

KINGSLEY HOUSE, INC. AND AFFILIATES

FINANCIAL REPORT

For the Years Ended June 30, 2017 and 2016



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KINGSLEY HOUSE, INC. AND AFFILIATES
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Report



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INDEPENDENT AUDITORS' 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 comprise the combined statements of financial position as of June 30, 2017, 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 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined 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 combined 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 financial position of Kingsley House, Inc. and Affiliates as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated December 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 29, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Cam, Riggs & Ingram, L.L.C.

December 29, 2017



Financial Statements

KINGSLEY HOUSE, INC. AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 422,975	\$ -	\$ -	\$ 422,975	\$ 902,083
Investments	1,108,866	-	-	1,108,866	1,008,655
Due to (from)	(521,423)	507,004	14,419	-	-
Promises to give, net	-	659,209	-	659,209	810,082
Accounts receivable					
Government contracts	40,039	-	-	40,039	469,714
Other	596,755	-	-	596,755	302,212
Prepaid expenses	113,075	-	-	113,075	189,664
Total Current Assets	1,760,287	1,166,213	14,419	2,940,920	3,682,410
NON-CURRENT ASSETS					
Cash held for acquisition of property and donor restricted purposes	222,950	-	-	222,950	967,499
Long-term investments	-	-	305,003	305,003	274,431
Note receivable	5,348,000	-	-	5,348,000	5,348,000
Property, plant, and equipment, net	12,428,827	2,648,926	-	15,077,753	14,087,521
Total Non-Current Assets	17,999,777	2,648,926	305,003	20,953,706	20,677,451
TOTAL ASSETS	\$ 19,760,064	\$ 3,815,139	\$ 319,422	\$ 23,894,625	\$ 24,359,861
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 504,791	\$ 1,962	\$ -	\$ 506,753	\$ 1,485,865
Lines of credit	394,507	-	-	394,507	603,135
Current portion of long-term debt	145,033	-	-	145,033	88,606
Total Current Liabilities	1,044,331	1,962	-	1,046,293	2,177,606
LONG-TERM LIABILITIES					
Long-term debt, less current portion	9,623,948	-	-	9,623,948	10,116,394
Total Long-Term Liabilities	9,623,948	-	-	9,623,948	10,116,394
Total Liabilities	10,668,279	1,962	-	10,670,241	12,294,000
NET ASSETS					
Unrestricted					
Undesignated	7,474,822	-	-	7,474,822	6,170,301
Board designated	1,616,963	-	-	1,616,963	1,012,281
Total Unrestricted	9,091,785	-	-	9,091,785	7,182,582
Temporarily restricted	-	3,813,177	-	3,813,177	4,594,429
Permanently restricted	-	-	319,422	319,422	288,850
Total Net Assets	9,091,785	3,813,177	319,422	13,224,384	12,065,861
TOTAL LIABILITIES AND NET ASSETS	\$ 19,760,064	\$ 3,815,139	\$ 319,422	\$ 23,894,625	\$ 24,359,861

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, 2017</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Governmental contracts	\$ 13,404,775	\$ -	\$ -	\$ 13,404,775
Foundation and corporate contracts	1,020,335	-	-	1,020,335
United Way funding for next year	-	139,687	-	139,687
Contributions	227,064	519,522	-	746,586
Donated services	900,980	-	-	900,980
Investment income	106,568	-	32,268	138,836
Program fees	144,551	-	-	144,551
Other income	399,381	-	2,200	401,581
Net assets released from restrictions				
United Way	149,003	(149,003)	-	-
Released from restrictions - 1542 Constance	1,270,123	(1,270,123)	-	-
Restrictions satisfied by payments	25,231	(21,335)	(3,896)	-
Total Revenues and Support	17,648,011	(781,252)	30,572	16,897,331
EXPENSES				
Program services				
Head Start	4,842,936	-	-	4,842,936
Youth Program	271,885	-	-	271,885
Adult Day Health Care	953,516	-	-	953,516
Community Counseling Center	261,990	-	-	261,990
Early Head Start	6,252,336	-	-	6,252,336
Community and Supportive Services	288,699	-	-	288,699
Participant Meals Program	555,189	-	-	555,189
Supporting services				
Management and General	2,021,566	-	-	2,021,566
Fundraising	290,692	-	-	290,692
Total Expenses	15,738,808	-	-	15,738,808
CHANGES IN NET ASSETS	1,909,203	(781,252)	30,572	1,158,523
NET ASSETS - BEGINNING OF YEAR	7,182,582	4,594,429	288,850	12,065,861
NET ASSETS - END OF YEAR	\$ 9,091,785	\$ 3,813,177	\$ 319,422	\$ 13,224,384

