for male and female criminal offenders in a community based setting. Programs focus on rehabilitation, life skills training, and personal counseling. Referral sources for correctional clients include the Federal Bureau of Prisons, Indiana Department of Corrections, Marion County Community Corrections, and local courts. The Community Transition Program (CTP) offers residential services to offenders returning from state prison. All residential programs offer a structured, supervised community living environment where clients can gain employment, access community services, and gradually transition back into society. In the current year, VOAI received a federal award to provide comprehensive case management, education, and career services for adult ex-offenders (primarily female) in the Indianapolis area.

SUPPORTING ACTIVITIES

Supporting activities include all expenses not allocable to specific program services. Management and general services relate to the overall administration of VOAI, encompassing volunteer coordination, personnel management, accounting functions, and executive administration. Fund-raising services include certain applicable costs related to the Enterprise program in which vehicles are received by VOAI and sold. Proceeds of these sales provide additional funds for the various services offered by VOAI. The National Office assumed responsibility for this program at the beginning of the current fiscal year. Fund-raising services also include any and all other fund-raising activities.

2. SIGNIFICANT ACCOUNTING POLICIES:

VOAI prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred. The accounting policies of VOAI conform to accounting principles generally accepted in the United States of America as applicable to voluntary health and welfare organizations. The more significant accounting policies are described below.

FIXED ASSETS AND DEPRECIATION

Land, buildings, and equipment purchased by VOAI are recorded at cost. VOAI follows the practice of capitalizing all expenditures for land, buildings, and equipment over $1,000 with a useful life in excess of one year. The fair value of donated fixed assets is similarly capitalized. Depreciation is computed on the straight-line method based upon the following estimated useful lives of the assets: furniture and equipment are three to ten years, transportation vehicles are five years, and buildings are 40 years. Tenant alterations in a leased residential facility are amortized over the life of the lease (15 years).

CASH EQUIVALENTS AND CREDIT RISK

VOAI 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 designated or restricted. The carrying amount approximates fair value because of the short maturity of those instruments. Cash equivalents include money market funds, checking accounts, and a sweep account. While VOAI’s cash equivalents at times may exceed federally insured limits, VOAI has not experienced any losses on such accounts. VOAI believes it is not exposed to any significant credit risk on these accounts.

FUNDS HELD FOR CORRECTIONAL CLIENTS

As of June 30, 2013 and 2012, inmate trust funds in the amounts of $101,130 and $106,319, respectively, were held by VOAI. These funds consist of a cash balance required to be held in a separate noninterest bearing bank account in accordance with VOAI’s contract with the Indiana Department of Corrections.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONTRIBUTIONS

Contributions are generally recorded only upon receipt unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected within one year are reported at their net realizable value. Unconditional promises to give that are expected to be collected in future years are reported 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 promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods (time restrictions) or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, VOAI reports the support as unrestricted. VOAI reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, VOAI reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

CONTRIBUTED SERVICES AND IN-KIND CONTRIBUTIONS

VOAI recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance nonfinancial assets or require specialized skills, which are provided by the individual possessing those skills and would typically need to be purchased if not provided by donation. Contributed services recognized in 2013 amounted to $3,000 and there were no services recognized in 2012. In-kind contributions are reported for goods contributed to VOAI. In-kind contributions, which are valued at their estimated fair value on the date of donation, include food, computers, property, books, toys, and vehicles. These items are used in VOAI operations, sold, or in the case of Scholastic Books, distributed to disadvantaged youth.

NET ASSETS

VOAI 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 on the contributions. VOAI had no permanently restricted net assets as of June 30, 2013 and 2012.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

OPERATIONS

VOAI defines operations as all program services and supporting activities undertaken. (See Note 1.) Revenues that result from these activities and their related expenses are reported as operations. Gains, losses, and other revenue that result from ancillary activities, such as investment gains or losses–quasi-endowment, disposition of fixed assets, and contributions or grants to acquire fixed assets, are reported as nonoperating activities.

INVESTMENTS

Investments are reported at their fair value and are composed of mutual funds invested in fixed income taxable bonds, equity securities, and alternatives with readily determinable fair value.

