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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, 2015

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## Independent Auditors' Report

Board of Directors  
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, a not-for-profit organization, which comprise the statement of financial position as of December 31, 2015 and 2014, 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.

Board of Directors  
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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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, 2015 and 2014, 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 22, 2016

**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,	
	2015	2014
<b>Current Assets</b>		
Cash and cash equivalents	\$ 372,979	\$ 160,137
Accounts receivable	258,227	337,401
Promise to give - United Way of Greater St. Louis, Inc.	598,293	627,224
Prepaid expenses and other assets	79,570	36,911
<b>Total Current Assets</b>	1,309,069	1,161,673
<b>Investments</b>	76,076	90,834
<b>Property And Equipment</b>	356,033	372,176
<b>Beneficial Interest In Perpetual Trust</b>	92,053	86,939
<b>Total Assets</b>	\$ 1,833,231	\$ 1,711,622

Liabilities And Net Assets

<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 128,607	\$ 64,977
Current portion of long-term debt	15,473	13,370
<b>Total Current Liabilities</b>	144,080	78,347
<b>Long-Term Debt</b>	127,397	123,671
<b>Total Liabilities</b>	271,477	202,018
<b>Net Assets</b>		
Unrestricted	748,807	665,667
Temporarily restricted	720,894	756,998
Permanently restricted	92,053	86,939
<b>Total Net Assets</b>	1,561,754	1,509,604
<b>Total Liabilities And Net Assets</b>	\$ 1,833,231	\$ 1,711,622

**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, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support, Revenue And Gains (Losses)</b>				
<b>Public Support</b>				
Contributions, legacies and bequests	\$ 613,903	\$ 159,379	\$ —	\$ 773,282
United Way of Greater St. Louis, Inc.	—	679,673	—	679,673
Government grants and fees	1,577,045	—	—	1,577,045
<b>Total Public Support</b>	<b>2,190,948</b>	<b>839,052</b>	<b>—</b>	<b>3,030,000</b>
<b>Revenue And Gains (Losses)</b>				
Program service fees	203,882	—	—	203,882
Net unrealized losses on investments	(1,692)	(22,545)	—	(24,237)
Gain on sale of property and equipment	2,417	—	—	2,417
Investment income	1,341	7,349	—	8,690
Other income	11,027	—	—	11,027
Increase in value of beneficial interest in perpetual trust	—	—	5,114	5,114
<b>Total Revenue And Gains (Losses)</b>	<b>216,975</b>	<b>(15,196)</b>	<b>5,114</b>	<b>206,893</b>
<b>Net Assets Released From Restrictions</b>	<b>859,960</b>	<b>(859,960)</b>	<b>—</b>	<b>—</b>
<b>Total Public Support, Revenue And Gains (Losses)</b>	<b>3,267,883</b>	<b>(36,104)</b>	<b>5,114</b>	<b>3,236,893</b>
<b>Expenses</b>				
<b>Program Services</b>				
Teen programs	73,403	—	—	73,403
Early childhood education	1,013,686	—	—	1,013,686
School age services	1,488,123	—	—	1,488,123
<b>Total Program Services</b>	<b>2,575,212</b>	<b>—</b>	<b>—</b>	<b>2,575,212</b>
<b>Supporting Activities</b>				
Management and general	375,682	—	—	375,682
Development	233,849	—	—	233,849
<b>Total Supporting Activities</b>	<b>609,531</b>	<b>—</b>	<b>—</b>	<b>609,531</b>
<b>Total Expenses</b>	<b>3,184,743</b>	<b>—</b>	<b>—</b>	<b>3,184,743</b>
<b>Increase (Decrease) In Net Assets</b>	<b>83,140</b>	<b>(36,104)</b>	<b>5,114</b>	<b>52,150</b>
<b>Net Assets - Beginning Of Year</b>	<b>665,667</b>	<b>756,998</b>	<b>86,939</b>	<b>1,509,604</b>
<b>Net Assets - End Of Year</b>	<b>\$ 748,807</b>	<b>\$ 720,894</b>	<b>\$ 92,053</b>	<b>\$ 1,561,754</b>

