



VOLUNTEERS OF AMERICA OF
INDIANA, INC.

Financial Statements
With Independent Auditors' Report

June 30, 2017 and 2016

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	5
Statement of Functional Expenses–2017	8
Statement of Functional Expenses–2016	9
Statements of Cash Flows	10
Notes to Financial Statements	12

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, 2017 and 2016, 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, 2017 and 2016, 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
November 8, 2017

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Financial Position

	June 30,	
	2017	2016
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 1,637,319	\$ 495,562
Accounts receivable—net of allowance of \$219,935 and \$12,500 for the years ended 2017 and 2016, respectively	1,345,054	1,595,198
Grants receivable	-	13,056
Prepaid expenses and other	42,601	38,164
Investments—operating reserves	539,050	486,676
Funds held for correctional clients and grants	64,871	140,752
Total current assets	3,628,895	2,769,408
Other assets:		
Investments—quasi-endowment funds	323,413	282,113
Other	15,700	11,502
Total other assets	339,113	293,615
Fixed assets:		
Land and buildings	7,155,482	7,155,482
Furnishings and equipment	2,414,565	2,379,233
	9,570,047	9,534,715
Accumulated depreciation	(4,740,733)	(4,459,238)
Construction in progress	141,346	-
Total fixed assets	4,970,660	5,075,477
Total Assets	\$ 8,938,668	\$ 8,138,500

(continued)

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Financial Position (continued)

	June 30,	
	2017	2016
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 259,283	\$ 140,446
Current portion of bank term loans	-	117,500
Accrued expenses	486,112	477,397
Accrued administrative fee	27,976	21,801
Deferred rent	41,148	-
Refundable advance	86,848	24,705
Funds held for correctional clients and grants	64,871	140,752
Total current liabilities	966,238	922,601
Long-term liabilities:		
Bank term loans	-	207,325
Total liabilities	966,238	1,129,926
Net assets:		
Unrestricted:		
Undesignated	2,571,840	1,975,809
Board-designated—quasi-endowment	323,413	282,113
Equity in property and equipment	4,970,660	4,750,652
Total unrestricted	7,865,913	7,008,574
Temporarily restricted	106,517	-
Total net assets	7,972,430	7,008,574
Total Liabilities and Net Assets	\$ 8,938,668	\$ 8,138,500

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Activities

	Year Ended June 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUE:						
Public support:						
Public support received directly—contributions	\$ 215,586	\$ 106,517	\$ 322,103	\$ 236,498	\$ -	\$ 236,498
Public support received directly—contributions, in-kind	52,225	-	52,225	39,511	-	39,511
Public support received indirectly—United Way	341,009	-	341,009	333,853	-	333,853
Total public support	608,820	106,517	715,337	609,862	-	609,862
Other revenue:						
Government fees and grants	11,897,350	-	11,897,350	11,191,615	-	11,191,615
Program service fees	598,609	-	598,609	525,112	-	525,112
Investment income (losses)	59,845	-	59,845	(8,881)	-	(8,881)
Other revenues	25,356	-	25,356	22,090	-	22,090
Total other revenue	12,581,160	-	12,581,160	11,729,936	-	11,729,936
Net assets released from restrictions	-	-	-	535	(535)	-
Total revenue from operations	13,189,980	106,517	13,296,497	12,340,333	(535)	12,339,798

(continued)

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Activities (continued)

	Year Ended June 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING EXPENSES:						
Program services:						
Encouraging Positive Development—children and youth	87,369	-	87,369	205,970	-	205,970
Fostering Independence—mental health	551,626	-	551,626	553,404	-	553,404
Promoting Self-Sufficiency:						
Homeless services	2,934,789	-	2,934,789	2,969,535	-	2,969,535
Substance abuse	1,646,788	-	1,646,788	1,082,911	-	1,082,911
Correctional services	4,922,531	-	4,922,531	5,090,334	-	5,090,334
Total program services	10,143,103	-	10,143,103	9,902,154	-	9,902,154
Supporting activities:						
Management and general	1,780,375	-	1,780,375	1,712,352	-	1,712,352
Fund-raising	169,122	-	169,122	169,878	-	169,878
Administrative fees to national organization	281,880	-	281,880	261,464	-	261,464
Total supporting activities	2,231,377	-	2,231,377	2,143,694	-	2,143,694
Total operating expenses	12,374,480	-	12,374,480	12,045,848	-	12,045,848
Excess (loss) from operations	815,500	106,517	922,017	294,485	(535)	293,950

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Activities (continued)