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, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Government contracts	\$ 14,481,322	\$ -	\$ -	\$ 14,481,322
Foundation and corporate contracts	1,271,989	226,574	-	1,498,563
United Way funding for next year	-	149,003	-	149,003
Contributions	1,112,071	-	-	1,112,071
Donated services	1,372,444	-	-	1,372,444
Investment income	31,787	-	(3,203)	28,584
Program fees	233,752	-	-	233,752
Other income	288,610	-	1,220	289,830
Net assets released from restrictions				
United Way	315,177	(315,177)	-	-
Restrictions satisfied by payments	31,525	(27,907)	(3,618)	-
Total Revenues and Support	19,138,677	32,493	(5,601)	19,165,569
EXPENSES				
Program services				
Head Start	5,200,082	-	-	5,200,082
Youth Program	393,861	-	-	393,861
Adult Day Health Care	916,123	-	-	916,123
Community Counseling Center	194,046	-	-	194,046
Early Head Start	5,224,048	-	-	5,224,048
Community and Supportive Services	272,302	-	-	272,302
Participant Meals Program	519,784	-	-	519,784
Supporting services				
Management and General	918,105	-	-	918,105
Fundraising	325,159	-	-	325,159
Total Expenses	13,963,510	-	-	13,963,510
CHANGES IN NET ASSETS	5,175,167	32,493	(5,601)	5,202,059
NET ASSETS - BEGINNING OF YEAR	2,007,415	4,561,936	294,451	6,863,802
NET ASSETS - END OF YEAR	\$ 7,182,582	\$ 4,594,429	\$ 288,850	\$ 12,065,861