ALLOCATION OF FUNCTIONAL EXPENSES, JOINT COSTS, AND ADVERTISING EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain joint costs have been allocated among the various functions. During the years ended June 30, 2013 and 2012, VOAI incurred joint costs of $596,820 and $443,891 for salaries and benefits, respectively. Of these costs, $374,505 and $229,374 were allocated to program services, $166,183 and $188,381 were allocated to management and general, and $56,132 and $26,136 were allocated to fund-raising, respectively. Advertising costs are expensed when incurred. Advertising expenses included in the statements of activities for the years ended June 30, 2013 and 2012, were approximately $1,068 and $1,265, respectively.

USE OF ESTIMATES

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

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CONCENTRATION
A significant portion of government contract revenue is provided by three contracting agencies:

	Year Ended June 30,	
	2013	2012
Federal Bureau of Prisons	56%	52%
Indiana Department of Corrections	11%	17%
Marion County Community Corrections	20%	18%

ACCOUNTS RECEIVABLE
Accounts receivable are reported net of any anticipated losses due to uncollectible accounts. VOAI's policy for determining when receivables are past due or delinquent is when the account is over 90 days old. VOAI ensures that all available means of collecting accounts receivable are exhausted before write-off procedures are initiated. Uncollectible accounts are reported as additions to the allowance for bad debts when it is determined the amounts will become uncollectible and when approved by the Chief Financial Officer.

Management estimated an allowance of $7,500 for each of the years ended June 30, 2013 and 2012. The allowance for doubtful accounts is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of the collectability of the receivable portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, and economic conditions.

INCOME TAXES
VOAI evaluates its uncertain tax positions using the provisions of the *Contingencies* topic of the Accounting Standards Clarification (ASC). Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2013, VOAI had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

VOAI files information tax returns in the U.S. and various states. VOAI is generally no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2009.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES
VOAI follows the provisions of the *Fair Value Measurements and Disclosure* topic of the FASB ASC. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Level 1
Quoted prices in active markets for identical assets or liabilities.

Level 2
Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3
Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Investments
Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include mutual funds invested in fixed income taxable bonds, equity securities, and alternative investments.

If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows. VOAI did not have any Level 2 investments as of or for the years ended June 30, 2013 and 2012.

In certain cases where Level 1 or Level 2 inputs are not available, securities are classified with Level 3. VOAI did not have any Level 3 investments as of or for the years ended June 30, 2013 and 2012.

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued
The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall.

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2013:				
Investments–operating reserves	$ 446,251	$ 446,251	$ -	$ -
Investments–quasi-endowment funds	$ 244,537	$ 244,537	$ -	$ -
As of June 30, 2012:				
Investments–operating reserves	$ 401,069	$ 401,069	$ -	$ -
Investments–quasi-endowment funds	$ 207,760	$ 207,760	$ -	$ -

3. INVESTMENTS:

VOAI's primary investment objective is to preserve and protect its assets by earning a total return for each account appropriate to each account's liquidity requirements, distribution requirements, and risk tolerance. Also, in order to remain eligible to apply for facilities maintenance funds from its local United Way (UW), VOAI has reserved $9,618 and $9,969 of the investments below as of June 30, 2013 and 2012, respectively.

Investments–operating reserves consist of:

	June 30, 2013	June 30, 2012
Mutual funds–fixed income:		
U.S. bonds	$ 121,757	$ 139,689
International bonds	12,965	12,988
	134,722	152,677
Mutual funds–equity:		
U.S. large cap	111,621	104,774
U.S. mid cap	29,240	21,234
Europe, Australia, and Far East (EAFE)	56,840	44,093
Asia ex-Japan	18,187	22,596
Emerging market	21,300	8,452
Global equity	9,416	-
	246,604	201,149
Mutual funds–alternatives:		
Hedge fund strategies	40,030	23,995
Real estate	6,162	5,911
Commodities	18,733	17,337
	64,925	47,243
	$ 446,251	$ 401,069

3. INVESTMENTS, continued:

Investments–quasi-endowment funds consist of:

