

**KINGDOM HOUSE
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

Kingdom House

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8 - 18



Independent Auditors' Report

To the Board of Directors of
Kingdom House
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Kingdom House (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kingdom House as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schmiesahl Trebor & Co., PC

St. Louis, Missouri
June 24, 2016

FINANCIAL STATEMENTS

Kingdom House
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 103,276	\$ 204,095
Accounts receivable	227,480	269,656
United Way receivable	601,446	612,289
Pledges - capital campaign	80,200	129,861
Prepaid expenses	32,130	16,561
 Total Current Assets	 1,044,532	 1,232,462
 PLEDGES - CAPITAL CAMPAIGN, net of discount	 12,847	 86,927
 INVESTMENTS	 316,309	 357,223
 PROPERTY AND EQUIPMENT, net of accumulated depreciation	 1,697,956	 1,695,414
 TOTAL ASSETS	 <u>\$ 3,071,644</u>	 <u>\$ 3,372,026</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 137,574	\$ 82,383
Line of credit	30,000	125,000
Current maturities of long-term debt	45,359	43,024
Accrued expenses	91,223	116,060
Custodial funds	20,799	21,134
 Total Current Liabilities	 324,955	 387,601
 LONG-TERM DEBT	 710,032	 754,812
 Total Liabilities	 <u>1,034,987</u>	 <u>1,142,413</u>
 NET ASSETS		
Unrestricted	721,944	719,541
Board Designated	261,598	288,154
 Total Unrestricted	 983,542	 1,007,695
 Temporarily restricted	 811,993	 978,483
Permanently restricted	241,122	243,435
 Total Net Assets	 <u>2,036,657</u>	 <u>2,229,613</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,071,644</u>	 <u>\$ 3,372,026</u>

See accompanying notes to financial statements

Kingdom House
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Support				
Contributions	\$ 1,005,067	\$ -	\$ -	\$ 1,005,067
Grants	171,098	135,000	-	306,098
United Way	23,252	601,446	-	624,698
Pledges - capital campaign	34,019	-	-	34,019
Special events (net of expenses of \$73,111 and \$88,661, respectively)	73,249	-	-	73,249
Total Support	1,306,685	736,446	-	2,043,131
Revenue				
Government agency fees	1,191,867	-	-	1,191,867
Program service fees	67,170	-	-	67,170
Investment income	4,148	-	-	4,148
Net unrealized and realized (losses) gains	(13,516)	-	(2,313)	(15,829)
Miscellaneous	25,925	-	-	25,925
Net assets released from restrictions	902,936	(902,936)	-	-
Total Revenue	2,178,530	(902,936)	(2,313)	1,273,281
Total Support and Revenue	3,485,215	(166,490)	(2,313)	3,316,412
EXPENSES				
Program services	2,826,324	-	-	2,826,324
Management and general	380,819	-	-	380,819
Fundraising	302,225	-	-	302,225
Total Expenses	3,509,368	-	-	3,509,368
CHANGE IN NET ASSETS	(24,153)	(166,490)	(2,313)	(192,956)
NET ASSETS, Beginning of year	1,007,695	978,483	243,435	2,229,613
NET ASSETS, End of year	\$ 983,542	\$ 811,993	\$ 241,122	\$ 2,036,657

See accompanying notes to financial statements

Year Ended December 31, 2014

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 917,934	\$ -	\$ -	\$ 917,934
139,921	128,406	-	268,327
9,729	633,289	-	643,018
152,500	216,788	-	369,288
<u>45,732</u>	<u>-</u>	<u>-</u>	<u>45,732</u>
<u>1,265,816</u>	<u>978,483</u>	<u>-</u>	<u>2,244,299</u>
1,073,851	-	-	1,073,851
70,833	-	-	70,833
10,465	-	-	10,465
17,009	-	(407)	16,602
12,727	-	-	12,727
<u>709,105</u>	<u>(709,105)</u>	<u>-</u>	<u>-</u>
<u>1,893,990</u>	<u>(709,105)</u>	<u>(407)</u>	<u>1,184,478</u>
<u>3,159,806</u>	<u>269,378</u>	<u>(407)</u>	<u>3,428,777</u>
2,733,541	-	-	2,733,541
369,606	-	-	369,606
<u>295,475</u>	<u>-</u>	<u>-</u>	<u>295,475</u>
<u>3,398,622</u>	<u>-</u>	<u>-</u>	<u>3,398,622</u>
(238,816)	269,378	(407)	30,155
<u>1,246,511</u>	<u>709,105</u>	<u>243,842</u>	<u>2,199,458</u>
<u>\$ 1,007,695</u>	<u>\$ 978,483</u>	<u>\$ 243,435</u>	<u>\$ 2,229,613</u>

