

KINGSLEY HOUSE, INC. AND AFFILIATES

**Combined Financial Statements as of June 30, 2014 and 2013
and for the Years Then Ended
and Independent Auditors' Report
and Supplementary Information**

KINGSLEY HOUSE, INC. AND AFFILIATES

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
COMBINED FINANCIAL STATEMENTS AS OF JUNE 30, 2014 AND 2013 AND FOR THE YEARS THEN ENDED:	
Combined Statements of Financial Position	3
Combined Statements of Activities and Changes in Net Assets – June 2014	4
Combined Statements of Activities and Changes in Net Assets – June 2013	5
Combined Statement of Functional Expenses – June 2014	6
Combined Statement of Functional Expenses – June 2013	7
Combined Statements of Cash Flows	8
Notes to Combined Financial Statements	9
SUPPLEMENTARY INFORMATION	
Schedule of Support, Revenues and Expenses in Accordance with United Way Requirements (Unaudited)	21
OTHER INDEPENDENT AUDITORS' REPORTS	
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 <i>Government Auditing Standards</i>	24
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance required by OMB Circular A-133	26
Schedule of Expenditures of Federal Awards	28
Schedule of Findings and Questioned Costs	29
Summary Schedule of Prior Audit Findings	31



Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of Kingsley House, Inc. and Affiliates, a nonprofit organization, which comprises the combined statement of financial position as of June 30, 2014, and the related combined statements of activities and changes in net assets, 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.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

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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, 2014, and the combined statement of activities and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is 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 29, 2014, 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.

Report on Summarized Comparative Information

We have previously audited the 2013 financial statements for Kingsley House, Inc. and Affiliate, and our report dated December 20, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gurtner Zuniga Abney, LLC

New Orleans, Louisiana
December 29, 2014

KINGSLEY HOUSE, INC. AND AFFILIATES
COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014</u>	<u>2013</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 43,172	\$ -	\$ -	\$ 43,172	\$ 109,094
Investments	1,325,806	-	-	1,325,806	1,505,990
Due to (from)	181,325	(195,744)	14,419	-	-
Promises to give	61,849	805,776	-	867,625	319,364
Accounts receivable					
Government contracts	575,541	-	-	575,541	587,319
Other	397,313	-	-	397,313	119,373
Prepaid expenses	165,259	-	-	165,259	137,092
Total current assets	<u>2,750,265</u>	<u>610,032</u>	<u>14,419</u>	<u>3,374,716</u>	<u>2,778,232</u>
NON-CURRENT ASSETS					
Cash held for acquisition of property and donor restricted purposes	-	69,243	-	69,243	2,708
Long-term investments	-	-	270,429	270,429	238,067
Property, plant, and equipment, net	778,465	4,782,831	-	5,561,296	4,477,194
Total non-current assets	<u>778,465</u>	<u>4,852,074</u>	<u>270,429</u>	<u>5,900,968</u>	<u>4,717,969</u>
TOTAL ASSETS	<u>\$ 3,528,730</u>	<u>\$ 5,462,106</u>	<u>\$ 284,848</u>	<u>\$ 9,275,684</u>	<u>\$ 7,496,201</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 592,229	\$ 200,606	\$ -	\$ 792,835	\$ 424,554
Lines of credit	198,254	225,000	-	423,254	309,000
Current portion of long-term debt	-	50,000	-	50,000	-
Total current liabilities	<u>790,483</u>	<u>475,606</u>	<u>-</u>	<u>1,266,089</u>	<u>733,554</u>
LONG-TERM LIABILITIES					
Long-term debt, less current portion	-	450,000	-	450,000	-
Total long-term liabilities	<u>-</u>	<u>450,000</u>	<u>-</u>	<u>450,000</u>	<u>-</u>
TOTAL LIABILITIES	<u>790,483</u>	<u>925,606</u>	<u>-</u>	<u>1,716,089</u>	<u>733,554</u>
NET ASSETS					
Unrestricted					
Undesignated	1,486,180	-	-	1,486,180	1,199,941
Board designated	1,252,067	-	-	1,252,067	1,323,613
Total unrestricted	<u>2,738,247</u>	<u>-</u>	<u>-</u>	<u>2,738,247</u>	<u>2,523,554</u>
Temporarily restricted	-	4,536,500	-	4,536,500	3,986,606
Permanently restricted	-	-	284,848	284,848	252,487
TOTAL NET ASSETS	<u>2,738,247</u>	<u>4,536,500</u>	<u>284,848</u>	<u>7,559,595</u>	<u>6,762,647</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,528,730</u>	<u>\$ 5,462,106</u>	<u>\$ 284,848</u>	<u>\$ 9,275,684</u>	<u>\$ 7,496,201</u>