**THE BOARD FOR INNER CITY MISSIONS OF THE  
UNITED CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
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**STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support, Revenue And Gains (Losses)</b>				
<b>Public Support</b>				
Contributions, legacies and bequests	\$ 409,802	\$ 192,388	\$ —	\$ 602,190
United Way of Greater St. Louis, Inc.	—	667,069	—	667,069
Government grants and fees	1,473,442	—	—	1,473,442
<b>Total Public Support</b>	<b>1,883,244</b>	<b>859,457</b>	<b>—</b>	<b>2,742,701</b>
<b>Revenue And Gains (Losses)</b>				
Program service fees	124,481	—	—	124,481
Net unrealized losses on investments	(23)	(1,314)	—	(1,337)
Gain on sale of property and equipment	19,063	—	—	19,063
Investment income	—	6,548	—	6,548
Other income	22,317	—	—	22,317
Increase in value of beneficial interest in perpetual trust	—	—	2,201	2,201
<b>Total Revenue And Gains (Losses)</b>	<b>165,838</b>	<b>5,234</b>	<b>2,201</b>	<b>173,273</b>
<b>Net Assets Released From Restrictions</b>	<b>911,023</b>	<b>(911,023)</b>	<b>—</b>	<b>—</b>
<b>Total Public Support, Revenue And Gains (Losses)</b>	<b>2,960,105</b>	<b>(46,332)</b>	<b>2,201</b>	<b>2,915,974</b>
<b>Expenses</b>				
<b>Program Services</b>				
Teen programs	73,022	—	—	73,022
Early childhood education	1,008,277	—	—	1,008,277
School age services	1,380,077	—	—	1,380,077
<b>Total Program Services</b>	<b>2,461,376</b>	<b>—</b>	<b>—</b>	<b>2,461,376</b>
<b>Supporting Activities</b>				
Management and general	343,193	—	—	343,193
Development	225,629	—	—	225,629
<b>Total Supporting Activities</b>	<b>568,822</b>	<b>—</b>	<b>—</b>	<b>568,822</b>
<b>Total Expenses</b>	<b>3,030,198</b>	<b>—</b>	<b>—</b>	<b>3,030,198</b>
<b>Increase (Decrease) In Net Assets</b>	<b>(70,093)</b>	<b>(46,332)</b>	<b>2,201</b>	<b>(114,224)</b>
<b>Net Assets - Beginning Of Year</b>	<b>735,760</b>	<b>803,330</b>	<b>84,738</b>	<b>1,623,828</b>
<b>Net Assets - End Of Year</b>	<b>\$ 665,667</b>	<b>\$ 756,998</b>	<b>\$ 86,939</b>	<b>\$ 1,509,604</b>

**THE BOARD FOR INNER CITY MISSIONS OF THE  
UNITED CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
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**STATEMENT OF FUNCTIONAL EXPENSES  
For The Year Ended December 31, 2015**