	Year Ended June 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
NONOPERATING GAIN (LOSS) AND OTHER REVENUE:						
Public support received indirectly—capital grants	18,474	-	18,474	28,776	-	28,776
Investment income (losses) —quasi-endowment	41,300	-	41,300	(12,681)	-	(12,681)
Loss on disposal of asset	(17,935)	-	(17,935)	-	-	-
Excess from nonoperating activities	41,839	-	41,839	16,095	-	16,095
Change in Net Assets	857,339	106,517	963,856	310,580	(535)	310,045
Net Assets, Beginning of Year	7,008,574	-	7,008,574	6,697,994	535	6,698,529
Net Assets, End of Year	\$ 7,865,913	\$ 106,517	\$ 7,972,430	\$ 7,008,574	\$ -	\$ 7,008,574

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statement of Functional Expenses

Year Ended June 30, 2017

	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	\$ 62,406	\$ 309,147	\$ 1,483,766	\$ 1,065,489	\$ 2,759,846	\$ 5,680,654	\$ 996,081	\$ 91,089	\$ 1,087,170	\$ 6,767,824
Pension expense	1,869	9,822	47,661	34,165	79,742	173,259	37,439	2,987	40,426	213,685
Other employee benefits	6,529	42,238	131,943	67,249	298,631	546,590	111,805	7,061	118,866	665,456
Payroll taxes	4,790	21,065	118,439	77,571	211,240	433,105	105,995	5,083	111,078	544,183
Legal fees	-	-	-	89,922	-	89,922	25,395	-	25,395	115,317
Accounting fees	-	-	4,000	-	1,350	5,350	45,925	-	45,925	51,275
Other professional fees	-	108	670	21,196	28,755	50,729	118,220	8,713	126,933	177,662
Supplies and expenses	354	74,446	185,467	116,083	726,853	1,103,203	83,426	6,344	89,770	1,192,973
Telecommunications	4,796	15,959	75,427	34,905	99,396	230,483	73,069	4,349	77,418	307,901
Postage	-	20	1,495	490	1,078	3,083	4,447	2,113	6,560	9,643
Occupancy expenses	3,220	46,083	178,574	81,886	360,332	670,095	79,952	-	79,952	750,047
Interest	-	-	10,187	-	-	10,187	-	-	-	10,187
Insurance	221	2,578	11,789	3,464	13,680	31,732	40,784	-	40,784	72,516
Equipment rental and maintenance	35	2,545	12,755	2,749	18,899	36,983	8,841	-	8,841	45,824
Printing and publications	165	541	4,464	1,367	4,505	11,042	3,307	7,456	10,763	21,805
Travel and transportation	744	543	55,970	10,732	81,035	149,024	14,247	881	15,128	164,152
Conferences and meetings	-	2	21,840	3,504	15,324	40,670	13,872	2,026	15,898	56,568
Specific assistance to individuals	-	3,002	506,031	963	69,426	579,422	-	31,020	31,020	610,442
Depreciation	2,240	23,527	84,311	35,053	152,439	297,570	17,570	-	17,570	315,140
Total Functional Expense	\$ 87,369	\$ 551,626	\$ 2,934,789	\$ 1,646,788	\$ 4,922,531	\$ 10,143,103	\$ 1,780,375	\$ 169,122	\$ 1,949,497	12,092,600
Administrative Fees to National Organization										281,880
Total Operating Expenses										\$ 12,374,480