See accompanying independent auditors' report and notes to combined financial statements.

KINGSLEY HOUSE, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
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
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 OTHER SUPPORT	9,201,865	549,894	32,361	9,784,120
EXPENSES				
Program services				
Pre-school Day Care	3,254,363	-	-	3,254,363
Early Head Start	1,540,399	-	-	1,540,399
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	8,987,172	-	-	8,987,172
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	<u><u>\$ 2,738,247</u></u>	<u><u>\$ 4,536,500</u></u>	<u><u>\$ 284,848</u></u>	<u><u>\$ 7,559,595</u></u>

See accompanying independent auditors' report and notes to combined financial statements.

KINGSLEY HOUSE, INC. AND AFFILIATES
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER SUPPORT				
Federal and state contracts	\$ 5,121,108	\$ (139,231)	\$ -	\$ 4,981,877
Foundation and corporate contracts	633,963	97,960	-	731,923
United Way	51,712	-	-	51,712
United Way funding for next year	-	319,329	-	319,329
Contributions	551,784	99,342	-	651,126
Investment income	149,986	-	26,869	176,855
Program fees	204,405	-	-	204,405
Other income	101,999	8	-	102,007
Transfers	2,992	-	(2,992)	-
Net assets released from restrictions				
United Way	379,543	(379,543)	-	-
Restrictions satisfied by payments	329,633	(329,633)	-	-
TOTAL REVENUES AND OTHER SUPPORT	7,527,125	(331,768)	23,877	7,219,234
EXPENSES				
Program services				
Pre-school Day Care	2,279,578	-	-	2,279,578
Early Head Start	1,270,939	-	-	1,270,939
Adult Day Health Care	726,399	-	-	726,399
Family Life Services	624,727	-	-	624,727
Participants Meal Program	355,060	-	-	355,060
Community and Supportive Services	311,066	-	-	311,066
School Age Day Care Center	308,937	-	-	308,937
Resettlement and Recovery Services	282,889	-	-	282,889
Health Care for All	-	-	-	-
Supporting services				
Management and general	1,233,610	-	-	1,233,610
Fundraising	193,662	-	-	193,662
TOTAL EXPENSES	7,586,489	-	-	7,586,867
CHANGES IN NET ASSETS	(59,742)	(331,768)	23,877	(367,633)
NET ASSETS - Beginning of year	2,583,296	4,318,374	228,610	7,130,280
NET ASSETS - End of year	\$ 2,523,554	\$ 3,986,606	\$ 252,487	\$ 6,762,647

See independent auditors' report and accompanying notes to combined financial statements.

