

**KINGDOM HOUSE  
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017, 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, 2018 and 2017, 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.

*Schmeissall Trebor & Co., PC*

St. Louis, Missouri

June 25, 2019

## FINANCIAL STATEMENTS

Kingdom House  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2018	2017
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 59,355	\$ 180,049
Accounts receivable	608,844	259,934
United Way receivable	551,508	565,752
Pledges - capital campaign, net of long term portion	30,263	29,345
Prepaid expenses	14,698	15,402
	<u>1,264,668</u>	<u>1,050,482</u>
Total Current Assets	1,264,668	1,050,482
PLEDGES - CAPITAL CAMPAIGN, net of discount	8,796	18,048
INVESTMENTS	367,724	324,091
PROPERTY AND EQUIPMENT, net of accumulated depreciation	<u>1,482,693</u>	<u>1,534,680</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,123,881</u>	<u>\$ 2,927,301</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 144,856	\$ 94,323
Line of credit	124,600	-
Current maturities of long-term debt	23,337	20,901
Accrued expenses	130,598	99,624
Custodial funds	5,620	16,062
	<u>429,011</u>	<u>230,910</u>
Total Current Liabilities	429,011	230,910
LONG-TERM DEBT	<u>608,645</u>	<u>631,957</u>
Total Liabilities	<u>1,037,656</u>	<u>862,867</u>
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	641,977	869,298
Board Designated	238,213	257,891
	<u>880,190</u>	<u>1,127,189</u>
Total Net Assets Without Donor Restrictions	880,190	1,127,189
With donor restrictions		
Purpose restrictions	239,059	127,648
Time-restricted for future periods	726,289	565,752
Perpetual in nature	240,687	243,845
	<u>1,206,035</u>	<u>937,245</u>
Total Net Assets With Donor Restrictions	1,206,035	937,245
Total Net Assets	<u>2,086,225</u>	<u>2,064,434</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,123,881</u>	<u>\$ 2,927,301</u>

See accompanying notes to financial statements

Kingdom House  
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT AND REVENUE</b>						
Support						
Contributions	\$ 854,607	\$ -	\$ 854,607	\$ 1,318,891	\$ 21,678	\$ 1,340,569
Grants	422,947	692,481	1,115,428	199,141	175,845	374,986
United Way	5,965	551,508	557,473	7,001	565,752	572,753
Pledges - capital campaign	25,809	25,300	51,109	150,342	-	150,342
Special events (net of expenses of \$50,072 and \$46,949 respectively)	42,857	-	42,857	28,477	-	28,477
Total Support	<u>1,352,185</u>	<u>1,269,289</u>	<u>2,621,474</u>	<u>1,703,852</u>	<u>763,275</u>	<u>2,467,127</u>
Revenue						
Government agency fees	1,185,033	-	1,185,033	1,167,142	-	1,167,142
Program service fees	62,317	-	62,317	71,431	-	71,431
Investment income	3,223	317	3,540	2,707	310	3,017
Net unrealized and realized (losses) gains	( 19,665)	( 2,025)	( 21,690)	29,321	3,529	32,850
Miscellaneous	18,453	-	18,453	8,194	-	8,194
Net assets released from restrictions	998,791	( 998,791)	-	923,219	( 923,219)	-
Total Revenue	<u>2,248,152</u>	<u>( 1,000,499)</u>	<u>1,247,653</u>	<u>2,202,014</u>	<u>( 919,380)</u>	<u>1,282,634</u>
Total Support and Revenue	<u>3,600,337</u>	<u>268,790</u>	<u>3,869,127</u>	<u>3,905,866</u>	<u>( 156,105)</u>	<u>3,749,761</u>
<b>EXPENSES</b>						
Program services	3,072,236	-	3,072,236	2,871,987	-	2,871,987
Supporting services	775,100	-	775,100	679,173	-	679,173
Total Expenses	<u>3,847,336</u>	<u>-</u>	<u>3,847,336</u>	<u>3,551,160</u>	<u>-</u>	<u>3,551,160</u>
CHANGE IN NET ASSETS	( 246,999)	268,790	21,791	354,706	( 156,105)	198,601
NET ASSETS, Beginning of year	<u>1,127,189</u>	<u>937,245</u>	<u>2,064,434</u>	<u>772,483</u>	<u>1,093,350</u>	<u>1,865,833</u>
NET ASSETS, End of year	<u>\$ 880,190</u>	<u>\$ 1,206,035</u>	<u>\$ 2,086,225</u>	<u>\$ 1,127,189</u>	<u>\$ 937,245</u>	<u>\$ 2,064,434</u>

