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**THE BOARD FOR INNER CITY  
MISSIONS OF THE UNITED CHURCH OF  
CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**  
FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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## **Contents**

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|   | <b>Page</b> |
|---|-------------|
| <b>Independent Auditors' Report</b> ..... | 1 - 2       |
| <br><b>Financial Statements</b>           |             |
| Statement Of Financial Position.....      | 3           |
| Statement Of Activities .....             | 4 - 5       |
| Statement Of Functional Expenses .....    | 6 - 7       |
| Statement Of Cash Flows.....              | 8           |
| Notes To Financial Statements.....        | 9 - 19      |

## Independent Auditors' Report

Board of Directors of  
The Board for Inner City Missions of the  
United Church of Christ in Metropolitan  
St. Louis d/b/a Neighborhood Houses  
St. Louis, Missouri

### Report On The Financial Statements

We have audited the accompanying financial statements of The Board for Inner City Missions of the United Church of Christ in Metropolitan St. Louis d/b/a Neighborhood Houses, which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

### *Management's Responsibility For The Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Board for Inner City Missions of the United Church of Christ in Metropolitan St. Louis d/b/a Neighborhood Houses as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

*RubinBrown LLP*

June 26, 2014

**THE BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

**STATEMENT OF FINANCIAL POSITION**

Assets

|   | December 31, |              |
|---|--------------|--------------|
|   | 2013         | 2012         |
| <b>Current Assets</b>                                   |              |              |
| Cash and cash equivalents                               | \$ 269,022   | \$ 224,125   |
| Accounts receivable                                     | 308,653      | 114,290      |
| Promise to give - United Way of Greater St. Louis, Inc. | 662,617      | 663,624      |
| Prepaid expenses and other assets                       | 126,146      | 28,986       |
| <b>Total Current Assets</b>                             | 1,366,438    | 1,031,025    |
| <b>Investments</b>                                      | 95,581       | 87,306       |
| <b>Property And Equipment</b>                           | 482,536      | 628,190      |
| <b>Beneficial Interest In Trust</b>                     | 84,738       | —            |
| <b>Total Assets</b>                                     | \$ 2,029,293 | \$ 1,746,521 |

Liabilities And Net Assets

|   |              |              |
|---|--------------|--------------|
| <b>Current Liabilities</b>              |              |              |
| Accounts payable and accrued expenses   | \$ 134,863   | \$ 141,227   |
| Payroll liabilities                     | 141,519      | 51,037       |
| Current portion of long-term debt       | 10,971       | 4,823        |
| <b>Total Current Liabilities</b>        | 287,353      | 197,087      |
| <b>Long-Term Debt</b>                   | 118,112      | 131,267      |
| <b>Total Liabilities</b>                | 405,465      | 328,354      |
| <b>Net Assets</b>                       |              |              |
| Unrestricted                            | 735,760      | 701,369      |
| Temporarily restricted                  | 803,330      | 716,798      |
| Permanently restricted                  | 84,738       | —            |
| <b>Total Net Assets</b>                 | 1,623,828    | 1,418,167    |
| <b>Total Liabilities And Net Assets</b> | \$ 2,029,293 | \$ 1,746,521 |