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
	Head Start	Youth Program	Adult Day Health Care	Community Counseling Center	Early Head Start	Community & Supportive Services	Participants Meal Program	Total Program Services	Management and General	Fundraising	
For the Year Ended June 30, 2017											
Personnel	\$ 2,328,772	\$ 119,894	\$ 470,182	\$ 96,750	\$ 2,853,448	\$ 141,443	\$ 64,737	\$ 6,075,226	\$ 854,994	\$ 157,136	\$ 7,087,356
Employee benefits											
Health insurance	258,506	4,845	56,557	6,368	305,469	16,017	5,662	653,424	45,521	12,015	710,960
Retirement	57,028	1,749	9,057	2,866	64,390	4,714	1,995	141,799	14,189	4,971	160,959
Other	66,348	2,624	15,673	3,206	87,794	4,321	2,341	182,307	20,225	4,835	207,367
Payroll taxes	169,714	9,048	33,501	7,359	206,727	9,990	4,727	441,066	45,452	11,410	497,928
Total Personnel and Related Expenses	2,880,368	138,160	584,970	116,549	3,517,828	176,485	79,462	7,493,822	980,381	190,367	8,664,570
Conferences, conventions, and meetings	27,108	573	1,713	395	47,677	1,906	496	79,868	16,199	948	97,015
Food	69,478	4,359	6,212	277	61,136	5,427	404,366	551,255	17,481	3,102	571,838
General insurance	18,784	4,799	16,132	1,228	23,297	1,335	1,509	67,084	485	2,217	69,786
Membership dues	3,865	16	358	9	3,107	552	14	7,921	24,238	1,341	33,500
Occupancy											
Utilities	107,598	7,602	35,443	3,866	102,493	1,027	5,176	263,205	33,749	2,455	299,409
Rent	(14,701)	-	24,750	28,680	27,926	-	-	66,655	12,375	-	79,030
Repairs and maintenance	103,757	5,862	36,281	3,093	83,281	255	12,747	245,276	44,751	2,603	292,630
Janitorial and housekeeping	(9,516)	37	19	16	12,591	2	32	3,181	297	1,149	4,627
Building insurance	98,301	5,117	18,551	5,954	96,131	6,177	7,227	237,458	2,246	10,388	250,092
Professional services	622,535	7,016	70,682	55,450	285,888	37,543	15,216	1,094,330	187,394	44,498	1,326,222
Program and office expense	781,002	11,779	52,727	31,053	1,895,779	28,084	28,940	2,829,363	247,498	25,856	3,102,718
Travel	27,877	11	52,876	575	35,163	10,785	4	127,291	18,751	2,643	148,685
Specific assistance to individuals	2,816	-	-	-	2,624	18,398	-	23,838	620	2,502	26,960
Field trips	10,706	14,692	-	-	2,729	-	-	28,127	-	-	28,127
Bad debt expense	-	-	-	-	-	-	-	-	22,694	-	22,694
Other expenses	-	-	-	-	-	-	-	-	-	-	-
Total Expense Before Depreciation	4,729,979	200,023	900,714	247,145	6,197,650	287,976	555,189	13,118,675	1,609,159	290,069	15,017,903
Depreciation	112,957	71,862	52,802	14,845	54,686	723	-	307,875	412,407	623	720,905
Total Expenses	\$ 4,842,936	\$ 271,885	\$ 953,516	\$ 261,990	\$ 6,252,336	\$ 288,699	\$ 555,189	\$ 13,426,550	\$ 2,021,566	\$ 290,692	\$ 15,738,808

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			
	Head Start	Youth Program	Adult Day Health Care	Community Counseling Center	Early Head Start	Community & Supportive Services	Participants Meal Program	Total Program Services	Management and General	Fundraising	Total
For the Year Ended June 30, 2016											
Personnel	\$ 2,296,293	\$ 204,609	\$ 483,222	\$ 88,934	\$ 2,351,173	\$ 150,438	\$ 58,389	\$ 5,633,058	\$ 362,366	\$ 143,081	\$ 6,138,505
Employee benefits											
Health insurance	285,566	14,285	33,737	6,209	291,994	10,503	8,217	650,511	25,299	9,989	685,799
Retirement	47,454	987	9,616	691	44,392	4,674	892	108,706	2,891	3,802	115,399
Other	34,282	1,331	3,144	579	37,208	979	1,012	78,535	2,358	930	81,823
Payroll taxes	223,749	18,746	47,414	8,881	237,701	14,571	5,351	556,413	23,719	13,333	593,465
Total Personnel and Related Expenses	2,887,344	239,958	577,133	105,294	2,962,468	181,165	73,861	7,027,223	416,633	171,135	7,614,991
Conferences, conventions, and meetings	25,136	-	2,088	-	10,343	725	-	38,292	8,201	1,753	48,246
Food	105,027	1,877	6,740	1,348	28,783	5,093	420,416	569,284	24,301	2,358	595,943
General insurance	19,443	1,039	2,454	452	22,109	764	297	46,558	1,840	727	49,125
Membership dues	3,530	71	819	755	1,357	175	-	6,707	8,190	1,544	16,441
Occupancy											
Utilities	87,708	5,704	20,034	6,926	71,554	4,449	1,647	198,022	11,055	620	209,697
Rent	-	-	-	33,500	-	8,800	-	42,300	-	-	42,300
Repairs and maintenance	103,018	4,726	6,262	1,741	221,177	320	3,315	340,559	25,519	1,779	367,857
Janitorial and housekeeping	22,137	581	1,628	398	15,124	49	3,685	43,602	2,497	359	46,458
Building insurance	31,861	118	279	51	28,826	87	34	61,256	209	84	61,549
Professional services	560,764	41,417	97,813	18,002	811,226	30,452	11,819	1,571,493	73,350	28,962	1,673,805
Program and office expense	1,202,905	16,420	38,779	7,137	987,510	12,073	4,686	2,269,510	55,821	111,159	2,436,490
Travel	22,152	850	81,092	3,641	33,440	7,579	7	148,761	11,287	4,059	164,107
Specific assistance to individuals	960	-	522	-	3,338	19,292	-	24,112	323	-	24,435
Field trips	13,998	9,238	-	-	3,430	570	-	27,236	-	-	27,236
Bad debt expense	-	-	-	-	-	-	-	-	199,368	-	199,368
Other expenses	1,445	19	689	11	842	1	17	3,024	1,066	9	4,099
Total Expense Before Depreciation	5,087,428	322,018	836,332	179,256	5,201,527	271,594	519,784	12,417,939	839,660	324,548	13,582,147
Depreciation	112,654	71,843	79,791	14,790	22,521	708	-	302,307	78,445	611	381,363
Total Expenses	\$ 5,200,082	\$ 393,861	\$ 916,123	\$ 194,046	\$ 5,224,048	\$ 272,302	\$ 519,784	\$ 12,720,246	\$ 918,105	\$ 325,159	\$ 13,963,510