	Program Services				Supporting Services		
	Teen Programs	Early Childhood Education	School Age Services	Total	Management And General	Development	Total
Salaries	\$ 36,692	\$ 643,850	\$ 1,050,391	\$ 1,730,933	\$ 135,803	\$ 116,611	\$ 1,983,347
Employee benefits	3,387	62,486	53,546	119,419	40,318	5,845	165,582
Payroll taxes	2,871	53,340	91,741	147,952	18,639	9,245	175,836
Advertising	349	—	67	416	900	4,283	5,599
Conferences and training	853	5,206	11,206	17,265	13,050	418	30,733
Dues and subscriptions	756	2,191	231	3,178	2,897	37	6,112
Financial assistance	1,016	231	—	1,247	2,039	—	3,286
Food and medical supplies	2,283	53,554	10,165	66,002	10,739	1,653	78,394
Insurance	—	—	—	—	15,930	—	15,930
Interest	63	30	685	778	8,387	1,919	11,084
Miscellaneous	1,693	4,570	9,347	15,610	8,609	5,516	29,735
Postage and parcel post	40	—	82	122	2,067	1,629	3,818
Printing	—	72	1,040	1,112	—	6,982	8,094
Professional fees	5,607	25,121	73,961	104,689	71,348	36,663	212,700
Rent	6,520	8,398	33,916	48,834	12,858	831	62,523
Repairs and maintenance	3,833	33,074	4,539	41,446	7,773	582	49,801
Special events and fieldtrips	765	2,763	37,704	41,232	221	35,488	76,941
Supplies - educational, office and recreational	3,747	36,746	54,891	95,384	4,625	4,390	104,399
Telephone	200	5,548	16,228	21,976	10,109	600	32,685
Travel and mileage	1,152	1,179	28,760	31,091	6,116	916	38,123
Utilities	—	25,339	—	25,339	—	—	25,339
Total expenses before depreciation	71,827	963,698	1,478,500	2,514,025	372,428	233,608	3,120,061
Depreciation	1,576	49,988	9,623	61,187	3,254	241	64,682
	\$ 73,403	\$ 1,013,686	\$ 1,488,123	\$ 2,575,212	\$ 375,682	\$ 233,849	\$ 3,184,743



**THE BOARD FOR INNER CITY MISSIONS OF THE  
UNITED CHURCH OF CHRIST IN METROPOLITAN ST. LOUIS  
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**STATEMENT OF FUNCTIONAL EXPENSES  
For The Year Ended December 31, 2014**

	Program Services				Supporting Services		
	Teen Programs	Early Childhood Education	School Age Services	Total	Management And General	Development	Total
Salaries	\$ 38,250	\$ 625,478	\$ 996,866	\$ 1,660,594	\$ 175,731	\$ 119,864	\$ 1,956,189
Employee benefits	3,907	46,626	56,684	107,217	10,423	4,379	122,019
Payroll taxes	3,633	59,180	94,445	157,258	15,581	9,617	182,456
Advertising	154	1,843	2,203	4,200	545	487	5,232
Conferences and training	397	4,810	11,360	16,567	4,954	11,769	33,290
Dues and subscriptions	111	1,952	1,594	3,657	2,485	328	6,470
Financial assistance	4,019	170	6,510	10,699	—	—	10,699
Food and medical supplies	3,216	52,226	13,815	69,257	7,907	1,190	78,354
Insurance	635	7,703	10,040	18,378	3,550	2,171	24,099
Interest	256	3,103	4,045	7,404	1,430	875	9,709
Miscellaneous	216	2,503	4,941	7,660	3,331	793	11,784
Postage and parcel post	—	10	28	38	2,200	1,246	3,484
Printing	—	405	2,182	2,587	82	11,801	14,470
Professional fees	1,507	35,156	22,085	58,748	86,189	25,574	170,511
Rent	1,048	11,530	33,524	46,102	9,192	—	55,294
Repairs and maintenance	1,877	27,491	5,788	35,156	1,131	46	36,333
Special events and fieldtrips	—	8,795	8,332	17,127	—	25,821	42,948
Supplies - educational, office and recreational	4,770	44,715	48,101	97,586	5,107	4,974	107,667
Telephone	817	5,746	16,005	22,568	9,880	594	33,042
Travel and mileage	1,310	4,904	31,262	37,476	177	2,083	39,736
Utilities	2,510	22,725	1,633	26,868	245	150	27,263
Total expenses before depreciation	68,633	967,071	1,371,443	2,407,147	340,140	223,762	2,971,049
Depreciation	4,389	41,206	8,634	54,229	3,053	1,867	59,149
	\$ 73,022	\$ 1,008,277	\$ 1,380,077	\$ 2,461,376	\$ 343,193	\$ 225,629	\$ 3,030,198