	June 30, 2013	June 30, 2012
Mutual funds–fixed income:		
U.S. bonds	$ 30,689	$ 21,719
International bonds	4,383	4,404
	35,072	26,123
Mutual funds–equity:		
U.S. large cap	82,948	77,422
U.S. mid cap	21,318	15,450
Japanese equity	-	4,310
Europe, Australia, and Far East (EAFE)	36,419	33,452
Asia ex-Japan	14,208	15,607
Emerging market	13,644	8,949
Global equity	7,462	-
	175,999	155,190
Mutual funds–alternatives:		
Hedge fund strategies	21,832	10,304
Real estate	1,994	5,090
Commodities	9,640	11,053
	33,466	26,447
	$ 244,537	$ 207,760

Investment gains (losses) consists of:

	Year Ended June 30, 2013	Year Ended June 30, 2012
Interest and dividends	$ 9,737	$ 11,537
Net realized and unrealized gains (losses) on investments	52,031	(33,942)
	$ 61,768	$ (22,405)
Investment gains (losses)–operations	$ 34,139	$ (7,461)
Investment gains (losses)–quasi-endowment	27,629	(14,944)
	$ 61,768	$ (22,405)

4. DEBT–LINE OF CREDIT:

An operating line of credit for $600,000 is available to VOAI through the National Bank of Indianapolis. The line provides for monthly interest payments at the bank's prime rate, 3.75 percent as of June 30, 2013. The line of credit is available through December 6, 2013, and is secured by the first mortgage on the property at 927 North Pennsylvania Avenue in Indianapolis, along with all business assets. There is no outstanding balance as of June 30, 2013, or 2012, on the credit line.

The bank requires VOAI to maintain certain financial ratios and meet other covenants in its current loan agreements, which include both the line of credit and term loans. As of the years ended June 30, 2013 and 2012, management asserts that VOAI was in compliance with, or had received a waiver for, all provisions and covenants of the agreement.

5. DEBT–BANK TERM LOAN:

A bank term loan with an outstanding balance of $186,856 and $284,345 at June 30, 2013 and 2012, respectively, has a term expiring in June 2015, with interest based on the bank's prime rate, 3.75 percent. A second bank term loan relative to Hope Hall with an outstanding balance of $80,600 and $159,496 at June 30, 2013 and 2012, respectively, bears interest at the bank's prime rate with a floor of 3.75 percent per anum. The loan is payable over a remaining term maturing in June 2014. Both loans are secured by the Theodora House property at 927 N. Pennsylvania Street in Indianapolis and the first is loan is also secured by all business assets.

Scheduled principal payments on the two loans above are as follows:

Year Ending June 30,	Amounts
2014	$ 178,091
2015	89,365
	$ 267,456

6. PENSION PLANS:

VOAI participates in a noncontributory defined benefit pension and retirement plan. The plan is administered through Prudential, a commercial insurance company, and covers all ministers commissioned through December 31, 1999. The pension plan expense for this plan was approximately $93,900 and $66,100 for the years ended June 30, 2013 and 2012, respectively. Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits, as they relate solely to VOAI, are not readily available.

VOAI also has a defined contribution plan for all employees other than commissioned ministers. Contributions to the plan are made for all employees with at least one year of service. Contributions are limited to 5 percent of each employee's total compensation. Pension expense under this plan was approximately $128,700 and $113,700 for the years ended June 30, 2013 and 2012, respectively.

7. OPERATING LEASES:

Total rent expense for facility rentals, office space, and equipment rentals was approximately $120,200 and $88,500 for the years ended June 30, 2013 and 2012, respectively.

At June 30, 2012, VOAI had a noncancelable lease for the use of property from P 47 LLC (formally Franklin Industrial Center, Inc.) in Evansville, Indiana and Barbara Lamb in Indianapolis for the STRIVE program. Payments of approximately $3,869 and $4,092 are due monthly, respectively. The leases mature March 31, 2014 and December 31, 2014, respectively.

VOAI also has a noncancelable lease for office equipment. Payments of approximately $1,745 are due monthly. The lease matures January 2018.

