



VOLUNTEERS OF AMERICA  
OF INDIANA, INC.

Financial Statements  
With Independent Auditors' Report

June 30, 2016 and 2015

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

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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, 2016 and 2015, 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, 2016 and 2015, 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 21, 2016

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Statements of Financial Position

	June 30,	
	2016	2015
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 470,857	\$ 416,890
Accounts receivable—net of allowance of \$12,500 and \$7,500 for years ended 2016 and 2015, respectively	1,595,198	1,525,474
Grants receivable	13,056	9,428
Receivable from affiliate	-	12,598
Prepaid expenses and other	38,164	39,597
Investments—operating reserves	486,676	487,801
Funds held for correctional clients	165,457	113,672
Total current assets	2,769,408	2,605,460
Other assets:		
Investments—quasi-endowment funds	282,113	294,794
Other	11,502	11,502
Total other assets	293,615	306,296
Fixed assets:		
Land and buildings	7,155,482	7,080,127
Furnishings and equipment	2,379,233	2,328,422
	9,534,715	9,408,549
Accumulated depreciation	(4,459,238)	(4,129,444)
Construction in progress	-	38,350
Total fixed assets	5,075,477	5,317,455
Total Assets	\$ 8,138,500	\$ 8,229,211

(continued)

See notes to financial statements

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Statements of Financial Position (continued)

	June 30,	
	2016	2015
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 140,446	\$ 351,350
Current portion of bank term loans	117,500	110,548
Line of credit	-	325,000
Accrued expenses	477,397	303,333
Accrued administrative fee	21,801	-
Funds held for correctional clients	165,457	113,672
Total current liabilities	922,601	1,203,903
Long-term liabilities:		
Bank term loans	207,325	326,779
Total liabilities	1,129,926	1,530,682
Net assets:		
Unrestricted:		
Undesignated	1,975,809	1,523,072
Board-designated–quasi-endowment	282,113	294,794
Equity in property and equipment	4,750,652	4,880,128
Total unrestricted	7,008,574	6,697,994
Temporarily restricted	-	535
Total net assets	7,008,574	6,698,529
Total Liabilities and Net Assets	\$ 8,138,500	\$ 8,229,211

See notes to financial statements

## VOLUNTEERS OF AMERICA OF INDIANA, INC.

### Statements of Activities

	Year Ended June 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>OPERATING REVENUE:</b>						
Public support:						
Public support received directly—contributions	\$ 236,498	\$ -	\$ 236,498	\$ 489,142	\$ -	\$ 489,142
Public support received directly—contributions, in-kind	39,511	-	39,511	42,191	-	42,191
Public support received indirectly—United Way	333,853	-	333,853	352,147	-	352,147
Public support received indirectly—VOA grants	-	-	-	12,760	-	12,760
Total public support	609,862	-	609,862	896,240	-	896,240
Other revenue:						
Government fees and grants	11,191,615	-	11,191,615	9,355,317	-	9,355,317
Program service fees	525,112	-	525,112	397,509	-	397,509
Investment income (losses)	(8,881)	-	(8,881)	2,999	-	2,999
Other revenues	22,090	-	22,090	65,522	-	65,522
Total other revenue	11,729,936	-	11,729,936	9,821,347	-	9,821,347
Net assets released from restrictions	535	(535)	-	22,104	(22,104)	-
Total revenue from operations	12,340,333	(535)	12,339,798	10,739,691	(22,104)	10,717,587

(continued)

See notes to financial statements

## VOLUNTEERS OF AMERICA OF INDIANA, INC.

### Statements of Activities (continued)

	Year Ended June 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>OPERATING EXPENSES:</b>						
Program services:						
Encouraging Positive Development—children and youth	1,116,764	-	1,116,764	476,513	-	476,513
Fostering Independence—mental health	488,827	-	488,827	368,645	-	368,645
Promoting Self-Sufficiency:						
Homeless services	2,988,434	-	2,988,434	2,917,873	-	2,917,873
Substance abuse	748,857	-	748,857	137,898	-	137,898
Correctional services	4,640,728	-	4,640,728	4,476,731	-	4,476,731
Total program services	9,983,610	-	9,983,610	8,377,660	-	8,377,660
Supporting activities:						
Management and general	1,630,337	-	1,630,337	1,584,277	-	1,584,277
Fund-raising	170,437	-	170,437	138,283	-	138,283
Administrative fees to national organization	261,464	-	261,464	137,040	-	137,040
Total supporting activities	2,062,238	-	2,062,238	1,859,600	-	1,859,600
Total operating expenses	12,045,848	-	12,045,848	10,237,260	-	10,237,260
Excess (loss) from operations	294,485	(535)	293,950	502,431	(22,104)	480,327