**THE BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

**STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2013**

|  | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Total               |
|--|-------------------|---------------------------|---------------------------|---------------------|
| <b>Public Support, Revenue And Gains</b>         |                   |                           |                           |                     |
| <b>Public Support</b>                            |                   |                           |                           |                     |
| Contributions, legacies and bequests             | \$ 570,909        | \$ 143,489                | \$ 84,738                 | \$ 799,136          |
| United Way of Greater St. Louis, Inc.            | —                 | 719,063                   | —                         | 719,063             |
| Government grants and fees                       | 1,279,812         | —                         | —                         | 1,279,812           |
| <b>Total Public Support</b>                      | <b>1,850,721</b>  | <b>862,552</b>            | <b>84,738</b>             | <b>2,798,011</b>    |
| <b>Revenue And Gains</b>                         |                   |                           |                           |                     |
| Program service fees                             | 97,164            | —                         | —                         | 97,164              |
| Net realized and unrealized gains on investments | 42                | 10,597                    | —                         | 10,639              |
| Gain on sale of property and equipment           | 28,063            | —                         | —                         | 28,063              |
| Investment income                                | 5                 | 5,935                     | —                         | 5,940               |
| Other income                                     | 19,521            | —                         | —                         | 19,521              |
| <b>Total Revenue And Gains</b>                   | <b>144,795</b>    | <b>16,532</b>             | <b>—</b>                  | <b>161,327</b>      |
| <b>Net Assets Released From Restrictions</b>     | <b>877,945</b>    | <b>(877,945)</b>          | <b>—</b>                  | <b>—</b>            |
| <b>Clarification of Donor Intent</b>             | <b>(85,393)</b>   | <b>85,393</b>             | <b>—</b>                  | <b>—</b>            |
| <b>Total Public Support, Revenue And Gains</b>   | <b>2,788,068</b>  | <b>86,532</b>             | <b>84,738</b>             | <b>2,959,338</b>    |
| <b>Expenses</b>                                  |                   |                           |                           |                     |
| <b>Program Services</b>                          |                   |                           |                           |                     |
| Teen mothers' program                            | 74,959            | —                         | —                         | 74,959              |
| Early childhood education                        | 910,488           | —                         | —                         | 910,488             |
| School age services                              | 1,187,881         | —                         | —                         | 1,187,881           |
| <b>Total Program Services</b>                    | <b>2,173,328</b>  | <b>—</b>                  | <b>—</b>                  | <b>2,173,328</b>    |
| <b>Supporting Activities</b>                     |                   |                           |                           |                     |
| Management and general                           | 323,498           | —                         | —                         | 323,498             |
| Development                                      | 256,851           | —                         | —                         | 256,851             |
| <b>Total Supporting Activities</b>               | <b>580,349</b>    | <b>—</b>                  | <b>—</b>                  | <b>580,349</b>      |
| <b>Total Expenses</b>                            | <b>2,753,677</b>  | <b>—</b>                  | <b>—</b>                  | <b>2,753,677</b>    |
| <b>Increase In Net Assets</b>                    | <b>34,391</b>     | <b>86,532</b>             | <b>84,738</b>             | <b>205,661</b>      |
| <b>Net Assets - Beginning Of Year</b>            | <b>701,369</b>    | <b>716,798</b>            | <b>—</b>                  | <b>1,418,167</b>    |
| <b>Net Assets - End Of Year</b>                  | <b>\$ 735,760</b> | <b>\$ 803,330</b>         | <b>\$ 84,738</b>          | <b>\$ 1,623,828</b> |

**THE BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

**STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2012**

|   | Unrestricted      | Temporarily<br>Restricted | Total               |
|---|-------------------|---------------------------|---------------------|
| <b>Public Support, Revenue And Gains (Losses)</b>       |                   |                           |                     |
| <b>Public Support</b>                                   |                   |                           |                     |
| Contributions, legacies and bequests                    | \$ 393,039        | \$ 130,615                | \$ 523,654          |
| United Way of Greater St. Louis, Inc.                   | —                 | 686,784                   | 686,784             |
| Government grants and fees                              | 602,028           | —                         | 602,028             |
| <b>Total Public Support</b>                             | <b>995,067</b>    | <b>817,399</b>            | <b>1,812,466</b>    |
| <b>Revenue And Gains (Losses)</b>                       |                   |                           |                     |
| Program service fees                                    | 107,159           | —                         | 107,159             |
| Net realized and unrealized gains on investments        | 6,782             | —                         | 6,782               |
| Loss on sale of property and equipment                  | (61,146)          | —                         | (61,146)            |
| Investment income                                       | 4,097             | —                         | 4,097               |
| Other income  | 35,184            | —                         | 35,184              |
| <b>Total Revenue And Gains (Losses)</b>                 | <b>92,076</b>     | <b>—</b>                  | <b>92,076</b>       |
| <b>Net Assets Released From Restrictions</b>            | <b>778,104</b>    | <b>(778,104)</b>          | <b>—</b>            |
| <b>Total Public Support, Revenue And Gains (Losses)</b> | <b>1,865,247</b>  | <b>39,295</b>             | <b>1,904,542</b>    |
| <b>Expenses</b>   |                   |                           |                     |
| <b>Program Services</b>                                 |                   |                           |                     |
| Teen mothers' program                                   | 116,246           | —                         | 116,246             |
| Early childhood education                               | 796,597           | —                         | 796,597             |
| School age services                                     | 540,450           | —                         | 540,450             |
| <b>Total Program Services</b>                           | <b>1,453,293</b>  | <b>—</b>                  | <b>1,453,293</b>    |
| <b>Supporting Activities</b>                            |                   |                           |                     |
| Management and general                                  | 388,473           | —                         | 388,473             |
| Development   | 144,027           | —                         | 144,027             |
| <b>Total Supporting Activities</b>                      | <b>532,500</b>    | <b>—</b>                  | <b>532,500</b>      |
| <b>Total Expenses</b>                                   | <b>1,985,793</b>  | <b>—</b>                  | <b>1,985,793</b>    |
| <b>Increase (Decrease) In Net Assets</b>                | <b>(120,546)</b>  | <b>39,295</b>             | <b>(81,251)</b>     |
| <b>Net Assets - Beginning Of Year</b>                   | <b>821,915</b>    | <b>677,503</b>            | <b>1,499,418</b>    |
| <b>Net Assets - End Of Year</b>                         | <b>\$ 701,369</b> | <b>\$ 716,798</b>         | <b>\$ 1,418,167</b> |

