Volunteers of America®

INDIANA

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2014 and 2013

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, 2014 and 2013

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

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, 2014 and 2013, 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, 2014 and 2013, 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 17, 2014

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Financial Position

	June 30, 2014	June 30, 2013
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 411,461	$ 244,375
Accounts receivable–net of allowance of $7,500 in each year	1,098,735	817,765
Grants receivable	5,312	89,376
Prepaid expenses and other	48,837	32,652
Investments–operating reserves	461,654	446,251
Funds held for correctional clients	100,324	101,130
Total current assets	2,126,323	1,731,549
Other assets:		
Investments–quasi-endowment funds	292,741	248,967
Other	11,502	10,142
Total other assets	304,243	259,109
Fixed assets:		
Land and buildings	6,917,511	6,280,411
Furnishings and equipment	2,316,153	2,217,245
	9,233,664	8,497,656
Accumulated depreciation	(3,817,769)	(3,474,075)
Total property and equipment	5,415,895	5,023,581
Total Assets	$ 7,846,461	$ 7,014,239

(continued)

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Financial Position
(continued)

	June 30, 2014	June 30, 2013
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	$ 191,376	$ 138,175
Current portion of bank term loans	197,043	178,091
Line of credit	450,000	-
Accrued expenses	292,493	266,621
Accrued administrative fee	39,675	24,565
Funds held for correctional clients	100,324	101,130
Total current liabilities	1,270,911	708,582
Long-term liabilities:		
Bank term loans	437,327	89,365
Total liabilities	1,708,238	797,947
Net assets:		
Unrestricted:		
Undesignated	1,041,318	1,043,742
Board-designated–quasi-endowment	292,741	248,967
Equity in property and equipment	4,781,525	4,756,125
Total unrestricted	6,115,584	6,048,834
Temporarily restricted	22,639	167,458
Total net assets	6,138,223	6,216,292
Total Liabilities and Net Assets	$ 7,846,461	$ 7,014,239

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Activities

	Year Ended June 30,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE FROM OPERATIONS:						
Public support:						
Public support received directly–contributions	$ 281,186	$ -	$ 281,186	$ 285,986	$ 167,458	$ 453,444
Public support received directly–contributions, in-kind	35,500	-	35,500	37,500	-	37,500
Public support received indirectly–United Way	376,009	-	376,009	367,735	-	367,735
Public support received indirectly–VOA grants	12,721	-	12,721	25,025	-	25,025
Total public support	705,416	-	705,416	716,246	167,458	883,704
Other revenue:						
Government fees and grants	7,340,680	-	7,340,680	6,068,075	-	6,068,075
Program service fees	506,163	-	506,163	528,850	-	528,850
Investment gains	61,894	-	61,894	34,139	-	34,139
Other revenues	26,481	-	26,481	59,100	-	59,100
Total other revenue	7,935,218	-	7,935,218	6,690,164	-	6,690,164
Net assets released from restrictions	144,819	(144,819)	-	-	-	-
Total revenue from operations	8,785,453	(144,819)	8,640,634	7,406,410	167,458	7,573,868

(continued)

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Activities
(continued)

	Year Ended June 30,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING EXPENSES:						
Program services:						
Encouraging Positive Development–children and youth	404,909	-	404,909	538,491	-	538,491
Fostering Independence–mental health	267,907	-	267,907	212,277	-	212,277
Promoting Self-Sufficiency:						
Homeless services	1,745,266	-	1,745,266	738,902	-	738,902
Substance abuse	145,551	-	145,551	214,908	-	214,908
Correctional services	4,637,289	-	4,637,289	4,672,204	-	4,672,204
Total program services	7,200,922	-	7,200,922	6,376,782	-	6,376,782
Supporting activities:						
Management and general	1,215,899	-	1,215,899	1,065,683	-	1,065,683
Fund-raising	168,198	-	168,198	181,164	-	181,164
Administrative fees to national organization	185,235	-	185,235	145,903	-	145,903
Total supporting activities	1,569,332	-	1,569,332	1,392,750	-	1,392,750
Total operating expenses	8,770,254	-	8,770,254	7,769,532	-	7,769,532
Excess (loss) from operations	15,199	(144,819)	(129,620)	(363,122)	167,458	(195,664)

