KINGSLEY HOUSE, INC. AND AFFILIATES

FINANCIAL REPORT

For the Years Ended June 30, 2016 and 2015



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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, 2016, 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 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2016, 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 2015 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated December 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head on page 28, as required by LA R.S. 24:513; and the schedule of expenditures of federal awards on page 33, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), are presented for purposes of additional analysis and are 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 27, 2016, 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.

December 27, 2016

Can, Rigge & Ingram, L.L.C.



KINGSLEY HOUSE, INC. AND AFFILIATES COMBINED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

	Unrestricted			emporarily Restricted	rmamently Restricted	2016	2015
			AS	SETS			
CURRENT ASSETS							
Cash and cash equivalents	\$	705,093	\$	196,990	\$ -	\$ 902,083	\$ 425,448
Investments		1,008,655		-	-	1,008,655	1,123,892
Due to (from)		398,533		(412,952)	14,419	-	-
Promises to give, net		661,079		149,003	-	810,082	685,119
Accounts receivable							
Government contracts		469,714		-	-	469,714	278,774
Other		302,212		-	-	302,212	479,061
Prepaid expenses		189,664		-	-	189,664	254,389
Total Current Assets		3,734,950		(66,959)	14,419	3,682,410	3,246,683
NON-CURRENT ASSETS							
Cash held for acquisition of property							
and donor restricted purposes		472,704		494,795	-	967,499	5,540,741
Long-term investments		-		-	274,431	274,431	280,032
Note receivable		5,348,000		-	-	5,348,000	5,348,000
Property, plant, and equipment, net		675,414		13,412,107	-	14,087,521	7,570,765
Total Non-Current Assets		6,496,118		13,906,902	274,431	20,677,451	18,739,538
TOTAL ASSETS	\$	10,231,068	\$	13,839,943	\$ 288,850	\$ 24,359,861	\$ 21,986,221
CURRENT LIABILITIES Accounts payable and accrued liabilities Lines of credit	\$	445,351 603,135	ries A \$	ND NET ASSETS 1,040,514 -	\$ - -	\$ 1,485,865 603,135	\$ 1,881,520 640,649
Current portion of long-term debt		38,606		50,000	-	88,606	4,395,250
Total Current Liabilities		1,087,092		1,090,514	-	2,177,606	6,917,419
LONG-TERM LIABILITIES							
Long-term debt, less current portion		1,961,394		8,155,000		10,116,394	8,205,000
Total Long-Term Liabilities		1,961,394		8,155,000	-	10,116,394	8,205,000
Total Liabilties		3,048,486		9,245,514	-	12,294,000	15,122,419
NET ASSETS Unrestricted							
Undesignated		6,170,301		-	-	6,170,301	879,897
Board designated		1,012,281		-	-	1,012,281	1,127,518
Total Unrestricted		7,182,582		-	-	7,182,582	2,007,415
Tamana na vilv. na atviata d							
Temporarily restricted		-		4,594,429	-	4,594,429	4,561,936
Permanently restricted		-		4,594,429 -	- 288,850	4,594,429 288,850	4,561,936 294,451
' '		- - 7,182,582			- 288,850 288,850		

KINGSLEY HOUSE, INC. AND AFFILIATES COMBINED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT				
Government contracts	\$ 14,481,322	\$ -	\$ -	\$ 14,481,322
Foundation and corporate contracts	1,218,761	200,000	-	1,418,761
United Way	53,228	26,574	-	79,802
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	_	<u>-</u>	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