(continued)

See notes to financial statements



## VOLUNTEERS OF AMERICA OF INDIANA, INC.

### Statements of Activities (continued)

	Year Ended June 30,					
	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
NONOPERATING GAIN (LOSS) AND OTHER REVENUE:						
Public support received indirectly—capital grants	28,776	-	28,776	80,589	-	80,589
Investment income (losses) —quasi-endowment	(12,681)	-	(12,681)	2,052	-	2,052
Loss on disposal of asset	-	-	-	(2,662)	-	(2,662)
Excess from nonoperating activities	16,095	-	16,095	79,979	-	79,979
Change in Net Assets	310,580	(535)	310,045	582,410	(22,104)	560,306
Net Assets, Beginning of Year	6,697,994	535	6,698,529	6,115,584	22,639	6,138,223
Net Assets, End of Year	\$ 7,008,574	\$ -	\$ 7,008,574	\$ 6,697,994	\$ 535	\$ 6,698,529

See notes to financial statements

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services					Supporting Activities				
	Encouraging Positive	Fostering	Promoting Self-Sufficiency			Total	Management	Fund-	Total	Total
	Development	Independence	Homeless	Substance	Correctional		and General	raising		
	Children and Youth	Mental Health	Services	Abuse	Services					
Salaries	\$ 753,969	\$ 249,635	\$ 1,476,938	\$ 501,000	\$ 2,450,613	\$ 5,432,155	\$ 889,291	\$ 132,926	\$ 1,022,217	\$ 6,454,372
Pension expense	16,021	7,883	46,814	6,590	81,584	158,892	28,476	4,151	32,627	191,519
Other employee benefits	52,516	37,705	171,292	44,246	288,255	594,014	111,929	2,836	114,765	708,779
Payroll taxes	55,433	17,467	117,947	39,015	190,595	420,457	93,208	6,396	99,604	520,061
Legal fees	-	-	-	-	-	-	18,930	-	18,930	18,930
Accounting fees	-	-	-	-	-	-	38,604	-	38,604	38,604
Other professional fees	22,976	9,571	61,933	5,756	142,287	242,523	210,378	5,538	215,916	458,439
Supplies and expenses	68,294	78,272	228,917	32,326	694,510	1,102,319	14,807	364	15,171	1,117,490
Telecommunications	10,263	4,412	33,280	9,514	39,198	96,667	15,884	1,504	17,388	114,055
Postage	4	-	1,455	399	2,369	4,227	5,752	2,954	8,706	12,933
Occupancy expenses	79,607	49,014	165,092	32,526	353,078	679,317	54,147	-	54,147	733,464
Interest	-	-	15,234	-	-	15,234	7,494	-	7,494	22,728
Insurance	3,940	2,615	19,813	446	15,748	42,562	41,478	-	41,478	84,040
Equipment rental and maintenance	1,830	3,430	51,809	15,056	36,363	108,488	14,987	-	14,987	123,475
Printing and publications	631	114	3,718	552	2,390	7,405	7,751	4,571	12,322	19,727
Travel and transportation	3,108	315	14,153	17,026	19,155	53,757	4,706	72	4,778	58,535
Conferences and meetings	1,665	474	12,765	14,653	36,736	66,293	43,050	767	43,817	110,110
Specific assistance to individuals	1,526	314	455,916	17,850	94,329	569,935	-	7,800	7,800	577,735
Other	12,669	5,468	18,894	6,718	37,714	81,463	5,738	558	6,296	87,759
Depreciation	32,312	22,138	92,464	5,184	155,804	307,902	23,727	-	23,727	331,629
<b>Total Functional Expense</b>	<b>\$ 1,116,764</b>	<b>\$ 488,827</b>	<b>\$ 2,988,434</b>	<b>\$ 748,857</b>	<b>\$ 4,640,728</b>	<b>\$ 9,983,610</b>	<b>\$ 1,630,337</b>	<b>\$ 170,437</b>	<b>\$ 1,800,774</b>	<b>11,784,384</b>
Administrative Fees to National Organization										261,464
<b>Total Operating Expenses</b>										<b>\$ 12,045,848</b>