KINGSLEY HOUSE, INC. AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	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	Participant Meals Program	Total Program Services	General and Administrative		Fundraising
Personnel	\$ 1,948,839	\$ 175,960	\$ 424,936	\$ 227,604	\$ 959,418	\$ 153,727	\$ 99,846	\$ 43,546	\$ 4,033,876	\$ 693,613	\$ 220,959	\$ 4,948,448
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	163,470	16,600	34,974	18,338	81,718	11,990	6,017	4,224	337,331	53,433	18,747	409,511
Total personnel and related expenses	2,378,866	199,445	520,014	278,729	1,187,543	188,207	121,888	49,386	4,924,078	837,530	270,041	6,031,649
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	74,546	10,895	11,122	8,812	55,306	2,749	808	5,078	169,316	86,383	(8,211)	247,488
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	96,945	1,674	28,856	7,520	13,491	1,612	2,960	19,340	172,398	115,582	144,344	432,324
Office expense	294,398	11,108	31,828	11,503	145,342	9,309	10,067	33,356	546,911	105,935	31,015	683,861
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	18,051	156	75,835	14,944	8,436	4,267	449	28	122,166	5,895	8,725	136,786
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	3,149,322	253,327	724,623	397,732	1,515,673	251,889	164,321	444,253	6,901,140	1,232,140	461,758	8,595,038
Depreciation	105,041	71,813	82,422	16,865	24,726	10,575	759	-	312,201	78,075	1,858	392,134
	<u>\$ 3,254,363</u>	<u>\$ 325,140</u>	<u>\$ 807,045</u>	<u>\$ 414,597</u>	<u>\$ 1,540,399</u>	<u>\$ 262,464</u>	<u>\$ 165,080</u>	<u>\$ 444,253</u>	<u>\$ 7,213,341</u>	<u>\$ 1,310,215</u>	<u>\$ 463,616</u>	<u>\$ 8,987,172</u>

See independent auditors' report and accompanying notes to combined financial statements.

KINGSLEY HOUSE, INC. AND AFFILIATES
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	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	Participant Meals Program	Total Program Services	General and Administrative		Fundraising
Personnel	\$ 1,328,227	\$ 168,978	\$ 402,396	\$ 396,030	\$ 742,426	\$ 170,754	\$ 165,221	\$ 50,906	\$ 3,424,938	\$ 568,907	\$ 126,340	\$ 4,120,185
Employee benefits												
Health insurance	131,736	5,800	34,130	45,497	86,228	19,886	18,612	3,860	345,749	59,673	11,953	417,375
Retirement	34,278	1,767	12,771	8,238	23,832	5,976	4,463	696	92,021	16,363	4,376	112,760
Other	9,049	386	2,537	2,802	5,308	1,239	1,193	431	22,945	5,411	1,250	29,606
Payroll taxes	108,891	15,299	33,373	32,512	60,463	13,360	12,773	4,723	281,394	45,371	9,539	336,304
Total personnel and related expenses	1,612,181	192,230	485,207	485,079	918,257	211,215	202,262	60,616	4,167,047	695,725	153,458	5,016,230
Conferences, conventions, and meetings	2,359	-	1,079	88	-	310	769	-	4,605	1,500	1,027	7,132
Food	3,437	183	3,353	779	-	520	1,303	274,235	283,810	2,919	275	287,004
General insurance	46,326	4,071	14,979	10,317	23,563	3,943	6,701	(1,848)	108,052	15,734	2,830	126,616
Membership dues	6,260	129	32	1,013	3,103	1,709	1,000	-	13,246	4,215	378	17,839
Occupancy												
Utilities	38,777	7,996	19,622	8,762	32,567	3,507	3,203	-	114,434	18,304	604	133,342
Rent	65,730	-	-	10,800	-	29,957	-	-	106,487	-	-	106,487
Repair and maintenance	101,466	8,453	15,699	15,213	24,224	5,817	7,061	4,175	182,108	95,645	4,182	281,935
Waste pick-up	4,996	1,130	1,574	270	1,967	307	168	320	10,732	1,626	261	12,619
Security	-	-	-	-	-	-	-	-	-	-	-	-
Building insurance	38,358	2,630	9,731	8,656	16,360	2,214	3,579	-	81,528	11,754	644	93,926
Professional services	36,509	1,572	5,820	3,266	11,879	2,193	20,407	154	81,800	168,051	4,348	254,199
Office expense	171,016	11,135	26,917	20,239	198,897	11,215	27,734	17,408	484,561	75,129	21,818	581,508
Information technology	11,920	4,914	1,925	2,946	4,919	4,266	2,911	-	33,801	15,869	423	50,093
Travel	12,838	391	57,553	37,144	938	5,638	6,251	-	120,753	13,835	2,321	136,909
Specific assistance to individuals	15	-	-	193	-	-	13,876	-	14,084	145	-	14,229
Field trips	6,372	1,863	-	-	1,173	-	875	-	10,283	-	-	10,283
Bad debt expense	-	-	-	-	-	-	-	-	-	26,698	-	26,698
Other expenses	4,763	252	1,470	881	1,557	78	11,517	-	20,518	3,340	201	24,059
Total expense before depreciation	2,163,323	236,949	644,961	605,646	1,239,404	282,889	309,617	355,060	5,837,849	1,150,489	192,770	7,181,108
Depreciation	116,255	71,988	81,438	19,081	31,535	-	1,449	-	321,746	82,743	892	405,381
	<u>\$ 2,279,578</u>	<u>\$ 308,937</u>	<u>\$ 726,399</u>	<u>\$ 624,727</u>	<u>\$ 1,270,939</u>	<u>\$ 282,889</u>	<u>\$ 311,066</u>	<u>\$ 355,060</u>	<u>\$ 6,159,595</u>	<u>\$ 1,233,232</u>	<u>\$ 193,662</u>	<u>\$ 7,586,489</u>