KINGSLEY HOUSE, INC. AND AFFILIATES COMBINED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015	U	nrestricted	emporarily Restricted	manently estricted		Total
REVENUES AND OTHER SUPPORT						
Governmental contracts	\$	5,293,041	\$ (47,674)	\$ -	\$	5,245,367
Foundation and corporate contracts		1,901,242	48,128	-		1,949,370
United Way		25,450	-	-		25,450
United Way funding for next year		-	315,177	-		315,177
Contributions		551,681	-	-		551,681
Donated services		1,018,500	-	-		1,018,500
Investment income		24,620	-	13,109		37,729
Program fees		227,817	-	-		227,817
Other income		193,297	6,900	(3,506)		196,691
Transfers		(302,496)	302,496	-		-
Net assets released from restrictions						
United Way		269,958	(269,958)	-		-
Restrictions satisfied by payments		329,633	(329,633)	-		
Total Revenues and Support		9,532,743	25,436	9,603		9,567,782
EXPENSES						
Program services						
Head Start		4,207,694	-	-		4,207,694
Youth Program		323,710	-	-		323,710
Adult Day Health Care		863,284	-	-		863,284
Community Counseling Center		397,039	-	-		397,039
Early Head Start		2,091,747	-	-		2,091,747
Community and Supportive Services		185,739	-	-		185,739
Participant Meals Program		550,409	-	-		550,409
Supporting services						
Management and General		1,310,303	-	-		1,310,303
Fundraising		333,650	-	-		333,650
Total Expenses		10,263,575	-	-		10,263,575
CHANGES IN NET ASSETS		(730,832)	 25,436	 9,603		(695,793)
NET ASSETS - BEGINNING OF YEAR		2,738,247	4,536,500	284,848		7,559,595
NET ASSETS - END OF YEAR	\$	2,007,415	\$ 4,561,936	\$ 294,451	\$	6,863,802

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

For the Year Ended June 30, 2016							Progran	n Services								Supp Serv		-		
Tor the rear Enacusume 50, 2010						Co	mmunity	II SCI VICES	Co	mmunity				Total		3011	ices			
			Youth		dult Day		ounseling	Early	& 9	Supportive		articipants		Program		nagement				
	Head Start	P	rogram	Н	ealth Care		Center	Head Start		Services	Me	eal Program		Services	an	d General	Fu	indraising		Total
Personnel	\$ 2,296,293	\$	204,609	Ś	483,222	\$	88,934	\$ 2,351,173	Ś	150,438	Ś	58,389	\$	5,633,058	Ś	362,366	\$	143,081	Ś	6,138,505
Employee benefits	, , ,		,		,		,	, , ,		,		,-		-,,		, , , , , , , , , , , , , , , , , , , ,	Ċ	-,	·	., ,
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	2,222							_,						-,		-,		_,		,
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	Ś	393,861	Ś	916,123	Ś	194,046	\$ 5,224,048	Ś	272,302	Ś	519,784	Ś	12,720,246	Ś	918,105	\$	325,159	\$	13,963,510