**THE BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

**STATEMENT OF FUNCTIONAL EXPENSES  
For The Year Ended December 31, 2013**

|                                       | Program Services            |                                 |                           | Supporting Services |                              |                   | Total<br>2013       |
|---------------------------------------|-----------------------------|---------------------------------|---------------------------|---------------------|------------------------------|-------------------|---------------------|
|                                       | Teen<br>Mothers'<br>Program | Early<br>Childhood<br>Education | School<br>Age<br>Services | Total               | Management<br>And<br>General | Development       |                     |
| Salaries                              | \$ 36,198                   | \$ 554,747                      | \$ 854,672                | \$ 1,445,617        | \$ 233,209                   | \$ 76,103         | \$ 1,754,929        |
| Employee benefits                     | 4,215                       | 58,353                          | 60,713                    | 123,281             | 9,823                        | 891               | 133,995             |
| Payroll taxes                         | 3,654                       | 53,396                          | 86,695                    | 143,745             | 6,397                        | 6,245             | 156,387             |
| Advertising                           | 91                          | 1,000                           | 1,301                     | 2,392               | 650                          | 2,220             | 5,262               |
| Conferences and training              | 335                         | 326                             | 8,013                     | 8,674               | 1,524                        | 10,372            | 20,570              |
| Dues and subscriptions                | 117                         | 1,801                           | 1,124                     | 3,042               | 424                          | 109               | 3,575               |
| Financial assistance                  | 9,266                       | 4,282                           | 3,619                     | 17,167              | —                            | —                 | 17,167              |
| Food and medical supplies             | 2,391                       | 47,051                          | 6,515                     | 55,957              | 5,641                        | 845               | 62,443              |
| Insurance                             | 835                         | 10,122                          | 13,193                    | 24,150              | 4,665                        | 2,853             | 31,668              |
| Interest                              | 382                         | 4,636                           | 6,042                     | 11,060              | 2,136                        | 1,307             | 14,503              |
| Miscellaneous                         | 847                         | 5,901                           | 6,426                     | 13,174              | 5,835                        | 1,199             | 20,208              |
| Postage and parcel post               | —                           | 116                             | 36                        | 152                 | 752                          | 3,375             | 4,279               |
| Printing                              | 65                          | 201                             | 793                       | 1,059               | 174                          | 3,771             | 5,004               |
| Professional fees                     | 1,228                       | 34,427                          | 18,931                    | 54,586              | 13,838                       | 56,216            | 124,640             |
| Rent                                  | 607                         | 6,698                           | 25,229                    | 32,534              | 15,689                       | 48                | 48,271              |
| Repairs and maintenance               | 2,928                       | 29,582                          | 9,596                     | 42,106              | 548                          | 742               | 43,396              |
| Special events                        | —                           | 2,242                           | 6,597                     | 8,839               | —                            | 85,525            | 94,364              |
| Subcontractor fees                    | 291                         | 7,533                           | 11,724                    | 19,548              | 4,201                        | 995               | 24,744              |
| Supplies                              | 1,533                       | 16,726                          | 18,961                    | 37,220              | 4,841                        | 764               | 42,825              |
| Telephone                             | 788                         | 5,444                           | 12,267                    | 18,499              | 8,067                        | 311               | 26,877              |
| Travel and mileage                    | 2,375                       | 2,359                           | 11,054                    | 15,788              | 1,101                        | 524               | 17,413              |
| Utilities                             | 2,339                       | 21,908                          | 7,892                     | 32,139              | 1,526                        | 933               | 34,598              |
| Total expenses before<br>depreciation | 70,485                      | 868,851                         | 1,171,393                 | 2,110,729           | 321,041                      | 255,348           | 2,687,118           |
| Depreciation                          | 4,474                       | 41,637                          | 16,488                    | 62,599              | 2,457                        | 1,503             | 66,559              |
| <b>Total</b>                          | <b>\$ 74,959</b>            | <b>\$ 910,488</b>               | <b>\$ 1,187,881</b>       | <b>\$ 2,173,328</b> | <b>\$ 323,498</b>            | <b>\$ 256,851</b> | <b>\$ 2,753,677</b> |