See independent auditors' report and accompanying notes to combined financial statements.

**KINGSLEY HOUSE, INC. AND AFFILIATES
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 796,948	\$ (367,633)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	392,134	405,381
Unrealized gains on investments - net	118,916	39,939
Realized gains on investments - net	69,157	91,881
Change in operating assets and liabilities:		
Promises to give	(548,261)	60,179
Accounts receivable	(266,162)	79,180
Prepaid expenses	(28,167)	(37,720)
Accounts payable	368,281	330
	902,846	271,537
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of long-term investments	(32,362)	(23,877)
Purchases of investments	(312,181)	(674,163)
Proceeds from sales of investments	304,292	435,878
Purchases of land, buildings and equipment	(1,476,236)	(5,478)
	(1,516,487)	(267,640)
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from acquisition of long-term debt	500,000	-
Repayments of line of credit	(2,115,803)	-
Borrowings under line of credit	2,230,057	9,000
Net change in cash held for acquisition of property	(66,535)	1,345
	547,719	10,345
Net cash provided by financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(65,922)	14,242
CASH AND CASH EQUIVALENTS - Beginning of year	109,094	94,852
CASH AND CASH EQUIVALENTS - End of year	\$ 43,172	\$ 109,094

See independent auditors' report and accompanying notes to combined financial statements.

KINGSLEY HOUSE INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Kingsley House, Inc. and Affiliates (the Organization or the Agency) 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 is an entity organized on August 6, 2013 for the purpose of securing New Markets Tax Credits (NMTCs) tied to the future development and construction of a new facility to serve the community. The Organization serves as the sole member of this entity and is responsible for the management of this entity. During the fiscal year ended June 30, 2014, the Organization acquired 4.2 acres of land adjacent to Kingsley House upon which it has plans to construct 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 planned sources of funding for the construction of this new facility include: 1) \$6.265 million in state capital outlay funds pursuant to a Cooperative Endeavor Agreement with the State of Louisiana (See Note L); 2) \$2 million in federal funds via an economic development loan passed through the state of Louisiana which is expected to close in early 2015; 3) \$1.585 million in Capital Campaign funds/private loans of which approximately \$1.3 million has been raised through the date of this report; and 4) \$2.65 million in anticipated New Markets Tax Credits which is expected to close in early 2015. In anticipation of this project, the Agency formed the Foundation discussed above. The Foundation began a 2013 Capital Campaign to fund in part this new project and also to provide for ongoing operational and maintenance costs for this project and the historic main campus. This Capital Campaign will continue into 2015.

Programs provided by the Organization are as follows:

- Pre-School Day Care – A state licensed Head Start center is provided for 258 children.
- Early Head Start – A state licensed Early Head Start center for 108 children.
- 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.
- Participants Meal 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, and Youth and Adult Day Health Care programs.
- Community and Supporting Services – The Organization provides intensive case management services for former St. Bernard Housing Development residents as they resettle in a redeveloped mixed income community.

KINGSLEY HOUSE INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

- School Age Day Care – The Organization operates 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.