(continued)

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Activities
(continued)

	Year Ended June 30,					
	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
NONOPERATING GAIN (LOSS) AND OTHER REVENUE:						
Public support received indirectly–capital grants	8,537	-	8,537	9,215	-	9,215
Investment gain–quasi-endowment	43,774	-	43,774	27,629	-	27,629
Other loss	(760)	-	(760)	(15,494)	-	(15,494)
Excess from other activities	51,551	-	51,551	21,350	-	21,350
Change in Net Assets	66,750	(144,819)	(78,069)	(341,772)	167,458	(174,314)
Net Assets, Beginning of Year	6,048,834	167,458	6,216,292	6,390,606	-	6,390,606
Net Assets, End of Year	$ 6,115,584	$ 22,639	$ 6,138,223	$ 6,048,834	$ 167,458	$ 6,216,292

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statement of Functional Expenses

Year Ended June 30, 2014

	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	$ 270,175	$ 124,983	$ 780,697	$ 108,954	$ 2,449,380	$ 3,734,189	$ 562,212	$ 135,423	$ 697,635	$ 4,431,824
Pension expense	12,311	6,110	17,154	5,101	104,121	144,797	11,001	7,488	18,489	163,286
Other employee benefits	29,988	16,821	69,238	6,772	315,243	438,062	66,930	9,725	76,655	514,717
Payroll taxes	19,701	9,636	60,935	8,449	169,731	268,452	77,524	1,763	79,287	347,739
Legal fees	-	-	-	-	3,278	3,278	21,279	-	21,279	24,557
Accounting fees	-	-	-	-	-	-	38,947	-	38,947	38,947
Other professional fees	1,660	1,038	53,958	972	60,814	118,442	229,257	3,661	232,918	351,360
Supplies and expenses	4,261	44,434	148,682	2,111	696,772	896,260	24,835	100	24,935	921,195
Telecommunications	5,778	2,494	17,696	863	41,472	68,303	7,140	1,487	8,627	76,930
Postage	32	-	776	30	1,673	2,511	5,326	3,121	8,447	10,958
Occupancy expenses	20,007	45,666	132,783	6,324	410,990	615,770	39,036	65	39,101	654,871
Interest	484	-	14,408	179	5,158	20,229	9,750	-	9,750	29,979
Insurance	2,164	1,802	15,678	787	33,710	54,141	22,935	-	22,935	77,076
Equipment rental and maintenance	3,453	1,730	21,978	346	24,406	51,913	12,372	544	12,916	64,829
Printing and publications	128	99	3,719	77	2,834	6,857	14,379	4,522	18,901	25,758
Travel and transportation	1,913	570	14,086	277	22,601	39,447	4,303	485	4,788	44,235
Conferences and meetings	940	260	28,446	112	22,439	52,197	34,390	(186)	34,204	86,401
Specific assistance to individuals	19,480	-	285,519	-	72,087	377,086	-	-	-	377,086
Depreciation	12,434	12,264	79,513	4,197	200,580	308,988	34,283	-	34,283	343,271
Total Functional Expense	$ 404,909	$ 267,907	$ 1,745,266	$ 145,551	$ 4,637,289	$ 7,200,922	$ 1,215,899	$ 168,198	$ 1,384,097	8,585,019
Administrative Fees to National Organization										185,235
Total Operating Expenses										$ 8,770,254

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.