**THE BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

**STATEMENT OF FUNCTIONAL EXPENSES  
For The Year Ended December 31, 2012**

|                                       | Program Services            |                                 |                           | Supporting Services |                                  |                   | Total<br>2012       |
|---------------------------------------|-----------------------------|---------------------------------|---------------------------|---------------------|----------------------------------|-------------------|---------------------|
|                                       | Teen<br>Mothers'<br>Program | Early<br>Childhood<br>Education | School<br>Age<br>Services | Total               | Management<br>And<br>Fundraising |                   |                     |
| Salaries                              | \$ 37,468                   | \$ 462,219                      | \$ 340,181                | \$ 839,868          | \$ 276,398                       | \$ 61,292         | \$ 1,177,558        |
| Employee benefits                     | 4,985                       | 36,357                          | 17,667                    | 59,009              | 10,894                           | 3,225             | 73,128              |
| Payroll taxes                         | 3,136                       | 44,370                          | 37,824                    | 85,330              | 20,433                           | 5,466             | 111,229             |
| Advertising                           | 242                         | 1,988                           | 1,646                     | 3,876               | —                                | 5,287             | 9,163               |
| Conferences and training              | —                           | 16,082                          | 6,697                     | 22,779              | 2,493                            | 1,868             | 27,140              |
| Dues and subscriptions                | 144                         | 2,884                           | 800                       | 3,828               | 35                               | 191               | 4,054               |
| Financial assistance                  | 11,989                      | 12,099                          | 12,337                    | 36,425              | —                                | —                 | 36,425              |
| Food and medical supplies             | 5,568                       | 46,204                          | 2,786                     | 54,558              | 3,420                            | 1,843             | 59,821              |
| Insurance                             | 2,312                       | 15,879                          | 10,769                    | 28,960              | 7,741                            | 2,870             | 39,571              |
| Interest                              | 721                         | 4,950                           | 3,357                     | 9,028               | 2,413                            | 895               | 12,336              |
| Miscellaneous                         | 1,018                       | 6,057                           | 3,804                     | 10,879              | 3,878                            | 999               | 15,756              |
| Postage and parcel post               | 2                           | 14                              | 9                         | 25                  | 586                              | 2,798             | 3,409               |
| Printing                              | —                           | 57                              | —                         | 57                  | 483                              | 9,142             | 9,682               |
| Professional fees                     | 9,160                       | 23,119                          | 12,580                    | 44,859              | 8,340                            | 25,560            | 78,759              |
| Rent                                  | 5,090                       | 5,090                           | 5,090                     | 15,270              | 15,270                           | —                 | 30,540              |
| Repairs and maintenance               | 5,386                       | 25,437                          | 6,820                     | 37,643              | 5,618                            | 335               | 43,596              |
| Special events                        | 327                         | 465                             | 9,805                     | 10,597              | —                                | 17,103            | 27,700              |
| Subcontractor fees                    | 8,525                       | 11,454                          | 20,834                    | 40,813              | 10,103                           | 1,540             | 52,456              |
| Supplies                              | 2,015                       | 15,460                          | 13,541                    | 31,016              | 4,448                            | 1,370             | 36,834              |
| Telephone                             | 8,116                       | 141                             | 4,720                     | 12,977              | 9,953                            | 133               | 23,063              |
| Travel and mileage                    | 1,893                       | 925                             | 9,810                     | 12,628              | 1,319                            | 386               | 14,333              |
| Utilities                             | 2,923                       | 23,042                          | 6,210                     | 32,175              | 2,656                            | 985               | 35,816              |
| Total expenses before<br>depreciation | 111,020                     | 754,293                         | 527,287                   | 1,392,600           | 386,481                          | 143,288           | 1,922,369           |
| Depreciation                          | 5,226                       | 42,304                          | 13,163                    | 60,693              | 1,992                            | 739               | 63,424              |
| <b>Total</b>                          | <b>\$ 116,246</b>           | <b>\$ 796,597</b>               | <b>\$ 540,450</b>         | <b>\$ 1,453,293</b> | <b>\$ 388,473</b>                | <b>\$ 144,027</b> | <b>\$ 1,985,793</b> |