Kingdom House
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	Program Services				
	Day Care	Youth Social Development	Elderly Services	Core Social Services	Total Program Services
Salaries	\$ 759,064	\$ 539,335	\$ 99,878	\$ 199,754	\$ 1,598,031
Employee benefits	94,732	39,472	15,787	21,052	171,043
Payroll taxes	63,751	26,898	9,701	20,786	121,136
Assistance to individuals	1,446	94	72,913	81,980	156,433
Conferences and meetings	9,352	12,343	8,162	10,060	39,917
Depreciation	47,722	29,561	7,061	13,982	98,326
Information technology	17,016	10,345	2,886	20,543	50,790
Interest	16,003	18,720	2,381	4,734	41,838
Local transportation	1,200	25,253	25,726	1,473	53,652
Miscellaneous	4,215	4,521	1,301	2,257	12,294
Occupancy costs	41,332	40,080	11,272	12,525	105,209
Postage and shipping	706	804	266	222	1,998
Print and publications	3,692	2,255	655	1,057	7,659
Professional fees and contracted services	23,033	58,078	7,359	10,806	99,276
Supplies	119,296	119,864	5,682	13,634	258,476
Telephone	4,975	3,084	733	1,454	10,246
Total Expenses	<u>\$ 1,207,535</u>	<u>\$ 930,707</u>	<u>\$ 271,763</u>	<u>\$ 416,319</u>	<u>\$ 2,826,324</u>

See accompanying notes to financial statements

Supporting Services			
Management and General	Fundraising	Total Supporting Services	Total
\$ 219,729	\$ 179,778	\$ 399,507	\$ 1,997,538
71,049	21,052	92,101	263,144
11,556	16,877	28,433	149,569
707	-	707	157,140
1,598	8,823	10,421	50,338
15,137	11,817	26,954	125,280
6,488	5,308	11,796	62,586
3,891	4,010	7,901	49,739
4,544	2,102	6,646	60,298
11,006	4,719	15,725	28,019
10,020	10,020	20,040	125,249
761	2,661	3,422	5,420
1,911	7,151	9,062	16,721
12,339	9,644	21,983	121,259
8,521	17,042	25,563	284,039
1,562	1,221	2,783	13,029
<u>\$ 380,819</u>	<u>\$ 302,225</u>	<u>\$ 683,044</u>	<u>\$ 3,509,368</u>

Kingdom House
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Program Services				
	Day Care	Youth Social Development	Elderly Services	Core Social Services	Total Program Services
Salaries	\$ 738,160	\$ 524,482	\$ 97,126	\$ 194,253	\$ 1,554,021
Employee benefits	92,268	38,444	15,378	20,504	166,594
Payroll taxes	55,033	40,796	7,082	15,545	118,456
Assistance to individuals	1,882	123	94,927	106,733	203,665
Conferences and meetings	8,212	6,554	7,977	6,364	29,107
Depreciation	38,787	28,026	4,954	10,804	82,571
Information technology	12,700	9,709	2,311	15,370	40,090
Interest	8,972	12,380	1,142	2,503	24,997
Local transportation	1,329	26,860	25,565	2,625	56,379
Miscellaneous	1,692	519	365	472	3,048
Occupancy costs	46,572	45,160	12,701	14,113	118,546
Postage and shipping	250	1,166	409	43	1,868
Print and publications	4,480	5,068	606	1,797	11,951
Professional fees and contracted services	31,094	43,873	5,779	11,994	92,740
Supplies	101,469	101,953	4,832	11,596	219,850
Telephone	4,278	3,012	1,207	1,161	9,658
Total Expenses	<u>\$ 1,147,178</u>	<u>\$ 888,125</u>	<u>\$ 282,361</u>	<u>\$ 415,877</u>	<u>\$ 2,733,541</u>