See accompanying notes to financial statements

Kingdom House  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2018

	Program Services					Supporting Services				
	Day Care	Youth Social Development	Elderly Services	Core Social Services	Total Program Services	Management and General	Fundraising	Volunteers	Total Supporting Services	Total
Salaries	\$ 743,281	\$ 564,595	\$ 108,965	\$ 289,383	\$ 1,706,224	\$ 261,386	\$ 82,562	\$ 132,816	\$ 476,764	\$ 2,182,988
Employee benefits	105,438	43,932	17,573	23,431	190,374	79,078	17,573	5,858	102,509	292,883
Payroll taxes	55,587	42,224	8,149	21,642	127,602	19,548	6,174	9,933	35,655	163,257
Assistance to individuals	1,500	26,951	75,692	85,070	189,213	734	-	-	734	189,947
Conferences and meetings	6,139	18,814	6,547	11,557	43,057	1,607	1,776	1,757	5,140	48,197
Depreciation	43,738	32,817	6,400	16,956	99,911	15,386	4,805	12,030	32,221	132,132
Information technology	22,473	16,979	3,692	31,414	74,558	7,918	2,404	4,945	15,267	89,825
Interest	10,688	8,040	1,562	4,140	24,430	3,754	1,170	4,734	9,658	34,088
Local transportation	261	34,101	23,836	2,533	60,731	1,596	6	598	2,200	62,931
Miscellaneous	5,642	12,693	2,801	3,290	24,426	5,624	4,473	577	10,674	35,100
Occupancy costs	58,078	56,318	15,840	17,600	147,836	14,080	10,560	3,520	28,160	175,996
Postage and shipping	1,652	2,059	355	664	4,730	573	642	293	1,508	6,238
Print and publications	6,938	6,455	1,859	2,844	18,096	2,428	4,224	1,246	7,898	25,994
Professional fees and contracted services	30,801	54,787	13,195	21,251	120,034	12,719	3,160	5,150	21,029	141,063
Supplies	106,555	107,063	5,074	12,178	230,870	7,611	10,148	5,074	22,833	253,703
Telephone	4,462	3,303	653	1,726	10,144	1,560	487	803	2,850	12,994
Total expenses included on the statement of activities	<u>1,203,233</u>	<u>1,031,131</u>	<u>292,193</u>	<u>545,679</u>	<u>3,072,236</u>	<u>435,602</u>	<u>150,164</u>	<u>189,334</u>	<u>775,100</u>	<u>3,847,336</u>
Special event expenses										<u>50,072</u>
Total Expenses										<u>\$ 3,897,408</u>

