

**KINGDOM HOUSE
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

Kingdom House

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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, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017 and 2016, 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.

Schmasahl Treloar & Co., PC

St. Louis, Missouri
June 25, 2018

FINANCIAL STATEMENTS

Kingdom House
STATEMENTS OF FINANCIAL POSITION

ASSETS

| | December 31, | |
|--|---------------------|---------------------|
| | 2017 | 2016 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 180,049 | \$ 62,092 |
| Accounts receivable | 259,934 | 355,839 |
| United Way receivable | 565,752 | 601,446 |
| Pledges - capital campaign, net of long term portion | 29,345 | 23,200 |
| Prepaid expenses | 15,402 | 53,841 |
| Total Current Assets | 1,050,482 | 1,096,418 |
| PLEDGES - CAPITAL CAMPAIGN, net of discount | 18,048 | 3,270 |
| INVESTMENTS | 324,091 | 245,032 |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation | 1,534,680 | 1,592,681 |
| TOTAL ASSETS | \$ 2,927,301 | \$ 2,937,401 |

LIABILITIES AND NET ASSETS

| | | |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 94,323 | \$ 182,823 |
| Line of credit | - | 45,000 |
| Current maturities of long-term debt | 20,901 | 362,722 |
| Accrued expenses | 99,624 | 109,427 |
| Custodial funds | 16,062 | 23,522 |
| Total Current Liabilities | 230,910 | 723,494 |
| LONG-TERM DEBT | 631,957 | 348,074 |
| Total Liabilities | 862,867 | 1,071,568 |
| NET ASSETS | | |
| Unrestricted | 869,298 | 517,060 |
| Board Designated | 257,891 | 255,423 |
| Total Unrestricted | 1,127,189 | 772,483 |
| Temporarily restricted | 693,400 | 851,909 |
| Permanently restricted | 243,845 | 241,441 |
| Total Net Assets | 2,064,434 | 1,865,833 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,927,301 | \$ 2,937,401 |

See accompanying notes to financial statements

Kingdom House
STATEMENTS OF ACTIVITIES

| | Year Ended December 31, 2017 | | | Total |
|---|------------------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| SUPPORT AND REVENUE | | | | |
| Support | | | | |
| Contributions | \$ 1,318,891 | \$ 21,678 | \$ - | \$ 1,340,569 |
| Grants | 199,141 | 175,845 | - | 374,986 |
| United Way | 7,001 | 565,752 | - | 572,753 |
| Pledges - capital campaign | 150,342 | - | - | 150,342 |
| Special events (net of expenses of \$46,949 and \$53,222 respectively) | 28,477 | - | - | 28,477 |
| Total Support | <u>1,703,852</u> | <u>763,275</u> | <u>-</u> | <u>2,467,127</u> |
| Revenue | | | | |
| Government agency fees | 1,167,142 | - | - | 1,167,142 |
| Program service fees | 71,431 | - | - | 71,431 |
| Investment income | 2,707 | - | 310 | 3,017 |
| Net unrealized and realized gains | 29,321 | - | 3,529 | 32,850 |
| Miscellaneous | 8,194 | - | - | 8,194 |
| Net assets released from restrictions | 923,219 | (921,784) | (1,435) | - |
| Total Revenue | <u>2,202,014</u> | <u>(921,784)</u> | <u>2,404</u> | <u>1,282,634</u> |
| Total Support and Revenue | <u>3,905,866</u> | <u>(158,509)</u> | <u>2,404</u> | <u>3,749,761</u> |
| EXPENSES | | | | |
| Program services | 2,871,987 | - | - | 2,871,987 |
| Management and general | 382,290 | - | - | 382,290 |
| Fundraising | 296,883 | - | - | 296,883 |
| Total Expenses | <u>3,551,160</u> | <u>-</u> | <u>-</u> | <u>3,551,160</u> |
| CHANGE IN NET ASSETS | 354,706 | (158,509) | 2,404 | 198,601 |
| NET ASSETS, Beginning of year | <u>772,483</u> | <u>851,909</u> | <u>241,441</u> | <u>1,865,833</u> |
| NET ASSETS, End of year | <u>\$ 1,127,189</u> | <u>\$ 693,400</u> | <u>\$ 243,845</u> | <u>\$ 2,064,434</u> |

