

KINGSLEY HOUSE, INC. AND AFFILIATES

FINANCIAL REPORT

For the Years Ended June 30, 2015 and 2014



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KINGSLEY HOUSE, INC. AND AFFILIATES
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kingsley House, Inc. and Affiliates
New Orleans, Louisiana

We have audited the accompanying combined financial statements of Kingsley House, Inc. and Affiliates (the Organization), a nonprofit organization, which comprises the combined statement of financial position as of June 30, 2015, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Kingsley House, Inc. and Affiliates as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements and summarized comparative information of Kingsley House, Inc. and Affiliates as of and for the year ended June 30, 2014 were audited by other auditors whose report dated December 29, 2014, expressed an unmodified opinion on those statements.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of support, revenues, and expenses in accordance with United Way requirements (unaudited) on page 28 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, although not a part of the basic financial statements, is required by United Way, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head on page 27, as required by LA R.S. 24:513; and the schedule of expenditures of federal awards on page 33, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of Kingsley House, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kingsley House, Inc. and Affiliates' internal control over financial reporting and compliance.

Cary Riggs & Ingram, L.L.C.

December 23, 2015

FINANCIAL STATEMENTS

KINGSLEY HOUSE, INC. AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015	2014
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 897,581	\$ -	\$ -	\$ 897,581	\$ 43,172
Investments	1,123,892	-	-	1,123,892	1,325,806
Due to (from)	(1,594,173)	1,579,754	14,419	-	-
Promises to give	369,942	315,177	-	685,119	867,625
Accounts receivable					
Government contracts	312,581	-	-	312,581	575,541
Other	445,254	-	-	445,254	397,313
Prepaid expenses	198,128	56,261	-	254,389	165,259
Total Current Assets	1,753,205	1,951,192	14,419	3,718,816	3,374,716
NON-CURRENT ASSETS					
Cash held for acquisition of property and donor restricted purposes	-	5,068,608	-	5,068,608	69,243
Long-term investments	-	-	280,032	280,032	270,429
Note receivable	5,348,000	-	-	5,348,000	-
Property, plant, and equipment, net	724,364	6,846,401	-	7,570,765	5,561,296
Total Non-Current Assets	6,072,364	11,915,009	280,032	18,267,405	5,900,968
TOTAL ASSETS	\$ 7,825,569	\$ 13,866,201	\$ 294,451	\$ 21,986,221	\$ 9,275,684
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 832,255	\$ 1,049,265	\$ -	\$ 1,881,520	\$ 792,835
Lines of credit	640,649	-	-	640,649	423,254
Current portion of long-term debt	4,345,250	50,000	-	4,395,250	50,000
Total Current Liabilities	5,818,154	1,099,265	-	6,917,419	1,266,089
LONG-TERM LIABILITIES					
Long-term debt, less current portion	-	8,205,000	-	8,205,000	450,000
Total Long-Term Liabilities	-	8,205,000	-	8,205,000	450,000
Total Liabilities	5,818,154	9,304,265	-	15,122,419	1,716,089
NET ASSETS					
Unrestricted					
Undesignated	879,897	-	-	879,897	1,486,180
Board designated	1,127,518	-	-	1,127,518	1,252,067
Total Unrestricted	2,007,415	-	-	2,007,415	2,738,247
Temporarily restricted	-	4,561,936	-	4,561,936	4,536,500
Permanently restricted	-	-	294,451	294,451	284,848
Total Net Assets	2,007,415	4,561,936	294,451	6,863,802	7,559,595
TOTAL LIABILITIES AND NET ASSETS	\$ 7,825,569	\$ 13,866,201	\$ 294,451	\$ 21,986,221	\$ 9,275,684

The accompanying notes are an integral part of these combined financial statements.

KINGSLEY HOUSE, INC. AND AFFILIATES COMBINED STATEMENT OF ACTIVITIES

<i>For the Year Ended June 30, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Federal and state contracts	\$ 5,293,041	\$ (47,674)	\$ -	\$ 5,245,367
Foundation and corporate contracts	1,901,242	48,128	-	1,949,370
United Way	25,450	-	-	25,450
United Way funding for next year	-	315,177	-	315,177
Contributions	629,321	-	-	629,321
Donated services	1,018,500	-	-	1,018,500
Investment income	24,620	-	13,109	37,729
Program fees	227,817	-	-	227,817
Other income	115,657	6,900	(3,506)	119,051
Transfers	(302,496)	302,496	-	-
Net assets released from restrictions				
United Way	269,958	(269,958)	-	-
Restrictions satisfied by payments	329,633	(329,633)	-	-
Total Revenues and Support	9,532,743	25,436	9,603	9,567,782
EXPENSES				
Program services				
Pre-school Day Care	4,207,694	-	-	4,207,694
Early Head Start	2,091,747	-	-	2,091,747
Adult Day Health Care	863,284	-	-	863,284
Family Life Services	205,806	-	-	205,806
Participants Meal Program	550,409	-	-	550,409
Community and Supportive Services	185,739	-	-	185,739
School Age Day Care Center	323,710	-	-	323,710
Resettlement and Recovery Services	191,233	-	-	191,233
Supporting services				
Management and General	1,310,303	-	-	1,310,303
Fundraising	333,650	-	-	333,650
Total Expenses	10,263,575	-	-	10,263,575
CHANGES IN NET ASSETS	(730,832)	25,436	9,603	(695,793)
NET ASSETS - BEGINNING OF YEAR	2,738,247	4,536,500	284,848	7,559,595
NET ASSETS - END OF YEAR	\$ 2,007,415	\$ 4,561,936	\$ 294,451	\$ 6,863,802

The accompanying notes are an integral part of this combined financial statement.

KINGSLEY HOUSE, INC. AND AFFILIATES COMBINED STATEMENT OF ACTIVITIES

<i>For the Year Ended June 30, 2014</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Federal and state contracts	\$ 5,357,013	\$ 52,874	\$ -	\$ 5,409,887
Foundation and corporate contracts	1,568,598	(60,841)	-	1,507,757
United Way	56,841	-	-	56,841
United Way funding for next year	-	269,958	-	269,958
Contributions	448,099	1,527,143	-	1,975,242
Donated services	758,925	-	-	758,925
Investment income	191,280	-	35,714	226,994
Program fees	197,965	-	-	197,965
Other income	139,468	8	-	139,476
Transfers	309,496	(306,143)	(3,353)	-
Net assets released from restrictions				
United Way	319,364	(319,364)	-	-
Restrictions satisfied by payments	613,741	(613,741)	-	-
Total Revenues and Support	9,960,790	549,894	32,361	10,543,045
EXPENSES				
Program services				
Pre-school Day Care	3,887,081	-	-	3,887,081
Early Head Start	1,666,606	-	-	1,666,606
Adult Day Health Care	807,045	-	-	807,045
Family Life Services	414,597	-	-	414,597
Participants Meal Program	444,253	-	-	444,253
Community and Supportive Services	165,080	-	-	165,080
School Age Day Care Center	325,140	-	-	325,140
Resettlement and Recovery Services	262,464	-	-	262,464
Supporting services				
Management and General	1,310,215	-	-	1,310,215
Fundraising	463,616	-	-	463,616
Total Expenses	9,746,097	-	-	9,746,097
CHANGES IN NET ASSETS	214,693	549,894	32,361	796,948
NET ASSETS - BEGINNING OF YEAR	2,523,554	3,986,606	252,487	6,762,647
NET ASSETS - END OF YEAR	\$ 2,738,247	\$ 4,536,500	\$ 284,848	\$ 7,559,595

The accompanying notes are an integral part of this combined financial statement.