See accompanying notes to financial statements



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

	Program Services					Supporting Services				
	Day Care	Youth Social Development	Elderly Services	Core Social Services	Total Program Services	Management and General	Fundraising	Volunteers	Total Supporting Services	Total
Salaries	\$ 756,628	\$ 537,605	\$ 99,556	\$ 199,113	\$ 1,592,902	\$ 219,024	\$ 62,291	\$ 116,911	\$ 398,226	\$ 1,991,128
Employee benefits	105,297	43,874	17,550	23,400	190,121	78,973	10,849	12,551	102,373	292,494
Payroll taxes	57,025	43,826	10,574	25,839	137,264	3,460	6,832	1,794	12,086	149,350
Assistance to individuals	1,156	75	58,330	65,557	125,118	566	-	-	566	125,684
Conferences and meetings	6,798	8,451	8,636	15,499	39,384	2,506	1,650	2,094	6,250	45,634
Depreciation	44,353	27,887	6,541	15,690	94,471	15,257	4,977	11,415	31,649	126,120
Information technology	22,472	14,291	4,200	29,340	70,303	7,674	911	6,912	15,497	85,800
Interest	13,871	8,748	2,031	4,882	29,532	4,732	1,535	6,905	13,172	42,704
Local transportation	272	26,938	23,661	1,237	52,108	541	38	1,750	2,329	54,437
Miscellaneous	4,159	7,156	770	7,058	19,143	10,911	3,615	-	14,526	33,669
Occupancy costs	57,975	56,218	15,811	17,568	147,572	14,055	2,152	11,903	28,110	175,682
Postage and shipping	1,441	1,699	400	503	4,043	496	2,111	233	2,840	6,883
Print and publications	6,480	7,364	1,265	2,499	17,608	2,203	1,166	1,059	4,428	22,036
Professional fees and contracted services	30,212	36,867	8,668	19,876	95,623	12,064	3,169	4,462	19,695	115,318
Supplies	113,641	114,182	5,411	12,988	246,222	8,117	10,939	5,295	24,351	270,573
Telephone	4,960	3,124	733	1,756	10,573	1,711	558	806	3,075	13,648
Total expenses included on the statement of activities	<u>1,226,740</u>	<u>938,305</u>	<u>264,137</u>	<u>442,805</u>	<u>2,871,987</u>	<u>382,290</u>	<u>112,793</u>	<u>184,090</u>	<u>679,173</u>	<u>3,551,160</u>
Special event expenses										<u>46,949</u>
Total Expenses										<u>\$ 3,598,109</u>

See accompanying notes to financial statements

Kingdom House  
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 21,791	\$ 198,601
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	132,132	126,120
Net unrealized and realized losses (gains)	21,690	( 32,850)
(Increase) decrease in assets:		
Accounts receivable	( 348,910)	95,905
United Way receivable	14,244	35,694
Pledges - capital campaign, net of discount	8,334	( 20,923)
Prepaid expenses	704	38,439
Increase (decrease) in liabilities:		
Accounts payable	50,533	( 88,500)
Accrued expenses	30,974	( 9,803)
Custodial funds	( 10,442)	( 7,460)
Net Change in Cash from Operating Activities	( 78,950)	335,223
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	( 80,145)	( 68,119)
Proceeds from sale of investments	18,098	21,772
Purchases of investments	( 83,421)	( 67,981)
Net Change in Cash from Investing Activities	( 145,468)	( 114,328)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings (payments) on line of credit	124,600	( 45,000)
Payments on long-term debt	( 20,876)	( 57,938)
Net Change in Cash from Financing Activities	103,724	( 102,938)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	( 120,694)	117,957
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	180,049	62,092
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 59,355</u>	<u>\$ 180,049</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	<u>\$ 34,088</u>	<u>\$ 42,704</u>

See accompanying notes to financial statements

Kingdom House  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

**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. In June 2019, Kingdom House will begin operating under the business name LifeWise StL.

**Change in Accounting Principle**

In August 2016, the Financial Accounting Standard Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization has applied the changes retrospectively to all periods presented. The new standard changes the following aspects of the financial statements:

- Unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note N)
- Investment expenses are included in net investment return.

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

**Net Assets without Donor Restrictions**

Net assets available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Kingdom House  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017  
(Continued)

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

**Net Assets with Donor Restrictions**

Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that such assets be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**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, 2018 and 2017.

**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 investment return is reported in the Statements of Activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

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.

**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

Kingdom House  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017  
(Continued)

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

**Property and Equipment** (Continued)

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.

**Functional Expenses**

The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain expenses have been allocated among the programs and supporting services benefited based on employees time and effort.

**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.

**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 net assets with donor restriction. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restriction and reported in the Statements of Activities as net assets released from restrictions.

Kingdom House  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017  
(Continued)

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

**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, 2018 and 2017.

**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 \$5,242 and \$7,829 for the years ended December 31, 2018 and 2017, 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 2015 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 to the presentation in the current year financial statements.

**Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 25, 2019, the date the financial statements were available to be issued.