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 June 30,</i>	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,158,523	\$ 5,202,059
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	720,905	381,363
Early extinguishment of debt	(350,000)	-
Interest and Dividends Received, Net of Fees	(22,154)	-
Unrealized Loss/(Gain) on investments - net	(85,914)	32,092
Realized Loss/(Gain) on investments - net	(24,574)	(35,632)
Bad debt expense	22,694	199,368
Change in operating assets and liabilities:		
Promises to give, net	128,179	(324,331)
Accounts receivable	135,132	(14,091)
Prepaid expenses	76,589	64,725
Accounts payable	(979,112)	(1,436,170)
Net cash provided by operating activities	780,268	4,069,383
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of long-term investments	-	(3,203)
Purchases of investments	(50,455)	31,787
Note receivable	-	-
Proceeds from sales of investments	52,314	95,794
Purchases of land, buildings and equipment	(1,711,137)	(5,857,604)
Net cash used in investing activities	(1,709,278)	(5,733,226)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from acquisition of long-term debt	-	2,000,000
Repayments of long-term debt	(86,019)	(4,395,250)
Repayments of line of credit	(1,020,760)	(811,614)
Borrowings under line of credit	812,132	774,100
Net change in cash held for acquisition of property	744,549	4,573,242
Net cash provided by financing activities	449,902	2,140,478
NET CHANGE IN CASH AND CASH EQUIVALENTS	(479,108)	476,635
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	902,083	425,448
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 422,975	\$ 902,083
SUPPLEMENTAL DISCLOSURE FOR STATEMENTS OF CASH FLOWS		
Cash paid for interest	\$ 131,357	\$ 68,495

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. The affiliates of the Organization include Kingsley House Foundation, Inc. and 1542 Constance Street, Inc.

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 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 has constructed 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. The facility was opened in August 2016.

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 7) 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. his Capital Campaign continued through 2017. 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 was completed in August of 2016.

Programs provided by the Organization are as follows:

- Head Start – A state licensed Head Start center is provided for 339 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 220 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 an additional 150 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 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.
- Participant Meals Program – The Organization operates two full kitchens to prepare and serve breakfast, lunch, and snacks to participants in the Head Start, Early Head Start, Youth Program 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.
- Youth Program – The Organization operates an after school program for elementary children as well as a full day summer camp.
- Community Counseling Center – 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.