KINGSLEY HOUSE, INC. AND AFFILIATES COMBINED STATEMENT OF FUNCTIONAL EXPENSES

	Program Services								Supporting Services		Total	
	Pre-School Day Care	School Age Day Care	Adult Day Health Care	Family Life Services	Early Head Start	Resettlement & Recovery Services	Community & Supportive Services	Participants Meal Program	Total Program Services	Management and General		Fundraising
For the Year Ended June 30, 2015												
Personnel	\$ 2,547,163	\$ 175,445	\$ 438,546	\$ 117,461	\$ 1,335,062	\$ 83,634	\$ 90,686	\$ 54,558	\$ 4,842,555	\$ 699,300	\$ 217,205	\$ 5,759,060
Employee benefits												
Health insurance	215,814	5,037	55,461	18,103	130,648	8,980	10,751	1,974	446,768	65,234	17,182	529,184
Retirement	39,553	1,347	12,023	617	31,139	4,789	2,755	2,455	94,678	17,678	7,609	119,965
Other	25,912	743	5,736	1,374	14,691	1,038	1,183	700	51,377	11,695	2,821	65,893
Payroll taxes	281,897	15,705	36,293	3,926	133,191	12,198	6,996	4,976	495,182	53,694	15,817	564,693
Total Personnel and Related Expenses	3,110,339	198,277	548,059	141,481	1,644,731	110,639	112,371	64,663	5,930,560	847,601	260,634	7,038,795
Conferences, conventions, and meetings	8,604	-	1,205	-	4,189	695	739	-	15,432	10,728	764	26,924
Food	12,899	209	3,310	132	8,320	719	-	428,996	454,585	3,830	238	458,653
General insurance	69,485	5,026	17,741	(1,326)	35,088	4,026	4,814	1,210	136,064	11,026	4,587	151,677
Membership dues	5,027	148	380	-	1,696	1,245	123	-	8,619	5,512	250	14,381
Occupancy												
Utilities	94,118	8,784	20,006	(2,095)	46,818	3,229	2,818	405	174,083	22,406	817	197,306
Rent	-	-	-	-	-	34,675	800	-	35,475	-	-	35,475
Repair and maintenance	84,561	3,531	8,631	4,166	43,208	17	209	5,493	149,816	13,983	1,556	165,355
Waste pick-up	8,375	309	670	-	3,983	1,341	27	2,103	16,808	877	99	17,784
Security	-	-	-	-	-	-	-	-	-	-	-	-
Building insurance	56,100	4,688	11,985	5,369	30,548	601	3,000	-	112,291	17,208	703	130,202
Professional services	180,381	2,934	29,124	8,357	28,286	16,318	8,796	23,521	297,717	124,969	14,258	436,944
Office expense	407,243	19,233	40,294	4,675	194,455	11,744	24,401	23,448	725,493	129,927	43,522	898,942
Information technology	7,399	851	1,779	37	2,097	1,962	1,279	529	15,933	5,358	1,360	22,651
Travel	22,091	40	78,366	43	13,106	2,344	1,923	18	117,931	4,681	2,264	124,876
Specific assistance to individuals	647	-	-	-	-	-	19,969	-	20,616	-	-	20,616
Field trips	13,126	7,458	-	-	962	-	-	-	21,546	-	-	21,546
Bad debt expense	-	-	19,825	29,331	-	-	-	-	49,156	28,712	-	77,868
Other expenses	14,845	391	605	37	11,805	1,678	3,771	23	33,155	4,695	1,995	39,845
Total Expense Before Depreciation	4,095,240	251,879	781,980	190,207	2,069,292	191,233	185,040	550,409	8,315,280	1,231,513	333,047	9,879,840
Depreciation	112,454	71,831	81,304	15,599	22,455	-	699	-	304,342	78,790	603	383,735
Total Expenses	\$ 4,207,694	\$ 323,710	\$ 863,284	\$ 205,806	\$ 2,091,747	\$ 191,233	\$ 185,739	\$ 550,409	\$ 8,619,622	\$ 1,310,303	\$ 333,650	\$ 10,263,575

The accompanying notes are an integral part of this combined financial statement.

