

Consolidated Financial Statements and
Reports Required by the Single Audit Act

2014

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013



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Consolidated Financial Statements and
Reports Required by the Single Audit Act

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Independent Auditors' Report

Board of Directors
Volunteers of America of Kentucky, Inc.
Louisville, Kentucky

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Volunteers of America of Kentucky, Inc. and Affiliates (the "Organization") (a nonprofit organization), which are comprised of the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Volunteers of America of Kentucky, Inc. and Affiliates as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

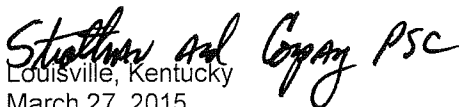
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.


Louisville, Kentucky
March 27, 2015

Consolidated Statements of Financial Position

Volunteers of America of Kentucky, Inc. and Affiliates

	June 30	
	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 432,312	\$ 442,955
Investments	1,196,191	974,145
Accounts receivable, less allowance for doubtful accounts of \$334,000 (2014) and \$363,000 (2013)	2,631,539	3,201,248
Grants receivable and other unconditional promises to give	76,000	309,117
Pledges receivable	219,686	81,376
Prepaid expenses and other current assets	364,365	282,484
Total Current Assets	4,920,093	5,291,325
Property and Equipment , net of accumulated depreciation	4,423,489	4,519,360
Other Assets		
Investments, restricted	48,857	37,063
Restricted deposits and funded reserves	77,331	76,116
Pledges receivable, net	268,971	390,639
Intangible asset	103,719	131,651
Due from related parties	200,883	176,236
Total Other Assets	699,761	811,705
	\$ 10,043,343	\$ 10,622,390
Current Liabilities		
Lines of credit		\$ 998,083
Accounts payable	\$ 312,424	561,986
Accrued expenses	1,286,553	1,223,378
Other current liabilities	544,155	312,628
Current maturities of long-term debt	216,666	114,713
Total Current Liabilities	2,359,798	3,210,788
Long-Term Debt , less current maturities	783,451	844,767
Payable to National Organization	103,719	131,651
Net Assets		
Unrestricted	5,359,921	4,777,407
Temporarily restricted	1,387,597	1,620,714
Permanently restricted	48,857	37,063
Total Net Assets	6,796,375	6,435,184
	\$ 10,043,343	\$ 10,622,390

See Notes to Consolidated Financial Statements

Consolidated Statements of Activities

Volunteers of America of Kentucky, Inc. and Affiliates

	Year Ended June 30, 2014			Year Ended
	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2013
				Total
Support and Revenues From Operations				
Public Support Received Directly				
Contributions	\$ 1,147,879	\$ 76,000		\$ 1,223,879
Contributions, in-kind	909,615			909,615
Public support: capital and bequests	157,595			157,595
Special events	91,319			91,319
Public Support Received Indirectly				
United Way allocation	96,019			96,019
Volunteers of America awards and grants	127,209			127,209
Total Public Support	2,529,636	76,000		2,605,636
Revenue and Grants				
Fee-for-service revenue	15,031,614			15,031,614
Federal and state grants	8,427,135			8,427,135
Program service fees	736,528			736,528
Rental income	300,492			300,492
Miscellaneous revenue	188,939			188,939
Total Revenue and Grants	24,684,708			24,684,708
Net assets released from restrictions, satisfaction of program activities	309,117	(309,117)		
Total Support and Revenues From Operations	27,523,461	(233,117)		27,290,344
Operating Expenses				
Program Services:				
Fostering independence	16,233,368			16,233,368
Promoting self-sufficiency	6,760,630			6,760,630
Total Program Services	22,993,998			22,993,998
Support Services and Fundraising:				
Management and general	2,811,663			2,811,663
Fundraising	889,007			889,007
Administrative fees paid to National Organization	543,009			543,009
Total Support Services and Fundraising	4,243,679			4,243,679
Total Operating Expenses	27,237,677			27,237,677
Increase (Decrease) in Net Assets From Operations	285,784	(233,117)		52,667
Nonoperating Gains and Other Income (Expenses)				
Gain on sale of real estate	145,719			145,719
Interest and dividend income	47,909			47,909
Realized gain on investments	2,718			2,718
Unrealized gain on investments	101,962		\$ 11,794	113,756
Miscellaneous expense	(1,578)			(1,578)
Nonoperating Gains and Other Income	296,730		11,794	308,524
Increase (Decrease) in Net Assets	582,514	(233,117)	11,794	361,191
Net Assets Beginning of Year	4,777,407	1,620,714	37,063	6,435,184
Net Assets End of Year	\$ 5,359,921	\$ 1,387,597	\$ 48,857	\$ 6,796,375