Future minimum lease payments under the operating leases are:

Year Ending June 30,	Amounts
2014	$ 111,690
2015	50,292
2016	24,237
2017	21,424
2018	9,648
	$ 217,291

8. RELATED PARTY TRANSACTIONS:

VOAI is the Indiana affiliate of VOA, which provides supporting services to VOAI for a fee. Affiliate fees for the years ended June 30, 2013 and 2012, totaled $145,903 and $142,593, respectively. Amounts due to VOA at June 30, 2013 and 2012, for affiliate fees were $24,565 and $14,036, respectively.

VOA operates a Federal Halfway House Program in Puerto Rico and has contracted VOAI to provide management support for the program. Management fees earned for the years ended June 30, 2013 and 2012, totaled $5,000 and $60,000, respectively. As of June 30, 2013 and 2012, VOA was also reimbursed direct expenses of $-0- and $6,347, respectively. The contract was terminated in August 2012.

VOAI recorded $-0- and $77,325 of in-kind revenue from the Scholastic Books program for the years ended June 30, 2013 and 2012, respectively.

VOAI has been selected to receive an endowment award from VOA for capacity building. The award is intended to support an assessment of the information technology infrastructure. The award, in the amount of $20,000, is for a one-year period commencing on November 1, 2011. Total revenue reflected in 2012 amounted to $4,909. The project has been deferred and no further reimbursements were requested in 2013.

Participation in the Direct Mail program and Website program conducted by VOA for the years ended June 30, 2013 and 2012, resulted in the following:

	June 30,	
	2013	2012
Direct Mail Program:		
Gross income	$ 9,379	$ 11,443
Expenses	(10,604)	(10,836)
Net income (loss)	$ (1,225)	$ 607

Approximate website donations were $580 and $160 for the years ended June 30, 2013 and 2012, respectively.

Brownstone Manor is a 52-unit apartment project for the elderly, located in Terra Haute, Indiana. VOA owns this project and has contracted VOAI to provide management services to the project. Management fees earned for the years ended June 30, 2013 and 2012, totaled $34,248 and $40,035, respectively. Amounts due to VOAI at June 30, 2013 and 2012, for management fees and reimbursement of payroll costs were $7,052 and $18,476, respectively.

9. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets were released from donor restrictions because time restrictions expired or the purpose restrictions were accomplished as follows:

	Net Assets June 30, 2012	Temporarily Restricted Contributions	Amounts Released	Net Assets June 30, 2013
Nina Mason Pulliam grant for transitional services for male ex-offenders at Brandon Hall	$ -	$ 161,050	$ -	$ 161,050
Annie E. Casey Foundation grant for Strengthening families affected by incarceration	-	6,408	-	6,408
	$ -	$ 167,458	$ -	$ 167,458

	Net Assets June 30, 2011	Temporarily Restricted Contributions	Amounts Released	Net Assets June 30, 2012
Federal Home Loan Bank capital grant for Liberty Landing building renovations	$ 339,730	$ -	$ 339,730	$ -
United Way capital grant for Theodora House renovations	20,693	-	20,693	-
	$ 360,423	$ -	$ 360,423	$ -

10. QUASI-ENDOWMENT FUNDS:

All funds held are board-designated and classified as unrestricted. There are no donor-restricted endowment funds. The board-designated balances are equal to the fair value of the related investment. Therefore, there were no deficiencies in the endowment fund balances as of June 30, 2013 and 2012, respectively.