Statements of Cash Flows

	Year Ended June 30, 2014	Year Ended June 30, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (78,069)	$ (174,314)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	343,271	340,843
Net realized and unrealized gain on investments	(94,400)	(52,031)
Net loss on disposal of asset	760	-
Support for capital projects	(8,537)	(9,215)
Changes in:		
Accounts receivable	(280,970)	114,473
Grants receivable	84,064	(45,486)
Prepaid expenses and other	(17,545)	(445)
Accounts payable	53,201	(80,644)
Accrued expenses	25,872	37,331
Accrued administrative fee	15,110	10,529
Deferred revenue	-	(106,167)
Net Cash Provided by Operating Activities	42,757	34,874
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(736,345)	(132,435)
Purchase of investments	(124,235)	(158,127)
Proceeds from sale of investments	159,458	123,769
Net Cash Used by Investing Activities	(701,122)	(166,793)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Support for capital projects	8,537	9,215
Borrowings on line of credit	450,000	-
Proceeds from new bank term loan	580,000	-
Payments on debt–bank term loan	(213,086)	(176,385)
Net Cash Provided (Used) by Financing Activities	825,451	(167,170)

(continued)

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Cash Flows
(continued)

	Year Ended June 30, 2014	Year Ended June 30, 2013
Change in Cash and Cash Equivalents	167,086	(299,089)
CASH AND CASH EQUIVALENTS:		
Beginning of year	244,375	543,464
End of year	$ 411,461	$ 244,375
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest expense (none capitalized)	$ 29,979	$ 15,223
Noncash donations of food, computers, property, books, toys, and vehicles	$ 35,500	$ 37,500
Fixed assets reported in accounts payable and retainage payable	$ -	$ 7,071

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 individuals and community involvement.

VOAI has three impact areas: encouraging positive development, fostering independence, and promoting self-sufficiency. Included in these impact areas are behavioral health, work force development, veterans' services, housing, and corrections. 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.

ENCOURAGING POSITIVE DEVELOPMENT

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

- Behavioral Health–The programs included are the Healing Families Program, the Look Up and Hope Program, and Outpatient Behavioral Health Services. The Healing Families program serves both men and women 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. Outpatient Behavioral Health services, both mental health and substance abuse treatment, are funded through insurance billing and contracts with local and federal governments.

- Scholastic Books Program includes distribution of new books to area disadvantaged youth. In addition, Scholastic and Volunteers of America team-up to offer the Words Travel Program. This program promotes reading as a bond between incarcerated women and their children.

FOSTERING INDEPENDENCE

Volunteers of America of Indiana, Inc. 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.

- Housing–VOAI manages two affordable housing facilities operating under HUD 202 and owned by VOA. One is Brownstone Manor, a 52-unit facility in Terre Haute, and the other is Gardens on Carolina, a 38-unit facility in Gary. Both provide 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 correctional system, and unemployment. VOAI focuses on solution-oriented approaches, using a continuum of services from prevention to intervention to long-term support.

- Homeless Veterans Services–VOAI facilitates two federally grant funded programs, Supportive Services for Veteran Families, that provide case management, housing services, and financial assistance to veterans and their families facing homelessness. One program covers an area in and around Evansville, the other covers an area in and around Indianapolis. VOAI has two transitional housing programs where men and women veterans facing homelessness can stay for up to two years. These Grant and Per Diem programs are located in Fort Wayne with 40 beds and Indianapolis with 20 beds. VOAI has a 29 bed temporary housing program in Indianapolis for homeless veteran men and a 25 bed Safe Haven model, low-demand temporary housing program in Fort Wayne for men and women. All are funded by the Veterans Administration.

- Correctional Services–These services are minimum security programs for justice-involved men and women in a community based setting. Programs focus on rehabilitation, life skills training, substance abuse education, and personal counseling. Referral sources for correctional clients include the Federal Bureau of Prisons, Indiana Department of Correction, Marion County Community Corrections, and local courts. All residential programs offer a structured, supervised community living environment where clients can gain employment, access community services, and gradually transition back into society.