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.

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 increase 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

KINGSLEY HOUSE INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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 receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated Services – No amounts have been reflected in the financial statements for donated services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization received 12,051 and 8,752 volunteer hours for the years ended June 30, 2014 and 2013, 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.

Advertising – Advertising costs are expenses as incurred.

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. As of June 30, 2014, the Organization had three years of tax returns open for review by the IRS. Years open include 2012, 2013, and 2014 and are included within the 3 year statute of limitations for IRS review.

KINGSLEY HOUSE INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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 receivables at June 30, 2014 and 2013 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 \$42,007 and \$26,698 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, accounts receivable – unconditional promises to give consisted of:

	2014	2013
United Way	\$ 269,958	\$ 319,364
Donors	597,667	-
	\$ 867,625	\$ 319,364

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 statements of changes in unrestricted net assets. 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.

KINGSLEY HOUSE INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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 a different capitalization thresholds and 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.

NOTE B – PROPERTY, PLANT, AND EQUIPMENT

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

	<u>2014</u>	<u>2013</u>
Land	\$ 1,098,392	\$ 89,931
Buildings	9,566,741	9,566,741
Improvements	174,792	174,792
Construction in progress	527,870	60,246
Transportation equipment	335,870	335,719
Furniture fixtures and equipment	571,425	571,425
	<u>12,275,090</u>	<u>10,798,854</u>
Less: accumulated depreciation	<u>(6,713,794)</u>	<u>(6,321,660)</u>
Total land, buildings, and equipment, net	<u>\$ 5,561,296</u>	<u>\$ 4,477,194</u>

For the years ended June 30, 2014 and 2013, depreciation expense was \$392,134 and \$405,381, respectively.

NOTE C – INVESTMENT INCOME

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

	<u>June 30, 2014</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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
	<u>\$ 191,280</u>	<u>\$ 35,714</u>	<u>\$ 226,994</u>

**KINGSLEY HOUSE INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	June 30, 2013		
	Unrestricted	Permanently Restricted	Total
Interest and dividends	\$ 40,022	\$ 5,013	\$ 45,035
Net realized gains	90,669	1,212	91,881
Net unrealized gains	19,295	20,644	39,939
	\$ 149,986	\$ 26,869	\$ 176,855

The unrealized gains on investments since their purchase or donation to the Organization was \$351,505 and \$221,633 for the years ended June 30, 2014 and 2013, respectively.

NOTE D – FAIR VALUE MEASUREMENTS

The methods described in Note A 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, 2014 and 2013.

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

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

Corporate 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 Mutual Funds (L1) are measured based on the values of the underlying investments.

KINGSLEY HOUSE INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair values as of June 30, 2014 and 2013, respectively:

	Fair Value at June 30, 2014	Level 1	Level 2	Level 3
Equities	\$ 708,750	\$ 708,750	\$ -	\$ -
Bonds:				
Corporate	470,310	-	470,310	-
Municipal	20,182	-	20,182	-
	<u>490,492</u>	<u>-</u>	<u>490,492</u>	<u>-</u>
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	-	-
	<u>\$ 1,596,235</u>	<u>\$ 1,105,743</u>	<u>\$ 490,492</u>	<u>\$ -</u>
	Fair Value at June 30, 2013	Level 1	Level 2	Level 3
Equities	\$ 741,525	\$ 741,525	\$ -	\$ -
Bonds:				
Corporate	447,033	-	447,033	-
Municipal	60,203	-	60,203	-
	<u>507,236</u>	<u>-</u>	<u>507,236</u>	<u>-</u>
Money market accounts	240,354	240,354	-	-
Mutual funds	254,942	254,942	-	-
	<u>\$ 1,744,057</u>	<u>\$ 1,236,821</u>	<u>\$ 507,236</u>	<u>\$ -</u>

NOTE E – 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, 2014) and is unsecured. The amount outstanding under the line of credit was

**KINGSLEY HOUSE INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

\$198,254 at June 30, 2014 and \$309,000 at June 30, 2013. A second line of credit was secured for the Foundation in the amount of \$500,000 during fiscal year 2014. This line of credit is secured by pledges receivable of the Foundation. The interest rate and outstanding balance as of June 30, 2014 was 4.5% and \$225,000.