See accompanying notes to financial statements

Year Ended December 31, 2016

| Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|-------------------|---------------------------|---------------------------|---------------------|
| \$ 939,354 | \$ - | \$ - | \$ 939,354 |
| 260,968 | 257,071 | - | 518,039 |
| 1,426 | 601,446 | - | 602,872 |
| 63,774 | - | - | 63,774 |
| <u>14,657</u> | <u>-</u> | <u>-</u> | <u>14,657</u> |
| <u>1,280,179</u> | <u>858,517</u> | <u>-</u> | <u>2,138,696</u> |
| 1,160,505 | - | - | 1,160,505 |
| 61,750 | - | - | 61,750 |
| 2,256 | - | 259 | 2,515 |
| 16,053 | - | 1,492 | 17,545 |
| 3,320 | - | - | 3,320 |
| <u>820,033</u> | <u>(818,601)</u> | <u>(1,432)</u> | <u>-</u> |
| <u>2,063,917</u> | <u>(818,601)</u> | <u>319</u> | <u>1,245,635</u> |
| <u>3,344,096</u> | <u>39,916</u> | <u>319</u> | <u>3,384,331</u> |
| 2,879,310 | - | - | 2,879,310 |
| 366,426 | - | - | 366,426 |
| <u>309,419</u> | <u>-</u> | <u>-</u> | <u>309,419</u> |
| <u>3,555,155</u> | <u>-</u> | <u>-</u> | <u>3,555,155</u> |
| (211,059) | 39,916 | 319 | (170,824) |
| <u>983,542</u> | <u>811,993</u> | <u>241,122</u> | <u>2,036,657</u> |
| <u>\$ 772,483</u> | <u>\$ 851,909</u> | <u>\$ 241,441</u> | <u>\$ 1,865,833</u> |

Kingdom House
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

| | Program Services | | | | Total Program Services |
|--|----------------------------|--------------------------------|--------------------------|----------------------------|------------------------------|
| | Day Care | Youth Social Development | Elderly Services | Core Social Services | |
| Salaries | \$ 756,628 | \$ 537,605 | \$ 99,556 | \$ 199,113 | \$ 1,592,902 |
| Employee benefits | 105,297 | 43,874 | 17,550 | 23,400 | 190,121 |
| Payroll taxes | 57,025 | 43,826 | 10,574 | 25,839 | 137,264 |
| Assistance to individuals | 1,156 | 75 | 58,330 | 65,557 | 125,118 |
| Conferences and meetings | 6,798 | 8,451 | 8,636 | 15,499 | 39,384 |
| Depreciation | 44,353 | 27,887 | 6,541 | 15,690 | 94,471 |
| Information technology | 22,472 | 14,291 | 4,200 | 29,340 | 70,303 |
| Interest | 13,871 | 8,748 | 2,031 | 4,882 | 29,532 |
| Local transportation | 272 | 26,938 | 23,661 | 1,237 | 52,108 |
| Miscellaneous | 4,159 | 7,156 | 769 | 7,058 | 19,142 |
| Occupancy costs | 57,975 | 56,218 | 15,811 | 17,568 | 147,572 |
| Postage and shipping | 1,441 | 1,699 | 400 | 503 | 4,043 |
| Print and publications | 6,480 | 7,364 | 1,265 | 2,499 | 17,608 |
| Professional fees and contracted services | 30,212 | 36,867 | 8,668 | 19,876 | 95,623 |
| Supplies | 113,641 | 114,182 | 5,411 | 12,988 | 246,222 |
| Telephone | 4,960 | 3,124 | 733 | 1,756 | 10,573 |
| Total Expenses | <u>\$ 1,226,740</u> | <u>\$ 938,305</u> | <u>\$ 264,137</u> | <u>\$ 442,805</u> | <u>\$ 2,871,987</u> |