Principles of Combination

The combined financial statements include the accounts of Kingsley House, Inc., Kingsley House Foundation, Inc., and 1542 Constance Street, Inc. All significant intercompany transactions and balances have been eliminated.

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The Organization reported unrestricted net assets of \$9,611,307 and 7,182,582 as of June 30, 2017 and 2016, respectively.

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. The Organization reported temporarily restricted net assets of \$3,813,177 and \$4,594,429 as of June 30, 2017 and 2016, respectively.

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. The Organization reported permanently restricted net assets of \$319,422 and \$288,850 as of June 30, 2017 and 2016, respectively.

Use of Estimates

The preparation of the Organization's combined 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 combined 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$289,949 and \$58,504, as of June 30, 2017 and 2016, 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.

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 \$900,980 and \$1,372,444 in the Head Start and Early Head Start programs for donated services for the years ended June 30, 2017 and 2016, respectively. These services include:

	2017	2016
Wages	\$ 722,486	\$ 864,829
Benefits	2,390	35,836
Professional Services	110,263	797
Supplies	61,782	154,309
Travel	-	5,123
Occupancy	-	204,489
Other	4,059	107,061
	\$ 900,980	\$ 1,372,444

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services (Continued)

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 40,259 and 39,688 volunteer hours for the years ended June 30, 2017 and 2016, 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.

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 combined financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accounts receivable are recorded as cost, net of allowance for doubtful account. Balances that are still outstanding after management has used reasonable collection efforts are written off. The Organization uses the allowance method of accounting for uncollectible accounts. The allowance for uncollectible accounts was \$117,657 and \$199,368 as of June 30, 2017 and 2016, respectively. The organization incurred bad debt expense of \$22,694 and \$199,368 for the years ended June 30, 2017 and 2016, 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.

As of June 30, 2017 and 2016, promises to give consisted of:

	2017	2016
United Way	\$ 139,687	\$ 149,003
Donors	519,522	661,079
	\$ 659,209	\$ 810,082

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 amounts previously reported in the combined financial statements for the prior year have been reclassified to conform with the current year classifications. Specifically, United Way revenue on the Statements of Activities is reclassified to Foundation and Corporate Contracts to better present revenue from all foundations and corporate contracts in aggregate.

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

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, 2017 and 2016, the balance exceeded the FDIC insured limit by \$508,097 and \$1,114,479, 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, 2017 and 2016, cash held for acquisition of property and donor restricted purposes is available for the construction of the Patrick F. Taylor campus and related interest and fees.

	2017	2016
Cash held for acquisition of property and donor restricted purposes	\$ 222,950	\$ 967,499

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

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

	2017	2016
Land	\$ 1,095,968	\$ 1,095,967
Buildings	20,494,593	9,569,222
Improvements	174,889	174,889
Construction in progress	-	9,819,193
Transportation equipment	335,719	335,719
Furniture fixtures and equipment	1,176,384	571,423
	23,277,553	21,566,413
Less: accumulated depreciation	(8,199,800)	(7,478,892)
Total land, buildings, and equipment, net	\$ 15,077,753	\$ 14,087,521

For the years ended June 30, 2017 and 2016, depreciation expense was \$720,905 and \$381,363, respectively.

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

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:

For the Year Ended June 30, 2017	Unrestricted	Permanently Restricted	Total
Interest and dividends	\$ 25,241	\$ 3,107	\$ 28,348
Net realized gains (losses)	24,584	(10)	24,574
Net unrealized gains (losses)	56,743	29,171	85,914
	\$ 106,568	\$ 32,268	\$ 138,836

For the Year Ended June 30, 2016	Unrestricted	Permanently Restricted	Total
Interest and dividends	\$ 21,885	\$ 3,159	\$ 25,044
Net realized gains	33,737	1,895	35,632
Net unrealized (losses) gains	(23,835)	(8,257)	(32,092)
	\$ 31,787	\$ (3,203)	\$ 28,584

The unrealized gains on investments since their purchase or donation to the Organization was \$336,653 and \$244,484 for the years ended June 30, 2017 and 2016, respectively.