Long-Term Debt

1542 Constance Street, LLC has a promissory note payable to a private foundation as of June 30, 2014 in the amount of \$500,000. This note is secured by a lien and security interest in the land acquired. At June 30, 2014, \$50,000 of this note is classified as short-term and the remaining \$450,000 is classified as long-term. The interest rate on this loan is fixed at 2% for the entire term of the loan.

Principal payments for future fiscal years are as follows:

2015	\$ 50,000
2016	50,000
2017	50,000
2018	50,000
2019	50,000
Thereafter	<u>250,000</u>
	<u><u>\$ 500,000</u></u>

NOTE F – 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, 2014 and 2013, the Organization had board-designated funds totaling \$1,325,806 and \$1,505,990, respectively, in unrestricted investments on the combined statements of financial position.

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Substantially all of the restrictions on net assets as of June 30, 2014 and 2013 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, LLC.

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.

**KINGSLEY HOUSE INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

1542 Constance Street, LLC is the title holder of the land where the new facility will be built. This entity has accumulated \$1,000,000 in land plus \$467,624 in construction in progress as of June 30, 2014. All of the construction in progress costs are associated with soft construction costs.

	<u>2014</u>	<u>2013</u>
Kingsley House, Inc.	\$ 3,500,267	\$ 3,887,264
Kingsley House Foundation	68,609	99,341
1542 Constance Street, LLC	<u>967,624</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 4,536,500</u>	<u>\$ 3,986,606</u>

NOTE H – 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, 2014 and 2013, permanently restricted net assets were \$284,848 and \$252,487, respectively.

NOTE I – CONCENTRATION OF REVENUES

For the year ended June 30, 2014 approximately 55% of the Organization’s revenues came from state and federal government programs, 15% from foundations and corporate contracts, and 20% came from contributions. For the year ended June 30, 2013 approximately 69% of the Organization’s revenues came from state and federal government programs, 10% from foundations and corporate contracts, and 9% came from contributions.

Historically, the Organization has received Early Head Start and Head Start funding as a delegate agency through Total Community Action, the US 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. It is anticipated that the federal grantee designations will be made in 2015, and the Organization is of the opinion that it will successfully become a direct grantee.

NOTE J – 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, 2014 were based on 3.5% of plan participants’ salaries. Total retirement plan expense was \$108,654 and \$112,760 for the years ended June 30, 2014 and 2013, respectively.

KINGSLEY HOUSE INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

NOTE K – 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, 2014 and 2013 was \$45,583 and \$106,487, respectively.

The Organization has multiple operating leases for office equipment at various locations. Lease expense for the years ended June 30, 2014 and 2013 was \$37,208 and \$27,380, respectively.

Future minimum lease payments are as follows:

2015	\$	94,381
2016		50,630
2017		<u>18,759</u>
	\$	<u>163,770</u>

NOTE L – 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 G) 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 2014, the Organization partnered with Bayou District Foundation (a local nonprofit organization) and Educare (a national 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) 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 has been designated to the project discussed in Note A) 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.

**KINGSLEY HOUSE INC. AND AFFILIATES
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

NOTE M – 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 N – COUNCIL ON AGING

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

Senior Center	2014	2013
Revenues	\$ 51,620	\$ 53,366
Expenses:		
Compensation and related expenses	21,260	33,114
Operating Services	30,360	20,252
Net	\$ -	\$ -

NOTE O – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, December 29, 2014, and determined that no events occurred that require disclosure except as follows: On December 10, 2014, the Department of Health and Human Services (HHS), Administration for Children and Families (ACF) announced that Kingsley House was among preliminary winners for its Early Head Start-Child Care Partnership grants 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. HHS will negotiate with Kingsley House and all other applicant agencies to award all grants on a rolling basis beginning January 1, 2015.