KINGSLEY HOUSE, INC. AND AFFILIATES COMBINED STATEMENT OF FUNCTIONAL EXPENSES

	Program Services								Supporting Services			Total
	Pre-School Day Care	School Age Day Care	Adult Day Health Care	Family Life Services	Early Head Start	Resettlement & Recovery Services	Community & Supportive Services	Participants Meal Program	Total Program Services	Management and General	Fundraising	
For the Year Ended June 30, 2014												
Personnel	\$ 2,362,552	\$ 175,960	\$ 424,936	\$ 227,604	\$ 1,041,941	\$ 153,727	\$ 99,846	\$ 43,546	\$ 4,530,112	\$ 693,613	\$ 220,959	\$ 5,444,684
Employee benefits												
Health insurance	207,704	5,169	41,363	25,351	110,934	15,565	11,221	360	417,667	66,357	21,803	505,827
Retirement	35,370	1,269	14,220	4,771	24,226	5,261	3,562	578	89,257	15,954	7,109	112,320
Other	23,483	447	4,521	2,665	11,247	1,664	1,242	678	45,947	8,173	1,423	55,543
Payroll taxes	259,762	16,600	34,974	18,338	100,925	11,990	6,017	4,224	452,830	53,433	18,747	525,010
Total Personnel and Related Expenses	2,888,871	199,445	520,014	278,729	1,289,273	188,207	121,888	49,386	5,535,813	837,530	270,041	6,643,384
Conferences, conventions, and meetings	16,172	-	559	675	6,080	222	1,000	-	24,708	2,217	1,630	28,555
Food	7,709	-	3,084	753	1,080	547	65	333,320	346,558	3,108	-	349,666
General insurance	63,084	4,750	15,783	8,669	22,302	4,981	4,846	801	125,216	14,938	2,778	142,932
Membership dues	3,085	38	1,275	149	1,124	861	42	-	6,574	3,028	292	9,894
Occupancy												
Utilities	97,374	10,358	21,331	9,016	43,161	3,064	3,262	137	187,703	21,812	709	210,224
Rent	8,746	-	-	5,900	-	30,937	-	-	45,583	-	-	45,583
Repair and maintenance	75,790	10,895	11,122	8,812	55,554	2,749	808	5,078	170,808	86,383	(8,211)	248,980
Waste pick-up	7,061	781	1,015	681	3,999	255	79	2,101	15,972	1,023	160	17,155
Security	-	-	-	-	-	-	-	-	-	-	-	-
Building insurance	40,969	2,804	10,408	6,601	21,314	3,994	2,378	-	88,468	12,734	701	101,903
Professional services	127,919	1,674	28,856	7,520	19,669	1,612	2,960	19,340	209,550	115,582	144,344	469,476
Office expense	384,091	11,108	31,828	11,503	163,233	9,309	10,067	33,356	654,495	105,935	31,015	791,445
Information technology	25,175	1,407	3,309	1,549	5,057	883	1,137	706	39,223	15,767	2,043	57,033
Travel	18,853	156	75,835	14,944	8,596	4,267	449	28	123,128	5,895	8,725	137,748
Specific assistance to individuals	1,715	-	-	-	262	-	14,875	-	16,852	-	-	16,852
Field trips	9,370	9,410	-	-	180	-	464	-	19,424	-	-	19,424
Bad debt expense	-	-	-	42,007	-	-	-	-	42,007	-	-	42,007
Other expenses	6,056	501	204	224	996	1	1	-	7,983	6,188	7,531	21,702
Total Expense Before Depreciation	3,782,040	253,327	724,623	397,732	1,641,880	251,889	164,321	444,253	7,660,065	1,232,140	461,758	9,353,963
Depreciation	105,041	71,813	82,422	16,865	24,726	10,575	759	-	312,201	78,075	1,858	392,134
Total Expenses	\$ 3,887,081	\$ 325,140	\$ 807,045	\$ 414,597	\$ 1,666,606	\$ 262,464	\$ 165,080	\$ 444,253	\$ 7,972,266	\$ 1,310,215	\$ 463,616	\$ 9,746,097

The accompanying notes are an integral part of this combined financial statement.

KINGSLEY HOUSE, INC. AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS

<i>For the Years Ended December 31,</i>	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (695,793)	\$ 796,948
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	383,735	392,134
Unrealized (loss) gain on investments - net	74,929	(118,916)
Realized gain on investments - net	(82,571)	(69,157)
Change in operating assets and liabilities:		
Promises to give	182,506	(548,261)
Accounts receivable	215,019	(266,162)
Prepaid expenses	(89,130)	(28,167)
Accounts payable	1,088,685	368,281
Net cash provided by operating activities	1,077,380	526,700
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of long-term investments	(9,603)	(32,362)
Purchases of investments	(27,799)	(151,811)
Note receivable	(5,348,000)	-
Proceeds from sales of investments	237,355	520,068
Purchases of land, buildings and equipment	(2,393,204)	(1,476,236)
Net cash used in investing activities	(7,541,251)	(1,140,341)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from acquisition of long-term debt	12,150,250	500,000
Repayments of long-term debt	(50,000)	-
Repayments of line of credit	(429,654)	(2,115,803)
Borrowings under line of credit	647,049	2,230,057
Net change in cash held for acquisition of property	(4,999,365)	(66,535)
Net cash provided by financing activities	7,318,280	547,719
NET CHANGE IN CASH AND CASH EQUIVALENTS	854,409	(65,922)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	43,172	109,094
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 897,581	\$ 43,172
SUPPLEMENTAL DISCLOSURE FOR STATEMENTS OF CASH FLOWS		
Cash paid for interest	\$ 68,495	\$ 12,835

The accompanying notes are an integral part of these combined financial statements.

KINGSLEY HOUSE, INC. AND AFFILIATES NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Kingsley House, Inc. and Affiliates (the Organization) is a not-for-profit corporation which is a United Way agency serving Southeast Louisiana. The Organization obtains funds from state and federal governmental grants and private donor contributions.

Kingsley House Foundation, Inc. (the Foundation) is a Louisiana not-for-profit entity which was organized on May 28, 2013 for the purpose of serving as the fund-raising arm to Kingsley House, Inc. The Foundation is considered a supporting organization under IRC 509(a)(3). The Foundation is governed by a board of directors with at least 60% of the board being comprised of Kingsley House, Inc. board members.

1542 Constance Street, LLC was formed on August 6, 2013 as a not-for-profit corporation for the purpose of building the Patrick F. Taylor campus (the Project) located at municipal address 901 Richard Street, directly across from the Organization's main campus. The Organization serves as the sole member of this entity and is responsible for its management. During the fiscal year ended June 30, 2014, the Organization acquired 4.2 acres of land adjacent to the Organization's main campus upon which it is constructing a 24,000 square foot facility at an estimated project cost, inclusive of the land acquisition, of approximately \$12.5 million to serve more than 200 infants, toddlers, seniors, and medically fragile adults.

On January 23, 2015, 1542 Constance Street, LLC was changed to a corporation, 1542 Constance Street, Inc., for the purpose of securing New Markets Tax Credits (NMTCs) (Note 8) related to the construction of a new facility to serve the community.

In anticipation of the Project, the Organization formed the Foundation discussed above. The Foundation began a 2013 Capital Campaign to fund, in part, the Project and also to provide for ongoing operational and maintenance costs of the Project and the Organization's main campus. This Capital Campaign will continue into 2016. The financing for the Project is a mixture of New Markets Tax Credits, a state Office of Community Development Project-Based Recovery Opportunity Program (PROP) Loan, and a grant from Kingsley House. Construction began in 2015 and is expected to be completed by April of 2016. This is presented as temporarily restricted in the combined statements of financial position.

Programs provided by the Organization are as follows:

- Pre-School Day Care – A state licensed Head Start center is provided for 258 children.