**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</b>	
	<b>Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 52,150	\$ (114,224)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	64,682	59,149
Net unrealized losses on investments	24,237	1,337
Increase in value of beneficial interest in perpetual trust	(5,114)	(2,201)
In-kind contribution of property and equipment	—	(33,595)
Gain on sale of property and equipment	(2,417)	(19,063)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	79,174	(28,748)
Decrease in United Way promise to give	28,931	35,393
(Increase) decrease in prepaid expenses and other assets	(42,659)	89,235
Increase (decrease) in accounts payable and accrued expenses	63,630	(72,379)
Decrease in payroll liabilities	—	(139,026)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>262,614</b>	<b>(224,122)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	—	10,000
Purchases of investments	(9,479)	(6,590)
Proceeds from sale of property and equipment	11,750	89,500
Purchases of property and equipment	(57,872)	(15,650)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(55,601)</b>	<b>77,260</b>
<b>Cash Flows From Financing Activities</b>		
Payments on long-term debt	(14,552)	(12,023)
Proceeds from issuance of long-term debt	20,381	50,000
<b>Net Cash Provided By Financing Activities</b>	<b>5,829</b>	<b>37,977</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>212,842</b>	<b>(108,885)</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>160,137</b>	<b>269,022</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 372,979</b>	<b>\$ 160,137</b>
<b>Supplemental Disclosure Of Cash Flow Information</b>		
Interest paid	\$ 11,084	\$ 9,709

**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, 2015 And 2014**

**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 Programs**

The teen mothers' program, Girls' Night Out, is designed to provide support and mentoring for pregnant and parenting teens. The program targets adolescent mothers, ages 13-19, who have multiple risk factors that contributed to early pregnancies such as living in poverty and experiencing trauma. Through group sessions using Wyman's *Teen Outreach Program* (TOP) and Parents as Teachers' *Partnering with Teens* curriculum, the program focuses on: healthy adolescent and child development; increasing parenting skills; completion of high school; developing life and social skills; and connecting young mothers with community resources.

**2015 Clients Served: 80**

**2015 Outcomes**

- 100% of clients gain knowledge about healthy lifestyle habits.
- 88% of clients are promoted to the next grade level or graduate from high school.
- 100% of clients are free from substantiated incidents of child abuse and neglect.
- 100% of clients gain knowledge about available community resources.

Launched in November 2015, Magnificent Creations is a social enterprise/youth employment program for 16 to 19 year-olds in St. Louis City. While being employed, at-risk teens learn life skills and professional skills through the design and production of screen printed t-shirts.

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Notes To Financial Statements (*Continued*)

A complete t-shirt screen printing business, Magnificent Creations, produces custom t-shirts and a line of limited edition t-shirt designs featuring artwork from the children in Neighborhood Houses' School Age Services Program.

Anticipated outcomes include:

- 90% of participants will graduate from high school or be promoted to the next grade level.
- 100% of participants will display understanding of workshop concepts.
- 100% of participants will display workforce readiness.

### **Early Childhood Education**

The licensed and accredited Early Childhood Education Center at Caroline Mission provides children, ages 6 weeks to five years, from low-income families with high-quality early childhood education and care. The services are offered on a sliding scale and include an individualized development plan for each child in addition to a strong focus on parent engagement. The Teaching Strategies Gold assessment system is utilized to design activities and track each child's individual progress. Ultimately, the goal of Caroline Mission is to prepare children for success in kindergarten and beyond.

**2015 Clients Served: 143**

#### **2015 Outcomes**

- 95% of children are ready to enter kindergarten.
- 95% of children meet or exceed age-appropriate developmental milestones.
- 100% of parents develop coping and stress management skills.