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, 2017 and 2016.

Mutual funds and money market accounts (Level 1) are valued at quoted market prices in an active market.

Equities (Level 1) are valued at quoted market prices in an active market.

Corporate and municipal bonds' (Level 2) 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 (Level 1) are measured based on the values of the underlying investments.

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

NOTE 6 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair values as of June 30, 2017 and 2016, respectively:

	Fair Value at June 30, 2017	Level 1	Level 2	Level 3
Equities	\$ 597,533	\$ 597,533	-	-
Bonds - Corporate	405,425	-	405,425	-
Money market accounts	53,894	53,894	-	-
Mutual funds	275,922	275,922	-	-
Other Funds (GNOF)	81,095	81,095	-	-
	1,413,869	1,008,444	405,425	-

	Fair Value at June 30, 2016	Level 1	Level 2	Level 3
Equities	\$ 564,884	\$ 564,884	\$ -	\$ -
Bonds - Corporate	320,939	-	320,939	-
Money market accounts	93,183	93,183	-	-
Mutual funds	226,014	226,014	-	-
Other Funds (GNOF)	78,066	78,066	-	-
	\$ 1,283,086	\$ 962,147	\$ 320,939	\$ -

NOTE 7 – NOTE RECEIVABLE

A leveraged loan agreement was executed on March 10, 2015 between an affiliate of the Federal NMTCs 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 NMTCs 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 NMTCs Investor's membership interest.

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

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 (5.0% at June 30, 2017) and is unsecured. The line of credit matures August 3, 2018. The amount outstanding under the line of credit was \$261,982 and \$267,100 at June 30, 2017 and 2016, 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 (5.3% at June 30, 2016). The line of credit matures January 24, 2018. The line of credit is secured by pledges receivable (promises to give) of the Foundation. The amount outstanding balance under the line of credit was \$132,525 and \$336,035 at June 30, 2017 and 2016, respectively.

Long-Term Debt

1542 Constance Street, Inc. had a promissory note payable to a private foundation in the amount of \$400,000 as of June 30, 2016. In August of 2016, this entire outstanding note of \$350,000 was forgiven by the holder.

During fiscal year 2016, 1542 Constance Street, Inc. began drawing down on its long-term debt for construction of the new campus. A loan agreement was executed on March 10, 2015 between the State of Louisiana, Division of Administration, Office of Community Development and the Organization in the amount of \$2,000,000 bearing interest at 1.00%, and maturing March 10, 2030. Principal and interest payments are due monthly in arrears commencing March 10, 2017, and continuing until March 10, 2030. As of June 30, 2017, the loan was drawn in full.

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:

	2017	2016
Promissory Note Payable- Interest payable annually at a rate of 2.0%. First principal payment was due on 8/21/14. Maturity date is 8/21/23. Forgiven in August 2016.	\$ -	\$ 400,000
New Markets Tax Credit- LIIF Sub-CDE XXXI, L.L.C. QLICI A loan. Interest payable quarterly at a rate of 1.1%. 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	4,345,250
New Markets Tax Credit- CNMC Sub-CDE 77, L.L.C. QLICI A loan. Interest payable quarterly at a rate of 1.1%. 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	1,002,750
New Markets Tax Credit- LIIF Sub-CDE XXXI, L.L.C. QLICI B loan. Interest payable quarterly at a rate of 1.1%. 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	1,959,750
New Markets Tax Credit- CNMC Sub-CDE 77, L.L.C. QLICI B loan. Interest payable quarterly at a rate of 1.1%. Principal amortization begins 4/1/2022 with the first amortization payment due on 6/5/2022. Maturity date is 12/31/44.	497,250	497,250
Note Payable- Interest payable monthly at a rate of 1.0% beginning 9/10/16. First principal payment was due on 3/10/17. Maturity date is 3/10/30.	1,963,981	2,000,000
	9,768,981	10,205,000
Less: current maturities	145,033	88,606
Total long-term debt	\$ 9,623,948	\$ 10,116,394

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 NMTCs 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 NMTCs Program, and the lender.