**THE BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

**STATEMENT OF CASH FLOWS**

|   | <b>For The Years<br/>Ended December 31,</b> |                   |
|---|---|-------------------|
|   | <b>2013</b>                                 | <b>2012</b>       |
| <b>Cash Flows From Operating Activities</b>   |   |                   |
| Increase (decrease) in net assets   | \$ 205,661                                  | \$ (81,251)       |
| Adjustments to reconcile increase (decrease) in net assets to<br>net cash provided by (used in) operating activities: |   |                   |
| Depreciation  | 66,559                                      | 63,424            |
| Loss on sale of investments   | —   | 673               |
| Unrealized gain on investments  | (10,639)                                    | (7,455)           |
| Contribution of beneficial interest in perpetual trust  | (84,738)                                    | —                 |
| (Gain) loss on sale of property and equipment   | (28,063)                                    | 61,146            |
| Changes in assets and liabilities:  |   |                   |
| (Increase) decrease in accounts receivable  | (194,363)                                   | 5,655             |
| (Increase) decrease in United Way promise to give   | 1,007                                       | (11,806)          |
| (Increase) decrease in prepaid expenses and other<br>assets   | (97,160)                                    | 1,446             |
| Decrease in accounts payable and accrued expenses   | (6,364)                                     | (17,112)          |
| Increase in payroll liabilities   | 90,482                                      | 5,864             |
| <b>Net Cash Provided By (Used In) Operating Activities</b>  | <b>(57,618)</b>                             | <b>20,584</b>     |
| <b>Cash Flows From Investing Activities</b>   |   |                   |
| Proceeds from sale of investments   | 9,615                                       | 408               |
| Purchase of investments   | (7,251)                                     | (6,288)           |
| Proceeds from sale of property and equipment  | 139,996                                     | 91,500            |
| Purchases of property and equipment   | (32,838)                                    | (8,355)           |
| <b>Net Cash Provided By Investing Activities</b>  | <b>109,522</b>                              | <b>77,265</b>     |
| <b>Cash Flows Used In Financing Activities</b>  |   |                   |
| Payments on long-term debt  | (7,007)                                     | (5,671)           |
| <b>Net Increase In Cash And Cash Equivalents</b>  | <b>44,897</b>                               | <b>92,178</b>     |
| <b>Cash And Cash Equivalents - Beginning Of Year</b>  | <b>224,125</b>                              | <b>131,947</b>    |
| <b>Cash And Cash Equivalents - End Of Year</b>  | <b>\$ 269,022</b>                           | <b>\$ 224,125</b> |
| Interest paid   | \$ 11,031                                   | \$ 8,708          |
| Supplemental disclosure of cash flow information (Note 13)  |   |                   |

**THE BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

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**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2013 And 2012**

**1. Operations**

The Board for Inner City Missions of the United Church of Christ in Metropolitan St. Louis d/b/a Neighborhood Houses (the Organization) is a not-for-profit organization dedicated to being a source of support for low-income children and families of the inner core of St. Louis City. The Organization is supported primarily through donors' contributions, grants, and the United Way of Greater St. Louis, Inc.

**Description Of Program Services And Supporting Activities**

The following program services and supporting activities are included in the accompanying financial statements:

**Program Services:**

Teen Mothers' Program - The Teen Mothers' program is designed to provide parent education and support for young mothers. The program targets adolescent mothers, ages 13 to 22 years, who have experienced multiple risk factors that contributed to their early pregnancies such as living in poverty and experiencing trauma early in their lives. The goal of the program is to assist in healthy adolescent development and address mental health issues prevalent with these young mothers.

Early Childhood Education - The Early Childhood Education program provides children ages six weeks to five years from low-income families with high quality early childhood care and education focused on identifying each child's potential for developmental delays, establishing where they are on the developmental continuum, and employing effective strategies to progress them forward to improving their developmental status. Ultimately, the goal of this program is to prepare children for success in kindergarten and beyond.