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

For the Year Ended June 30, 2015							Program	Services							Suppo Serv		g	
						Co	mmunity		Co	ommunity			Total					
			Youth		dult Day	Co	ounseling	Early		Supportive		rticipants	Program		nagement			
	Head Start	F	rogram	Hea	alth Care		Center	Head Start		Services	Me	al Program	Services	an	d General	Fu	ndraising	Total
Personnel	\$ 2,547,163	Ś	175,445	\$	438,546	\$	201,095	\$ 1,335,062	\$	90,686	Ś	54,558	\$ 4,842,555	\$	699,300	Ś	217,205	\$ 5,759,060
Employee benefits	, ,- ,		-, -		,-	•	,	, ,,	•	,	•	,	, ,- ,		,		,	, ,,,
Health insurance	215,814		5,037		55,461		27,083	130,648		10,751		1,974	446,768		65,234		17,182	529,184
Retirement	39,553		1,347		12,023		5,406	31,139		2,755		2,455	94,678		17,678		7,609	119,965
Other	141,618		743		5,736		2,412	55,859		1,183		700	208,251		11,695		2,551	222,497
Payroll taxes	194,470		17,697		46,316		20,826	106,845		9,161		6,186	401,501		64,720		19,884	486,105
Total Personnel and Related Expenses	3,138,618		200,269		558,082		256,822	1,659,553		114,536		65,873	5,993,753		858,627		264,431	7,116,811
Conferences, conventions, and meetings	8,727		_		1,205		695	7,338		739			18,704		10,728		764	30,196
Food	76,633		1,709		3,657		851	9,709		4,900		428,996	526,455		26,320		2,756	555,531
General insurance	41,206		3,035		7,718		(2,003)	20,265		2,650		-20,550	72,871		20,320		520	73,391
Membership dues	5,027		148		380		1,245	1,696		123		_	8,619		5,512		250	14,381
Occupancy	3,027		140		300		1,243	1,050		123			0,013		3,312		250	14,501
Utilities	102,493		8,784		20,329		2,884	50,801		2,818		2,508	190,617		23,297		817	214,731
Rent	-		-		-		34,675	-		800		-	35,475		-		-	35,475
Repairs and maintenance	65,197		2,374		5,789		2,632	29,969		138		3,348	109,447		9,753		1,035	120,235
Janitorial and housekeeping	19,363		1,157		2,842		1,341	13,239		27		2,103	40,072		4,230		106	44,408
Building insurance	56,100		4,688		11,985		5,970	30,548		3,000		· -	112,291		17,208		703	130,202
Professional services	187,780		3,729		30,903		27,556	30,383		10,076		24,091	314,518		130,326		15,968	460,812
Program and office expense	356,255		18,097		40,294		16,682	201,075		23,270		23,448	679,121		111,840		41,438	832,399
Travel	22,091		40		78,366		2,387	13,106		1,923		18	117,931		4,681		2,264	124,876
Specific assistance to individuals	647		-		-		-	-		19,969		-	20,616		-		-	20,616
Field trips	13,126		7,458		-		-	962		-		-	21,546		-		-	21,546
Bad debt expense	-		-		19,825		29,331	-		-		-	49,156		28,712		-	77,868
Other expenses	1,977		391		605		372	648		71		24	4,088		279		1,995	6,362
Total Expense Before Depreciation	4,095,240		251,879		781,980		381,440	2,069,292		185,040		550,409	8,315,280		1,231,513		333,047	9,879,840
Depreciation	112,454		71,831		81,304		15,599	22,455		699			304,342		78,790		603	383,735
Total Expenses	\$ 4,207,694	\$	323,710	\$	863,284	\$	397,039	\$ 2,091,747	\$	185,739	\$	550,409	\$ 8,619,622	\$	1,310,303	\$	333,650	\$ 10,263,575

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

For the Years Ended June 30,		2016		2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$	5,202,059	\$	(695,793)
Adjustments to reconcile change in net assets to	7	3,202,033	7	(055,755)
net cash provided by operating activities:				
Depreciation		381,363		383,735
Unrealized loss on investments - net		32,092		74,929
Realized gain on investments - net		(35,632)		(82,571)
Change in operating assets and liabilities:		(==,==,		(- /- /
Promises to give, net		(124,963)		182,506
Accounts receivable		(14,091)		215,019
Prepaid expenses		64,725		(89,130)
Accounts payable		(1,436,170)		1,088,685
Net cash provided by operating activities		4,069,383		1,077,380
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of long-term investments		(3,203)		(9,603)
Purchases of investments		31,787		(27,799)
Note receivable		-		(5,348,000)
Proceeds from sales of investments		95,794		237,355
Purchases of land, buildings and equipment		(5,857,604)		(2,393,204)
Net cash used in investing activities		(5,733,226)		(7,541,251)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from acquisition of long-term debt		2,000,000		12,150,250
Repayments of long-term debt		(4,395,250)		(50,000)
Repayments of line of credit		(811,614)		(429,654)
Borrowings under line of credit		774,100		647,049
Net change in cash held for acquisition of property		4,573,242		(5,471,498)
Net cash provided by financing activities		2,140,478		6,846,147
NET CHANGE IN CASH AND CASH EQUIVALENTS		476,635		382,276
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		425,448		43,172
CASH AND CASH EQUIVALENTS - END OF YEAR	\$	902,083	\$	425,448
SUPPLEMENTAL DISCLOSURE FOR STATEMENTS OF CASH FLOWS				
Cash paid for interest	\$	289,953	\$	68,495