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		Promoting Self-Sufficiency			Total	Management and General		Fund-raising		Total
	Positive Development	Fostering Independence	Homeless Services	Substance Abuse	Correctional Services		and General	Fund-raising	Total		
	Children and Youth	Mental Health	Homeless Services	Substance Abuse	Correctional Services	Total	and General	Fund-raising	Total	Total	
Salaries	\$ 142,910	\$ 289,022	\$ 1,476,936	\$ 745,416	\$ 2,777,868	\$ 5,432,152	\$ 889,291	\$ 132,926	\$ 1,022,217	\$ 6,454,369	
Pension expense	4,006	8,995	46,814	15,972	83,107	158,894	28,476	4,151	32,627	191,521	
Other employee benefits	14,706	42,282	171,294	47,638	318,095	594,015	111,928	2,836	114,764	708,779	
Payroll taxes	8,302	20,679	117,947	57,033	216,497	420,458	93,209	6,396	99,605	520,063	
Legal fees	-	-	-	-	-	-	18,930	-	18,930	18,930	
Accounting fees	-	-	-	-	-	-	38,604	-	38,604	38,604	
Other professional fees	23	2,693	15,217	7,743	27,022	52,698	111,091	813	111,904	164,602	
Supplies and expenses	921	95,485	230,442	73,038	796,714	1,196,600	154,166	3,973	158,139	1,354,739	
Telecommunications	9,428	11,241	73,916	17,680	91,416	203,681	64,440	2,620	67,060	270,741	
Postage	1	-	1,454	355	2,416	4,226	5,752	2,954	8,706	12,932	
Occupancy expenses	14,570	51,538	165,091	76,322	371,797	679,318	54,148	-	54,148	733,466	
Interest	-	-	15,334	-	-	15,334	7,394	-	7,394	22,728	
Insurance	850	2,412	10,464	2,987	12,316	29,029	38,965	-	38,965	67,994	
Equipment rental and maintenance	-	2,370	14,912	383	19,354	37,019	9,271	-	9,271	46,290	
Printing and publications	27	153	3,718	688	2,822	7,408	7,751	4,571	12,322	19,730	
Travel and transportation	853	654	57,125	3,501	53,349	115,482	12,127	71	12,198	127,680	
Conferences and meetings	207	575	12,765	3,986	48,759	66,292	43,050	767	43,817	110,109	
Specific assistance to individuals	1,292	877	463,642	546	115,289	581,646	32	7,800	7,832	589,478	
Depreciation	7,874	24,428	92,464	29,623	153,513	307,902	23,727	-	23,727	331,629	
Total Functional Expense	\$ 205,970	\$ 553,404	\$ 2,969,535	\$ 1,082,911	\$ 5,090,334	\$ 9,902,154	\$ 1,712,352	\$ 169,878	\$ 1,882,230	11,784,384	
Administrative Fees to National Organization										261,464	
Total Operating Expenses										\$ 12,045,848	

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Cash Flows

	Year Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 963,856	\$ 310,045
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	315,140	331,629
Net realized and unrealized (gains) losses on investments	(84,337)	37,289
Loss on disposal of asset	17,935	-
Support for capital projects	(18,474)	(28,776)
Changes in:		
Accounts receivable	250,144	(69,724)
Grants receivable	13,056	(3,628)
Receivable from affiliate, prepaid expenses and other	(8,635)	14,031
Accounts payable	118,837	(210,904)
Accrued expenses	8,715	174,064
Deferred rent	41,148	-
Refundable advance	62,143	24,705
Accrued administrative fee	6,175	21,801
	<u>1,685,703</u>	<u>600,532</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(228,258)	(89,651)
Purchase of investments	(844,411)	(294,642)
Proceeds from sale of investments	835,074	271,159
	<u>(237,595)</u>	<u>(113,134)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Support for capital projects	18,474	28,776
Payments on line of credit	-	(325,000)
Payments on debt–bank term loan	(324,825)	(112,502)
	<u>(306,351)</u>	<u>(408,726)</u>

(continued)

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Statements of Cash Flows (continued)

	Year Ended June 30,	
	<u>2017</u>	<u>2016</u>
Change in Cash and Cash Equivalents	1,141,757	78,672
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>495,562</u>	<u>416,890</u>
End of year	<u>\$ 1,637,319</u>	<u>\$ 495,562</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest expense (none capitalized)	<u>\$ 10,187</u>	<u>\$ 22,728</u>
Noncash donations of food, computers, property, books, toys, and vehicles	<u>\$ 52,225</u>	<u>\$ 39,511</u>

See notes to financial statements

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016

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 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. VOAI 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. VOAI has two transitional housing programs where men and women veterans facing homelessness can stay for up to two years. The Homeless Veterans Reintegration Program was 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. 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 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.

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.

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

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. VOAI follows the practice of capitalizing all expenditures for land, buildings, and equipment over \$2,000 with a useful life greater than 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, 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.

REFUNDABLE ADVANCES

Grant revenue is recognized when earned as eligible expenses are incurred. Grant money received in excess of what was earned is recorded as a refundable advance on the statements of financial position. The refundable advance, totaling \$86,848 and \$24,705 as of June 30, 2017 and 2016, respectively, is restricted to provide financial literacy training. Any portion of the grant unexpended at the end of the grant period shall be repaid to the grantor. Total grant related expenses incurred and recognized as revenue were \$46,606 and \$11,795 as of June 30, 2017 and 2016, respectively.

FUNDS HELD FOR CORRECTIONAL CLIENTS

As of June 30, 2017 and 2016, inmate trust funds in the amounts of \$64,871 and \$140,752, 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, 2017 and 2016

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, 2017 and 2016.

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

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 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. Advertising costs are expensed when incurred. Advertising expenses included in the statements of activities for the years ended June 30, 2017 and 2016, were \$34,676 and \$4,712, 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.