See Notes to Consolidated Financial Statements

Consolidated Statement of Functional Expenses

Volunteers of America of Kentucky, Inc. and Affiliates

Year Ended June 30, 2014

	PROGRAM SERVICES			SUPPORT SERVICES			Total Operating Expenses
	Fostering Independence	Promoting Self-Sufficiency	TOTAL	Management and General	Fundraising	TOTAL	
Salaries	\$ 10,285,270	\$ 2,951,027	\$ 13,236,297	\$ 1,652,654	\$ 400,566	\$ 2,053,220	\$ 15,289,517
Pension expense		8,416	8,416	8,206		8,206	16,622
Other employee benefits	339,896	152,927	492,823	106,735	21,517	128,252	621,075
Payroll taxes	1,004,828	274,157	1,278,985	70,945	40,631	111,576	1,390,561
Legal fees				5,772		5,772	5,772
Accounting fees	9,475		9,475	41,750		41,750	51,225
Other professional fees	757,538	42,181	799,719	166,858	107,673	274,531	1,074,250
Supplies and expenses	198,550	416,179	614,729	188,585	37,805	226,390	841,119
Telecommunications	112,658	70,462	183,120	55,408	4,778	60,186	243,306
Postage	5,474	3,521	8,995	21,442	27,097	48,539	57,534
Occupancy expense	946,737	1,203,232	2,149,969	107,526	58,849	166,375	2,316,344
Interest	59,061		59,061	29,227		29,227	88,288
Insurance	252,757	107,984	360,741	(89,717)		(89,717)	271,024
Equipment rental and maintenance	43,466	24,470	67,936	14,355	1,560	15,915	83,851
Printing and publications	23,637	11,473	35,110	238,040	80,216	318,256	353,366
Travel and transportation	564,176	170,223	734,399	83,189	16,405	99,594	833,993
Conferences and meetings	14,050	136,485	150,535	40,372	6,643	47,015	197,550
Specific assistance to individuals	1,231,495	1,146,879	2,378,374		1,058	1,058	2,379,432
Other	1,745	8,077	9,822	37,007	84,209	121,216	131,038
Depreciation and amortization	382,555	32,937	415,492	33,309		33,309	448,801
Total Functional Expenses	\$ 16,233,368	\$ 6,760,630	\$ 22,993,998	\$ 2,811,663	\$ 889,007	\$ 3,700,670	26,694,668
Administrative Fees Paid To National Organization							
Total Operating Expenses							543,009
							\$ 27,237,677

See Notes to Consolidated Financial Statements

Consolidated Statement of Functional Expenses

Volunteers of America of Kentucky, Inc. and Affiliates

Year Ended June 30, 2013

	PROGRAM SERVICES			SUPPORT SERVICES		
	Fostering Independence	Promoting Self-Sufficiency	TOTAL	Management and General	Fundraising	TOTAL
Salaries	\$ 10,952,947	\$ 2,641,228	\$ 13,594,175	\$ 1,374,258	\$ 405,821	\$ 1,780,079
Pension expense		20,424	20,424	330	39	369
Other employee benefits	361,845	129,270	491,115	5,879	43,912	49,791
Payroll taxes	1,132,592	234,970	1,367,562	12,666	40,543	53,209
Legal fees	641	1,541	2,182	51,002		51,002
Accounting fees	13,495		13,495	57,950		57,950
Other professional fees	612,569	26,568	639,137	168,719	153,786	322,505
Supplies and expenses	207,913	238,893	446,806	117,201	11,953	129,154
Telecommunications	105,712	51,325	157,037	34,610	4,107	38,717
Postage	7,233	876	8,109	27,957	19,420	47,377
Occupancy expense	991,249	1,020,321	2,011,570	24,836	16,311	41,147
Interest	71,848		71,848	19,802		19,802
Insurance	255,720	106,824	362,544	(1,158)		(1,158)
Equipment rental and maintenance	42,339	41,196	83,535	13,682	404	14,086
Printing and publications	21,022	28,025	49,047	186,057	76,859	262,916
Travel and transportation	422,104	100,886	522,990	75,603	20,385	95,988
Conferences and meetings	18,177	65,758	83,935	17,931	26,443	44,374
Specific assistance to individuals	1,163,184	798,972	1,962,156			
Other	3,039	3,672	6,711	55,856	48,892	104,748
Depreciation and amortization	364,296	40,679	404,975	81,855		81,855
Total Functional Expenses	\$ 16,747,925	\$ 5,551,428	\$ 22,299,353	\$ 2,325,036	\$ 868,875	\$ 3,193,911
Administrative Fees Paid To National Organization						
						530,196
Total Operating Expenses						\$ 26,023,460