Changes in the endowment fund are as follows:

	Total
Endowment fund, June 30, 2011	$ 236,280
Investment return:	
Interest and dividend income (net of fees of $1,610)	2,586
Net realized and unrealized losses	(17,528)
Total investment return	(14,942)
Purchases	56,148
Sales of investments	(64,419)
Proceeds retained in money market fund	8,271
	-
Endowment fund, June 30, 2012	221,338
Investment return:	
Interest and dividend income (net of fees of $1,686)	2,367
Net realized and unrealized gains	25,262
Total investment return	27,629
Purchases	58,198
Sales of investments	(46,683)
Proceeds retained in money market fund	(11,515)
	-
Endowment fund, June 30, 2013	$ 248,967

	June 30,	
	2013	2012
Composition of endowment fund:		
Cash and cash equivalents–money market fund	$ 4,430	$ 13,578
Long-term investments	244,537	207,760
	$ 248,967	$ 221,338

10. QUASI-ENDOWMENT FUNDS, continued:

RETURN OBJECTIVES AND RISK PARAMETERS
VOAI has adopted investment and spending policies for endowment assets that provide for principal and income to be used for those purposes only which will best promote the charitable work being carried on by VOAI. The objective of the investment policy is to protect and preserve the real purchasing power of the principal of the endowment. VOAI must reinvest enough of its total return to allow for inflation, while also generating a rising stream of income that is sufficiently stable to be used in financial planning for VOAI's programs and missions.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES
To satisfy its long-term rate-of-return objectives, VOAI 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). VOAI targets a diversified asset allocation that seeks conservative growth and income. The strategic allocation for the fund is as follows: fixed income and cash 17 percent, equities 71 percent, and alternative investments 12 percent.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY
VOAI has a policy of appropriating for distribution each year of no more than 4 percent of the twelve quarter moving average of the fund's fair market value as reported by the investment manager and agreed upon by the investment committee. This formula is applied to the twelve calendar quarters ending on June 30 of each calendar year in order to determine the amount to be spent in the following calendar year. Over the long-term, VOAI expects the current spending policy to allow its endowment to grow at a rate of return that exceeds inflation. This is consistent with VOAI's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. No distributions were made for the years ended June 30, 2013 and 2012.

11. COMMITMENTS AND CONTINGENCIES:
ARAMARK Corporation (Aramark) provides food service for VOAI. During the year ended June 30, 2005, Aramark and VOAI amended their initial management operating agreement to extend the agreement. For VOAI extending the agreement, Aramark agreed to invest approximately $66,000 in order to reimburse VOAI for the cost to purchase and install certain kitchen related equipment in the VOAI facilities. Aramark shall amortize its investment over a period of 10 years, by adjusting each meal price by two cents. Upon the expiration of the agreement or the termination of the agreement by either party for any reason whatsoever prior to the complete amortization of the investment, VOAI shall reimburse Aramark for the unamortized balance of the investment as of the date of expiration or termination.

12. SPECIAL EVENT:

VOAI incurs expenses and related support for its Look Up and Hope breakfast event. The total special event support is reported net of expenses in the public support received directly–contributions section in the statements of activities:

	June 30, 2013	June 30, 2012
Special event contributions	$ 16,605	$ -
Special event contributed services	3,000	-
Special event expenses	(5,828)	-
	$ 13,777	$ -

13. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

VOAI has been awarded two large federal grants funded by the Veterans Administration. These Supportive Services for Veterans Families grants (SSVF) were secured for Indianapolis and Evansville. The grants are one-year awards and provide total revenue of $1,154,000, with a beginning date of October 1, 2013. Grant revenue anticipated for the fiscal year ending June 30, 2014, amounts to $639,000 for Indianapolis and $275,000 for Evansville. Direct costs are reimbursed dollar for dollar with an indirect cost rate of 10%.

VOAI was just recently notified of a federal grant from Department of Labor to provide vocational services for returning male ex-offenders. This grant, referred to as REXO, amounts to $1,400,000 payable over a 39-month period beginning August 1, 2013. Grant revenue anticipated for 2014 amounts to $379,000. As with other federal awards, direct costs are reimbursed dollar for dollar with an indirect cost rate of 10%.

VOAI was awarded a five-year federal contract funded by the Department of Veteran Affairs to provide Safe Haven Services for homeless veterans. The residential facility to house this program will be located in Fort Wayne, Indiana. The contract revenue anticipated for the first year beginning February 1, 2014, is $885,125. There is an option for renewal of the contract by the government at the same annual rate for four additional years.

Subsequent to year end, a senior housing project operating under HUD section 202 was opened in Gary, Indiana. The facility, known as Gardens on Carolina, is owned by VOA and will be managed by VOAI.