See accompanying notes to financial statements

Supporting Services			
Management and General	Fundraising	Total Supporting Services	Total
\$ 213,678	\$ 174,827	\$ 388,505	\$ 1,942,526
69,201	20,504	89,705	256,299
16,587	13,462	30,049	148,505
921	-	921	204,586
991	5,290	6,281	35,388
12,223	9,272	21,495	104,066
8,827	6,253	15,080	55,170
3,446	2,881	6,327	31,324
1,405	759	2,164	58,543
18,045	8,755	26,800	29,848
11,290	11,290	22,580	141,126
-	3,275	3,275	5,143
2,778	8,878	11,656	23,607
1,855	14,534	16,389	109,129
7,248	14,496	21,744	241,594
1,111	999	2,110	11,768
<u>\$ 369,606</u>	<u>\$ 295,475</u>	<u>\$ 665,081</u>	<u>\$ 3,398,622</u>

Kingdom House
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 192,956)	\$ 30,155
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	125,280	104,066
In-kind contribution capitalized	(25,520)	-
Net unrealized and realized losses (gains)	15,829	(16,602)
(Increase) decrease in assets:		
Accounts receivable	42,176	(87,386)
United Way receivable	10,843	59,816
Pledges - capital campaign, net of discount	123,741	(216,788)
Prepaid expenses	(15,569)	13,828
Increase (decrease) in liabilities:		
Accounts payable	55,191	48,578
Accrued expenses	(24,837)	(32,736)
Custodial funds	(335)	(19,599)
 Net Change in Cash from Operating Activities	 <u>113,843</u>	 <u>(116,668)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(102,302)	(220,470)
Proceeds from sale of investments	29,180	236,903
Purchases of investments	(4,095)	(10,365)
 Net Change in Cash from Investing Activities	 <u>(77,217)</u>	 <u>6,068</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments on line of credit	(95,000)	-
Payments on long-term debt	(42,445)	(27,227)
 Net Change in Cash from Financing Activities	 <u>(137,445)</u>	 <u>(27,227)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 <u>(100,819)</u>	 <u>(137,827)</u>
 CASH AND CASH EQUIVALENTS, Beginning of year	 <u>204,095</u>	 <u>341,922</u>
 CASH AND CASH EQUIVALENTS, End of year	 <u>\$ 103,276</u>	 <u>\$ 204,095</u>
 SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 49,739</u>	<u>\$ 31,324</u>

See accompanying notes to financial statements

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Kingdom House (the "Organization") is a neighborhood social service center which has been serving residents of the near south side of St. Louis since 1902 and is a United Way member agency. Its building facilities and staff resources are directed toward organizing groups of residents to develop resources to meet their needs, problems, and mutual concerns. Of prime concern is the provision of social and community services for families, children and individuals under stress, including child day care, education, recreation, counseling, assistance with vocational training, and employment opportunities and direct material relief.

Basis of Accounting

The accompanying financial statements of Kingdom House have been prepared on the accrual basis of accounting.

Financial Statement Presentation

Financial statement presentation follows the requirements of U.S. Generally Accepted Accounting Principles (GAAP). Therefore, the Organization reports its financial position and activities according to three classes of net assets: unrestricted net assets; temporarily restricted net assets; and permanently restricted net assets.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 certain reported amounts and disclosures. Actual results may differ from these estimates.

Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosure for financial statements:

The carrying amount of cash and cash equivalents, accounts receivable, United Way receivable, current portion of pledges receivable – capital campaign, prepaid expenses, accounts payable, accrued expenses, and custodial funds reported in the Statements of Financial Position approximate fair value because of the short-term maturities of those instruments.

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Organization maintains cash deposits in bank accounts which at times may exceed federally insured limits of up to \$250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. There were no uninsured cash balances at December 31, 2015 and 2014.

During the year ended December 31, 2014, the Organization had two noncash investing and financing transactions for the partial cost of acquiring two buildings through long-term notes of \$410,250 payable to Cass Bank. There were no noncash investing and financing transactions for the year ended December 31, 2015.