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

Volunteers of America of Kentucky, Inc. and Affiliates

	Year Ended June 30	
	2014	2013
Operating Activities		
Increase in net assets	\$ 361,191	\$ 439,727
Adjustments		
Depreciation and amortization	448,801	486,830
Gain on debt forgiveness		(22,197)
Discount on pledges receivable	(4,847)	6,546
Allowance for uncollectible pledges receivable	(5,635)	11,696
Allowance for doubtful accounts receivable	(29,404)	55,292
Realized/unrealized gain on investments	(116,474)	(67,418)
Gain on sale of real estate	(145,719)	(18,650)
Changes in operating assets and liabilities		
Accounts receivable	599,113	(978,292)
Grants receivable and other unconditional promises to give	233,117	432,333
Pledges receivable	(2,918)	(57,692)
Prepaid expenses and other current assets	(81,881)	(28,508)
Accounts payable	(249,562)	213,065
Accrued expenses	63,175	(95,847)
Other current liabilities	231,527	31,442
Net Cash Provided By Operating Activities	1,300,484	408,327
Investing Activities		
Purchases of property and equipment	(407,115)	(795,761)
Proceeds from sale of real estate	196,662	
Purchase of investments	(182,844)	(325,790)
Proceeds from sale of investments	65,478	9,324
Changes in restricted deposits and funded reserves, net	(1,215)	7,973
Changes in amounts due from related parties	(24,647)	17,489
Acquisition of programs		270,675
Net Cash Used In Investing Activities	(353,681)	(816,090)

Continued

Consolidated Statements of Cash Flows--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

	Year Ended June 30	
	2014	2013
Financing Activities		
Net activity on lines of credit	(998,083)	775,009
Payments on long-term debt	(209,363)	(208,807)
Proceeds from long-term debt	250,000	
Net Cash Provided By (Used In)		
Financing Activities	(957,446)	566,202
Net Increase (Decrease) in		
Cash and Cash Equivalents	(10,643)	158,439
Cash and Cash Equivalents Beginning of Year	442,955	284,516
Cash and Cash Equivalents End of Year	\$ 432,312	\$ 442,955
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 60,847	\$ 59,617

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note A--Description of Organization

Description of Organization--Volunteers of America of Kentucky, Inc. and Affiliates (the "Organization") is a nonprofit spiritually based human services organization, incorporated in Kentucky that provides social services within Kentucky, Indiana, Tennessee, West Virginia and Ohio under a charter from Volunteers of America, Inc. (the "National Organization"), a national nonprofit spiritually based organization providing local human service programs, and opportunities for individual and community involvement. The Organization has the following significant impact areas:

Encouraging Positive Development--The Organization provides services to encourage positive development for troubled and at-risk children and youth, while also promoting healthy development of all children, adolescents, and their families. The programs provide a continuum of care and support for young people ages birth to 21 through prevention, early intervention, crisis intervention, and long-term services.

Fostering Independence--The Organization fosters the health and independence of the elderly and persons with disabilities, mental illness, and HIV/AIDS through quality affordable housing, health care services and a wide range of community services. Program categories and services are as follows:

- Disabilities services--residential care
- Elderly services--service coordination in affordable housing
- Health care services--HIV/AIDS services
- Housing--disabled and elderly housing

Promoting Self-sufficiency--The Organization promotes self-sufficiency for individuals and families who have experienced homelessness or other personal crisis, including chemical dependency, involvement with the corrections system and unemployment. The Organization focuses on solution-oriented approaches using a continuum of services from prevention to intervention to long-term support. Program categories and services are as follows:

- Correctional services--community sanctions center
- Homeless services--emergency shelter, eviction prevention, housing placement, supportive services, transitional housing
- Substance abuse--residential treatment

The Organization operates six residential properties funded by the U.S. Department of Housing and Urban Development ("HUD"), through common board of directors and management team.

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note A--Description of Organization--Continued

The six HUD-financed properties ("Various HUD Properties") include:

- VOA KY Autumn Ridge, Inc.
- VOA KY Bunker Hill Court, Inc.
- VOA KY Hopeful Road, Inc.
- VOA KY Madison Pike, Inc.
- VOA KY Morningside Drive, Inc.
- VOA KY River Road, Inc.

These HUD properties were formed to provide housing under programs as defined by the National Housing Act. Their operations are regulated by HUD as to rent charges and operating methods. Each HUD property receives monthly rent subsidies from HUD.

Note B--Summary of Significant Accounting Policies

The Organization follows generally accepted accounting principles as outlined in the Financial Accounting Standards Board's Accounting Standards Codification ("ASC"). Significant accounting policies are as follows:

Principles of Consolidation--The consolidated financial statements include the accounts of Volunteers of America of Kentucky, Inc., VOA Property Corporation of Louisville, Inc., VOA of Northern Kentucky, Inc., and the Various HUD Properties, all of which are collectively referred to as the "Organization". All material transactions and balances with consolidated affiliates have been eliminated.

Net Assets--The Organization 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 consolidated statement of activities as net assets released from restrictions when the time restrictions expire, or the contributions are used for the restricted purpose. At June 30, 2014 and 2013, temporarily restricted net assets consist of grants for various purposes for which the Organization has not disbursed all proceeds.

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.

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

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note B--Summary of Significant Accounting Policies--Continued

Cash Equivalents--Cash equivalents are all highly liquid investments with a maturity of three months or less when purchased, unless held for reinvestment as part of the investment portfolio, pledged to secure loan agreements or otherwise designated or restricted.