See notes to financial statements

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Statement of Functional Expenses

Year Ended June 30, 2015

	Program Services					Supporting Activities				
	Encouraging	Fostering		Promoting Self-Sufficiency			Management and General	Fund- raising	Total	Total
	Positive	Independence	Homeless Services	Substance Abuse	Correctional Services	Total				
	Development	Mental Health								
Salaries	\$ 338,212	\$ 184,787	\$ 1,273,746	\$ 100,468	\$ 2,374,987	\$ 4,272,200	\$ 675,555	\$ 115,160	\$ 790,715	\$ 5,062,915
Pension expense	13,324	7,363	28,228	2,945	72,097	123,957	34,215	5,039	39,254	163,211
Other employee benefits	24,941	25,116	145,618	7,221	258,371	461,267	68,875	6,298	75,173	536,440
Payroll taxes	21,873	12,552	102,635	7,934	168,370	313,364	79,526	2,424	81,950	395,314
Legal fees	-	-	-	-	-	-	92,872	-	92,872	92,872
Accounting fees	-	-	-	-	-	-	31,354	-	31,354	31,354
Other professional fees	6,679	4,004	49,858	1,382	87,408	149,331	301,484	2,969	304,453	453,784
Supplies and expenses	5,493	68,193	182,754	1,816	634,075	892,331	100,574	819	101,393	993,724
Telecommunications	6,398	5,039	29,883	866	44,131	86,317	14,917	1,368	16,285	102,602
Postage	110	10	1,612	265	1,142	3,139	7,252	1,016	8,268	11,407
Occupancy expenses	24,224	38,219	175,114	6,474	411,722	655,753	48,635	32	48,667	704,420
Interest	158	90	23,162	49	1,260	24,719	16,544	-	16,544	41,263
Insurance	1,824	2,414	25,202	531	27,958	57,929	22,984	-	22,984	80,913
Equipment rental and maintenance	1,346	2,618	44,233	177	31,452	79,826	15,457	-	15,457	95,283
Printing and publications	271	70	4,224	74	2,507	7,146	8,727	2,697	11,424	18,570
Travel and transportation	3,253	201	19,724	290	20,222	43,690	5,177	47	5,224	48,914
Conferences and meetings	893	71	12,123	3,435	22,719	39,241	31,131	414	31,545	70,786
Specific assistance to individuals	15,026	-	707,458	327	136,136	858,947	-	-	-	858,947
Depreciation	12,488	17,898	92,299	3,644	182,174	308,503	28,998	-	28,998	337,501
<b>Total Functional Expense</b>	<b>\$ 476,513</b>	<b>\$ 368,645</b>	<b>\$ 2,917,873</b>	<b>\$ 137,898</b>	<b>\$ 4,476,731</b>	<b>\$ 8,377,660</b>	<b>\$ 1,584,277</b>	<b>\$ 138,283</b>	<b>\$ 1,722,560</b>	<b>10,100,220</b>
Administrative Fees to National Organization										<u>137,040</u>
<b>Total Operating Expenses</b>										<u><b>\$ 10,237,260</b></u>

See notes to financial statements

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Statements of Cash Flows

	Year Ended June 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 310,045	\$ 560,306
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	331,629	337,501
Net realized and unrealized loss on investments	37,289	6,298
Loss on disposal of asset	-	2,662
Support for capital projects	(28,776)	(80,589)
Changes in:		
Accounts receivable	(69,724)	(426,739)
Grants receivable	(3,628)	(4,116)
Receivable from affiliate, prepaid expenses and other	14,031	(3,358)
Accounts payable	(210,904)	121,624
Accrued expenses	174,064	10,840
Accrued administrative fee	21,801	(39,675)
	<u>575,827</u>	<u>484,754</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(89,651)	(203,373)
Purchase of investments	(294,642)	(346,918)
Proceeds from sale of investments	271,159	312,371
	<u>(113,134)</u>	<u>(237,920)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Support for capital projects	28,776	80,589
Payments on line of credit	(325,000)	(125,000)
Payments on debt—bank term loan	(112,502)	(196,994)
	<u>(408,726)</u>	<u>(241,405)</u>