KINGSLEY HOUSE, INC. AND AFFILIATES NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Early Head Start – A state licensed Early Head Start center for 108 children. For the first time in the Organization’s history, the Organization has become an Early Head Start/Child Care Partnership Start grantee. Through a competitive grant process, in December of 2014 the Organization was selected as one of four grantees in the state of Louisiana. This establishes the Organization as a grantee for over 200 infant and toddler slots amongst 9 child care partners. In addition, in July of 2015, the Organization was selected as one of three Head Start/Early Head Start grantees in the New Orleans Area. The combined grants will allow the Organization to operate the most diverse delivery model in the State of Louisiana.
- Adult Day Health Care – The Organization operates an adult day health care program for 84 elderly or disabled adults and a senior center for persons over 60 years old.
- Family Life Services – Intensive at-home counseling services are provided to families in crisis and at-risk of having their children removed from the home.
- Participant Meals Program – The Organization operates two full kitchens to prepare and serve breakfast, lunch, and snacks to participants in the Pre-School Day Care, Early Head Start, School Age Day Care and Adult Day Health Care programs.
- Community and Supportive Services – The Organization provides intensive case management services for former St. Bernard Housing Development residents as they resettle in a redeveloped mixed income community. On June 1, 2015, the Organization entered into a grant with the Safe Exchange Program and the City of New Orleans to provide services for domestic violence, child abuse, and sexual harassment.
- School Age Day Care – The Organization operates an after school program for elementary children as well as a full day summer camp.
- Resettlement and Recovery Services – Following Hurricane Katrina, the Organization developed a program to help families recover from the effects of Hurricane Katrina by providing intense in-home counseling and conducting outreach activities designed to respond to medical and nutritional needs of individuals and families.

Basis of Accounting

The combined financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization follows the guidance of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

KINGSLEY HOUSE, INC. AND AFFILIATES NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

Unrestricted net assets – Net assets which are free of donor imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily restricted net assets – Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or that can be fulfilled or removed by actions of the Organization pursuant to such stipulations.

Permanently restricted net assets – Net assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled and removed by actions of the Organization.

Use of Estimates

The preparation of the Organization's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and acquisitions from time to time and to designate certain amounts to ensure adequate financing of such improvements and acquisitions.

Compensated Absences

Employees of the Organization are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences were \$216,826 and \$212,263, as of June 30, 2015 and 2014, respectively.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization uses the allowance method to determine uncollectible unconditional promises to give receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated Services

The Organization recognizes the fair value of donated services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not donated. The programs for which the donated services were used are reflected in the schedules below.

The Organization has recorded \$1,018,500 and \$758,925 in the Pre-School Day Care and Early Head Start programs for donated services for the year ended June 30, 2015 and 2014, respectively. These services include:

	2015	2014
Wages	\$ 689,248	\$ 496,236
Benefits	156,874	115,499
Professional Services	39,719	37,152
Supplies	119,676	107,584
Travel	7,168	692
Occupancy	5,815	1,4992
	<u>\$ 1,018,500</u>	<u>\$ 758,925</u>

The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, but which do not meet the criteria for financial statement recognition. The Organization received 11,059 and 12,051 volunteer hours for the years ended June 30, 2015 and 2014, respectively.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair market values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions over the useful life of the donated asset. The Organization reclassifies temporarily restricted net assets to unrestricted net assets over such useful life.

KINGSLEY HOUSE, INC. AND AFFILIATES NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

Expenses are charged to each program directly when the charge is identified to the program. Program expenditures which cannot be directly identified to a program are allocated based on square footage, usage statistics, employees, and ratio of program expenses to total expenses as appropriate. Supporting services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Expenses are allocated among the various program services and general and administrative categories based on actual use or management's best estimate in the combined statements of functional expenses.

Income Taxes

The Organization is a not-for-profit corporation that is exempt from both federal and Louisiana income taxes under Internal Revenue Code Section 501(c)(3) for Kingsley House, Inc. and 509(a)(3) for Kingsley House Foundation, Inc. and R.S. 12:201 of Louisiana statutes. In addition, the Organization qualifies for the charitable contribution deduction under Section 190(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Management has evaluated its tax positions and has determined that there are no uncertainties in income taxes that require adjustments to or disclosures in the financial statements.

Cash and Cash Equivalents

For purposes of the combined statements of cash flows, the Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents including bank repurchase agreements.

Accounts Receivable

All accounts receivable at June 30, 2015 and 2014 are considered collectible by management; accordingly, an allowance for doubtful accounts is not presented. Balances that are still outstanding after management has used reasonable collection efforts are written off. The organization incurred bad debt expense of \$77,868 and \$42,007 for the years ended June 30, 2015 and 2014, respectively.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As of June 30, 2015 and 2014, accounts receivable – unconditional promises to give consisted of:

	<u>2015</u>	<u>2014</u>
United Way	\$ 315,177	\$ 269,958
Donors	369,942	597,667
	<u>\$ 685,119</u>	<u>\$ 867,625</u>

Investment Securities

Standards for accounting for investment securities are contained in FASB ASC 958-320, *Investments-Debt and Equity Securities*. The Organization is required to report investments with readily determinable fair values and all investments in debt securities at fair value. Gains and losses, both realized and unrealized, interest, and dividends are included in the combined statements of activities. Investments received as gifts are recorded at the fair value at the date of the gift.

Fair Value Measurement

The Organization follows FASB ASC 820-10, *Fair Value Measurements and Disclosures*, which provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

- Level 1 – Inputs to the valuation methodology that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date;
- Level 2 – Inputs to the valuation method other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in the markets that are not considered to be active;
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant, and Equipment

Property, plant, and equipment are recorded and carried at cost. All expenditures for land, buildings, and equipment and the fair value of donated land, buildings, and equipment in excess of \$5,000 are capitalized, except expenditures from federal and other awards, which have different capitalization thresholds. Additionally, the Organization does not capitalize property purchased with resources from grants that specify that the title remains with or reverts to the grantor. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives range from five to twenty-five years.

Reclassification

Certain of the amounts previously reported in the combined financial statements for the prior year have been reclassified to conform with the current year classifications.

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts at various financial institutions, which, at times, may exceed federally insured limits. As of June 30, 2015 and 2014, the balance exceeded the FDIC insured limit by \$5,285,591 and \$0, respectively. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk to cash.

NOTE 3 – NONCURRENT ASSETS

As of June 30, 2015 and 2014, cash held for acquisition of property and donor restricted purposes are available for the construction of the Patrick F. Taylor campus.

	<u>2015</u>	<u>2014</u>
Cash held for acquisition of property and donor restricted purposes	<u>\$ 5,068,608</u>	<u>\$ 69,243</u>

KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

Land, buildings, and equipment consisted of the following as of June 30:

	2015	2014
Land	\$ 1,098,392	\$ 1,098,392
Buildings	9,566,741	9,566,741
Improvements	174,792	174,792
Construction in progress	2,921,074	527,870
Transportation equipment	335,870	335,870
Furniture fixtures and equipment	571,425	571,425
	14,668,294	12,275,090
Less: accumulated depreciation	(7,097,529)	(6,713,794)
Total land, buildings, and equipment, net	\$ 7,570,765	\$ 5,561,296

For the years ended June 30, 2015 and 2014, depreciation expense was \$383,735 and \$392,134, respectively.