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, Inc. was formed on August 6, 2013 as a not-for-profit corporation for the purpose of building the Patrick F. Taylor campus (the Project) located at municipal address 901 Richard Street, directly across from the Organization's main campus. The Organization serves as the sole member of this entity and is responsible for its management. During the fiscal year ended June 30, 2014, the Organization acquired 4.2 acres of land adjacent to the Organization's main campus upon which it 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 8) related to the construction of a new facility to serve the community.

In anticipation of the Project, the Organization formed the Foundation discussed above. The Foundation began a 2013 Capital Campaign to fund, in part, the Project and also to provide for ongoing operational and maintenance costs of the Project and the Organization's main campus. This Capital Campaign will continue into 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. This is presented as temporarily restricted in the combined statements of financial position.

Programs provided by the Organization are as follows:

• Head Start – A state licensed Head Start center is provided for 339 children.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Early Head Start A state licensed Early Head Start center for 274 children. For the first time in the Organization's history, the Organization has become an Early Head Start/Child Care Partnership Start grantee. Through a competitive grant process, in December of 2014 the Organization was selected as one of four grantees in the state of Louisiana. This establishes the Organization as a grantee for over 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 will allow the Organization to operate the most diverse delivery model in the State of Louisiana.
- Adult Day Health Care The Organization operates an adult day health care program for 84 elderly or disabled adults and a senior center for persons over 60 years old.
- 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.

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.

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 \$4,594,429 and \$4,561,936 as of June 30, 2016 and 2015, 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 \$288,850 and \$294,451 as of June 30, 2016 and 2015, 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.

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 \$58,504 and \$216,826, as of June 30, 2016 and 2015, 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 \$1,372,444 and \$1,018,500 in the Head Start and Early Head Start programs for donated services for the years ended June 30, 2016 and 2015, respectively. These services include:

	2016		2015
Wages	\$ 864,829	\$	689,248
Benefits	35,836	5	156,874
Professional Services	797	7	39,719
Supplies	154,309)	119,676
Travel	5,123	3	7,168
Occupancy	204,489)	5,815
Other	107,063	L	_
	\$ 1,372,444	\$	1,018,500

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 39,688 and 11,059 volunteer hours for the years ended June 30, 2016 and 2015, 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.

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 \$199,368 and \$0 as of June 30, 2016 and 2015, respectively. The organization incurred bad debt expense of \$199,368 and \$77,868 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, promises to give consisted of:

	2016	2015
United Way	\$ 149,003	\$ 315,177
Donors	661,079	369,942
	\$ 810,082	\$ 685,119

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.

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.

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, 2016 and 2015, the balance exceeded the FDIC insured limit by \$1,114,479 and \$5,285,591, 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, 2016 and 2015, cash held for acquisition of property and donor restricted purposes is available for the construction of the Patrick F. Taylor campus.

	2016	2015
Cash held for acquisition of property and donor restricted		_
purposes	\$ 967,499	\$ 5,540,741

NOTE 4 – PROPERTY, PLANT, AND EQUIPMENT

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

	2016	2015
Land	\$ 1,095,967	\$ 1,095,967
Buildings	9,569,222	9,569,222
Improvements	174,889	174,889
Construction in progress	9,819,193	2,921,074
Transportation equipment	335,719	335,719
Furniture fixtures and equipment	571,423	571,423
	21,566,413	14,668,294
Less: accumulated depreciation	(7,478,892)	(7,097,529)
Total land, buildings, and equipment, net	\$ 14,087,521	\$ 7,570,765

For the years ended June 30, 2016 and 2015, depreciation expense was \$381,363 and \$383,735, respectively.