See accompanying notes to financial statements
(5)

Supporting Services

| Management and General | Fundraising | Total Supporting Services | Total |
|---------------------------|-------------------|---------------------------------|---------------------|
| \$ 219,024 | \$ 179,202 | \$ 398,226 | \$ 1,991,128 |
| 78,973 | 23,400 | 102,373 | 292,494 |
| 3,460 | 8,626 | 12,086 | 149,351 |
| 566 | - | 566 | 125,684 |
| 2,506 | 3,744 | 6,250 | 45,634 |
| 15,257 | 16,392 | 31,649 | 126,120 |
| 7,674 | 7,823 | 15,497 | 85,800 |
| 4,732 | 8,440 | 13,172 | 42,704 |
| 541 | 1,788 | 2,329 | 54,437 |
| 10,911 | 3,615 | 14,526 | 33,668 |
| 14,055 | 14,055 | 28,110 | 175,682 |
| 496 | 2,344 | 2,840 | 6,883 |
| 2,203 | 2,225 | 4,428 | 22,036 |
| 12,064 | 7,631 | 19,695 | 115,318 |
| 8,117 | 16,234 | 24,351 | 270,573 |
| 1,711 | 1,364 | 3,075 | 13,648 |
| <u>\$ 382,290</u> | <u>\$ 296,883</u> | <u>\$ 679,173</u> | <u>\$ 3,551,160</u> |

Kingdom House
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

| | Program Services | | | | Total Program Services |
|--|----------------------------|--------------------------------|--------------------------|----------------------------|------------------------------|
| | Day Care | Youth Social Development | Elderly Services | Core Social Services | |
| Salaries | \$ 763,013 | \$ 542,141 | \$ 100,396 | \$ 200,793 | \$ 1,606,343 |
| Employee benefits | 106,469 | 44,363 | 17,745 | 23,660 | 192,237 |
| Payroll taxes | 62,149 | 43,669 | 10,058 | 22,640 | 138,516 |
| Assistance to individuals | 1,010 | 66 | 50,955 | 57,290 | 109,321 |
| Conferences and meetings | 8,086 | 12,764 | 7,332 | 6,817 | 34,999 |
| Depreciation | 51,407 | 33,095 | 8,004 | 15,787 | 108,293 |
| Information technology | 15,641 | 10,164 | 4,048 | 19,366 | 49,219 |
| Interest | 16,408 | 10,558 | 2,553 | 5,048 | 34,567 |
| Local transportation | 97 | 29,600 | 21,319 | 1,272 | 52,288 |
| Miscellaneous | 7,456 | 8,563 | 2,268 | 1,253 | 19,540 |
| Occupancy costs | 49,862 | 48,350 | 13,599 | 15,110 | 126,921 |
| Postage and shipping | 974 | 1,128 | 243 | 305 | 2,650 |
| Print and publications | 4,680 | 3,316 | 1,124 | 1,534 | 10,654 |
| Professional fees and contracted services | 31,555 | 50,889 | 5,337 | 21,437 | 109,218 |
| Supplies | 126,675 | 127,279 | 6,033 | 14,477 | 274,464 |
| Telephone | 4,785 | 3,079 | 745 | 1,471 | 10,080 |
| Total Expenses | <u>\$ 1,250,267</u> | <u>\$ 969,024</u> | <u>\$ 251,759</u> | <u>\$ 408,260</u> | <u>\$ 2,879,310</u> |