NOTE 5 – INVESTMENT INCOME

The following schedules summarize the investment returns for the stated years and their classification in the accompanying combined statement of activities:

	Permanently		
	Unrestricted	Restricted	Total
For the Year Ended June 30, 2015			
Interest and dividends	\$ 25,557	\$ 4,530	\$ 30,087
Net realized gains	78,054	4,517	82,571
Net unrealized (losses) gains	(78,991)	4,062	(74,929)
	\$ 24,620	\$ 13,109	\$ 37,729

	Permanently		
	Unrestricted	Restricted	Total
For the Year Ended June 30, 2014			
Interest and dividends	\$ 34,110	\$ 4,811	\$ 38,921
Net realized gains	66,865	2,292	69,157
Net unrealized gains	90,305	28,611	118,916
	\$ 191,280	\$ 35,714	\$ 226,994

The unrealized gains on investments since their purchase or donation to the Organization was \$276,576 and \$351,505 for the years ended June 30, 2015 and 2014, respectively.

KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 6 – FAIR VALUE MEASUREMENTS

The methods described in Note 1 may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Mutual funds and money market accounts (L1) are valued at quoted market prices in an active market.

Equities (L1) are valued at quoted market prices in an active market.

Corporate and municipal bonds' (L2) fair value is provided by the brokerage firms where the securities are held. The brokerage firms use outside services to supply prices which are estimates based primarily on coupon rate and credit rating.

GNOF Other Funds (L1) are measured based on the values of the underlying investments.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair values as of June 30, 2015 and 2014, respectively:

	Fair Value at			
	June 30,			
	2015	Level 1	Level 2	Level 3
Equities	\$ 615,213	\$ 615,213	\$ -	\$ -
Bonds - Corporate	391,411	-	391,411	-
Bonds - Municipal	10,077	-	10,077	-
Money market accounts	48,399	48,399	-	-
Mutual funds	250,453	250,453	-	-
Accrued income	3,344	3,344	-	-
Other Funds (GNOF)	85,027	85,027	-	-
	\$ 1,403,924	\$ 1,002,436	\$ 401,488	\$ -

	Fair Value at			
	June 30,			
	2014	Level 1	Level 2	Level 3
Equities	\$ 708,750	\$ 708,750	\$ -	\$ -
Bonds - Corporate	470,310	-	470,310	-
Bonds - Municipal	20,182	-	20,182	-
Money market accounts	43,327	43,327	-	-
Mutual funds	266,909	266,909	-	-
Accrued income	5,009	5,009	-	-
Other Funds (GNOF)	81,748	81,748	-	-
	\$ 1,596,235	\$ 1,105,743	\$ 490,492	\$ -

KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 7 – NOTE RECEIVABLE

A leveraged loan agreement was executed between an affiliate of the Federal NMTC Investor and the Organization in the amount of \$5,348,000 maturing June 30, 2039 with interest of 1.00%. Principal and interest is receivable quarterly beginning March 15, 2022. The Federal NMTC Investor has pledged and granted a security interest to the Organization for substantially all assets of its entities involved in the financing transactions on the Closing Date. The leveraged loan collaterally assigns all present and future payments, distributions (cash or otherwise), proceeds, profits, income, compensation, property, assets and rights due or to become due and payable to the Organization in connection with all of the Federal NMTC Investor's membership interest.

NOTE 8 – SHORT AND LONG-TERM DEBT

Lines of Credit

The Organization has a \$400,000 line of credit with a financial institution at an annual variable interest rate (4.25% at June 30, 2015) and is unsecured. The line of credit matures June 13, 2016. The amount outstanding under the line of credit was \$210,649 and \$198,254 at June 30, 2015 and 2014, respectively. A second line of credit was secured from a second financial institution for the Foundation in the amount of \$500,000 during fiscal year 2014 at an annual variable interest rate (4.5% at June 30, 2015). This line of credit matures February 3, 2016 and is secured by pledges receivable of the Foundation. The amount outstanding balance under the line of credit was \$430,000 and \$225,000 at June 30, 2015 and 2014, respectively.

Long-Term Debt

1542 Constance Street, Inc. has a promissory note payable to a private foundation in the amount of \$450,000 and \$500,000 as of June 30, 2015 and 2014, respectively. This note matures August 21, 2023 and is secured by a lien and security interest in the land acquired. The interest rate on this loan is fixed at 2% for the entire term of the loan.

During fiscal 2015, 1542 Constance Street, Inc. began drawing down on its long-term debt for construction of the new campus. A loan agreement was executed between the State of Louisiana, Division of Administration, Office of Community Development and the Organization in the amount of \$2,000,000 on the Closing Date, bearing interest at 1.00%, and maturing March 10, 2030. The loan shall pay principal and interest monthly with all unpaid principal and interest due at maturity. As of June 30, 2015, the loan was not drawn on.

KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 8 – SHORT AND LONG-TERM DEBT (CONTINUED)

The following table summarizes the Organization’s outstanding debt as of June 30:

	2015	2014
Promissory Note Payable. Interest payable annually at a rate of 2.00%. First principal payment was due on 8/21/14. Maturity date is 8/1/23.	\$ 450,000	\$ 500,000
New Markets Tax Credit- LIIF Sub-CDE XXXI, L.L.C. QLICI A loan. Interest payable quarterly at a rate of 1.114%. Principal amortization begins 4/1/2022 with the first amortization payment due on 6/5/2022. Maturity date is 12/31/44.	4,345,250	-
New Markets Tax Credit- CNMC Sub-CDE 77, L.L.C. QLICI A loan. Interest payable quarterly at a rate of 1.114%. Principal amortization begins 4/1/2022 with the first amortization payment due on 6/5/2022. Maturity date is 12/31/44.	1,002,750	-
New Markets Tax Credit- LIIF Sub-CDE XXXI, L.L.C. QLICI B loan. Interest payable quarterly at a rate of 1.114%. Principal amortization begins 4/1/2022 with the first amortization payment due on 6/5/2022. Maturity date is 12/31/44.	1,959,750	-
New Markets Tax Credit- CNMC Sub-CDE 77, L.L.C. QLICI B loan. Interest payable quarterly at a rate of 1.114%. Principal amortization begins 4/1/2022 with the first amortization payment due on 6/5/2022. Maturity date is 12/31/44.	497,250	-
New Markets Tax Credit-LIIF Bridge Loan. Interest payable monthly at a rate of 6.0%. Principal amortization begins upon receipt of advances under the State Capital Outlay Grant, maturing on 4/1/17.	4,345,250	-
	<u>12,600,250</u>	<u>500,000</u>
Less: current maturities	4,395,250	50,000
Total long-term debt	<u>\$ 8,205,000</u>	<u>\$ 450,000</u>