Accounts Receivable--The Organization reports accounts receivable for services rendered at net realizable amounts from third-party payers, clients and others. Management of the Organization provides an allowance for doubtful accounts based upon its review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

Pledges Receivable--Pledges receivable are recognized as support when the donor makes a pledge to the Organization that is, in substance, unconditional. Conditional pledges are recognized when the conditions on which they depend are substantially met. Pledges are recorded at net realizable value if expected to be collected in one year and if expected to be collected in more than one year then the pledge is discounted at an appropriate discount commensurate with the risk involved. Amortization of the discount is recorded as additional contribution or grant revenue. Pledges are reviewed periodically for collectability. The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's estimate of the collectability of the pledges receivable.

Property and Equipment--Land, buildings and equipment purchased by the Organization are recorded at cost. The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$1,000 and with a useful life of at least one year. Repairs and maintenance are expensed as incurred. The fair value of donated assets is similarly capitalized using the fair market value of the asset as of the date donated. Depreciation expense was \$452,043 and \$464,633 for the years ended June 30, 2014 and 2013, respectively. Depreciation expense is computed on the straight-line method based upon the following estimated useful lives of the assets:

Buildings and improvements	7 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	5 years

Impairment of Long-Lived Assets--Management of the Organization reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

There were no charges for impairment of long-lived assets during 2014 or 2013.

Government Grants--Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, could be adjusted. Certain restricted grant revenues received and earned within the same period are recorded as unrestricted revenues.

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note B--Summary of Significant Accounting Policies--Continued

Contributions--Contributions are generally recorded upon receipt. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

In-Kind Contributions--The Organization recognizes revenue and expense for contributed goods and services at the fair value of those goods and services, provided those goods and services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The value of contributed goods and services recognized was \$909,615 and \$613,377 for the years ended June 30, 2014 and 2013, respectively.

Fee-for-Service Revenues--Revenues from services billed under Medicaid are recognized on a fee-for-service basis using rates established by the various states' agencies. Although rates are determined prospectively, the regulatory agencies retain the authority to adjust amounts due the Organization under certain circumstances. Other client service revenues are recorded at rates established by the Organization.

Income Taxes--Under provision of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the state of Kentucky, the Organization is exempt from income taxes, as a subordinate unit of Volunteers of America, Inc. Volunteers of America, Inc. (the "National Organization") is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3). There were no unrelated business activities during the fiscal years ended June 30, 2014 and 2013, and accordingly, no tax expense was incurred during these years.

Generally accepted accounting principles prescribe a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. There is no impact on the Organization's consolidated financial statements as a result of the implementation of these accounting principles.

The Organization's income tax returns for the fiscal years ended June 30, 2011 through 2013 are subject to examination by the Internal Revenue Service.

Fair Value of Financial Instruments--The carrying amounts for assets and liabilities, other than due to/from related parties, approximate their fair values due to their short maturity. The fair value of related party amounts cannot be reasonably and practicably estimated due to the unique nature of the related underlying transactions and terms. If these financial instruments were with unrelated parties, interest rates and payment terms could be different than their currently stated rates and terms. The carrying amounts of long-term debt approximate their fair values based upon current interest rates available for similar types of instruments. The carrying amount of non-current pledges receivable are discounted to present value using a market rate of interest.

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note B--Summary of Significant Accounting Policies--Continued

Valuation of Investments--Investments in marketable securities with readily determinable fair values and all investments in debt and equity securities are reported at their fair values. Purchases and sales are recorded on a trade-date basis. Realized and unrealized gains and losses are included in the consolidated statement of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Advertising Costs--Advertising costs are expensed as incurred. Advertising expense was \$290,619 and \$251,949 for the years ended June 30, 2014 and 2013, respectively, and is included in printing and publications (management and general) in the consolidated statements of functional expenses.

Allocation of Functional Expenses--The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allowed directly according to their natural expense classification. Other expenses that are common to several functions are allocated using various statistical bases.

Use of Estimates--The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events--In preparing these consolidated financial statements, management of the Organization has evaluated events and transactions for potential recognition or disclosure through March 27, 2015, the date the consolidated financial statements were available to be issued.

Reclassifications--Certain reclassifications have been made to the 2013 consolidated financial statements to conform to 2014 presentation.

Note C--Pledges Receivable

Pledges receivable represent future contributions resulting from fund raisers to support future operations of the Organization. Pledges receivable are summarized as follows:

	June 30	
	2014	2013
Pledges receivable	\$ 571,517	\$ 568,599
Less current portion	219,686	81,376
	351,831	487,223
Less unamortized discount	25,708	33,797
Less allowance for uncollectible pledges	57,152	62,787
	<u>\$ 268,971</u>	<u>\$ 390,639</u>

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note C--Pledges Receivable--Continued

	June 30	
	2014	2013
Amounts due in:		
Less than one year	\$ 219,686	\$ 81,376
One to five years	351,831	487,223
	<u>\$ 571,517</u>	<u>\$ 568,599</u>

The discount rate used on long-term pledges at June 30, 2014 and 2013 is 3.25%.