See accompanying notes to financial statements
(6)

| Supporting Services | | | |
|---------------------------|-------------------|---------------------------------|---------------------|
| Management and General | Fundraising | Total Supporting Services | Total |
| \$ 220,872 | \$ 180,714 | \$ 401,586 | \$ 2,007,929 |
| 79,853 | 23,660 | 103,513 | 295,750 |
| 3,506 | 9,334 | 12,840 | 151,356 |
| 494 | - | 494 | 109,815 |
| 2,352 | 5,474 | 7,826 | 42,825 |
| 16,979 | 17,528 | 34,507 | 142,800 |
| 5,527 | 5,578 | 11,105 | 60,324 |
| 4,147 | 9,881 | 14,028 | 48,595 |
| 59 | 2,690 | 2,749 | 55,037 |
| 9,749 | 7,264 | 17,013 | 36,553 |
| 12,088 | 12,088 | 24,176 | 151,097 |
| - | 2,622 | 2,622 | 5,272 |
| - | 5,423 | 5,423 | 16,077 |
| 64 | 7,817 | 7,881 | 117,099 |
| 9,048 | 18,096 | 27,144 | 301,608 |
| 1,688 | 1,250 | 2,938 | 13,018 |
| <u>\$ 366,426</u> | <u>\$ 309,419</u> | <u>\$ 675,845</u> | <u>\$ 3,555,155</u> |

Kingdom House
STATEMENTS OF CASH FLOWS

| | Years Ended December 31, | |
|---|--------------------------|--------------|
| | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 198,601 | (\$ 170,824) |
| Adjustments to reconcile change in net assets to net change in cash from operating activities: | | |
| Depreciation | 126,120 | 142,800 |
| Net unrealized and realized gains | (32,850) | (17,545) |
| (Increase) decrease in assets: | | |
| Accounts receivable | 95,905 | (128,359) |
| United Way receivable | 35,694 | - |
| Pledges - capital campaign, net of discount | (20,923) | 66,577 |
| Prepaid expenses | 38,439 | (21,711) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (88,500) | 45,249 |
| Accrued expenses | (9,803) | 18,204 |
| Custodial funds | (7,460) | 2,723 |
| Net Change in Cash from Operating Activities | 335,223 | (62,886) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (68,119) | (37,525) |
| Proceeds from sale of investments | 21,772 | 91,322 |
| Purchases of investments | (67,981) | (2,500) |
| Net Change in Cash from Investing Activities | (114,328) | 51,297 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net (payments) borrowings on line of credit | (45,000) | 15,000 |
| Payments on long-term debt | (57,938) | (44,595) |
| Net Change in Cash from Financing Activities | (102,938) | (29,595) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 117,957 | (41,184) |
| CASH AND CASH EQUIVALENTS, Beginning of year | 62,092 | 103,276 |
| CASH AND CASH EQUIVALENTS, End of year | \$ 180,049 | \$ 62,092 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Cash paid during the year for interest | \$ 42,704 | \$ 48,595 |

See accompanying notes to financial statements

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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, 2017 and 2016
(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, 2017 and 2016.

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 at their quoted fair values in the Statements of Financial Position. Net unrealized and realized gains are included in the accompanying Statements of Activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Financial Position.

Revenue Recognition

Contributions are recognized when the donor makes a pledge to give the Organization that is, 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, 2017 and 2016
(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, 2017 and 2016.

Donated Property, Materials, and Services

Certain donated property and materials are recorded as contributions at their fair market value at the date of receipt. Food donated to the Organization's pantry was valued at \$7,829 and \$12,843 for the years ended December 31, 2017 and 2016, 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 2014 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, 2017 and 2016
(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 25, 2018, the date the financial statements were available to be issued.

B. **PLEDGES – CAPITAL CAMPAIGN**

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

| | 2017 | 2016 |
|--|----------|----------|
| Receivable in less than one year | \$29,345 | \$23,200 |
| Receivable in one to five years | 20,000 | 4,000 |
| Less: discount (2.6%) to net present value | (1,952) | (730) |
| Total Pledges – Capital Campaign, net | \$47,393 | \$26,470 |

C. **INVESTMENTS**

The Organization’s investments are stated at fair value and consist of pooled investments in the Missouri United Methodist Foundation Investment Pool. Currently the pools are invested in various mutual funds which are diversified over many investment strategies.