Property and Equipment

Property and equipment are valued at cost. Donated assets are recorded at their estimated fair market value when received. Depreciation is computed using the straight-line method as follows:

Building and improvements	10 – 50 Years
Machinery and equipment	3 – 25 Years

Expenditures for maintenance and repairs are charged to operations when incurred. Expenditures for improvements and major rehabilitations that extend the useful life of an asset are capitalized.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statements of Financial Position. Net unrealized and realized gains are included in the accompanying Statements of Activities.

Revenue Recognition

Contributions are recognized when the donor makes a pledge to give the Organization that are, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Custodial Funds

The Organization acts as the fiscal agent and has received funds on behalf of the Greater St. Louis Federation of Settlement Houses. These funds are segregated in the books and records of the Organization and are included in cash and cash equivalents at December 31, 2015 and 2014.

Donated Property, Materials, and Services

Certain donated property and materials are recorded as contributions at their fair market value at the date of receipt. During the year ended December 31, 2015, the Organization received donated remodeling of rooms valued at \$25,520. Food donated to the Organization's pantry was valued at \$57,130 and \$71,365 for the years ended December 31, 2015 and 2014, respectively.

A substantial number of volunteers have donated significant amounts of their time and materials in the Organization's program services and special events. No amounts have been recorded for donated services as no objective basis is available to measure the value of such services.

Income Taxes

The Organization qualifies as a nonprofit and religious organization and is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization does not have unrelated business income, excise taxes, or activities that would threaten the Organization's tax-exempt status. Accordingly, no provision for federal or state income taxes is provided. The Organization files an information return, IRS Form 990. The Organization's tax returns for tax years 2012 and later remain subject to examination by taxing authorities.

The Organization adopted the provisions relating to Accounting for Uncertainty in Income Taxes and management is not aware of any uncertain tax positions of the Organization related to tax filings.

Reclassifications

Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 24, 2016, the date the financial statements were available to be issued.

B. **PLEDGES – CAPITAL CAMPAIGN**

Pledges – capital campaign at December 31, are as follows:

	2015	2014
Receivable in less than one year	\$80,200	\$129,861
Receivable in one to five years	13,100	89,650
Less: discount (2.6%) to net present value	(253)	(2,723)
Total Pledges – Capital Campaign, net	<u>\$93,047</u>	<u>\$216,788</u>

C. **INVESTMENTS**

The Organization's investments are stated at fair value and consist of pooled investments in the Missouri United Methodist Foundation Investment Pool.

Investments for the year ended December 31, 2015 are as follows:

	Cost	Fair Value	Unrealized Appreciation
Pooled Investments			
The Hough Fund	\$ 1,819	\$ 5,800	\$ 3,981
Howard May Endowment Fund	97,251	118,589	21,338
Lions Club Endowment Fund	25,278	27,383	2,105
Salem-in-Ladue Endowment Fund	129,766	132,127	2,360
Kingdom House Endowment Fund	<u>30,429</u>	<u>32,410</u>	<u>1,982</u>
Total Investments	<u>\$284,543</u>	<u>\$316,309</u>	<u>\$31,766</u>

Investment return for the year ended December 31, 2015 is summarized as follows:

Investment income	\$4,148
Net unrealized and realized losses	<u>(15,829)</u>
Total Investment Return	<u>(\$11,681)</u>

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014
(Continued)

C. **INVESTMENTS** (Continued)

Investments for the year ended December 31, 2014 are as follows:

	Cost	Fair Value	Unrealized Appreciation
Pooled Investments			
The Hough Fund	\$ 2,934	\$ 9,355	\$ 6,421
Howard May Endowment Fund	107,631	131,246	23,615
Lions Club Endowment Fund	27,413	29,697	2,284
Salem-in-Ladue Endowment Fund	144,614	147,244	2,630
Kingdom House Endowment Fund	37,254	39,681	2,427
Total Investments	<u>\$319,846</u>	<u>\$357,223</u>	<u>\$37,377</u>

During the year ended December 31, 2014, the Organization internally borrowed \$100,000 from the Salem-in-Ladue Endowment Fund and \$100,000 from the Kingdom House Endowment Fund to purchase two buildings. The Organization expects to repay these borrowings with future capital campaign pledges when received.