(continued)

See notes to financial statements

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Statements of Cash Flows (continued)

	Year Ended June 30,	
	2016	2015
Change in Cash and Cash Equivalents	53,967	5,429
CASH AND CASH EQUIVALENTS:		
Beginning of year	416,890	411,461
End of year	<u>\$ 470,857</u>	<u>\$ 416,890</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest expense (none capitalized)	<u>\$ 22,728</u>	<u>\$ 41,262</u>
Noncash donations of food, computers, property, books, toys, and vehicles	<u>\$ 39,511</u>	<u>\$ 42,191</u>
Fixed assets reported in accounts payable and retainage payable	<u>\$ -</u>	<u>\$ 38,350</u>

See notes to financial statements

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 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 locally within Indiana under a charter from Volunteers of America, Inc. (VOA), a national nonprofit, spiritually based organization providing 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 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.

#### 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 three affordable housing facilities operating under HUD 202 and owned by VOA. One is Brownstone Manor, a 52-unit facility in Terre Haute. The second is Gardens on Carolina, a 38-unit facility in Gary. The third is Tremont Terrace in Indianapolis which specializes in mentally challenged adults. All provide safe, decent and affordable housing for low-income seniors.

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 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. VOA focuses on solution-oriented approaches, using a continuum of services from prevention to intervention to long-term support.

- Homeless Veterans Services—VOAI facilitates one federally grant funded program, Supportive Services for Veteran Families, that provides case management, housing services, and financial assistance to veterans and their families facing homelessness. This one program consolidated from two separate grants covers areas in and around both Indianapolis and Evansville. VOA also acts as a subcontractor to United Way of Central Indiana for a supplemental Priority One program for the same Supportive Services for Veteran Families. VOA has two transitional housing programs where men and women veterans facing homelessness can stay for up to two years. The Homeless Veterans Reintegration Program started in Ft. Wayne in 2016 to help homeless veterans retrain and find employment. These grant and per diem programs are located in Fort Wayne with 40 beds and Indianapolis with 20 beds. VOA 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 Corrections, 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. This grant ended during fiscal year 2016.

#### SUPPORTING ACTIVITIES

Supporting activities include all expenses not allocable to specific program services. Management and general services related to the overall administration of VOA, 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.

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 2. SUMMARY OF 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. Prior to April 26, 2016, VOAI capitalized all expenditures for land, buildings, and equipment over \$1,000 with a useful life greater than one year. Effective April 26, 2016, VOAI changed the threshold to \$2,000 with a useful life greater than 2 years. The effect of this change increased expenses by approximately \$9,600 as certain items were no longer capitalized. 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, general building improvements are 10 years, and buildings are 40 years. Tenant alterations in a leased residential facility are amortized over the life of the lease.

#### 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, 2016 and 2015, inmate trust funds in the amounts of \$165,457 and \$113,672, 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 and Marion County Community Corrections.



# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 2. SUMMARY OF 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, rent, 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, 2016 and 2015.

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 2. SUMMARY OF 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, 2016 and 2015, VOA I incurred joint costs of \$508,133 and \$490,965 for salaries and benefits, respectively. Of these costs, \$317,290 and \$275,607 were allocated to program services, \$139,336 and \$160,224 were allocated to management and general, and \$51,507 and \$55,134 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, 2016 and 2015, were \$4,712 and \$1,736, 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.

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### CONCENTRATION

A significant portion of government fees and grants is provided by four contracting agencies:

	Year Ended June 30,	
	2016	2015
Federal Bureau of Prisons	30%	33%
US Department of Veteran Affairs	30%	33%
Department of Child Services	11%	0%
Marion County Community Corrections	7%	6%

#### 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 \$12,500 and \$7,500 for each of the years ended June 30, 2016 and 2015, respectively. 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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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, 2016, 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 2013.

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 2. SUMMARY OF 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, 2016 and 2015.

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, 2016 and 2015.

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

2. SUMMARY OF 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	Fair Value Measurements Using		
		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, 2016:				
Investments—operating reserves	\$ 486,676	\$ 486,676	\$ -	\$ -
Investments—quasi-endowment funds	\$ 282,113	\$ 282,113	\$ -	\$ -
As of June 30, 2015:				
Investments—operating reserves	\$ 487,801	\$ 487,801	\$ -	\$ -
Investments—quasi-endowment funds	\$ 294,794	\$ 294,794	\$ -	\$ -

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 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 \$6,978 and \$6,620 of the investments below as of June 30, 2016 and 2015, respectively.