Investments for the year ended December 31, 2017 are as follows:

| | Cost | Fair Value | Unrealized Appreciation |
|---------------------------------|-----------|------------|-------------------------|
| Pooled Balanced Investment Fund | | | |
| The Hough Fund | \$ 1,109 | \$ 3,534 | \$ 2,425 |
| Howard May Endowment Fund | 104,441 | 127,357 | 22,915 |
| Lions Club Endowment Fund | 27,790 | 30,106 | 2,316 |
| Salem-in-Ladue Endowment Fund | 131,355 | 133,744 | 2,390 |
| Kingdom House Endowment Fund | 27,554 | 29,350 | 1,796 |
| Total Investments | \$292,249 | \$324,091 | \$31,842 |

Investment return for the year ended December 31, 2017 is summarized as follows:

| | |
|-----------------------------------|---------------|
| Investment income | \$3,017 |
| Net unrealized and realized gains | <u>32,850</u> |
| Total Investment Return | \$35,867 |

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016
(Continued)

C. **INVESTMENTS** (Continued)

Investments for the year ended December 31, 2016 are as follows:

| | Cost | Fair Value | Unrealized Appreciation |
|---------------------------------|-----------|------------|-------------------------|
| Pooled Balanced Investment Fund | | | |
| The Hough Fund | \$ 1,255 | \$ 4,001 | \$ 2,746 |
| Howard May Endowment Fund | 96,906 | 118,167 | 21,261 |
| Lions Club Endowment Fund | 25,571 | 27,703 | 2,132 |
| Salem-in-Ladue Endowment Fund | 64,677 | 65,853 | 1,176 |
| Kingdom House Endowment Fund | 27,515 | 29,308 | 1,793 |
| | | | |
| Total Investments | \$215,924 | \$245,032 | \$29,108 |

During the year ended December 31, 2014, upon approval by the Board of Directors and in accordance with language included in the Endowment document 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. During the year ended December 31, 2016, the Organization internally borrowed \$65,000 from the Salem-in-Ladue Endowment Fund to fund current operations, this amount was paid back during the year ended December 31, 2017. The Organization expects to repay the remaining borrowings when funds become available.

Investment return for the year ended December 31, 2016 is summarized as follows:

| | |
|-----------------------------------|-----------------|
| Investment income | \$ 2,515 |
| Net unrealized and realized gains | <u>17,545</u> |
| Total Investment Return | <u>\$20,060</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, 2017</u> | | | | |
| Pooled balanced investment fund | \$324,091 | \$ - | \$324,091 | \$ - |
| Total | \$324,091 | \$ - | \$324,091 | \$ - |

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016
(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, 2016</u> | | | | |
| Pooled balanced investment fund | \$245,032 | \$ - | \$245,032 | \$ - |
| Total | \$245,032 | \$ - | \$245,032 | \$ - |

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, 2017 and 2016
(Continued)

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

There are no donor-restricted endowment funds classified as temporarily restricted net assets at December 31, 2017 and 2016.

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, 2017 and 2016.

Endowment net asset composition by type of fund as of December 31, 2017 is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Endowment Net Assets |
|----------------------------------|------------------|---------------------------|---------------------------|-------------------------------------|
| Donor-restricted endowment funds | \$ - | \$ - | \$243,845 | \$243,845 |
| Board designated endowment funds | <u>257,891</u> | - | - | <u>257,891</u> |
| Total Endowment Net Assets | <u>\$257,891</u> | <u>\$ -</u> | <u>\$243,845</u> | <u>\$501,736</u> |

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016
(Continued)

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

Changes in endowment net assets as of December 31, 2017 are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Endowment Net Assets |
|--|------------------|---------------------------|---------------------------|-------------------------------------|
| Endowment net assets, beginning of year | \$255,423 | \$ - | \$241,441 | \$496,864 |
| Contributions | - | - | - | - |
| Investment income | 2,669 | - | 310 | 2,979 |
| Net unrealized and realized gains | 29,321 | - | 3,529 | 32,850 |
| Amounts appropriated for operations | (29,522) | - | (1,435) | (30,957) |
| Endowment net assets, end of year | <u>\$257,891</u> | <u>\$ -</u> | <u>\$243,845</u> | <u>\$501,736</u> |

Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Endowment Net Assets |
|----------------------------------|------------------|---------------------------|---------------------------|-------------------------------------|
| Donor-restricted endowment funds | \$ - | \$ - | \$241,441 | \$241,441 |
| Board designated endowment funds | <u>255,423</u> | - | - | <u>255,423</u> |
| Total Endowment Net Assets | <u>\$255,423</u> | <u>\$ -</u> | <u>\$241,441</u> | <u>\$496,864</u> |

Changes in endowment net assets as of December 31, 2016 are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total Endowment Net Assets |
|--|------------------|---------------------------|---------------------------|-------------------------------------|
| Endowment net assets, beginning of year | \$261,598 | \$ - | \$241,122 | \$502,720 |
| Contributions | - | - | - | - |
| Investment income | 2,241 | - | 259 | 2,500 |
| Net unrealized and realized gains | 16,053 | - | 1,492 | 17,545 |
| Amounts appropriated for operations | (24,469) | - | (1,432) | (25,901) |
| Endowment net assets, end of year | <u>\$255,423</u> | <u>\$ -</u> | <u>\$241,441</u> | <u>\$496,864</u> |

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016
(Continued)

F. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | December 31, | |
|--------------------------------|--------------|-------------|
| | 2017 | 2016 |
| Land | \$ 157,936 | \$ 157,936 |
| Buildings and improvements | 2,306,233 | 2,275,984 |
| Machinery and equipment | 454,188 | 416,318 |
| | 2,918,357 | 2,850,238 |
| Less: accumulated depreciation | 1,383,677 | 1,257,557 |
| | \$1,534,680 | \$1,592,681 |

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 of credit expires September 26, 2018. Interest is payable at the prime rate (4.50% and 3.75% at December 31, 2017 and 2016, respectively). There was no balance at December 31, 2017. The balance at December 31, 2016 was \$45,000.

H. LONG-TERM DEBT

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

| | 2017 | 2016 |
|---|------------|---------|
| Note payable to Busey Bank, payable in monthly installments of \$4,127 including interest at 4.50%; due September 2022 with a final balloon payment; collateralized by certain real estate. | \$ 652,858 | \$ - |
| 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. | - | 341,114 |
| 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. | - | 1,421 |

Kingdom House
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016
(Continued)

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

| | 2017 | 2016 |
|--|-----------|-----------|
| 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. | - | 270,588 |
| 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. | - | 97,673 |
| | 652,858 | 710,796 |
| Less: current maturities of long-term debt | 20,901 | 362,722 |
| Total Long-Term Debt | \$631,957 | \$348,074 |

The aggregate maturities of long-term debt as of December 31, 2017 are:

| Year | Amount |
|------|-----------|
| 2018 | \$ 20,901 |
| 2019 | 21,863 |
| 2020 | 22,866 |
| 2021 | 23,917 |
| 2022 | 563,311 |
| | \$652,858 |

During the year ended December 31, 2017, the Organization refinanced the loans with Cass Bank through Busey Bank.

Total interest expense from all sources for the years ended December 31, 2017 and 2016, was \$42,704 and \$48,595, 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, 2017 and 2016
(Continued)

J. TEMPORARILY RESTRICTED NET ASSETS

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

| | 2017 | 2016 |
|---|-----------|-----------|
| United Way - time | \$565,752 | \$601,446 |
| Campaign pledges | 42,048 | 20,370 |
| Program grants | 85,600 | 230,093 |
| Total Temporarily Restricted Net Assets | \$693,400 | \$851,909 |

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, 2017 and 2016 were \$243,845 and \$241,441, 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 2017 and 2016 were \$46,588 and \$45,355, 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.