Investment return for the year ended December 31, 2014 is summarized as follows:

Investment income	\$10,465
Net unrealized and realized gains	<u>16,602</u>
Total Investment Return	<u>\$27,067</u>

D. **FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis are as follows:

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2015</u>				
Managed equity funds	\$101,579	\$101,579	\$ -	\$ -
Managed foreign equity funds	55,557	55,557	-	-
Managed bond funds	159,173	-	159,173	-
Total	<u>\$316,309</u>	<u>\$157,136</u>	<u>\$159,173</u>	<u>\$ -</u>

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014
(Continued)

D. **FAIR VALUE MEASUREMENTS** (Continued)

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2014</u>				
Managed equity funds	\$114,232	\$114,232	\$ -	\$ -
Managed foreign equity funds	67,521	67,521	-	-
Managed bond funds	175,470	-	175,470	-
Total	\$357,223	\$181,753	\$175,470	\$ -

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using Level 3 inputs are based primarily on assumptions about the marketability of the assets. The Organization has no Level 3 assets.

E. **ENDOWMENT NET ASSETS**

Kingdom House has adopted provisions of ASC 958-205-50-1B, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, and *Enhanced Disclosures for All Endowment Funds*. ASC 958-205-50-1B provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization.

The Kingdom House endowment consists of individual funds established including both donor-restricted funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Effective August 28, 2009, the State of Missouri enacted UPMIFA. UPMIFA requires the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, Kingdom House classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014
(Continued)

E. **ENDOWMENT NET ASSETS** (Continued)

There are no donor-restricted endowment funds classified as temporarily restricted net assets at December 31, 2015 and 2014.

Investment Return Objectives, Risk Parameters, and Strategies: Kingdom House has adopted an investment policy, approved by the Board of Directors, for endowment assets to provide a clear understanding of the investment philosophy and objectives regarding the investment of funds of Kingdom House. Accordingly, the primary investment objectives of the Board designated endowment funds are to balance growth and income while minimizing risk over an intermediate term time horizon. The primary investment objectives of the permanently restricted endowment funds are growth and income, to maximize total return and to minimize the risk of loss over a longer term time horizon. Endowment assets are invested in a diversified asset mix, which can include cash & cash equivalents, equities, and fixed income securities. The endowment funds have asset allocation targets of equities between 35% and 65% and fixed income between 35% and 65%.

Kingdom House investment performance is evaluated on a 3 and 5 year time horizon and evaluated against peer universes and index benchmarks. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Endowment assets include those assets of donor-restricted funds that Kingdom House must hold in perpetuity as well as Board designated funds.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowments may fall below the level that the donor or UPMIFA requires Kingdom House to retain as a fund of perpetual duration. Deficiencies of this nature, if any, reduce unrestricted net assets. These deficiencies could result from unfavorable market fluctuations on invested permanently restricted contributions. There were no deficiencies at December 31, 2015 and 2014.

Endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	\$ -	\$241,122	\$241,122
Board designated endowment funds	261,598	-	-	261,598
Total Endowment Net Assets	<u>\$261,598</u>	<u>\$ -</u>	<u>\$241,122</u>	<u>\$502,720</u>

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014
(Continued)

E. **ENDOWMENT NET ASSETS** (Continued)

Changes in endowment net assets as of December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$288,154	\$ -	\$243,435	\$531,589
Contributions	-	-	-	-
Investment income	-	-	-	-
Net unrealized and realized (losses)	(13,516)	-	(2,313)	(15,829)
Amounts appropriated for operations	(13,040)	-	-	(13,040)
Endowment net assets, end of year	<u>\$261,598</u>	<u>\$ -</u>	<u>\$241,122</u>	<u>\$502,720</u>

Endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	\$ -	\$243,435	\$243,435
Board designated endowment funds	<u>288,154</u>	<u>-</u>	<u>-</u>	<u>288,154</u>
Total Endowment Net Assets	<u>\$288,154</u>	<u>\$ -</u>	<u>\$243,435</u>	<u>\$531,589</u>