LIIF CDE Loan A1 (A1 Note) 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 1.1%. 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 NMTCs compliance period.

CNMC CDE Loan A2 (A2 Note) 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 1.1%. 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 NMTCs compliance period.

LIIF CDE Loan B1 (B1 Note) 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 1.1%. 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 NMTCs compliance period.

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

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

CNMC CDE Loan B2 (B2 Note) 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 1.1%. 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 NMTCs compliance period.

At the end of the seven year Tax Credit Investment Period, March 10, 2022 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 NMTCs 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 NMTCs 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.

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

2018	\$ 145,033
2019	146,510
2020	148,003
2021	149,510
2022	226,502
Thereafter	8,953,423
	\$ 9,768,981

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, 2017 and 2016, the Organization had board-designated funds totaling \$1,616,963 and \$1,012,281, respectively, in unrestricted cash and investments on the combined statements of financial position.

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

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Substantially all of the restrictions on net assets as of June 30, 2017 and 2016 relate to funds raised through the Second Century Campaign and Capital Campaign. United Way funding for next year and prior years' funds are restricted to program functions for 2018 and purchasing and improving equipment and facilities. Temporarily restricted net assets also include the net assets of 1542 Constance Street, Inc of \$1.3 million as of June 30, 2016. These net assets were released from restrictions in 2017.

The Organization solicited contributions to renovate the existing facilities through its Capital Campaign. Temporarily restricted net assets related to this 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.

	2017	2016
Kingsley House, Inc.	\$ 3,293,201	\$ 3,323,841
Kingsley House Foundation	519,976	454
1542 Constance Street, Inc.	-	1,270,134
Total temporarily restricted net assets	\$ 3,813,177	\$ 4,594,429

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, 2017 and 2016, permanently restricted net assets were \$319,422 and \$288,850, respectively.

NOTE 12 – CONCENTRATION OF REVENUES

For the year ended June 30, 2017, approximately 79% of the Organization's revenues came from governmental contracts, 6% from foundations and corporate contracts, and 4% came from contributions. For the year ended June 30, 2016, approximately 76% of the Organization's revenues came from governmental contracts, 7% from foundations and corporate contracts, and 4% came from contributions.

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

NOTE 12 – CONCENTRATION OF REVENUES (CONTINUED)

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, 2015 through June 30, 2017 were based on 3.5% of plan participants' salaries. Total retirement plan expense was \$160,959 and \$115,399 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 was \$79,030 and \$42,300, respectively.

The Organization has multiple operating leases for office equipment at various locations. Lease expense for the years ended June 30, 2017 and 2016 was \$87,204 and \$61,346, respectively and is included in program and office expense on the statement of functional expenses.

Future minimum lease payments are as follows:

2018	\$ 22,004
2019	20,619
<hr/>	
	\$ 42,623

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 Street, Inc. 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.

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

NOTE 15 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 Division of Administration Office of Facility, Planning, and Control (FP&C) 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 \$6.5 million (of which \$6.3 million has been designated to the project discussed in Note 1) has been awarded for planning, construction, miscellaneous and FP&C administrative costs to be provided on an as-needed basis as approved by the FP&C. As of June 30, 2017, the full amount has been collected from FP&C and expended on the project.