KINGSLEY HOUSE, INC. AND AFFILIATES NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 8 – SHORT AND LONG-TERM DEBT (CONTINUED)

The Facility A and B notes are intended to qualify as a “qualified low-income community investment” (QLICI) for the purposes of generating certain tax credits called New Markets Tax Credits (NMTCs) under section 45D of the Internal Revenue Code of 1986, as amended. To qualify, the Organization must comply with certain representations, warranties, and covenants. These include, but are not limited to, a covenant that the “portion of the business” (as defined) will operate to qualify as a qualified low-income community business (a “QALICB”). If, as a result of the breach of the agreement or loan documents by the Organization, JPMorgan Chase Bank, N.A. (JPMC), sole member of Chase Community Equity, LLC (Fund Member), sole member of Chase NMTC Kingsley Investment Fund, LLC (the “Fund”) is required to recapture all or any part of the NMTCs previously claimed, 1542 Constance Street, Inc. (Project Borrower) and Kingsley House, Inc. (Sponsor) agree to indemnify JPMC the NMTC Recapture Amount. Additionally, the Lenders have a security interest in the assets of the Organization other than real property.

On March 10, 2015, the Project Borrower issued two Facility A promissory notes payable and two Facility B promissory notes payable to the lenders. The notes are subject to credit and loan agreements executed by the Project Borrower, as the QALICB under the NMTC Program, and the lender.

LIIF CDE Loan A1 was issued for \$4,345,250 and is secured under the aforementioned credit and loan agreements. The A1 Note matures on December 31, 2044. The note bears interest at a rate per annum equal to 1.114%. The Project Borrower will pay interest only on this note quarterly in arrears on March 5, June 5, September 5, and December 5 of each year, commencing June 5, 2015, and continuing until March 5, 2022. The Project Borrower shall pay amortized principal and interest payments starting June 5, 2022. The Project Borrower may not prepay the A1 Note in full or in part any time prior to the expiration of the NMTC compliance period.

CMNC CDE Loan A2 was issued for \$1,002,750 and is secured under the aforementioned credit and loan agreements. The A2 Note matures on December 31, 2044. The note bears interest at a rate per annum equal to 1.114%. The Project Borrower will pay interest only on this note quarterly in arrears on March 5, June 5, September 5, and December 5 of each year, commencing June 5, 2015, and continuing until March 5, 2022. The Project Borrower shall pay amortized principal and interest payments starting June 5, 2022. The Project Borrower may not prepay the A2 Note in full or in part any time prior to the expiration of the NMTC compliance period.

LIIF CDE Loan B1 was issued for \$1,959,750 and is secured under the aforementioned credit and loan agreements. The B1 Note matures on December 31, 2044. The note bears interest at a rate per annum equal to 1.114%. The Project Borrower will pay interest only on this note quarterly in arrears on March 5, June 5, September 5, and December 5 of each year, commencing June 5, 2015, and continuing until March 5, 2022. The Project Borrower shall pay amortized principal and interest payments starting June 5, 2022. The Project Borrower may not prepay the B1 Note in full or in part any time prior to the expiration of the NMTC compliance period.

KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 8 – SHORT AND LONG-TERM DEBT (CONTINUED)

CMNC CDE Loan B2 was issued for \$497,250 and is secured under the aforementioned credit and loan agreements. The B2 Note matures on December 31, 2044. The note bears interest at a rate per annum equal to 1.114%. The Project Borrower will pay interest only on this note quarterly in arrears on March 5, June 5, September 5, and December 5 of each year, commencing June 5, 2015, and continuing until March 5, 2022. The Project Borrower shall pay amortized principal and interest payments starting June 5, 2022. The Project Borrower may not prepay the B2 Note in full or in part any time prior to the expiration of the NMTC compliance period.

At the end of the seven year Tax Credit Investment Period and ending 90 days thereafter (Put Option Period), the Fund Member may exercise a put option whereby the Investment Fund will sell its interest in the NMTC Facilities to the Organization for the put price of \$1,000. In the event the Fund Member does not exercise the put and the Organization remains in compliance with the loan terms and the NMTC rules and regulations, the Organization may exercise a call option during the 90 days following the end of the Put Option Period to purchase the Membership Interest of the Fund Member for an amount equal to the fair market value of the Membership Interest determined by mutual agreement of the parties or qualified independent appraiser.

Related to the NMTC, on March 10, 2015 the Organization issued a promissory note payable to LIF for \$4,345,250. This Bridge Loan note is subject to credit and loan agreements executed by the Organization. The Bridge Loan note matures on August 10, 2017. The Bridge Loan note bears interest at a rate per annum equal to 6.0%. The Organization will pay interest on the principal amount outstanding on this Bridge Loan note monthly in arrears on the 5th day of each calendar month. The Organization will make principal payments to Lender from time to time upon receipt of advances from the Capital Outlay Grant equal to approximately 73.6% of the value of hard costs associated with each payment requisition submitted to FP&C. It is anticipated that the entire principal balance will be paid in fiscal 2016 using Capital Outlay proceeds. In addition to a Mortgage on the Property, this Bridge Loan note is secured by pledge of the Capital Outlay Grant. Kingsley House Foundation irrevocably and unconditionally guarantees to Lender the payment and performance of the guaranteed obligations under the loan agreement.

Principal payments of long-term debt for future fiscal years are as follows:

2016	\$ 4,395,250
2017	50,000
2018	50,000
2019	50,000
2020	50,000
Thereafter	8,005,000
	<u><u>\$ 12,600,250</u></u>

KINGSLEY HOUSE, INC. AND AFFILIATES NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 9 – BOARD DESIGNATIONS

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements, acquisitions, and program services from time to time and to designate appropriate sums of unrestricted net assets to ensure adequate financing. At June 30, 2015 and 2014, the Organization had board-designated funds totaling \$1,127,518 and \$1,252,067, respectively, in unrestricted cash and investments on the combined statements of financial position.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Substantially all of the restrictions on net assets as of June 30, 2015 and 2014 relate to funds raised through the Second Century Campaign, Capital Campaign, and a new 2013 Capital Campaign (the Capital Campaign). United Way funding for next year and prior years' funds are restricted to purchasing and improving equipment and facilities. Temporarily restricted net assets also include the net assets of 1542 Constance Street, Inc.

The Organization solicited contributions to renovate the existing facilities through its two Capital Campaigns. Temporarily restricted net assets related to these Capital Campaigns represent the undepreciated portion of renovation expenditures. In accordance with the Organization's policy, these restrictions will be released as the assets are depreciated.