Note D--Property and Equipment

Property and equipment consists of the following:

	June 30	
	2014	2013
Land	\$ 480,864	\$ 480,863
Buildings and improvements	6,791,126	6,751,002
Vehicles	1,863,030	1,719,135
Furniture and equipment	1,505,257	1,491,156
	<u>10,640,277</u>	<u>10,442,156</u>
Less accumulated depreciation	<u>6,216,788</u>	<u>5,922,796</u>
	<u>\$ 4,423,489</u>	<u>\$ 4,519,360</u>

Note E--Investments and Fair Value Measurements

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: *Level 1* inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and *Level 3* inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using *Level 1* inputs because they generally provide the most reliable evidence of fair value. *Level 3* inputs were only used when *Level 1* or *Level 2* inputs were not available.

Level 1 Fair Value Measurements - The fair value of mutual funds is based on quoted net asset values of the shares held by the Organization at year end.

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note E--Investments and Fair Value Measurements--Continued

The following table presents the fair value of investments:

	June 30	
	2014	2013
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices in Active Markets for Identical Assets (Level 1)
Money market funds	\$ 14,661	\$ 77,528
Mutual funds		
Fixed income	264,079	244,071
Equity	849,995	636,901
Real estate trust shares	56,130	52,708
Exchange traded fund	60,183	
	<u>\$ 1,245,048</u>	<u>\$ 1,011,208</u>

Unrealized gains are as follows:

	Fair Value	Cost	Gain
June 30, 2014			
Money market funds	\$ 14,661	\$ 14,661	
Mutual funds			
Fixed income	264,079	257,246	\$ 6,833
Equity	849,995	653,456	196,539
Real estate trust shares	56,130	49,239	6,891
Exchange traded fund	60,183	53,709	6,474
Total Investments	<u>\$ 1,245,048</u>	<u>\$ 1,028,311</u>	<u>\$ 216,737</u>

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note E--Investments and Fair Value Measurements--Continued

	<u>Fair Value</u>	<u>Cost</u>	<u>Gain</u>
<u>June 30, 2013</u>			
Money market funds	\$ 77,528	\$ 77,528	
Mutual funds			
Fixed income	244,071	245,511	\$ (1,440)
Equity	636,901	533,900	103,001
Real estate trust shares	52,708	49,277	3,431
Total Investments	<u>\$ 1,011,208</u>	<u>\$ 906,216</u>	<u>\$ 104,992</u>

Included in investments is \$121,620 and \$105,260 at June 30, 2014 and 2013, respectively, which is invested in a fund at The Community Foundation of Louisville. Terms of the fund allow the Organization to have access to \$72,763 and \$68,197 of these investments at June 30, 2014 and 2013, respectively, with the balance restricted for permanent endowment purposes.

Note F--Intangible Asset

An intangible asset has been recorded for the value of the right to provide management services to the Mental Retardation and Developmentally Disabled Program ("MRDD") from Volunteers of America of Indiana. Under the related agreement, the Organization assumed management of the MRDD Program in Southern Indiana in exchange for assuming debt from Volunteers of America of Indiana payable to the National Organization related to this program.

The debt assumed in connection with this transaction is being forgiven by the National Organization based on a percentage of excess revenues generated from this MRDD program. Debt forgiveness granted by the National Organization amounted to \$27,932 and \$27,144 for the fiscal years ended June 30, 2014 and 2013, respectively. The value assigned to the acquisition and rights to the MRDD Program are correspondingly reduced by the amount of this debt forgiveness.

Note G--Lines of Credit

The Organization has a line of credit with PNC Bank which provides for borrowings up to \$2,000,000. Outstanding balances bear interest at 3.25%. The line is secured by real estate and expired December 31, 2014 and was renewed through December 31, 2015.

The Organization has an additional line of credit with Fifth Third Bank which provides for borrowings up to \$300,000. The line is secured by investments held at Fifth Third Institutional Services. Outstanding borrowings bear interest at the LIBOR rate plus 1.5% (2.0% at June 30, 2014). The line of credit expired February 28, 2015 and was renewed through February 28, 2016.

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note H--Compensated Absences

The Organization allows up to a maximum of 240 hours of annual leave to be accumulated, which is payable upon separation of employment or used by the employee. Accrued annual leave was \$558,082 and \$518,045 as of June 30, 2014 and 2013, respectively, and is included in accrued expenses on the accompanying consolidated statements of financial position.