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	2017	2016
Revenues	\$ 47,749	\$ 47,749
Expenses:		
Compensation and related expenses	26,989	33,520
Operating Services	20,760	13,468
Net	\$ -	\$ 761

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, December 29, 2017, and determined that no events occurred that require disclosure.



Supplementary Information

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

For the Year Ended June 30,

2017

Agency Head Name: Keith Liederman, Chief Executive Officer

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

**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 auditors' report.



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INDEPENDENT AUDITORS' 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 statement of financial position as of June 30, 2017, 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 29, 2017.

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 combined 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 or significant deficiencies may exist that were not 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.

Cam, Riggs & Ingram, L.L.C.

December 29, 2017



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE***

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

Report on Compliance for the Major Federal Program

We have audited Kingsley House, Inc. and Affiliates' (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2017. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Organization 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

December 29, 2017

KINGSLEY HOUSE, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Health and Human Services			
Head Start/Early Head Start	93.600	06CH01015202	\$ 2,912,352
Head Start/Early Head Start	93.600	06CH01015203	4,729,937
Early Head Start Child Care Partnership	93.600	06HP0027/01	749,290
Early Head Start Child Care Partnership	93.600	06HP0027/02	2,075,052
Total U.S. Department of Health and Human Services			10,466,631
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	460,620
Total U.S. Department of Agriculture			460,620
U.S. Department of Homeland Security (DHS)			
Emergency Food and Shelter Program	97.024	365800-060	4,760
Total U.S. Department of Homeland Security (DHS)			4,760
Total Expenditures of Federal Awards			\$ 10,932,011

See accompanying notes to this schedule.

KINGSLEY HOUSE, INC. AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards includes the Federal award activity of Kingsley House, Inc. and Affiliates (the Organization), under programs of the federal government for the year ended June 30, 2017 in accordance with the requirements of Title 2 U. S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

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.

NOTE 3 – NONCASH ASSISTANCE

There is no noncash assistance or outstanding federal loans for the year ended June 30, 2017.

NOTE 4 – NON-FEDERAL SHARE WAIVER

An Early Head Start Child Care Partnership (06HP0027) budget revision in the amount of \$249,272 was submitted to the Administration for Children & Families, Office of Head Start on August 30, 2017 in anticipation of Kingsley House, in partnership with its nine child care partners, not being able to provide the full 20% non-federal share match required by federal award guidelines. In such cases where the non-federal share match is not met, a grantee can request a waiver. While management does fully expect to receive authorization, as of the issuance of this report, an official approval of the waiver request has not been received from the Administration for Children and Families.


**KINGSLEY HOUSE, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

A. SUMMARY OF AUDITORS' RESULTS

1. The Independent Auditors' Report expresses an unmodified opinion on the combined financial statements of Kingsley House, Inc. and Affiliates (the Organization).
2. No material weakness or significant deficiencies in internal control over financial reporting are reported in the audit in the *Independent Auditors' 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 combined financial statements of the Organization are reported in the *Independent Auditors' 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*.
4. No material weakness or significant deficiency relating to the audit of the major federal program is reported in the Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance required by the *Uniform Guidance*.
5. The *Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance* expresses an unmodified opinion on the major federal program.
6. The *Independent Auditors' Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance* disclosed no findings that are required to be reported in accordance with Section 200.516 of the Uniform Guidance.
7. The major program tested for the year ended June 30, 2017 was:

Program Title	CFDA Number
Head Start	93.600

8. The dollar threshold for distinguishing between Type A and Type B programs was \$750,000.
9. The Organization did not qualify as a low-risk auditee.



**KINGSLEY HOUSE, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 PROGRAM

None noted.

**KINGSLEY HOUSE, INC. AND AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2016-01: Internal Control Material Weakness – Accounts not reconciled timely and accurately

Condition: All General Ledger accounts were not reconciled on a monthly basis, including two bank account reconciliations, receivable/revenue accounts, and payable accounts.

Status: Resolved.

C. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

None noted.

D. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM

None noted.