

**ST. LUKE'S COMMUNITY HOUSE
(EPISCOPAL), INC.**

FINANCIAL STATEMENTS

December 31, 2015 and 2014

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	2 - 3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to Financial Statements	10 - 21



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
St. Luke's Community House (Episcopal), Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of St. Luke's Community House (Episcopal), Inc. (a nonprofit organization), which comprise the statements 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.

Auditor's 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 of 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 auditor's 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 St. Luke's Community House (Episcopal), Inc. 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.

Frasier, Den + Hand, PLLC

Nashville, Tennessee
May 17, 2016

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 287,596	\$ 282,649
Contributions receivable, net	<u>138,323</u>	<u>150,933</u>
Total current assets	425,919	433,582
Beneficial interest in trust	81,000	81,000
Land, buildings and equipment, net of accumulated depreciation of \$2,196,102 and \$2,056,049, respectively	3,187,963	3,328,016
Investments	<u>1,024,825</u>	<u>1,089,674</u>
Total assets	<u><u>\$ 4,719,707</u></u>	<u><u>\$ 4,932,272</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	<u>\$ 72,083</u>	<u>\$ 53,731</u>
Total liabilities	<u>72,083</u>	<u>53,731</u>
Net assets:		
Unrestricted:		
Undesignated	3,399,942	3,590,138
Designated	<u>238,404</u>	<u>253,834</u>
Total unrestricted	3,638,346	3,843,972
Temporarily restricted	179,065	159,937
Permanently restricted	<u>830,213</u>	<u>874,632</u>
Total net assets	<u>4,647,624</u>	<u>4,878,541</u>
Total liabilities and net assets	<u><u>\$ 4,719,707</u></u>	<u><u>\$ 4,932,272</u></u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support:				
Contributions	\$ 335,505	\$ 249,247	\$ 11,813	\$ 596,565
United Way	289,262	-	-	289,262
Associated organizations	189,282	210	-	189,492
Contributions - Thrift Shop	162,625	-	-	162,625
Special events	70,265	-	-	70,265
Net assets released from restrictions	261,362	(230,329)	(31,033)	-
Total public support	1,308,301	19,128	(19,220)	1,308,209
Revenue:				
Program services	231,922	-	-	231,922
Grants	103,525	-	-	103,525
Investment income, net	(4,606)	-	(25,199)	(29,805)
Miscellaneous	34,728	-	-	34,728
Total revenue	365,569	-	(25,199)	340,370
Total public support and revenue	1,673,870	19,128	(44,419)	1,648,579
Expenses:				
Program services:				
Preschool childcare	958,644	-	-	958,644
Senior services	125,531	-	-	125,531
Community	194,973	-	-	194,973
Volunteers	46,424	-	-	46,424
Family Resource Center	199,505	-	-	199,505
Total program services	1,525,077	-	-	1,525,077
Supporting services:				
Management and general	258,667	-	-	258,667
Fundraising	95,752	-	-	95,752
Total supporting services	354,419	-	-	354,419
Total expenses	1,879,496	-	-	1,879,496
Change in net assets	(205,626)	19,128	(44,419)	(230,917)
Net assets, beginning of year	3,843,972	159,937	874,632	4,878,541
Net assets, end of year	\$ 3,638,346	\$ 179,065	\$ 830,213	\$ 4,647,624

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support:				
Contributions	\$ 383,136	\$ 141,315	\$ 11,919	\$ 536,370
United Way	297,460	-	-	297,460
Associated organizations	193,156	-	-	193,156
Contributions - Thrift Shop	162,600	-	-	162,600
Special events	53,722	-	-	53,722
Net assets released from restrictions	196,309	(171,903)	(24,406)	-
Total public support	1,286,383	(30,588)	(12,487)	1,243,308
Revenue:				
Program services	244,822	-	-	244,822
Investment income, net	61,486	-	-	61,486
Miscellaneous	37,086	-	-	37,086
Grants	10,991	-	25,872	36,863
Total revenue	354,385	-	25,872	380,257
Total public support and revenue	1,640,768	(30,588)	13,385	1,623,565
Expenses:				
Program services:				
Preschool childcare	922,567	-	-	922,567
Senior services	135,952	-	-	135,952
Community	188,092	-	-	188,092
Volunteers	45,187	-	-	45,187
Family Resource Center	204,012	-	-	204,012
Total program services	1,495,810	-	-	1,495,810
Supporting services:				
Management and general	224,735	-	-	224,735
Fundraising	89,637	-	-	89,637
Total supporting services	314,372	-	-	314,372
Total expenses	1,810,182	-	-	1,810,182
Change in net assets	(169,414)	(30,588)	13,385	(186,617)
Net assets, beginning of year	4,013,386	190,525	861,247	5,065,158
Net assets, end of year	\$ 3,843,972	\$ 159,937	\$ 874,632	\$ 4,878,541