NOTE 5 – INVESTMENT INCOME

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

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

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

The unrealized gains on investments since their purchase or donation to the Organization was \$244,484 and \$276,576 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015.

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.

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, 2016 and 2015, respectively:

	Fai	ir Value at						
	Jun	e 30, 2016	ı	evel 1	L	evel 2	Leve	el 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	\$	-

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

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.

NOTE 8 – SHORT AND LONG-TERM DEBT

Lines of Credit

The Organization has a \$400,000 line of credit with a financial institution at an annual variable interest rate (4.5% at June 30, 2016) and is unsecured. The line of credit matures August 8, 2018. The amount outstanding under the line of credit was \$267,100 and \$210,649 at June 30, 2016 and 2015, respectively. A second line of credit was secured from a second financial institution for the Foundation in the amount of \$500,000 during fiscal year 2014 at an annual variable interest rate (4.5% at June 30, 2016). This line of credit matured on June 13, 2016 and was extended through December 15, 2016. 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 \$336,035 and \$430,000 at June 30, 2016 and 2015, respectively.

Long-Term Debt

1542 Constance Street, Inc. has a promissory note payable to a private foundation in the amount of \$400,000 and \$450,000 as of June 30, 2016 and 2015, respectively. This note matures August 21, 2023 and is secured by a lien and security interest in the land acquired. The interest rate on this loan is fixed at 2% for the entire term of the loan. In August of 2016, this entire note 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. Interest only payments on this note are due monthly beginning October 10, 2016. Principal and interest payments are due quarterly in arrears commencing March 10, 2017, and continuing until March 10, 2030. As of June 30, 2016, the loan was drawn in full.

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

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

	2016	2015
Promissory Note Payable. Interest payable annually at a rate of 2.00%. First principal payment was due on 8/21/14. Maturity date is 8/21/23.	\$ 400,000	\$ 450,000
New Markets Tax Credit- LIIF Sub-CDE XXXI, L.L.C. QLICI A loan. Interest payable quarterly at a rate of 1.114%. Principal amortization begins 4/1/2022 with the first amortization payment due on 6/5/2022. Maturity date is 12/31/44.	4,345,250	4,345,250
New Markets Tax Credit- CNMC Sub-CDE 77, L.L.C. QLICI A loan. Interest payable quarterly at a rate of 1.114%. Principal amortization begins 4/1/2022 with the first amortization payment due on 6/5/2022. Maturity date is 12/31/44.	1,002,750	1,002,750
New Markets Tax Credit- LIIF Sub-CDE XXXI, L.L.C. QLICI B loan. Interest payable quarterly at a rate of 1.114%. Principal amortization begins 4/1/2022 with the first amortization payment due on 6/5/2022. Maturity date is 12/31/44.	1,959,750	1,959,750
New Markets Tax Credit- CNMC Sub-CDE 77, L.L.C. QLICI B loan. Interest payable quarterly at a rate of 1.114%. Principal amortization begins 4/1/2022 with the first amortization payment due on 6/5/2022. Maturity date is 12/31/44.	497,250	497,250
New Markets Tax Credit-LIIF Bridge Loan. Interest payable monthly at a rate of 6.0%. Principal amortization begins upon receipt of advances under the State Capital Outlay Grant, maturing on 8/10/17.	-	4,345,250
Note Payable. Interest payable monthly at a rate of 1.00% beginning 9/10/16. First principal payment is due on 3/10/17. Maturity date is 3/10/30.	2,000,000 10,205,000	- 12 000 250
	10,203,000	12,600,250
Less: current maturities	88,606	4,395,250
Total long-term debt	\$ 10,116,394	\$ 8,205,000