Subsequent to year end, VOAI drew $200,000 on the line of credit that is disclosed in Note 4.

SECTION II

Management Comment Letter

VOLUNTEERS OF AMERICA OF INDIANA, INC.

June 30, 2013 and 2012

CAPINCROUSE LLP
Certified Public Accountants
www.capincrouse.com 972 Emerson Parkway, Suite A Greenwood, IN 46143 317.885.2620

MANAGEMENT LETTER

October 2, 2013

Board of Directors and Audit Committee
Volunteers of America of Indiana, Inc.
Indianapolis, Indiana

In planning and performing our audit of the financial statements of Volunteers of America of Indiana, Inc. (Organization) for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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.

Professional standards define a material weakness and a significant deficiency as follows:

> 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 comments concerning internal control and other significant matters are presented as follows:

- Audit Committee Matters

This communication is intended solely for the information and use of management, the board of directors, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to further discuss these matters with you and want to express our sincere appreciation to Dexter Cooley and Sharon Scott as well as many other staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve Volunteers of America of Indiana, Inc.

Sincerely yours,

Capin Crouse LLP

CAPIN CROUSE LLP

AUDIT COMMITTEE MATTERS

The following information about our audit, as required by professional standards, is considered to be significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

Auditors' Responsibility under Generally Accepted Auditing Standards

As independent auditors of the financial statements, we are responsible for:

- Performing the audit in accordance with generally accepted auditing standards.
- Designing the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- Forming and expressing an opinion about whether the financial statements, that have been prepared by management with the oversight of those charged with governance, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting.

Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is the risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

Independence

Under professional standards, including Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct and its interpretations and rulings, we are required to communicate all relationships between Capin Crouse LLP and the board that, in our professional judgment, may reasonably be thought to bear on independence.

We are not aware of any relationships or services that would jeopardize this condition. We affirm our objectivity and independence in performing our audit services in conformity with professional standards.

Qualitative Aspects of Accounting Practices

Accounting policies–Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used are described in Note 2 to the financial statements.

Changes in accounting policies–No new accounting policies were adopted, and the application of existing policies was not changed during the year.

AUDIT COMMITTEE MATTERS, continued

Qualitative Aspects of Accounting Practices, continued

Expected new pronouncements– The FASB has issued a number of exposure drafts that could have an impact on future financial statements. The most significant of these exposure drafts address the accounting for leases, revenue recognition, and financial instruments. The revenue recognition standard is expected to be issued in 2013. The accounting for leases and financial instruments pronouncements are not likely to be issued until 2014. Effective dates are expected to be 2016 or later, with a deferral period of at least a year for nonpublic entities. As additional developments occur, we will provide management with additional information so that the impact, if any, on the Organization's financial statements can be determined.

Significant and unusual transactions–Under professional standards, we are required to inform you about transactions we noted that were both significant and unusual, or transactions for which there is a lack of authoritative guidance or consensus. We noted no such transactions entered into by the Organization during the year.

Uncorrected misstatements–There were no uncorrected misstatements identified during the audit.

Material corrected misstatements–There were no material corrected misstatements identified during the audit.

Other corrected misstatements– There were no other corrected misstatements identified during the audit.

Accounting estimates–Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Issues concerning significant estimates made by management include:
- Management's identification of significant accounting estimates
- Management's process for making significant accounting estimates
- Risks of material misstatement
- Indicators of possible management bias
- Disclosure of estimation uncertainty in the financial statements

AUDIT COMMITTEE MATTERS, continued

The most significant estimates include:
- Depreciation expense based on the useful lives of fixed assets
- Functional allocation of expenses based on estimated utilization of assets and personnel
- Fair value of financial assets and liabilities

We reviewed the process and basis for management's judgments and estimates impacting key accounting and financial reporting areas and concluded they are reasonable in relation to the financial statements taken as a whole.

Financial statements disclosures and related matters–We considered issues involved and related judgments made, in formulating sensitive financial statements disclosures and believe they are presented with overall neutrality, consistency, and clarity.