Kingdom House  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017  
(Continued)

**B. PLEDGES – CAPITAL CAMPAIGN**

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

	2018	2017
Receivable in less than one year	\$30,263	\$29,345
Receivable in one to five years	10,000	20,000
Less: discount (2.6%) to net present value	( 1,204)	( 1,952)
Total Pledges – Capital Campaign, net	<u>\$39,059</u>	<u>\$47,393</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. Currently the pools are invested in various mutual funds which are diversified over many investment strategies.

Investments for the year ended December 31, 2018 are as follows:

	Cost	Fair Value	Unrealized Appreciation
Pooled Balanced Investment Fund			
The Hough Fund	\$ 933	\$ 2,973	\$ 2,040
Howard May Endowment Fund	93,344	113,824	20,480
Lions Club Endowment Fund	24,876	26,949	2,073
Salem-in-Ladue Endowment Fund	195,387	198,942	3,555
Kingdom House Endowment Fund	23,504	25,036	1,532
Total Investments	<u>\$338,044</u>	<u>\$367,724</u>	<u>\$29,680</u>

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. For the year ended December 31, 2018, \$80,000 was paid back into the Salem-in-Ladue Endowment Fund. The Organization expects to repay the remaining borrowings when funds become available.

Investment return for the year ended December 31, 2018 is summarized as follows:

Investment income	\$ 3,540
Net unrealized and realized (losses)	(21,690)
Total Investment (Losses)	<u>(\$18,150)</u>



Kingdom House  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017  
(Continued)

C. **INVESTMENTS** (Continued)

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	<u>\$292,249</u>	<u>\$324,091</u>	<u>\$31,842</u>

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	<u>\$35,867</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, 2018</u>				
Pooled balanced investment fund	<u>\$367,724</u>	<u>\$ -</u>	<u>\$367,724</u>	<u>\$ -</u>
Total	<u>\$367,724</u>	<u>\$ -</u>	<u>\$367,724</u>	<u>\$ -</u>



Kingdom House  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017  
(Continued)

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

	<u>Fair Value Measurements at Reporting Date Using:</u>			
	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	\$ -

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. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>December 31,</u>	
	2018	2017
Land	\$ 157,936	\$ 157,936
Buildings and improvements	2,335,014	2,306,233
Machinery and equipment	489,252	454,188
	2,982,202	2,918,357
Less: accumulated depreciation	1,499,509	1,383,677
Total Property and Equipment, net of accumulated depreciation	<u>\$1,482,693</u>	<u>\$1,534,680</u>

Depreciation expense at December 31, 2018 and 2017 were \$132,132 and \$126,120, respectively.

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**F. 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, 2019. Interest is payable at the prime rate 4.50%. The outstanding balance at December 31, 2018 was \$124,600. There was no balance at December 31, 2017.

**G. LONG-TERM DEBT**

The Organization has a 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.

The aggregate maturities of long-term debt as of December 31, 2018 are:

<u>Year</u>	<u>Amount</u>
2019	\$ 23,337
2020	22,866
2021	23,917
2022	<u>561,862</u>
	<u>\$631,982</u>

Total interest expense from all sources for the years ended December 31, 2018 and 2017, was \$34,088 and \$42,704, respectively.

**H. 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.

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

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 donor-restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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 perpetual 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 restricted contributions. There were no deficiencies at December 31, 2018 and 2017.

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(Continued)

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

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	Without Donor Restriction	With Donor Restriction	Total Endowment Net Assets
Donor-restricted perpetual endowment funds	\$ -	\$ 240,687	\$ 240,687
Board designated endowment funds	238,213	-	238,213
Endowment net assets, end of year	<u>\$ 238,213</u>	<u>\$ 240,687</u>	<u>\$ 478,900</u>

Changes in endowment net assets as of December 31, 2018 are as follows:

	Without Donor Restriction	With Donor Restriction	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 257,891	\$ 243,845	\$ 501,736
Investment income, net of fees	3,104	317	3,421
Net realized and unrealized losses	( 19,665)	( 2,025)	( 21,690)
Amounts appropriated for expenditure	( 3,117)	( 1,450)	( 4,567)
Endowment net assets, end of year	<u>\$ 238,213</u>	<u>\$ 240,687</u>	<u>\$ 478,900</u>