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 1.114%. The Project Borrower will pay interest only on this note quarterly in arrears on March 5, June 5, September 5, and December 5 of each year, commencing June 5, 2015, and continuing until March 5, 2022. The Project Borrower shall pay amortized principal and interest payments starting June 5, 2022. The Project Borrower may not prepay the A1 Note in full or in part any time prior to the expiration of the 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 1.114%. The Project Borrower will pay interest only on this note quarterly in arrears on March 5, June 5, September 5, and December 5 of each year, commencing June 5, 2015, and continuing until March 5, 2022. The Project Borrower shall pay amortized principal and interest payments starting June 5, 2022. The Project Borrower may not prepay the A2 Note in full or in part any time prior to the expiration of the 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 1.114%. The Project Borrower will pay interest only on this note quarterly in arrears on March 5, June 5, September 5, and December 5 of each year, commencing June 5, 2015, and continuing until March 5, 2022. The Project Borrower shall pay amortized principal and interest payments starting June 5, 2022. The Project Borrower may not prepay the B1 Note in full or in part any time prior to the expiration of the NMTCs compliance period.

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 1.114%. The Project Borrower will pay interest only on this note quarterly in arrears on March 5, June 5, September 5, and December 5 of each year, commencing June 5, 2015, and continuing until March 5, 2022. The Project Borrower shall pay amortized principal and interest payments starting June 5, 2022. The Project Borrower may not prepay the B2 Note in full or in part any time prior to the expiration of the 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.

Related to the NMTCs, on March 10, 2015 the Organization issued a promissory note payable to the Low Income Investment Fund (LIIF) for \$4,345,250. This Bridge Loan note was subject to credit and loan agreements executed by the Organization. The Bridge Loan note was to mature on August 10, 2017. The Bridge Loan note bore interest at a rate per annum equal to 6.0%. The Organization paid interest on the principal amount outstanding on this Bridge Loan note monthly in arrears on the 5th day of each calendar month. The Organization made principal payments to Lender from time to time upon receipt of advances from the Capital Outlay Grant equal to approximately 73.6% of the value of hard costs associated with each payment requisition submitted to the State of Louisiana, Office of Facilities, Planning, and Control. In addition to a Mortgage on the Property, this Bridge Loan note was secured by pledge of the Capital Outlay Grant. Kingsley House Foundation irrevocably and unconditionally guaranteed to Lender the payment and performance of the guaranteed obligations under the loan agreement. The Bridge Loan was paid in full as of June 30, 2016.

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

	\$ 10,205,000
Thereafter	9,771,707
2021	86,716
2020	86,351
2019	85,989
2018	85,631
2017	\$ 88,606

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, 2016 and 2015, the Organization had board-designated funds totaling \$1,012,281 and \$1,127,518, respectively, in unrestricted cash and investments on the combined statements of financial position.

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Substantially all of the restrictions on net assets as of June 30, 2016 and 2015 relate to funds raised through the Second Century Campaign, Capital Campaign, and a new 2013 Capital Campaign (the Capital Campaign). United Way funding for next year and prior years' funds are restricted to purchasing and improving equipment and facilities. Temporarily restricted net assets also include the net assets of 1542 Constance Street, Inc.

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

1542 Constance Street, Inc. is the title holder of the land where the new facility will be built. This entity has accumulated \$1,008,565 and \$1,008,565 in land plus \$9,819,193 and \$2,921,074 in construction in progress as of June 30, 2016 and 2015, respectively. All of the costs related to construction in progress are associated with soft construction costs.

	2016	2015
Kingsley House, Inc.	\$ 3,255,747	\$ 3,223,254
Kingsley House Foundation	454	454
1542 Constance Street, Inc.	1,338,228	1,338,228
Total temporarily restricted net assets	\$ 4,594,429	\$ 4,561,936

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, 2016 and 2015, permanently restricted net assets were \$288,850 and \$294,451, respectively.

NOTE 12 – CONCENTRATION OF REVENUES

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. For the year ended June 30, 2015, approximately 55% of the Organization's revenues came from governmental contracts, 20% from foundations and corporate contracts, and 6% came from contributions.