- Workforce Development–VOAI has two federal grants from the US Department of Labor to provide case management, education, and career services to adult ex-offenders in Indianapolis.

SUPPORTING ACTIVITIES

Supporting activities include all expenses not allocable to specific program services. Management and general services related to the overall administration of VOAI, encompassing volunteer coordination, personnel management, accounting functions, and executive administration. Fund-raising services include activities related to the development function encompassing solicitation of support from foundations, individuals, and businesses. Fund-raising services also include participation in the direct mail program, the website program, and the Enterprise program conducted by the National Office.

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, 2014 and 2013, inmate trust funds in the amounts of $100,324 and $101,130, 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. 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, 2014 and 2013.

2. <u>SIGNIFICANT ACCOUNTING POLICIES, continued:</u>

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, 2014 and 2013, VOAI incurred joint costs of $577,137 and $596,820 for salaries and benefits, respectively. Of these costs, $353,293 and $374,505 were allocated to program services, $168,447 and $166,183 were allocated to management and general, and $55,397 and $56,132 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, 2014 and 2013, were approximately $4,748 and $1,068, 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 fees and grants is provided by three contracting agencies:

	Year Ended June 30, 2014	2013
Federal Bureau of Prisons	35%	56%
US Department of Veteran Affairs	26%	12%
Marion County Community Corrections	12%	20%

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, 2014 and 2013. 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, 2014, 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 2011.

RECLASSIFICATION
Certain amounts from the prior year have been reclassified to conform to current year presentation.

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, 2014 and 2013.

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, 2014 and 2013.

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, 2014:				
Investments–operating reserves	$ 461,654	$ 461,654	$ -	$ -
Investments–quasi-endowment funds	$ 292,741	$ 292,741	$ -	$ -
As of June 30, 2013:				
Investments–operating reserves	$ 446,251	$ 446,251	$ -	$ -
Investments–quasi-endowment funds	$ 248,967	$ 248,967	$ -	$ -

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 $8,961 and $9,618 of the investments below as of June 30, 2014 and 2013, respectively.

Investments–operating reserves consist of:

	June 30, 2014	June 30, 2013
Mutual funds–fixed income:		
U.S. bonds	$ 122,831	$ 121,757
International bonds	-	12,965
	122,831	134,722
Mutual funds–equity:		
U.S. large cap	132,809	111,621
U.S. mid cap	34,744	29,240
Europe, Australia, and Far East (EAFE)	75,847	56,840
European large cap	11,031	-
Japanese large cap	8,179	-
Asia ex-Japan	20,308	18,187
Emerging market	-	21,300
Global equity	11,509	9,416
	294,427	246,604
Mutual funds–alternatives:		
Hedge fund strategies	27,871	40,030
Real estate	-	6,162
Commodities	16,525	18,733
	44,396	64,925
	$ 461,654	$ 446,251

3. INVESTMENTS, continued:

Investments–quasi-endowment funds consist of:

	June 30, 2014	June 30, 2013
Cash and cash equivalents	$ 10,515	$ 4,430
Mutual funds–fixed income:		
U.S. bonds	20,533	30,689
International bonds	-	4,383
	20,533	35,072
Mutual funds–equity:		
U.S. large cap	94,631	82,948
U.S. mid cap	24,708	21,318
Europe, Australia, and Far East (EAFE)	73,839	36,419
European large cap	5,815	-
Japanese large cap	2,992	-
Asia ex-Japan	11,742	14,208
Emerging market	2,996	13,644
Global equity	9,121	7,462
	225,844	175,999
Mutual funds–alternatives:		
Hedge fund strategies	27,022	21,832
Real estate	-	1,994
Commodities	8,827	9,640
	35,849	33,466
	$ 292,741	$ 248,967

Investment gains consists of:

	Year Ended June 30, 2014	Year Ended June 30, 2013
Interest and dividends	$ 11,268	$ 9,737
Net realized and unrealized gains on investments	94,400	52,031
	$ 105,668	$ 61,768
Investment gains–operations	$ 61,894	$ 34,139
Investment gains–quasi-endowment	43,774	27,629
	$ 105,668	$ 61,768

4. DEBT–LINE OF CREDIT:

A revolving line of credit for $1,100,000 is available to VOAI through the National Bank of Indianapolis. The line provides for monthly interest payments at the bank's prime rate, 3.25 percent as of June 30, 2014. The line of credit is available through December 5, 2014, and is secured by the first mortgage on the property at 927 North Pennsylvania Avenue in Indianapolis, along with all business assets. The outstanding balance as of June 30, 2014 and 2013, was $450,000 and $-0-, respectively.

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, 2014 and 2013, VOAI was in compliance with all provisions and covenants of the agreement.

5. DEBT–BANK TERM LOAN:

A bank term loan with an outstanding balance of $89,348 and $186,856 at June 30, 2014 and 2013, 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 at June 30, 2013, was paid in full in June 2014. The outstanding loan is secured by the Theodora House property at 927 N. Pennsylvania Street in Indianapolis and all business assets.

A bank term loan with an outstanding balance of $545,022 at June 30, 2014, has a term expiring in February 2019, with interest based on the bank's prime rate, 4.30 percent. The loan is secured by the Safe Haven property at 2424 Fairfield Avenue in Fort Wayne and the Theodora House property at 927 N. Pennsylvania Street in Indianapolis.

Scheduled principal payments are as follows:

Year Ending June 30,	Amount
2015	$ 197,033
2016	112,414
2017	117,457
2018	122,681
2019	84,785
	$ 634,370

6. PENSION PLANS:

VOAI participates in a multi-employer 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. As of June 30, 2014, there were three participants from VOAI in the plan. The pension plan expense for this plan was approximately $32,030 and $93,900 for the years ended June 30, 2014 and 2013, respectively. Because the plan is not significant to VOAI, the disclosures under the *Retirement Benefits* topic of the ASC were omitted.

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 $141,285 and $128,700 for the years ended June 30, 2014 and 2013, respectively.

7. OPERATING LEASES:

Total rent expense for facility rentals, office space, and equipment rentals was approximately $149,927 and $120,200 for the years ended June 30, 2014 and 2013, respectively.

VOAI has 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 $3,942 and $4,092 are due monthly, respectively. The leases mature March 31, 2019 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,	Amount
2015	$ 67,483
2016	35,298
2017	25,923
2018	11,485
	$ 140,189

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, 2014 and 2013, totaled $185,235 and $145,903, respectively. Amounts due to VOA at June 30, 2014 and 2013, for affiliate fees were $39,675 and $24,565, respectively.

VOAI recorded $12,000 and $-0- of in-kind revenue from the Scholastic Books program for the years ended June 30, 2014 and 2013, 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 or 2014.

Participation in the Direct Mail program and Website program conducted by VOA for the years ended June 30, 2014 and 2013, resulted in the following:

	June 30, 2014	June 30, 2013
Direct Mail Program:		
Gross income	$ 10,495	$ 9,379
Expenses	(9,263)	(10,604)
Net income (loss)	$ 1,232	$ (1,225)

Approximate website donations were $100 and $580 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, totaled $38,738 and $34,248, respectively. Amounts due to VOAI at June 30, 2014 and 2013, for management fees and reimbursement of payroll costs were $46,071 and $7,052, respectively.

Gardens on Carolina is a 38-unit facility located in Gary, Indiana. VOA also owns this project and has contracted with VOAI to provide management services to the project. Management fees earned for the year ended June 30, 2014, totaled $19,104. Amounts due to VOAI at June 30, 2014, including unreimbursed payroll costs, were $24,406.