1542 Constance Street, Inc. is the title holder of the land where the new facility will be built. This entity has accumulated \$1,008,565 and \$1,000,000 in land plus \$2,921,074 and \$527,870 in construction in progress as of June 30, 2015 and 2014, respectively. All of the costs related to construction in progress are associated with soft construction costs.

	2015	2014
Kingsley House, Inc.	\$ 3,223,254	\$ 3,500,267
Kingsley House Foundation	454	68,609
1542 Constance Street, Inc.	1,338,228	967,624
Total temporarily restricted net assets	\$ 4,561,936	\$ 4,536,500

NOTE 11 – PERMANENTLY RESTRICTED NET ASSETS

The Organization began receiving donations with the intentions of creating a permanent endowment in 2001. Over the years, the Organization accumulated \$160,469 in donations to be invested in a permanent endowment. The Organization established the endowment funds with the intent to preserve the fair value of the original gift absent explicit donor stipulations to the contrary. As a result, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, and the original value of subsequent gifts to the permanent endowment. The Organization maintains realized and unrealized gains and losses within the endowment, and investment earnings appropriated for expenditure each year are approved by the board annually. As of June 30, 2015 and 2014, permanently restricted net assets were \$294,451 and \$284,848, respectively.

KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 12 – CONCENTRATION OF REVENUES

For the year ended June 30, 2015, approximately 55% of the Organization’s revenues came from state and federal government contracts, 20% from foundations and corporate contracts, and 7% came from contributions. For the year ended June 30, 2014, approximately 51% of the Organization’s revenues came from state and federal government contracts, 14% from foundations and corporate contracts, and 19% came from contributions.

Historically, the Organization has received Early Head Start and Head Start funding as a delegate agency through Total Community Action, the U.S. Department of Health and Human Services grantee for Orleans Parish. In response to an open, competitive application process, the Organization submitted an application to become one of up to five grantees in Orleans Parish. The federal grantee was effective July 2015, and the Organization became a direct grantee.

NOTE 13 – RETIREMENT PLAN

The Organization maintains a noncontributory defined contribution retirement plan for employees who have attained age 21 and have completed 18 months of service by January 1 or July 1 of the following year without going over a two year anniversary. Employees receive a 100% vested interest in all contributions by the Organization on their behalf. Contributions for the period July 1, 2013 through June 30, 2015 were based on 3.5% of plan participants’ salaries. Total retirement plan expense was \$119,965 and \$112,320 for the years ended June 30, 2015 and 2014, respectively.

NOTE 14 – OPERATING LEASES

The Organization leases service facilities under terms of several lease agreements accounted for as operating leases. Rental expense for the years ended June 30, 2015 and 2014 was \$35,475 and \$45,583, respectively.

The Organization has multiple operating leases for office equipment at various locations. Lease expense for the years ended June 30, 2015 and 2014 was \$39,221 and \$37,208, respectively and is included in office expense on the statement of functional expense.

Future minimum lease payments are as follows:

2016	\$	77,009
2017		65,130
2018		19,080
		<u>\$ 161,219</u>

KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The Organization is contractually committed to spend \$1,435,000 associated with the purchase of land located at 1542 Constance St. (see NOTE 8) for environmental remediation costs. If remediation costs are less than the committed amount or the amount is not expended by August 2018, the Organization is required to remit to the seller any shortfall.

The Organization received a portion of its revenue from government grants, which are subject to audit by the respective funding source. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by such governmental units. Until such audits have been completed and final settlement is reached, there exists a contingency to refund any amount received in excess of allowance costs. Management is of the opinion that no material liability will result from any such audits.

During fiscal year 2014, the Organization partnered with Bayou District Foundation (a local nonprofit organization) and Educare (a national nonprofit organization) to operate an early childhood program. The Organization has an agreement to manage and operate the program from September 2013 through June 2019. The Organization receives fees on a reimbursement basis plus a management fee to operate the program.

The Organization entered a cooperative endeavor agreement with the State of Louisiana Facility Planning and Control Division of Administration (the FP&C Administration) for capital outlay primarily related to the planning and construction of a new facility for the Organization. Pursuant to this agreement, capital outlay funding of approximately \$6.465 million (of which \$6.265 million has been designated to the project discussed in Note 1) has been awarded for planning, construction, miscellaneous and FP&C Administration administrative costs to be provided on an as-needed basis as approved by the FP&C Administration.

NOTE 16 – BOARD OF DIRECTORS

The Board of Directors of the Organization serves and directs the Organization on a voluntary basis. The Board does not receive compensation.

NOTE 17 – COUNCIL ON AGING

Contracts with the New Orleans Council on Aging from the Governor’s Office of Elderly Affairs are as follows:

Senior Center	2015	2014
Revenues	\$ 47,749	\$ 51,620
Expenses:		
Compensation and related expenses	33,124	21,260
Operating Services	14,625	30,360
Net	\$ -	\$ -



KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, December 23, 2015, and determined that no events occurred that require disclosure except as follows: During October 2015, the Department of Health and Human Services (HHS), Administration for Children and Families (ACF) awarded Kingsley House the Early Head Start-Child Care Partnership grant to improve the quality of existing child care programs and expand access to high-quality care for infants and toddlers. Kingsley House was awarded \$2.5 million annually up to five years to help offer care and services to 240 infants and toddlers.

SUPPLEMENTARY INFORMATION

**KINGSLEY HOUSE, INC. AND AFFILIATES
SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD**

For the Year Ended June 30,

2015

Agency Head Name: Keith Liederman, Chief Executive Officer

Purpose	Amount
Salary	\$ 0
Benefits-health insurance	0
Benefits-retirement	0
Deferred compensation	0
Workers comp	0
Benefits-life insurance	0
Benefits-long term disability	0
Benefits-Fica & Medicare	0
Car allowance	0
Vehicle provided by government	0
Cell phone	0
Dues	0
Vehicle rental	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Unvouchered expenses	0
Meetings & conventions	0
Other	0
Total	\$ 0

**There were no payments to the Executive Director that were derived from the public funds (state and/or local governmental funds and/or federal funds passed through a state or local government agency) that the Organization receives.

See independent auditor's report.