Investments—operating reserves consist of:

	June 30,	
	<u>2016</u>	<u>2015</u>
Mutual funds—fixed income:		
U.S. bonds	<u>\$ 142,468</u>	<u>\$ 117,424</u>
Mutual funds—equity:		
U.S. large cap	139,512	132,821
U.S. mid cap	18,674	31,589
Europe, Australia, and Far East (EAFE)	84,089	69,940
European large cap	4,479	-
Japanese large cap	7,224	5,261
Asia ex-Japan	-	26,184
Global equity	31,712	30,785
	<u>285,690</u>	<u>296,580</u>
Mutual funds—alternatives:		
Hedge fund strategies	58,518	63,039
Commodities	-	10,758
	<u>58,518</u>	<u>73,797</u>
	<u>\$ 486,676</u>	<u>\$ 487,801</u>

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

3. INVESTMENTS, continued:

Investments—quasi-endowment funds consist of:

	June 30,	
	2016	2015
Cash and cash equivalents	\$ 16,803	\$ 12,716
Mutual funds—fixed income:		
U.S. bonds	33,920	14,642
Mutual funds—equity:		
U.S. large cap	103,362	100,169
U.S. mid cap	11,992	23,771
Europe, Australia, and Far East (EAFE)	59,790	58,579
European large cap	2,473	-
Japanese large cap	4,023	2,935
Asia ex-Japan	-	17,627
Emerging market	-	2,860
Global equity	28,020	26,763
	209,660	232,704
Mutual funds—alternatives:		
Hedge fund strategies	21,730	29,031
Commodities	-	5,701
	21,730	34,732
	\$ 282,113	\$ 294,794

Investment income (losses) consists of:

	Year Ended June 30,	
	2016	2015
Interest and dividends	\$ 15,757	\$ 11,349
Net realized and unrealized losses on investments	(37,319)	(6,298)
	\$ (21,562)	\$ 5,051
Investment income (losses)—operations	\$ (8,881)	\$ 2,999
Investment income (losses)—quasi-endowment	(12,681)	2,052
	\$ (21,562)	\$ 5,051

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

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, 3.50 percent as of June 30, 2016. The line of credit is available through December 2, 2016, 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, 2016 and 2015, was \$-0- and \$325,000, 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, 2016 and 2015, 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 \$324,825 at June 30, 2016, has a term expiring in February 2019, with a fixed interest rate of 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 North Pennsylvania Street in Indianapolis.

Scheduled principal payments are as follows:

<u>Year Ending June 30,</u>	
2017	\$ 117,500
2018	122,681
2019	84,644
	<u>\$ 324,825</u>



# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

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, 2016, there were three participants from VOA in the plan. The pension plan expense for this plan was approximately \$28,500 and \$30,500 for the years ended June 30, 2016 and 2015, respectively. Because the plan is not significant to VOA, the disclosures under the *Retirement Benefits* topic of the FASB 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 \$183,600 and \$147,300 for the years ended June 30, 2016 and 2015, respectively.

7. OPERATING LEASES:

Total rent expense for facility rentals, office space, and equipment rentals was approximately \$264,000 and \$172,200 for the years ended June 30, 2016 and 2015, 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 \$4,556 and \$4,292 are due monthly, respectively. The leases mature March 31, 2019 and December 31, 2016, respectively.

VOAI also has a noncancelable lease for office equipment. Payments of approximately \$3,335 are due monthly. The lease matures January 2018.

Future minimum lease payments under the operating leases are:

<u>Year Ending June 30,</u>	
2017	\$ 215,836
2018	123,149
2019	<u>51,995</u>
	<u><u>\$ 390,980</u></u>

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 8. RELATED PARTY TRANSACTIONS:

VOAI is the Indiana affiliate of VOA, which provides supporting services to VOA for a fee. Affiliate fees for the years ended June 30, 2016 and 2015, totaled \$289,287 and \$137,040, respectively. Amounts due to (from) VOA at June 30, 2016 and 2015, for affiliate fees were \$27,850 and \$(12,598), respectively.