School Age Services - The Organization operates School Age Services that provide youth with homework assistance, character development, cultural awareness, and supervised structured recreation activities. Practical life skills classes such as cooking, bullying education, health and fitness and financial literacy competency development offer opportunities for growth and development. During the After School Program, cultural field trips, Artists in Residence, and Visual & Performing Arts classes are also provided to increase awareness and appreciation of the metropolitan area and other cultures.

**BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

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Notes To Financial Statements (*Continued*)

**Supporting Activities:**

Management and General - Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Organization's program strategy, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of the Organization.

Development - Provides the structure necessary to encourage and secure financial support from individuals, organizations, corporations and public agencies.

**2. Summary Of Significant Accounting Policies**

**Basis Of Accounting**

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting.

**Basis Of Presentation**

Financial statement presentation follows the accounting standards established for not-for-profit organizations by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity, and financial flexibility. As a result, 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.

**Estimates And Assumptions**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affected the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Cash And Cash Equivalents**

For purposes of these financial statements, the Organization considers all temporary cash investments with an original maturity of three months or less to be cash equivalents.

**BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

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Notes To Financial Statements (*Continued*)

**Investments**

Investments are reported at fair value based on quoted market prices. Gains and losses on sales of investments are generally determined on a specific cost identification basis. Unrealized gains and losses are determined based on year-end market fluctuations.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

**Accounts Receivable**

Accounts receivable consist principally of amounts due from state and local agencies under binding contracts with the Organization for services rendered prior to year end. Due to the nature of the Organization's receivables, management has determined that an allowance for uncollectible accounts receivable is not necessary at December 31, 2013 or 2012.

**Promises To Give**

Promises to give are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to expenses and a credit to promises to give. Management has determined that an allowance for uncollectible promises to give is not necessary at December 31, 2013 or 2012.

**Property And Equipment**

Property and equipment are carried at cost, if purchased, or at fair value, if donated, less accumulated depreciation computed using the straight-line method. The assets are depreciated over the following periods:

|                         |              |
|-------------------------|--------------|
| Buildings               | 39 years     |
| Improvements            | 5 - 30 years |
| Furniture and equipment | 3 - 10 years |

**BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

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Notes To Financial Statements (*Continued*)

**Long-Lived Assets**

The Organization reviews for impairment of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of its assets might not be recoverable.

The Organization has reviewed the net carrying value of its long-lived assets at December 31, 2013 and 2012, and determined that an impairment of such assets is not necessary.

**Revenue Recognition**

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Expense Allocation**

The Organization allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated based on management's best estimates.

**Income Taxes**

The Organization qualifies as a tax-exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code and is therefore exempt from federal income taxes on income from its related, exempt activities.

The Organization's federal tax returns for tax years 2010 and later remain subject to examination by taxing authorities.

**Subsequent Events**

Management has evaluated subsequent events through June 26, 2014, the date on which the financial statements were available for issue.

**BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

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Notes To Financial Statements (*Continued*)

**3. Investments**

Investments consist of the following:

|                    | <u>2013</u>      | <u>2012</u>      |
|--------------------|------------------|------------------|
| Money market funds | \$ 15,310        | \$ 5,998         |
| Mutual funds       | 79,995           | 63,162           |
| Equity securities  | 276              | 226              |
| Preferred stock    | —                | 17,920           |
|                    | <u>\$ 95,581</u> | <u>\$ 87,306</u> |

Investments are carried at fair value in accordance with accounting principles generally accepted in the United States of America. Unrealized gains of \$10,639 and \$7,455 were recorded for the years ended December 31, 2013 and 2012, respectively, to adjust the investments to fair value.

**4. Fair Value Measurements**

The Organization has adopted financial accounting standards related to fair value measurements of all financial and nonfinancial instruments. The standards define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standards also require that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

There are three general valuation techniques that may be used to measure fair value, as described below:

- Market approach - Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - Based on the amount that currently would be required to replace the service capacity of an asset.
- Income approach - Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts.

**BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

---

Notes To Financial Statements (*Continued*)

The following are the major categories of assets measured at fair value on a recurring basis during the years ended December 31, 2013 and 2012 using quoted market prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

|                                     | <b>2013</b>      |                |                |                  |
|-------------------------------------|------------------|----------------|----------------|------------------|
|                                     | <b>Level 1</b>   | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>     |
| Money market                        | \$ 15,310        | \$ —           | \$ —           | \$ 15,310        |
| Common stock - domestic             | 276              | —              | —              | 276              |
| Mutual funds - domestic and foreign | 34,739           | —              | —              | 34,739           |
| Large Cap Value Mutual Funds        | 10,197           | —              | —              | 10,197           |
| Large Cap Growth Mutual Funds       | 16,835           | —              | —              | 16,835           |
| Small Cap Value Mutual Funds        | 3,186            | —              | —              | 3,186            |
| Small Cap Growth Mutual Funds       | 4,510            | —              | —              | 4,510            |
| International Equity Mutual Funds   | 946              | —              | —              | 946              |
| Emerging Markets Mutual Funds       | 9,582            | —              | —              | 9,582            |
| <b>Total Assets</b>                 | <b>\$ 95,581</b> | <b>\$ —</b>    | <b>\$ —</b>    | <b>\$ 95,581</b> |

|                                     | <b>2012</b>      |                |                |                  |
|-------------------------------------|------------------|----------------|----------------|------------------|
|                                     | <b>Level 1</b>   | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>     |
| Money market                        | \$ 5,998         | \$ —           | \$ —           | \$ 5,998         |
| Common stock - domestic             | 226              | —              | —              | 226              |
| Mutual funds - domestic and foreign | 26,432           | —              | —              | 26,432           |
| Preferred Stock - domestic          | 17,920           | —              | —              | 17,920           |
| Large Cap Value Mutual Funds        | 7,747            | —              | —              | 7,747            |
| Large Cap Growth Mutual Funds       | 12,477           | —              | —              | 12,477           |
| Small Cap Value Mutual Funds        | 2,440            | —              | —              | 2,440            |
| Small Cap Growth Mutual Funds       | 3,037            | —              | —              | 3,037            |
| International Equity Mutual Funds   | 799              | —              | —              | 799              |
| Emerging Markets Mutual Funds       | 10,230           | —              | —              | 10,230           |
| <b>Total Assets</b>                 | <b>\$ 87,306</b> | <b>\$ —</b>    | <b>\$ —</b>    | <b>\$ 87,306</b> |

During 2013 and 2012, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's assets.



**BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

---

Notes To Financial Statements (*Continued*)

**5. Beneficial Interest In Perpetual Trust**

The Organization was notified in 2013 that it has a beneficial interest in a perpetual trust created by a donor. The trust assets are not in possession or control of the Organization but are held and administered by an independent trustee. The Organization, along with the other entities, is a beneficiary of this trust. The Organization has recorded the beneficial interest in the perpetual trust at the present value of the future cash flows from the trust as a permanently restricted net asset on the statement of financial position. This present value was estimated to be equivalent to the Organization's share of the current fair value of the trust assets, which amounts to \$84,738 at December 31, 2013 and approximates the fair value at the date of the contribution.

**6. Property And Equipment**

Property and equipment consist of the following:

|                                | <u>2013</u>       | <u>2012</u>       |
|--------------------------------|-------------------|-------------------|
| Land                           | \$ —              | \$ 110,860        |
| Building and improvements      | 1,472,865         | 1,742,526         |
| Furniture and equipment        | 554,812           | 526,255           |
|                                | <u>2,027,677</u>  | <u>2,379,641</u>  |
| Less: Accumulated depreciation | <u>1,545,141</u>  | <u>1,751,451</u>  |
|                                | <u>\$ 482,536</u> | <u>\$ 628,190</u> |

Depreciation expense for the years ended December 31, 2013 and 2012 amounted to \$66,559 and \$63,424, respectively.

**7. Pension Plan**

The Organization has a retirement plan established under the auspices of the United Church of Christ Lay Workers Pension Plan (the Plan), which covers substantially all of its full-time employees. The Organization contributes from 3.0% to 12.5% of the participating employees' gross salaries based on their levels of employment. The Organization's contribution to the plan was \$19,343 and \$10,812 for the years ended December 31, 2013 and 2012, respectively.

**BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

---

Notes To Financial Statements (*Continued*)

**8. Health Reimbursement Arrangement**

Effective November 1, 2010, the Organization amended the health reimbursement arrangement and increased annual limits to \$1,500 per eligible employee. Effective November 1, 2011, the Organization established a new health reimbursement arrangement for health and medical benefits for eligible employees. The Organization reimburses employees for eligible medical expenses exceeding \$1,000 and up to \$5,000 per eligible employee. All known and expected claims were recorded at December 31, 2013.