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

	Without Donor Restriction	With Donor Restriction	Total Endowment Net Assets
Donor-restricted perpetual endowment funds	\$ -	\$ 243,845	\$ 243,845
Board designated endowment funds	257,891	-	257,891
Endowment net assets, end of year	<u>\$ 257,891</u>	<u>\$ 243,845</u>	<u>\$ 501,736</u>

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NOTES TO FINANCIAL STATEMENTS  
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(Continued)

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

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

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 255,423	\$ 241,441	\$ 496,864
Investment income, net of fees	2,669	310	2,979
Net realized and unrealized gains	29,321	3,529	32,850
Amounts appropriated for expenditure	( 29,522)	( 1,435)	( 30,957)
Endowment net assets, end of year	<u>\$ 257,891</u>	<u>\$ 243,845</u>	<u>\$ 501,736</u>

**I. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods.

	2018	2017
Subject to expenditure for a specific purpose:		
Campaign pledges	\$ 39,059	\$ 42,048
Other Programs	<u>200,000</u>	<u>85,600</u>
	<u>239,059</u>	<u>127,648</u>
Subject to passage of time		
United Way	551,508	565,752
Other Programs	<u>174,781</u>	<u>-</u>
	<u>726,289</u>	<u>565,752</u>
Subject to the Organization's spending policy and appropriation:		
Original donor-restricted gift amount and amount required to be maintained by donor	232,359	232,359
Accumulated Gain	<u>8,328</u>	<u>11,486</u>
	<u>240,687</u>	<u>243,845</u>
	<u>\$ 1,206,035</u>	<u>\$ 937,245</u>

Kingdom House  
NOTES TO FINANCIAL STATEMENTS  
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**I. NET ASSETS WITH DONOR RESTRICTIONS** (Continued)

Net assets with donor restriction are reclassified to net assets without donor restrictions when the time restriction expires or the funds are utilized for the restricted purpose.

Net assets with donor restrictions that are perpetual in nature consist of endowment contributions to be held in perpetuity, the income from which is restricted to the Organization's operating expenses.

Net assets with donor restrictions that are perpetual in nature consist of endowment Net Assets with donor restrictions 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.

**J. NET ASSETS RELEASED FROM DONOR RESTRICTION**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31:

	2018	2017
Purpose restrictions accomplished		
Campaign Pledges	\$ 28,289	\$ 19,122
Other programs	404,750	302,651
Time restrictions expired		
United Way	565,752	601,446
Total Net Assets Released from Restrictions	<u>\$998,791</u>	<u>\$923,219</u>

**K. BOARD DESIGNATED NET ASSETS**

Board designated net assets consist of without donor restricted 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.

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**L. 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.

**M. 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 2018 and 2017 were \$39,727 and \$46,588, respectively.

**N. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization regularly monitors liquidity required to meet its operating needs. The Organization receives contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization maintains financial assets, consisting of cash and investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various investments. In addition, the Organization maintains a board-designated endowment that allows for annual spending of income and appreciation generated from donor-restricted perpetual endowment funds.

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N. **LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS** (Continued)

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2018	2017
Cash and cash equivalents	\$ 59,355	\$ 180,049
Accounts and other receivables	1,190,615	855,031
Investments	367,724	324,091
	<u>1,617,694</u>	<u>1,359,171</u>
Total financial assets		
Less amounts not available to be used within one year:		
Board designated for endowment	238,213	257,891
Donor restricted perpetual endowment	240,687	243,845
	<u>478,900</u>	<u>501,736</u>
Total financial assets not available to be used within one year		
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,138,794</u>	<u>\$ 857,435</u>

As more fully described in Note F, the Organization also has a committed line of credit in the amount of \$125,000 which it could draw upon in the event of an unanticipated liquidity need.

In addition, although the Organization does not intend to spend from its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation, amounts from its board designated-endowment could be made available if necessary.