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

NOTE 13 - RETIREMENT PLAN

The Organization maintains a noncontributory defined contribution retirement plan for employees who have attained age 21 and have completed 18 months of service by January 1 or July 1 of the following year without going over a two year anniversary. Employees receive a 100% vested interest in all contributions by the Organization on their behalf. Contributions for the period July 1, 2014 through June 30, 2016 were based on 3.5% of plan participants' salaries. Total retirement plan expense was \$115,399 and \$119,965 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015 was \$42,300 and \$35,475, respectively.

The Organization has multiple operating leases for office equipment at various locations. Lease expense for the years ended June 30, 2016 and 2015 was \$61,346 and \$39,221, respectively and is included in program and office expense on the statement of functional expenses.

Future minimum lease payments are as follows:

	\$ 81,034
2019	24,201
2018	27,511
2017	\$ 29,322

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.

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 \$6.465 million (of which \$6.265 million has been designated to the project discussed in Note 1) has been awarded for planning, construction, miscellaneous and FP&C administrative costs to be provided on an as-needed basis as approved by the FP&C.

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	2016	2015
Revenues	\$ 47,749	\$ 47,749
Expenses:		
Compensation and related expenses	33,520	33,124
Operating Services	13,468	14,625
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 27, 2016, and determined that no events occurred that require disclosure except those in notes 1 and 8.



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

For the Year Ended June 30,

2016

Agency Head Name: Keith Liederman, Chief Executive Officer

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

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



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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, 2016, 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 27, 2016.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described as 2016-01 in the accompanying schedule of findings and questioned costs that we consider to be a material weakness.

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*.

The Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the combined financial statements and, accordingly, we express no opinion on it.

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.

December 27, 2016

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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, 2016. 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, 2016.

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.

December 27, 2016

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KINGSLEY HOUSE, INC. AND AFFILIATES SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Agency or Pass-Through Number	Ex	Federal penditures
Pass-through programs from:				
U.S. Department of Health and Human Services				
Total Community Action, Inc.				
Head Start/Early Head Start	93.600	06CH01015201	\$	1,722,873
Head Start/Early Head Start	93.600	06CH01015202		4,315,357
Early Head Start Child Care Partnership	93.600	06HP0027/01		2,089,094
Total U.S. Department of Health and Human Services				8,127,324
U.S. Department of Agriculture				
Lousiana Department of Education				
Child and Adult Care Food Program				
Preschool/ Early Head Start/School Age/Adult	10.558	CC93-432		540,251
Total Expenditures of Federal Awards			\$	8,667,575

KINGSLEY HOUSE, INC. AND AFFILIATES NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 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.

KINGSLEY HOUSE, INC. AND AFFILIATES SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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).
- A material weakness was noted relating to 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. There were no findings that are required to be reported in accordance with 200.516 of the *Uniform Guidance*.
- 7. The major program tested for the year ended June 30, 2016 was:

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

- 8. The dollar threshold for distinguishing between Type A and Type B programs was \$750,000.
- 9. The Organization did qualify as a low-risk auditee.

KINGSLEY HOUSE, INC. AND AFFILIATES SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

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

Criteria: All General Ledger accounts should be reconciled timely and accurately. Reconciliation should be reviewed and approved by Management.

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

Cause: Kingsley has had considerable turnover in the past year with only one of the original staff from the 2014 audit remaining. The staff had to work to get caught back up from the neglect of the prior controller and staff.

Effect: The considerable turnover left many accounts unreconciled or behind in reconciliation as of year-end as new staff learned their roles.

Recommendation: Management should ensure all general ledger accounts are reconciled timely and accurately on a monthly basis. Such reconciliation should be reviewed and approved by management.

Management's corrective action plan: Kingsley staff is now solidly in place after the turnover and should all be involved in the accounting for the next audit cycle.

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, 2016

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.