CONCENTRATION

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

	Year Ended June 30,	
	2017	2016
US Department of Veteran Affairs	27%	30%
Federal Bureau of Prisons	26%	30%
Indiana Department of Corrections	22%	11%
Department of Child Services	6%	7%
Marion County Community Corrections	6%	11%

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 \$219,935 and \$12,500 for each of the years ended June 30, 2017 and 2016, 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.

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.

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES, continued

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, 2017 and 2016.

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, 2017 and 2016.

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, 2017:				
Investments—operating reserves	\$ 539,050	\$ 539,050	\$ -	\$ -
Investments—quasi-endowment funds	\$ 323,413	\$ 323,413	\$ -	\$ -
As of June 30, 2016:				
Investments—operating reserves	\$ 486,676	\$ 486,676	\$ -	\$ -
Investments—quasi-endowment funds	\$ 282,113	\$ 282,113	\$ -	\$ -

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

RECLASSIFICATIONS

To conform with the presentation for the year ending June 30, 2017, management reclassified certain items on the statement of functional expenses for the year ended June 30, 2016. For the first reclassification, management reclassified approximately \$237,000 to supplies expense and \$157,000 to telecommunications, which were previously reported as other professional fees for the year ending June 30, 2016. Further, after an evaluation of its programmatic activities, management reclassified its operating expenses, which primarily affected its programmatic categories for the year ending June 30, 2017. This required a reclassification of the statement of functional expenses for the year ending June 30, 2016. Overall, these reclassifications had no effect on the change in net assets.

	As Originally Stated	Reclassification	Reclassified Amount
Encouraging Positive Development:			
Children and Youth	\$ 1,116,764	\$ (910,794)	\$ 205,970
Fostering Independence:			
Mental Health	488,827	64,577	553,404
Promoting Self-Sufficiency:			
Homeless Services	2,988,434	(18,899)	2,969,535
Substance Abuse	748,857	334,054	1,082,911
Correctional Services	4,640,728	449,606	5,090,334
	<u>9,983,610</u>	<u>(81,456)</u>	<u>9,902,154</u>
Management and General	1,630,337	82,015	1,712,352
Fund-raising	<u>170,437</u>	<u>(559)</u>	<u>169,878</u>
Total	<u><u>\$ 11,784,384</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,784,384</u></u>

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

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 \$7,109 and \$6,978 of the investments below as of June 30, 2017 and 2016, respectively. VOAI is required to spend the percentage represented by UW for major repairs or maintenance before being eligible for assistance from the fund and has met this requirement.

Investments—operating reserves consist of:

	June 30,	
	2017	2016
Mutual funds—fixed income:		
Non U.S. bonds	\$ 38,543	\$ -
U.S. bonds	88,463	142,468
	127,006	142,468
Mutual funds—equity:		
U.S. large cap	259,683	139,512
U.S. mid cap	45,321	18,674
Europe, Australia, and Far East (EAFE)	54,708	84,089
European large cap	-	4,479
Japanese large cap	5,741	7,224
Global equity	46,591	31,712
	412,044	285,690
Mutual funds—alternatives:		
Hedge fund strategies	-	58,518
	-	58,518
	\$ 539,050	\$ 486,676

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

3. INVESTMENTS, continued:

Investments—quasi-endowment funds consist of:

	June 30,	
	2017	2016
Cash and cash equivalents	\$ 13,399	\$ 16,803
Mutual funds—fixed income:		
Non U.S. bonds	3,088	-
U.S. bonds	12,726	33,920
	15,814	33,920
Mutual funds—equity:		
U.S. large cap	183,768	103,362
U.S. mid cap	12,827	11,992
Europe, Australia, and Far East (EAFE)	69,694	59,790
European large cap	-	2,473
Japanese large cap	3,487	4,023
Global equity	24,424	28,020
	294,200	209,660
Mutual funds—alternatives:		
Hedge fund strategies	-	21,730
	-	21,730
	\$ 323,413	\$ 282,113

Investment income (losses) consists of:

	Year Ended June 30,	
	2017	2016
Interest and dividends	\$ 16,808	\$ 15,727
Net realized and unrealized gains (losses) on investments	84,337	(37,289)
	\$ 101,145	\$ (21,562)
Investment income (losses)—operations	\$ 59,845	\$ (8,881)
Investment income (losses)—quasi-endowment	41,300	(12,681)
	\$ 101,145	\$ (21,562)

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

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, 4.25 percent as of June 30, 2017. The line of credit is available through December 1, 2017, 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, 2017 and 2016, was \$-0-

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, 2017 and 2016, VOAI was in compliance with all provisions and covenants of the agreement.

5. DEBT-BANK TERM LOAN:

A bank term loan was scheduled to expire in 2019, with a fixed interest rate of 4.30 percent. The loan was 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. The term loan was paid in full in April 2017.