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, 2013	Temporarily Restricted Contributions	Amounts Released	Net Assets June 30, 2014
Nina Mason Pulliam grant for transitional services for male ex-offenders at Brandon Hall	$ 161,050	$ -	$ 138,411	$ 22,639
Annie E. Casey Foundation grant for strengthening families affected by incarceration	6,408	-	6,408	-
	$ 167,458	$ -	$ 144,819	$ 22,639

	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 trengthening families affected by incarceration	-	6,408	-	6,408
	$ -	$ 167,458	$ -	$ 167,458

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, 2014 and 2013, respectively.

Changes in the endowment fund are as follows:

	Total
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
Investment return:	
Interest and dividend income (net of fees of $1,972)	3,313
Net realized and unrealized gains	40,461
Total investment return	43,774
Purchases	92,555
Sales of investments	(95,327)
Adjustment to money market fund	2,772
	-
Endowment fund, June 30, 2014	$ 292,741

	June 30,	
	2014	2013
Composition of endowment fund:		
Cash and cash equivalents–money market fund	$ 10,515	$ 4,430
Long-term investments	282,226	244,537
	$ 292,741	$ 248,967

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 10-20 percent, equities 50-75 percent, and alternative investments 0-35 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. 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, 2014 and 2013.

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 incurred expenses and related support for its Look Up and Hope breakfast event in 2013. 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
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.

In September 2014, VOAI was awarded a $1,000,000 federal grant through the Department of Justice to implement a comprehensive community-based adult reentry program utilizing mentors. This grant is a three-year award with a beginning date of October 1, 2014.

SECTION II

Management Comment Letter

VOLUNTEERS OF AMERICA OF INDIANA, INC.

June 30, 2014 and 2013

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

MANAGEMENT LETTER

October 17, 2014

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, 2014, 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 organization's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.
>
> 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. The Organization's written response to the deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements; accordingly, we express no opinion on it.

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 U.S. Generally Accepted Auditing Standards

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

- Performing the audit in accordance with U.S. 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 Organization'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 Financial Accounting Standards Board (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 was issued in May 2014, but is not effective until the Organization's year ended June 30, 2019. The American Institute of Certified Public Accountants (AICPA) has formed a not-for-profit revenue recognition task force to address potential implementation issues. We will be monitoring the activities of this task force and providing information to management to assist in determining the impact on the Organization's financial statements. As developments occur related to other emerging standards 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

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

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.

AUDIT COMMITTEE MATTERS, continued

Qualitative Aspects of Accounting Practices, continued

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 significant 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 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 17, 2014

Capin Crouse LLP:

This representation letter is provided in connection with your audit of the financial statements of Volunteers of America of Indiana, Inc., which comprise the statements of financial position as of June 30, 2014 and 2013, 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 11, 2014, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
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 contributions, 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, except as made known to you.
7. The methods and significant assumptions used to determine 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 statement 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. .Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the 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 company'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. Material concentrations.

    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. Loans to executive officers.

    e. Lines of credit or similar arrangements.

    f. Agreements to repurchase assets previously sold.

    g. Security agreements in effect under the Uniform Commercial Code.

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

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

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

    k. All liabilities which are subordinated to any other actual or possible liabilities of the Organization.

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

    m. Concentrations of credit risk.

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

    o. Unconditional and/or conditional] promises to give.

    p. Reclassifications between net asset classes.

    q. Allocations of functional expenses based on reasonable basis.

    r. Composition of assets in amounts needed to comply with all donor restrictions.

    s. Deferred revenue from exchange transactions.

    t. Refundable advances.

    u. The fair value of financial instruments.

    v. Tax status.

    w. Board designated unrestricted net assets.

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. All minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes were not yet prepared.

    e. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices

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. 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, except as disclosed in the notes to the financial statements.

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. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

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.
- If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- 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 any 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.
- We are responsible for preparing and implementing a corrective action plan for each audit finding.
- We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Signature: William J. Raihl
Name: William Raihl
Title: President/CEO

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

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