SUPPLEMENTARY INFORMATION

KINGSLEY HOUSE, INC. AND AFFILIATES
SCHEDULE OF SUPPORT, REVENUES AND EXPENSES
IN ACCORDANCE WITH UNITED WAY REQUIREMENTS
(UNAUDITED)
YEAR ENDED JUNE 30, 2014

	<u>Agency Total</u>	<u>Supporting Services Management and General</u>	<u>Fund Raising</u>	<u>Total Program Services</u>	<u>Early Headstar and Headstart</u>	<u>School Age Day Care/Youth</u>	<u>Adult Day Health Care</u>	<u>Resettlement and Recovery Services</u>	<u>Other</u>
REVENUE:									
Client Generated Self Support	\$ 309,902	\$ 68,068	\$ 59,500	182,334	\$ -	\$ 114,764	\$ 29,863	\$ -	\$ 37,707
Governmental Grants/Contracts	5,357,013	43,273	-	5,313,740	2,384,182	65,245	889,052	-	1,975,261
Other Foundations or National Grants	1,712,643	-	144,045	1,568,598	-	-	-	229,950	1,338,648
Other Revenue	871,156	599,817	197,629	73,710	-	20,032	1,104	-	52,574
TOTAL SELF-GENERATED REVENUE	8,250,714	711,158	401,174	7,138,382	2,384,182	200,041	920,019	229,950	3,404,190
United Way Designation	40,732	-	36,556	4,176	-	-	-	-	4,176
CFC Designation	6,663	-	6,663	-	-	-	-	-	-
Other United Way Allocations	9,447	-	290	9,157	-	-	-	-	9,157
TOTAL REVENUE	8,307,556	711,158	444,683	7,151,715	2,384,182	200,041	920,019	229,950	3,417,523
United Way Allocation-GNO	319,364	-	-	319,364	111,128	55,821	57,958	94,457	-
GRAND TOTAL REVENUE	\$ 8,626,920	\$ 711,158	\$ 444,683	\$ 7,471,079	\$ 2,495,310	\$ 255,862	\$ 977,977	\$ 324,407	\$ 3,417,523
EXPENSES:									
Salaries	\$ 4,843,717	\$ 693,613	\$ 116,230	\$ 4,033,874	\$ 1,558,256	\$ 175,960	\$ 424,936	\$ 153,727	\$ 1,720,995
Benefits	657,335	90,485	13,979	552,871	240,418	6,885	60,104	22,489	222,975
Taxes	399,775	53,433	9,012	337,330	127,971	16,601	34,974	11,989	145,795
Occupancy Expenses	660,421	125,206	1,571	533,644	238,242	25,670	46,444	42,957	180,331
Travel & Transportation	172,050	9,946	7,762	154,342	20,841	656	76,394	4,490	51,961
Office Supplies	155,469	26,023	8,232	121,213	19,284	2,806	13,181	1,841	84,101
Printing	21,131	8,352	4,695	8,083	1,504	259	780	85	5,455
Direct Assistance to Individuals	16,852	-	-	16,852	1,978	-	-	-	14,874
Other	1,374,085	213,856	16,171	1,144,057	192,095	24,490	67,811	14,310	845,351
GRAND TOTAL EXPENSES	\$ 8,300,835	\$ 1,220,914	\$ 177,652	\$ 6,902,266	\$ 2,400,589	\$ 253,327	\$ 724,624	\$ 251,888	\$ 3,271,838
NET DIFFERENCE	\$ 326,085	\$ (509,756)	\$ 267,031	\$ 568,813	\$ 94,721	\$ 2,535	\$ 253,353	\$ 72,519	\$ 145,685
Depreciation	\$ 392,134	\$ 78,075	\$ 1,858	\$ 312,201	\$ 129,767	\$ 71,813	\$ 82,422	\$ 10,575	17,624
				Total Direct Program Expenses	\$ 2,400,589	\$ 253,327	\$ 724,624	\$ 251,888	\$ 3,271,838
				Percentage of Total Program Expenses	34.78%	3.67%	10.50%	3.65%	47.40%
				Distribution of M&G Expenses	\$ 424,630.51	\$ 44,809.99	\$ 128,175.82	\$ 44,555.45	\$ 578,742.23
				Grand Total Program Expenses	\$ 2,825,220	\$ 298,137	\$ 852,800	\$ 296,443	\$ 3,850,580
				Undup. People Served	1,729	1,062	98	826	457
				Cost per Person	\$ 1,634	\$ 281	\$ 8,702	\$ 359	\$ 8,426