**9. Commitments And Contingencies**

The Organization leases facilities for its administrative office on a month-to-month basis and a copier under an operating lease. Expenses for these leases for the years ended December 31, 2013 and 2012 were \$31,221 and \$30,540 respectively.

At December 31, 2013, future minimum lease payments were as follows:

| <u>Year</u> | <u>Amount</u>   |
|-------------|-----------------|
| 2013        | \$ 5,681        |
| 2014        | 947             |
|             | <u>\$ 6,628</u> |

**10. Concentrations**

Approximately 68% of the Organization's total revenue was generated from three agencies in 2013 and 2012.

**BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

---

Notes To Financial Statements (*Continued*)

**11. Long-Term Debt**

In April 2010, the Organization entered into a long-term note payable agreement with Illinois Facility Fund, a not-for-profit organization. The note payable provides for a total commitment of \$207,900, is secured by the Organization's Caroline Mission facility and requires monthly installments of principal and interest at rates initiating at 5.875%, subject to recalculation in 2015 and 2020, with minimum rates of 5.5% and 5%, respectively. Monthly principal and interest payments of \$1,091 began on May 1, 2012. All outstanding principal and interest are due at maturity in June 2025. Total borrowings outstanding on the commitment amounted to \$120,792 and \$124,032 at December 31, 2013 and 2012, respectively. Scheduled maturities are as follows:

| <u>Year</u>              | <u>Amount</u>     |
|--------------------------|-------------------|
| 2014                     | \$ 6,330          |
| 2015                     | 6,712             |
| 2016                     | 7,118             |
| 2017                     | 7,548             |
| 2018                     | 8,003             |
| Thereafter               | 85,081            |
|                          | <u>120,792</u>    |
| Less: Current maturities | <u>6,154</u>      |
|                          | <u>\$ 114,638</u> |

The Organization has entered into a capital lease for which principal and interest are payable in monthly installments.

The future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2013 are as follows:

| <u>Year</u>                        | <u>Amount</u>   |
|------------------------------------|-----------------|
| 2014                               | \$ 5,400        |
| 2015                               | 3,600           |
|                                    | <u>9,000</u>    |
| Less: Amount representing interest | <u>709</u>      |
| Present value                      | 8,291           |
| Less: Current maturities           | <u>4,817</u>    |
|                                    | <u>\$ 3,474</u> |

**BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

---

Notes To Financial Statements (*Continued*)

**12. Net Assets**

Temporarily restricted net assets are subject to the following donor-imposed restrictions:

|                    | <u>2013</u>       | <u>2012</u>       |
|--------------------|-------------------|-------------------|
| Time restricted    | \$ 662,117        | \$ 660,117        |
| Purpose restricted | 141,213           | 56,681            |
|                    | <u>\$ 803,330</u> | <u>\$ 716,798</u> |

Net assets were released from donor-imposed restrictions by expiration of time or by incurring expenses satisfying the restricted purposes as follows:

|                                     | <u>2013</u>       | <u>2012</u>       |
|-------------------------------------|-------------------|-------------------|
| United Way time restriction met     | \$ 716,563        | \$ 655,117        |
| Other time/purpose restrictions met | 161,382           | 122,987           |
|                                     | <u>\$ 877,945</u> | <u>\$ 778,104</u> |

During 2013, funds amounting to \$85,393 that had been previously held as a board designated investment were reclassified as assets temporarily restricted (specifically, to provide assistance to individuals in the future) based on a clarification of intent provided by the original donors.

**13. Supplemental Cash Flow Information**

In 2012, the Organization entered into a capital lease for equipment. The gross amount of the assets recorded under the capital lease during 2012 was \$14,044.

**BOARD FOR INNER CITY MISSIONS OF THE UNITED  
CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
D/B/A NEIGHBORHOOD HOUSES**

---

Notes To Financial Statements (*Continued*)

**14. Contingencies**

During 2013, the Organization determined that a third party contractor (the Contractor) failed to remit payroll taxes and certain other items to the applicable authorities that the Contractor had collected from or on behalf of the Organization. The total amount of losses and costs incurred related to this issue amounted to \$105,328 for the year ended December 31, 2013. The portion of these taxes and other items that were unpaid and included in accounts payable and accrued expenses at December 31, 2013 amounted to \$89,579, all of which were subsequently paid by the Organization in 2014.

The Organization has commenced legal proceedings against the contractor and its principal to recover the losses and costs that were incurred as a result of the Contractor's acts or failures to act. During 2014, the Organization recovered these losses through a default judgment.