KINGSLEY HOUSE, INC.
SCHEDULE OF SUPPORT, REVENUES AND EXPENSES
IN ACCORDANCE WITH UNITED WAY REQUIREMENTS
(UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2015

	Agency Total	Supporting Services		Total Program Services	Early Headstart and Headstart	School Age Day Care/Youth	Adult Day Health Care	Resettlement and Recovery Services	Other
		General and Administrative	Fundraising						
REVENUE:									
Client Generated Self Support	\$ 401,104	\$ 58,959	\$ 89,945	\$ 252,200	\$ -	\$ 134,539	\$ 52,858	\$ -	\$ 64,803
Governmental Grants/Contracts	5,293,041	-	-	5,293,041	2,270,682	63,000	836,388	-	2,122,971
Other Foundations or National Grants	2,175,524	-	274,281	1,901,243	-	7,500	14,056	212,753	1,666,934
Other Revenue	327,869	208,479	49,324	70,066	20	8,231	1,032	1,804	58,979
TOTAL SELF-GENERATED REVENUE	8,197,538	267,438	413,550	7,516,550	2,270,702	213,270	904,334	214,557	3,913,687
United Way Designation	21,224	-	21,224	-	-	-	-	-	-
CFC Designation	4,226	-	4,226	-	-	-	-	-	-
Other United Way Allocations	-	-	-	-	-	-	-	-	-
TOTAL REVENUE	8,222,988	267,438	439,000	7,516,550	2,270,702	213,270	904,334	214,557	3,913,687
United Way Allocation-GNO	269,958	-	-	269,958	93,936	47,185	48,992	79,845	-
GRAND TOTAL REVENUE	\$ 8,492,946	\$ 267,438	\$ 439,000	\$ 7,786,508	\$ 2,364,638	\$ 260,455	\$ 953,326	\$ 294,402	\$ 3,913,687
EXPENSES:									
Salaries	\$ 4,951,899	\$ 694,737	\$ 103,855	\$ 4,153,307	\$ 1,544,833	\$ 175,445	\$ 438,546	\$ 173,487	\$ 1,820,996
Benefits	701,796	94,608	14,363	592,825	240,221	7,129	73,221	34,007	238,247
Taxes	475,808	64,720	9,590	401,498	145,979	17,696	46,317	17,938	173,568
Occupancy Expenses	540,308	54,064	3,175	483,069	167,934	17,312	41,292	47,296	209,235
Travel & Transportation	144,633	15,409	3,028	126,196	17,315	40	79,571	3,039	26,231
Office Supplies	1,204,374	130,152	21,239	1,052,982	144,312	19,397	43,186	16,533	829,554
Printing	11,043	3,593	30	7,419	1,003	45	418	498	5,455
Direct Assistance to Individuals	20,617	-	-	20,617	297	-	-	-	20,320
Other	636,702	160,594	16,833	459,274	70,498	14,815	59,431	19,198	295,332
GRAND TOTAL EXPENSES	\$ 8,687,180	\$ 1,217,877	\$ 172,113	\$ 7,297,187	\$ 2,332,392	\$ 251,879	\$ 781,982	\$ 311,996	\$ 3,618,938
NET DIFFERENCE	\$ (194,234)	\$ (950,439)	\$ 266,887	\$ 489,321	\$ 32,246	\$ 8,576	\$ 171,344	\$ (17,594)	\$ 294,749
Depreciation	\$ 383,735	\$ 78,790	\$ 603	\$ 304,342	\$ 134,909	\$ 71,831	\$ 81,304	\$ -	\$ 16,298
Total Direct Program Expenses					\$ 2,332,392	\$ 251,879	\$ 781,982	\$ 311,996	\$ 3,618,938
Percentage of Total Program Expenses					31.96%	3.45%	10.72%	4.28%	49.59%
Distribution of M&G Expenses					\$ 389,269	\$ 42,038	\$ 130,510	\$ 52,071	\$ 603,989
Grand Total Program Expenses					\$ 2,721,661	\$ 293,917	\$ 912,492	\$ 364,067	\$ 4,222,927
Undup. People Served					1,729	1,062	98	826	457
Cost per Person					\$ 1,574	\$ 277	\$ 9,311	\$ 441	\$ 9,241

See independent auditor's report.

OTHER INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Kingsley House, Inc. and Affiliates
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Kingsley House, Inc. and Affiliates, a non-profit organization (the Organization), which comprise the combined statements of financial position as of June 30, 2015, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to combined financial statements, and have issued our report thereon dated December 23, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Carly Riggs & Ingram, L.L.C.

December 23, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of
Kingsley House, Inc. and Affiliates
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Kingsley House, Inc. and Affiliates, a non-profit organization (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2015. The major federal programs of Kingsley House, Inc. and Affiliates are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Kingsley House, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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


Carly Riggs & Ingram, L.L.C.

December 23, 2015

**KINGSLEY HOUSE, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Pass-through programs from:			
U.S. Department of Health and Human Services			
Total Community Action, Inc.			
Head Start	93.600	06CH0473	\$ 2,292,077
Early Head Start	93.600	06YC0521	1,388,760
Early Head Start Child Care Partnership	93.600	06HP0027/01	216,260
Total U.S. Department of Health and Human Services			3,897,097
U.S. Department of Agriculture			
Louisiana Department of Education			
Child and Adult Care Food Program			
Preschool/ Early Head Start/School Age/Adult	10.558	CC93-432	467,050
Total Expenditures of Federal Awards			\$ 4,364,147

See independent auditor's report.



**KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

This schedule includes the federal grant activity of Kingsley House, Inc. and Affiliate and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Accrued Reimbursement

Various reimbursement procedures are used for federal awards received by the Organization. Consequently, timing differences between expenditures and program reimbursements may exist at the end of the year.

**KINGSLEY HOUSE, INC. AND AFFILIATES
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

A. SUMMARY OF AUDITOR'S RESULTS

1. The Independent Auditor's Report expresses an unmodified opinion on the financial statements of Kingsley House, Inc. and Affiliates (the Organization).
2. No material weaknesses were noted relating to the audit in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Organization are reported in the Report on Compliance for each Major Program and on the Internal Control over Compliance required by OMB Circular A-133 and the Schedule of Expenditures of Federal Awards.
4. No material weakness or significant deficiency relating to the audit of the major federal programs is reported in the Report on Compliance for each Major Program and on Internal Control over Compliance required by OMB Circular A-133 and the Schedule of Expenditures of Federal Awards.
5. The *Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133* expresses an unmodified opinion on all major federal programs.
6. There were no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The major programs tested for the year ended June 30, 2015 was:

Program Title	CFDA Number
Head Start	93.600
Early Head Start	93.600
Early Head Start Child Care Partnership	93.600

8. The dollar threshold for distinguishing between Type A and Type B programs was \$300,000.
9. The Organization did not qualify as a low-risk auditee under Section 530 of OMB Circular A-133.



**KINGSLEY HOUSE, INC. AND AFFILIATES
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS


None noted.

C. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

None noted.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None noted.



**KINGSLEY HOUSE, INC. AND AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None noted.

C. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

None noted.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None noted.