Changes in endowment net assets as of December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment net assets, beginning of year	\$293,900	\$ -	\$243,842	\$537,742
Contributions	-	-	-	-
Investment income	-	-	-	-
Net unrealized and realized gains (losses)	17,009	-	(407)	16,602
Amounts appropriated for operations	(22,755)	-	-	(22,755)
Endowment net assets, end of year	<u>\$288,154</u>	<u>\$ -</u>	<u>\$243,435</u>	<u>\$531,589</u>

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014
(Continued)

F. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2015	2014
Land	\$ 157,936	\$ 157,936
Buildings and improvements	2,266,251	2,218,768
Machinery and equipment	388,526	308,187
	2,812,713	2,684,891
Less: accumulated depreciation	1,114,757	989,477
Total Property and Equipment, net of accumulated depreciation	<u>\$1,697,956</u>	<u>\$1,695,414</u>

G. LINE OF CREDIT

The Organization has a \$125,000 revolving line of credit agreement with a bank, which is collateralized by a Deed of Trust on a building. The line is due on demand with no expiration. Interest is payable at the prime rate (3.50% and 3.25% at December 31, 2015 and 2014, respectively) less one percent, not to fall below 4.00%. The balance at December 31, 2015 and 2014, was \$30,000 and \$125,000, respectively.

H. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	2015	2014
Note payable to Cass Bank, payable in monthly installments of \$3,531 including interest at 5.50%; due September 2017 with a final balloon payment; collateralized by certain real estate.	\$363,706	\$385,147
Note payable to American Eagle Credit Union, payable in monthly installments of \$238 including interest at 2.25%; due July 2017; collateralized by a vehicle.	4,209	6,937
Note payable to Cass Bank, payable in monthly installments of \$2,464 including interest at 5.50%; due October 2019 with a final balloon payment; collateralized by certain real estate.	284,567	297,863

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014
(Continued)

H. **LONG-TERM DEBT** (Continued)

	<u>2015</u>	<u>2014</u>
Note payable to Cass Bank, payable in monthly installments of \$906 including interest at 5.50%; due July 2019 with a final balloon payment; collateralized by certain real estate.	102,909	107,889
	755,391	797,836
Less: current maturities of long-term debt	<u>45,359</u>	<u>43,024</u>
Total Long-Term Debt	<u>\$710,032</u>	<u>\$754,812</u>

The aggregate maturities of long-term debt as of December 31, 2015 are:

<u>Year</u>	<u>Amount</u>
2016	\$ 45,359
2017	362,721
2018	21,890
2019	<u>325,421</u>
	<u>\$755,391</u>

Total interest expense from all sources for the years ended December 31, 2015 and 2014, was \$49,739 and \$31,324, respectively.

I. **BOARD DESIGNATED NET ASSETS**

Board designated net assets consist of unrestricted legacies, bequests, Salem-in-Ladue Fund, and other significant contributions received by the Organization. These funds are earmarked by the Board of Directors of the Organization for future acquisitions of fixed assets, operations, and other purposes approved by the Board.

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014
(Continued)

J. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31 are available for the following purposes:

	2015	2014
United Way - time	\$601,446	\$612,289
United Way - 2015	-	21,000
Campaign pledges	93,047	216,788
Program grants	117,500	128,406
Total Temporarily Restricted Net Assets	<u>\$811,993</u>	<u>\$978,483</u>

K. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of a portion of the Howard May Endowment, a gift instrument requiring that the principal be invested in perpetuity and the income only be used to assist community and social welfare ministries of the Organization; a portion of the Kingdom House Endowment Fund, a trust instrument to be operated exclusively for the benefit of the Organization with distributions of a portion of the total returns at such intervals and amounts as determined by the trust instrument; and the Downtown Lions Club Endowment. Permanently restricted net assets at December 31, 2015 and 2014 were \$241,122 and \$243,435, respectively.

L. RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan covering all full-time employees with at least one year of service (minimum 1,000 hours worked) with a minimum entry age of 21. During the year ended December 31, 2011, the Organization amended the plan to allow for an employer match of 3% of each participant's annual compensation. The total amounts contributed into the Plan for 2015 and 2014 were \$30,462 and \$41,145, respectively.

M. CONTINGENCIES

The Organization, from time to time, receives information regarding potential claims against the Organization from employees, clients, and/or client families. Management has represented that its insurance company is responsible for handling any and all such claims.