### **School Age Services**

With a strong commitment to personal growth and academic success, School Age Services provides before-school, after-school, and summer enrichment services for elementary aged students in low-income neighborhoods in the St. Louis area. Serving 16 school sites and three summer camp sites in 2015, the program provides homework assistance, character development, cultural awareness and strong arts programming, and uses an evidence-based curriculum for math, literature, physical fitness, and nutrition. Conscious Discipline, a research-based behavior management curriculum, is used to empower staff to use everyday conflicts to teach children life skills and encourage pro-social behavior.

**2015 Clients Served: 2,087**

#### **2015 Outcomes**

- 99% of students are promoted to the next grade level.
- 100% of students gain/maintain independent living/essential life skills.
- 91% of students develop positive friendships with peers.

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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.

**THE BOARD FOR INNER CITY MISSIONS OF THE  
UNITED CHURCH OF CHRIST IN METROPOLITAN  
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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, as well as other funding sources. 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, 2015 or 2014.

**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, 2015 or 2014.

**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

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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, 2015 and determined that no impairment of such assets is present.

**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 2012 and later remain subject to examination by taxing authorities.

**Subsequent Events**

Management has evaluated subsequent events through June 22, 2016, the date which the financial statements were available for issue.

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Notes To Financial Statements (*Continued*)

**3. Investments**

Investments consist of the following:

	<u>2015</u>	<u>2014</u>
Money market funds	\$ 5,532	\$ 5,758
Mutual funds	70,253	84,796
Equity securities	291	280
	<u>\$ 76,076</u>	<u>\$ 90,834</u>

Investments are carried at fair value in accordance with accounting principles generally accepted in the United States of America. Unrealized losses of \$24,237 and \$1,337 were recorded for the years ended December 31, 2015 and 2014, 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.



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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, 2015 and 2014 using quoted market prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

	2015			
	Level 1	Level 2	Level 3	Total
Money market	\$ 5,532	\$ —	\$ —	\$ 5,532
Common stock - domestic	291	—	—	291
Mutual funds - domestic and foreign	24,305	—	—	24,305
Large Cap Value Mutual Funds	10,308	—	—	10,308
Large Cap Growth Mutual Funds	19,338	—	—	19,338
Small Cap Value Mutual Funds	2,988	—	—	2,988
Small Cap Growth Mutual Funds	4,539	—	—	4,539
International Equity Mutual Funds	863	—	—	863
Emerging Markets Mutual Funds	7,912	—	—	7,912
Beneficial Interest in Perpetual Trust	—	—	92,053	92,053
<b>Total Assets</b>	<b>\$ 76,076</b>	<b>\$ —</b>	<b>\$ 92,053</b>	<b>\$ 168,129</b>

	2014			
	Level 1	Level 2	Level 3	Total
Money market	\$ 5,758	\$ —	\$ —	\$ 5,758
Common stock - domestic	280	—	—	280
Mutual funds - domestic and foreign	36,891	—	—	36,891
Large Cap Value Mutual Funds	11,128	—	—	11,128
Large Cap Growth Mutual Funds	18,638	—	—	18,638
Small Cap Value Mutual Funds	3,305	—	—	3,305
Small Cap Growth Mutual Funds	4,724	—	—	4,724
International Equity Mutual Funds	868	—	—	868
Emerging Markets Mutual Funds	9,242	—	—	9,242
Beneficial Interest in Perpetual Trust	—	—	86,939	86,939
<b>Total Assets</b>	<b>\$ 90,834</b>	<b>\$ —</b>	<b>\$ 86,939</b>	<b>\$ 177,773</b>

The fair value of the beneficial interest in perpetual trust held by others is determined by the fair value of the assets in the trust as a practical expedient unless facts and circumstances indicate that the fair value of the assets in the trust differs from the fair value of the beneficial interest. The beneficial interest in perpetual trust held by others is classified within Level 3 of the fair value hierarchy since the Organization does not have access to any existing markets in which its beneficial interest can be bought or sold.

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Notes To Financial Statements (*Continued*)

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using unobservable inputs (Level 3) during the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 86,939	\$ 84,738
Change in value	5,114	2,201
Ending balance	<u>\$ 92,053</u>	<u>\$ 86,939</u>

During 2015 and 2014, there were no changes in the methods and/or assumptions utilized to derive the fair value of the Organization's assets.