Representations requested from management–A copy of the letter containing representations requested from management is attached.

Significant Difficulties Encountered During the Audit
We are pleased to report that there were no difficulties in dealing with management in performing and completing our audit.

Disagreements with Management
Professional standards define disagreements with management, whether or not resolved to our satisfaction, as a matter concerning financial accounting, reporting, or auditing that could be significant to the financial statements or the independent auditors' report.

We are pleased to report that no such disagreements arose during the course of our audit.

Management's Consultations with Other Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the board's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Significant Issues Discussed with Management
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the independent auditors. However, any discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Volunteers of America
INDIANA

October 2, 2013

Capin Crouse LLP:

This representation letter is provided in connection with your audit of the financial statements of Volunteers of America of Indiana, Inc. (Organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 12, 2013.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Organization's ability to record, process, summarize, and report financial data.
6. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable. In that regard, adequate provisions have been made:
    a. To reduce receivables, including grants receivable, to their estimated net collectable amounts.
    b. For amounts held for others under agency and/or split interest agreements.
    c. To ensure the appropriateness and consistency of the measurement processes used by management in determining accounting estimates.
    d. To ensure that the assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
    e. To ensure that the disclosures related to accounting estimates are complete and appropriate.
    f. To ensure that no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
7. The methods and significant assumptions used to estimate fair values of financial instruments are as described in Note 2. The methods and significant assumptions used result in a measure of fair value appropriate for financial measurement and disclosure purposes.
8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

9. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

10. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Organization's accounts.

11. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

12. The following, if any, have been properly recorded or disclosed in the financial statements in accordance with U.S. GAAP:

    a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

    b. Guarantees, whether written or oral, under which the Organization is contingently liable.

    c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.

    d. Lines of credit or similar arrangements.

    e. All other liens or encumbrances on assets and all other pledges of assets.

    f. Amounts of contractual obligations for construction and/or purchase of real property, equipment, other assets and intangibles.

    g. Investments in debt and equity securities, including their classification.

    h. All leases and material amounts of rental obligations under long-term leases.

    i. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB Accounting Codification 275, *Risks and Uncertainties*.

    j. Concentrations of credit risk.

    k. Reclassifications between net asset classes.

    l. Allocations of functional expenses based on reasonable basis.

    m. Tax status.

    n. Board designated unrestricted net assets.

    o. All recordable contributions, by appropriate net asset class including contributed services required to be recorded as contributions.

    p. Deferred revenue from exchange transactions.

13. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances. In that regard:

    a. The Organization has no significant amounts of idle property and equipment or permanent excess plant capacity.

    b. The Organization has no plans or intentions to discontinue the operations of any subsidiary or branch or to discontinue any significant services or activities.

    c. Provision has been made to reduce all investments, intangibles, and other assets which have permanently declined in value to their realizable values.

Information Provided

14. We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, other matters and all audit or relevant monitoring reports, if any, received from funding sources..

b. Additional information that you have requested from us for the purpose of the audit.

c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

15. All material transactions have been recorded in the accounting records and are reflected in the financial statements or the schedule of expenditures of federal awards.

16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

17. We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.

19. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

20. We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.

21. We have disclosed to you the identity of the Organization's related parties and all the related party relationships and transactions of which we are aware.

22. Except as made known to you, the Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral

23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

24. Volunteers of America of Indiana, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

25. We have completed and reviewed the Tax Checklist you have provided to us and have answered all questions to the best of our knowledge and belief.

26. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

27. With respect to federal award programs:

    - We are responsible for understanding and complying with, and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.

    - We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.

- We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- We are responsible for understanding and complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- We have received no requests from a federal agency to audit one or more specific programs as a major program.
- We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
- We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, and Subpart C, *Cost Sharing and Matching*, of OMB Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations.*
- We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.

- No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.

Signature: N /A- due to retirement
Name:
Title: President/CEO

Signature: Dexter Cooley
Name: Dexter Cooley
Title: Chief Financial Officer

Signature: Sharon J Scott
Name: Sharon J. Scott
Title: Director of Accounting