6. PENSION PLANS:

VOAI participates in a multi-employer noncontributory defined benefit pension and retirement plan, through a related party, Volunteers of America, Inc. The plan covers all ministers commissioned through December 31, 1999, and remains open to executive leaders accepted for inclusion. As of June 30, 2017, there was one participant from VOAI in the plan. The pension plan expense for this plan by VOAI was \$13,889 and \$27,737 for the years ended June 30, 2017 and 2016, respectively. Because the plan is not significant to VOAI, the disclosures under the *Retirement Benefits* topic of the FASB ASC were omitted.

VOAI also has a defined contribution plan for all employees except ministers hired and commissioned prior to December 31, 1999, while still meeting the rule of universal availability. Contributions to the plan are made for all qualifying 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 \$199,800 and \$183,600 for the years ended June 30, 2017 and 2016, respectively.

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

7. OPERATING LEASES:

VOAI has a noncancellable lease for the use of property from P 47 LLC (formally Franklin Industrial Center, Inc.) in Evansville, Indiana. Payments of \$4,556 are due monthly. The lease matures March 31, 2019. A separate non-cancelable lease matures in December 2024 with an average monthly payment of \$8,240. Total rent expense for facility rentals, office space, and equipment rentals was approximately \$255,000 and \$264,000 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments under the operating lease is:

Year Ending June 30,	
2018	\$ 312,464
2019	201,649
2020	118,280
2021	104,628
2022	106,136
Thereafter	225,962
	\$ 1,069,119

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, 2017 and 2016, totaled \$281,880 and \$261,464, respectively. Amounts due to VOA at June 30, 2017 and 2016, for affiliate fees were \$27,976 and \$21,801, respectively.

Participation in the Direct Mail program and Website program conducted by VOA for the years ended June 30, 2017 and 2016, resulted in the following:

	June 30,	
	2017	2016
Direct Mail Program:		
Gross income	\$ 1,493	\$ 8,527
Expenses	(300)	(4,827)
Net income	\$ 1,193	\$ 3,700

Approximate website donations were \$14,415 and \$2,575 for the years ended June 30, 2017 and 2016, respectively.

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

8. RELATED PARTY TRANSACTIONS, continued:

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, 2017 and 2016, totaled \$42,881 and \$37,588, respectively. Amounts due to VOAI at June 30, 2017 and 2016, for management fees and reimbursement of payroll costs were \$50,060 and \$36,087, 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 years ended June 30, 2017 and 2016, totaled \$28,172 and \$33,267, respectively. Amounts due to VOAI at June 30, 2017 and 2016, including unreimbursed payroll costs, were \$17,297 and \$20,762, 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, 2017 and 2016, totaled \$13,833 and \$12,179, respectively. Amounts due to VOAI at June 30, 2017 and 2016, for management fees and reimbursement of payroll costs were \$9,837 and \$13,863, respectively.

During the year ended June 30, 2017, a member of the board of directors provided human resource consulting services with total fees paid of \$26,250. This board member transitioned off the board of directors at the end of June 2017.

9. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

	June 30,	
	2017	2016
Expansion of Fresh Start Recovery Center	\$ 55,413	\$ -
Lincoln apartments	22,260	-
VOAI furnishings and training	15,000	-
Residential fund	13,844	-
	<u>\$ 106,517</u>	<u>\$ -</u>

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

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, 2017 and 2016.

Changes in the endowment fund are as follows:

	Total
Endowment fund, July 1, 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
Investment return:	
Interest and dividend income (net of fees of \$2,124)	4,421
Net realized and unrealized losses	36,879
Total investment return	41,300
Purchases	255,351
Sales of investments	(255,351)
	-
Endowment fund, June 30, 2017	\$ 323,413

	June 30,	
	2017	2016
Composition of endowment fund:		
Cash and cash equivalents–money market fund	\$ 13,399	\$ 16,803
Long-term investments	310,014	265,310
	\$ 323,413	\$ 282,113

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

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 5-35 percent, equities 20-60 percent, and alternative investments 0-10 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, 2017 and 2016.

11. 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.

VOLUNTEERS OF AMERICA OF INDIANA, INC.

Notes to Financial Statements

June 30, 2017 and 2016

12. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through November 8, 2017, which represents the date the financial statements were issued. Subsequent events after that date have not been evaluated.

Subsequent to fiscal year end VOAI agreed to federal and state contracts and received private grants for various program initiatives totaling \$2,572,000. These contracts and grants ranged from \$100,000 to \$918,000 and were for periods of 9-60 months in duration.