**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 the 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 \$92,053 and \$86,939 at December 31, 2015 and 2014, respectively. The increase in the value of the beneficial interest in the perpetual trust amounted to \$5,114 and \$2,201 for the years ended December 31, 2015 and 2014, respectively.

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**6. Property And Equipment**

Property and equipment consist of the following:

	<u>2015</u>	<u>2014</u>
Building and improvements	\$ 1,094,014	\$ 1,088,668
Furniture and equipment	508,020	469,493
	<u>1,602,034</u>	<u>1,558,161</u>
Less: Accumulated depreciation	<u>1,246,001</u>	<u>1,185,985</u>
	<u>\$ 356,033</u>	<u>\$ 372,176</u>

Assets recorded under capital leases at December 31, 2015 and 2014 amounted to \$34,023. Accumulated depreciation related to the capital leases at December 31, 2015 and 2014 amounted to \$13,620 and \$6,814, respectively.

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to \$64,682 and \$59,149, 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% to 12.5% of the participating employees' gross salaries based on their levels of employment. The Organization's contribution to the plan was \$17,050 and \$17,419 for the years ended December 31, 2015 and 2014, respectively.

**8. Health Reimbursement Arrangement**

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, 2015 and 2014.

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Notes To Financial Statements (*Continued*)

**9. Commitments And Contingencies**

The Organization leases facilities for its administrative office and t-shirt shop and a copier under operating leases. Rent expense for these leases for the years ended December 31, 2015 and 2014 amounted to \$48,195 and \$36,767, respectively.

At December 31, 2015, future minimum lease payments were as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 55,901
2017	46,603
2018	23,780
	<u>\$ 126,284</u>

**10. Concentrations**

Approximately 62% and 73% of the Organization's total revenue was generated from three agencies in 2015 and 2014, respectively.

**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 5.0%, respectively (5.5% at December 31, 2015). 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. At December 31, 2015 and 2014, the total balance outstanding amounted to \$108,113 and \$114,824, respectively.

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In September 2015, the Organization entered into a long-term note payable agreement with a bank to fund the purchase of new vehicle. The note payable provided a principal balance of \$20,381, is secured by the purchased vehicle and requires monthly payments of principal and interest at 3.97% totaling \$460 through September 2019. At December 31, 2015, \$19,198 was outstanding.

The scheduled maturities of the long-term debt are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 11,761
2017	12,385
2018	13,032
2019	12,300
2020	8,748
Thereafter	69,085
	<u>127,311</u>
Less: Current maturities	<u>11,761</u>
	<u>\$ 115,550</u>

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

The future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2015 are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 5,061
2017	5,061
2018	5,061
2019	3,374
	<u>18,557</u>
Less: Amount representing interest	<u>2,998</u>
Present value	15,559
Less: Current maturities	<u>3,712</u>
	<u>\$ 11,847</u>

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Notes To Financial Statements (*Continued*)

**12. Net Assets**

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

	<u>2015</u>	<u>2014</u>
Time restricted	\$ 598,293	\$ 627,224
Purpose restricted	122,601	129,774
	<u>\$ 720,894</u>	<u>\$ 756,998</u>

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

	<u>2015</u>	<u>2014</u>
United Way time restriction met	\$ 656,115	\$ 702,462
Other time/purpose restrictions met	203,845	208,561
	<u>\$ 859,960</u>	<u>\$ 911,023</u>

**13. Supplemental Cash Flow Information**

In 2014, the Organization entered into a capital lease for equipment. The gross amount of the assets recorded under the capital lease during 2014 was \$19,981.

During 2014, the Organization sold property in exchange for cash and a note receivable. The note receivable was paid in full during 2014 after the original transaction.

There were no noncash investing or financing transactions requiring disclosure in 2015.