KINGSLEY HOUSE, INC. AND AFFILIATES
SCHEDULE OF SUPPORT, REVENUE, AND EXPENSES
IN ACCORDANCE WITH UNITED WAY REQUIREMENTS
(UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2014

Total revenues, gains and other support per combined statement of activities	\$ 9,784,120
Contributions	(1,527,143)
Foundation	60,841
Government contracts	(52,874)
United Way funding for the year	319,364
United Way funding for next year	(269,958)
Investment income	-
Loss on sale	(69,157)
Unrealized loss on investment	(118,916)
Interest income	(17,888)
Other	(3)
Transfer/in-out	<u>518,534</u>
Total United Way	<u><u>\$ 8,626,920</u></u>
Reconciliation of total expenses is as follows:	
Total expenses per combined statement of activities	\$ 8,987,172
Wages	(104,729)
Benefits	(16,357)
Taxes	(7,946)
Travel and transportation	(5,760)
Office supplies	(6,710)
Printing	(978)
Other	(151,723)
Depreciation	<u>(392,134)</u>
Total United Way	<u><u>\$ 8,300,835</u></u>

OTHER INDEPENDENT AUDITORS' REPORT



Certified Public Accountants & Consultants

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, 2014, and the related combined statements of activities and changes in net assets, 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, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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.

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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.

Gurtner Zuniga Abney, LLC

New Orleans, Louisiana
December 29, 2014



Certified Public Accountants & Consultants

**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, 2014. The major federal programs of Kingsley House, Inc. and Affiliates are 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' 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.

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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, 2014.

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.

Gurtner Zuniga Abeny, LLC

New Orleans, Louisiana
December 29, 2014

KINGSLEY HOUSE, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
Pass-through programs from:			
U.S. Department of Health and Human Services			
Total Community Action, Inc.			
Head Start	93.600	06CH0473	\$ 2,166,295
Early Head Start	93.600	06YC0521	1,511,034
			<u>3,677,329</u>
Louisiana Department of Social Services			
Social Services Block Grant Family Preservation	93.667	TID4034	244,532
			<u>244,532</u>
Total U.S. Department of Health and Human Services			3,921,861
U.S. Department of Agriculture			
Louisiana Department of Education			
Child and Adult Care Food Program			
Preschool/ Early Head Start/School Age	10.558	CC93-432	424,213
			<u>424,213</u>
Total expenditures of federal awards			<u><u>\$ 4,346,074</u></u>

Notes to Schedule of Expenditures of Federal Awards:

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 FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	_____ <u>X</u> no	
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported	
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no	

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	_____ yes	_____ <u>X</u> no	
Significant deficiencies identified not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported	
Type of auditors' report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	_____ yes	_____ <u>X</u> no	

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start
93.600	Early Head Start
10.558	Child and Adult Care Food Program Preschool/ Early Head Start/School Age

Dollar threshold used to distinguish between Type A and Type B programs:	_____ <u>\$300,000</u>	
Auditee qualified as low-risk audit?	_____ yes	_____ <u>X</u> no

Section II - Findings related to the financial statements that are required to be reported in accordance with *Governmental Auditing Standards*

None noted

**KINGSLEY HOUSE, INC. AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

Section III - Findings and questioned costs for federal awards under OMB Circular A-133 §510 (a)

None noted

**KINGSLEY HOUSE, INC. AND AFFILIATES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

**Section II - Findings related to the financial statements that are required to be reported
in accordance with *Governmental Auditing Standards***

No findings noted for the year ended June 30, 2013.

Section III - Findings and questioned costs for federal awards under OMB Circular A-133 §510 (a)

No findings noted for the year ended June 30, 2013.