Note I--Long-Term Debt

Long-term debt consists of the following:

	June 30	
	2014	2013
Mortgage payable to Fifth Third Bank, interest rate of 7.88%, payable in monthly principal and interest installments of \$1,746. This debt was paid off in August 2014.	\$ 37,860	\$ 55,033
Mortgage payable to First Tennessee Bank, interest rate of 6.45%, payable in monthly principal and interest installments of \$658 through June 2018 at which time management intends to refinance the remaining balance.	55,165	59,355
Mortgage payable to First Tennessee Bank, interest rate of 5.6%, payable in monthly principal and interest installments of \$4,004 through August 2015 at which time management intends to refinance the remaining balance.	249,625	280,412
Mortgage payable to Regions Bank, interest rate of 7.4%, payable in monthly principal and interest installments of \$888. This debt was repaid in July 2014.	53,013	59,424
Mortgage payable to PNC Bank, interest rate of 4.4%, payable in monthly principal and interest installments of \$1,374 through October 2016 at which time management intends to refinance the remaining balance.	156,158	165,415

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note I--Long-Term Debt--Continued

	June 30	
	2014	2013
Mortgage payable to U. S. Department of Housing and Urban Development, interest rate of 9.25%, payable in monthly principal and interest installments of \$2,132 through August 2022.	66,726	85,274
Mortgage payable to U. S. Department of Housing and Urban Development, interest rate of 9.25%, payable in monthly principal and interest installments of \$2,030 through May 2022.	139,179	150,151
Note payable to PNC Bank, interest rate of 3.75%, payable in monthly principal and interest installments of \$4,583 through April 2019.	242,391	
Mortgages repaid during the current year		104,416
	1,000,117	959,480
Less current maturities	216,666	114,713
	<u>\$ 783,451</u>	<u>\$ 844,767</u>

The mortgages above are collateralized by the various real estate assets of the Organization.

Mortgages payable are scheduled to be repaid as follows:

<u>Year Ending June 30</u>	
2015	\$ 216,666
2016	312,909
2017	232,663
2018	108,229
2019	62,358
2020 and thereafter	67,292
	<u>\$ 1,000,117</u>

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note J--Related Party Transactions

The Organization is affiliated with the National Organization which provides support services to the Organization for a fee. Affiliate fees paid during the fiscal years ended June 30, 2014 and 2013 totaled \$543,009 and \$530,196, respectively. The Organization had service fees due to the National Organization totaling \$47,794 and \$38,865 as of June 30, 2014 and 2013, respectively, which are included in other current liabilities on the consolidated statements of financial position.

The Organization also contributed \$0 and \$20,793 for the years ended June 30, 2014 and 2013, respectively, to fund the defined benefit pension plan of the National Organization covering all commissioned ministers.

The Organization had additional amounts due the National Organization of \$103,719 and \$131,651 as of June 30, 2014 and 2013, respectively, relating to debt assumed in connection with the acquisition of the MRDD Program in Southern Indiana (see Note F).

As of June 30, 2014 and 2013, the Organization was due \$56,593 and \$88,472 respectively, from seven HUD-financed properties which were formerly managed by the Organization. Management believes all amounts due will be collected and no reserve for uncollectible accounts is necessary. The amounts due are expected to be collected at a time beyond one year, therefore, management has classified these receivables as noncurrent on the accompanying consolidated statements of financial position.

Note K--Pension Plan

The Organization participates in a defined contribution pension plan in which only full time employees can participate. The Organization contributes up to one-half of six percent of employee compensation, up to Internal Revenue Service limits. Plan expense for the years ended June 30, 2014 and 2013 was \$54,330 and \$58,352 respectively.

Note L--Risk Management and Litigation

The Organization is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization currently carries property and general liability insurance to offset these risks.

The Organization is subject to other claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition and ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial statements of the Organization.

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note M--Lease Commitments

The Organization leases properties in Kentucky, Tennessee and Indiana for various group homes and offices with monthly rents totaling \$69,294. These leases expire at various dates through November 30, 2018. The Organization also leases multiple properties on a month-to-month basis. Total lease expense for the years ended June 30, 2014 and 2013 was \$1,306,580 and \$1,099,697, respectively.

The aggregate future minimum lease payments as of June 30, 2014 are as follows:

<u>Year Ending June 30</u>	
2015	\$ 636,358
2016	471,421
2017	309,449
2018	188,535
2019	172,948
	<hr/>
	\$ 1,778,711
	<hr/>

Note N--Restrictions on Net Assets

Temporarily restricted net assets consists of the following:

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
Shelby Street - facility improvements	\$ 76,000	\$ 88,167
Family Emergency Shelter - operations		200,000
Neighborhood Development Fund		20,950
	<hr/>	<hr/>
Total temporarily restricted by donors	76,000	309,117
HUD capital advances	1,311,597	1,311,597
	<hr/>	<hr/>
	\$ 1,387,597	\$ 1,620,714
	<hr/>	<hr/>

The following entities have capital advances from HUD as of June 30, 2014 and 2013:

VOAKY Autumn Ridge, Inc. (Release from restriction in September 2043)	\$ 217,400
VOAKY Bunker Hill Court, Inc. (Release from restriction in January 2048)	521,697
VOAKY Madison Pike, Inc. (Release from restriction in May 2045)	296,600
VOAKY Morningside Drive, Inc. (Release from restriction in January 2045)	275,900
	<hr/>
	\$ 1,311,597
	<hr/>

Continued

Notes to Consolidated Financial Statements--Continued

Volunteers of America of Kentucky, Inc. and Affiliates

June 30, 2014 and 2013

Note N--Restrictions on Net Assets--Continued

These capital advances bear no interest and repayment is not required so long as regulatory requirements are met. The capital advances are collateralized by a mortgage on the related property and are included in temporarily restricted net assets.