VOAI recorded \$-0- of in-kind revenue from the Scholastic Books program for both years ended June 30, 2016 and 2015.

VOAI has been selected to receive an endowment award from VOA for capacity building. The \$20,000 award is intended to support an assessment of the information technology infrastructure. The assessment was completed in 2015 with the decision to contract with a Cloud vendor and all servers were transferred to them.

Participation in the Direct Mail program and Website program conducted by VOA for the years ended June 30, 2016 and 2015, resulted in the following:

	June 30,	
	2016	2015
Direct Mail Program:		
Gross income	\$ 8,527	\$ 7,992
Expenses	(4,827)	(6,110)
Net income	<u>\$ 3,700</u>	<u>\$ 1,882</u>

Approximate website donations were \$2,575 and \$1,950 for the years ended June 30, 2016 and 2015, respectively.

Brownstone Manor is a 52-unit apartment project for the elderly, located in Terra Haute, Indiana. VOA owns this project and has contracted VOA to provide management services to the project. Management fees earned for the years ended June 30, 2016 and 2015, totaled \$37,588 and \$39,619, respectively. Amounts due to VOA at June 30, 2016 and 2015, for management fees and reimbursement of payroll costs were \$36,087 and \$25,310, respectively.

Gardens on Carolina is a 38-unit facility located in Gary, Indiana. VOA also owns this project and has contracted with VOA to provide management services to the project. Management fees earned for the years ended June 30, 2016 and 2015, totaled \$33,267 and \$24,485, respectively. Amounts due to VOA at June 30, 2016 and 2015, including unreimbursed payroll costs, were \$20,762 and \$20,660, respectively.

Tremont Terrace is another managed VOA National property that serves the mentally challenged in its 20 units. Management fees earned for the years ended June 30, 2016 and 2015, totaled \$12,179 and \$3,920, respectively. Amounts due to VOA at June 30, 2016 and 2015, for management fees and reimbursement of payroll costs were \$13,863 and \$11,971, respectively.

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

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, 2015	Temporarily Restricted Contributions	Amounts Released	Net Assets June 30, 2016
Nina Mason Pulliam grant for transitional services for male ex-offenders at Brandon Hall	\$ 535	\$ -	\$ 535	\$ -
	Net Assets June 30, 2014	Temporarily Restricted Contributions	Amounts Released	Net Assets June 30, 2015
Nina Mason Pulliam grant for transitional services for male ex-offenders at Brandon Hall	\$ 22,639	\$ -	\$ 22,104	\$ 535

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 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, 2016 and 2015.

Changes in the endowment fund are as follows:

	Total	
Endowment fund, June 30, 2014	\$ 292,741	
Investment return:		
Interest and dividend income (net of fees of \$2,104)	2,203	
Net realized and unrealized losses	(151)	
Total investment return	2,052	
Purchases	121,976	
Sales of investments	(121,975)	
	1	
Endowment fund, June 30, 2015	294,794	
Investment return:		
Interest and dividend income (net of fees of \$1,980)	4,117	
Net realized and unrealized losses	(16,798)	
Total investment return	(12,681)	
Purchases	82,886	
Sales of investments	(82,886)	
	-	
Endowment fund, June 30, 2016	\$ 282,113	
	June 30,	
	2016	2015
Composition of endowment fund:		
Cash and cash equivalents—money market fund	\$ 16,803	\$ 12,716
Long-term investments	265,310	282,078
	\$ 282,113	\$ 294,794

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 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 25-55 percent, equities 45-75 percent, and alternative investments 0-15 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, 2016 and 2015.

### 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 to purchase and install certain kitchen related equipment in the VOAI facilities. Aramark amortized its investment over a period of 10 years by adjusting each meal price by two cents. This amortization process by Aramark completed during the year ended June 30, 2015, and pricing was reduced by the same amortized cost per meal. VOAI continues to utilize Aramark for its residential programs in Indianapolis and Evansville.

# VOLUNTEERS OF AMERICA OF INDIANA, INC.

## Notes to Financial Statements

June 30, 2016 and 2015

### 12. CLAIMS AND LAWSUITS

In the normal course of business, VOAI is subject to proceedings, lawsuits and other claims, including proceedings under government laws and regulations. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. While these matters could affect the operating results when resolved in future periods, management believes that after final disposition, any monetary liability or financial impact would not be material to VOAI's annual financial statements.

### 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.