Permanently restricted net assets consist of a portion of the funds that are invested with The Community Foundation of Louisville. The amount of permanently restricted net assets was \$48,857 and \$37,063 at June 30, 2014 and 2013, respectively.

Note O--Contingencies

The current economic environment presents not-for-profit organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, declines in funding, constraints on liquidity and difficulty obtaining financing. The consolidated financial statements have been prepared using values and information currently available to the Organization.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the consolidated financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for accounts receivable that could negatively impact the Organization's ability to maintain sufficient liquidity.

The Organization receives funding from federal and state government agencies, which funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Organization for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Organization's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by various government bodies. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Additional Information

(Volunteers of America of Kentucky, Inc. only)

Schedule of Expenditures of Federal Awards

Volunteers of America of Kentucky, Inc.

Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Labor</u>			
Direct programs:			
Homeless Veteran Reintegration Project (Knoxville Veterans)	17.805		\$ 299,817
Homeless Veteran Reintegration Project (Knoxville Veterans)	17.805		7,000
Homeless Veteran Reintegration Project (Knoxville Veterans)	17.805		<u>151,860</u>
Subtotal U.S. Department of Labor			458,677
<u>U.S. Department of Veterans Affairs</u>			
Direct program:			
VA Homeless Providers Grant and Per Diem Program (Lexington Veterans Per Diem Grant)	64.024		465,881
VA Homeless Providers Grant and Per Diem Program (Veterans Transitional Treatment Program)	64.024		<u>73,962</u>
			539,843
VA Supportive Services for Veteran Families	64.033		817,245
VA Supportive Services for Veteran Families	64.033		614,394
VA Supportive Services for Veteran Families	64.033		583,470
VA Supportive Services for Veteran Families	64.033		<u>390,643</u>
			<u>2,405,752</u>
Subtotal U.S. Department of Veterans Affairs			2,945,595
<u>U.S. Department of Housing and Urban Development</u>			
Direct programs:			
Supportive Housing Program (Transitional Housing Shelters)	14.235		378,690
Supportive Housing Program (Follow-up For Success)	14.235		75,716
Supportive Housing Program (Lexington Permanent Housing)	14.235		229,561
Pass-through the Kentucky Housing Corporation Emergency Housing Shelter	14.235	KY0055L4I011205	167,237
Pass-through the Society of St. Vincent de Paul, Council of Louisville, Inc.: Supportive Housing Program	14.235	KY0095L4I011204	<u>34,655</u>
			885,859

Continued

Schedule of Expenditures of Federal Awards--Continued

Volunteers of America of Kentucky, Inc.

Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Pass-through Kentucky Housing Corporation:			
Housing Opportunities For Persons With AIDS	14.241	2040	94,000
Housing Assistance For Persons with AIDS	14.241	KY HI00013	<u>73,051</u>
			167,051
Pass-through Lexington/Fayette County Urban Government:			
Community Development Block Grants/Entitlement Grants	14.218	PO LF00100672	7,613
Pass-through Louisville/Jefferson County Metro Government:			
Community Development Block Grants/Entitlement Grants (Family Emergency Shelter)	14.218	3060	<u>135,900</u>
			<u>143,513</u>
Subtotal U.S. Department of Housing and Urban Development			1,196,423
<u>U.S. Department of Agriculture</u>			
Pass-through Kentucky Cabinet for Health and Family Services:			
Emergency Food Assistance Program (Family Emergency Shelter)	10.569	056-J13-999-CC	34,876
<u>U.S. Department of Health and Human Services</u>			
Pass-through Kentucky Cabinet for Health and Family Services to Seven Counties Services, Inc.:			
Block Grants for Prevention and Treatment of Substance Abuse (Freedom House)	93.959	PON2 729 1200001796 1	358,323
Block Grants for Prevention and Treatment of Substance Abuse (Third Step Program)	93.959	PON2 729 1200001796 1	<u>139,718</u>
			498,041
Pass-through Kentucky Cabinet for Health and Family Services:			
HIV Care Formula Grants (Ryan White Care Coordinator Program)	93.917	PON2 728 1300002001 2	1,933,092
Preventive Health Services - Sexually Transmitted Diseases Control Grants (Syphilis Outreach)	93.977	PON2 728 1200003702 1	65,897
Pass-through Seven Counties Services, Inc.:			
Block Grants for Community Mental Health Services (Shelby Men's Center - Ex-Offender Program)	93.958	PON2 729 1200001796 1	52,455

Continued

Schedule of Expenditures of Federal Awards--Continued

Volunteers of America of Kentucky, Inc.

Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Pass-through Kentucky Cabinet for Health and Family Services to Lexington Health Department: HIV Prevention Activities	93.940	PON2 728 1300001847 1	<u>267,207</u>
Subtotal U.S. Department of Health and Human Services			2,816,692
<u>U.S. Department of Justice</u>			
Direct program: Residential Substance Abuse Treatment for State Prisoners (Halfway Back)	16.593		<u>507,309</u>
Total Expenditures of Federal Awards			<u><u>\$ 7,959,572</u></u>

See Accompanying Notes to the Schedule of
of Expenditures of Federal Awards

Note to Schedule of Expenditures of Federal Awards

Volunteers of America of Kentucky, Inc.

Year Ended June 30, 2014

Note A--Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity for Volunteers of America of Kentucky, Inc. and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts included in the consolidated financial statements.

We have audited the consolidated financial statements of Volunteers of America of Kentucky, Inc. and Affiliates (the "Organization") as of and for the year ended June 30, 2014. The Organization consisted of multiple entities, discussed in Note A to the consolidated financial statements. Our audit of compliance, which follows, only includes the federal grant activity of Volunteers of America of Kentucky, Inc. because the affiliated entities are subject to OMB Circular A-133 on an individual basis.

Reports Required by the Single Audit Act

**Independent Auditors' Report on Internal
Control Over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of Consolidated Financial Statements Performed in
Accordance with *Government Auditing Standards***



**Independent Auditors' Report on Internal
Control Over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of Consolidated Financial Statements Performed in
Accordance with *Government Auditing Standards***

Board of Directors
Volunteers of America of Kentucky, Inc.
Louisville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Volunteers of America of Kentucky, Inc. and Affiliates (the "Organization"), which are comprised of the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be a material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management in a separate letter dated March 27, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stathman And Company PSC
Louisville, Kentucky
March 27, 2015

**Independent Auditors' Report on Compliance
For Each Major Program and on Internal Control
Over Compliance Required by OMB Circular A-133**



**Independent Auditors' Report on Compliance
For Each Major Program and on Internal
Control Over Compliance Required by OMB Circular A-133**

Board of Directors
Volunteers of America of Kentucky, Inc.
Louisville, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Volunteers of America of Kentucky, Inc.'s ("VOA") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of VOA's major federal programs for the year ended June 30, 2014. VOA's major federal programs are identified in the Summary of Audit Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements, laws, regulations, contracts, and grants applicable to its major federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of VOA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about VOA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide legal determination of VOA's compliance.

Opinion on Each Major Federal Program

In our opinion, Volunteers of America of Kentucky, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.


Report on Internal Control Over Compliance

Management of VOA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered VOA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of VOA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over a compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Louisville, Kentucky
March 27, 2015

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Volunteers of America of Kentucky, Inc.

Year Ended June 30, 2014

Section I - Summary of Audit Results

1. The Independent Auditors' Report expresses an unmodified opinion on the consolidated financial statements of Volunteers of America of Kentucky, Inc. and Affiliates.
2. No significant deficiencies or material weaknesses relating to the audit of the consolidated financial statements are reported.
3. No instance of noncompliance material to the consolidated financial statements of Volunteers of America of Kentucky Inc. was disclosed during the audit, which would be required to be reported in accordance with *Government Auditing Standards*.
4. No significant deficiencies or material weaknesses relating to the internal control over major federal programs are reported.
5. The auditors' report on compliance for the major federal programs of the Volunteers of America of Kentucky, Inc. expresses an unmodified opinion on all major programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The major federal programs of Volunteers of America of Kentucky, Inc. are as follows:

Federal Grantor/Program Title	Federal CFDA Number
U.S. Department of Labor	
Homeless Veteran Reintegration Project (Knoxville Veterans)	17.805
Homeless Veteran Reintegration Project (Knoxville Veterans)	17.805
Homeless Veteran Reintegration Project (Knoxville Veterans)	17.805
U.S. Department of Veterans Affairs	
VA Supportive Services for Veteran Families	64.033
VA Supportive Services for Veteran Families	64.033
VA Supportive Services for Veteran Families	64.033
VA Supportive Services for Veteran Families	64.033

Continued

Schedule of Findings and Questioned Costs--Continued

Volunteers of America of Kentucky, Inc.

Year Ended June 30, 2014

Section I - Summary of Audit Results--Continued

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Organization qualifies as a low-risk auditee.

Section II – Financial Statements Audit Findings

There are no findings relative to the consolidated financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Section III - Major Federal Program Award Findings and Questioned Costs

There are no findings or questioned costs relative to the major federal award programs which are required to be reported in accordance with *OMB Circular A-133, Section 510(a)*.

**Independent Auditors' Comments on
Resolution of Prior Year Findings**

Independent Auditors' Comments on Resolution of Prior Year Findings

Volunteers of America of Kentucky, Inc.

For the Year Ended June 30, 2014

Section II – Financial Statements Audit Findings

There were no prior year findings relative to the consolidated financial statements.

Section III - Major Federal Program Award Findings and Questioned Costs

There were no prior year findings or questioned costs.