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015

	Program Services					Supporting Services				
	Preschool Childcare	Senior Services	Community	Volunteers	Family Resource Center	Total Program Services	Management and General	Fund- raising	Total Supporting Services	Total Expenses
Salaries and wages	\$ 553,378	\$ 59,751	\$ 91,233	\$ 30,857	\$ 40,686	\$ 775,905	\$ 113,559	\$ 61,566	\$ 175,125	\$ 951,030
Benefits	133,883	16,169	21,744	5,764	7,831	185,391	26,239	5,182	31,421	216,812
Program supplies	31,696	65	25,049	685	36,350	93,845	1,709	3,337	5,046	98,891
Equipment and maintenance	38,876	4,806	13,746	2,268	26,744	86,440	9,149	209	9,358	95,798
Food	60,927	27,486	-	-	-	88,413	1,234	2,189	3,423	91,836
Utilities	32,679	4,085	12,255	1,648	24,503	75,170	6,573	19	6,592	81,762
Professional	1,816	149	305	87	166	2,523	28,874	20,600	49,474	51,997
Insurance	17,094	1,821	4,832	855	7,138	31,740	3,921	631	4,552	36,292
Gifts in kind	-	-	-	-	-	-	27,337	-	27,337	27,337
Office supplies	10,652	2,864	2,625	606	4,949	21,696	2,782	-	2,782	24,478
Conference and meetings	15,945	-	-	500	668	17,113	1,166	-	1,166	18,279
Technology	1,025	447	-	102	671	2,245	7,763	-	7,763	10,008
Bad debt expense	-	-	-	-	-	-	9,000	-	9,000	9,000
Telephone	3,466	433	1,300	173	2,599	7,971	693	-	693	8,664
Printing	-	-	-	-	560	560	3,728	1,617	5,345	5,905
Mercy House	-	-	-	-	3,581	3,581	-	-	-	3,581
Postage and shipping	19	-	78	74	-	171	2,406	224	2,630	2,801
Transportation	33	349	798	4	1,043	2,227	-	-	-	2,227
Licenses, fees, permits	893	-	-	-	-	893	720	-	720	1,613
Miscellaneous	-	-	-	-	-	-	610	178	788	788
Contract labor	241	103	-	-	-	344	-	-	-	344
	902,623	118,528	173,965	43,623	157,489	1,396,228	247,463	95,752	343,215	1,739,443
Depreciation	56,021	7,003	21,008	2,801	42,016	128,849	11,204	-	11,204	140,053
	<u>\$ 958,644</u>	<u>\$ 125,531</u>	<u>\$ 194,973</u>	<u>\$ 46,424</u>	<u>\$ 199,505</u>	<u>\$ 1,525,077</u>	<u>\$ 258,667</u>	<u>\$ 95,752</u>	<u>\$ 354,419</u>	<u>\$ 1,879,496</u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Program Services						Supporting Services			
	Preschool Childcare	Senior Services	Community	Volunteers	Family Resource Center	Total Program Services	Management and General	Fund- raising	Total Supporting Services	Total Expenses
Salaries and wages	\$ 533,581	\$ 67,374	\$ 85,056	\$ 30,600	\$ 49,537	\$ 766,148	\$ 102,954	\$ 65,414	\$ 168,368	\$ 934,516
Benefits	124,794	15,014	17,554	5,358	8,686	171,406	37,195	5,200	42,395	213,801
Food	63,103	27,738	353	-	-	91,194	2,161	2,547	4,708	95,902
Equipment and maintenance	38,335	4,636	13,766	1,923	27,765	86,425	7,696	233	7,929	94,354
Utilities	35,239	4,405	13,215	1,762	26,429	81,050	7,010	-	7,010	88,060
Program supplies	19,619	848	22,588	246	24,384	67,685	154	13,275	13,429	81,114
Insurance	26,235	2,719	7,232	1,272	11,290	48,748	5,084	923	6,007	54,755
Office supplies	12,843	3,743	2,638	594	4,997	24,815	2,658	-	2,658	27,473
Professional	1,816	149	305	87	166	2,523	19,919	-	19,919	22,442
Gifts in kind	-	-	-	-	-	-	17,980	-	17,980	17,980
Telephone	3,217	402	1,206	161	2,413	7,399	643	-	643	8,042
Conference and meetings	3,664	-	190	50	-	3,904	1,514	-	1,514	5,418
Printing	-	-	43	-	1,045	1,088	2,931	1,185	4,116	5,204
Postage and shipping	4	-	135	142	-	281	2,327	551	2,878	3,159
Transportation	4	1,188	1,669	5	171	3,037	15	-	15	3,052
Technology	821	321	-	32	996	2,170	735	-	735	2,905
Mercy House	-	-	-	-	1,966	1,966	-	-	-	1,966
Bad debt expense	-	-	-	-	-	-	1,078	-	1,078	1,078
Licenses, fees, permits	326	24	-	-	-	350	524	-	524	874
Miscellaneous	-	-	-	-	-	-	384	309	693	693
Contract labor	95	32	65	11	13	216	-	-	-	216
	863,696	128,593	166,015	42,243	159,858	1,360,405	212,962	89,637	302,599	1,663,004
Depreciation	58,871	7,359	22,077	2,944	44,154	135,405	11,773	-	11,773	147,178
	<u>\$ 922,567</u>	<u>\$ 135,952</u>	<u>\$ 188,092</u>	<u>\$ 45,187</u>	<u>\$ 204,012</u>	<u>\$ 1,495,810</u>	<u>\$ 224,735</u>	<u>\$ 89,637</u>	<u>\$ 314,372</u>	<u>\$ 1,810,182</u>

See accompanying notes.

ST. LUKE'S COMMUNITY HOUSE (EPISCOPAL), INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (230,917)	\$ (186,617)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contribution for endowment	(11,813)	(11,919)
Depreciation	140,053	147,178
Realized/unrealized loss (gain) on investments	47,804	(18,569)
Changes in operating assets and liabilities:		
Contributions receivable	12,610	39,592
Accounts payable and accrued expenses	<u>18,352</u>	<u>(3,437)</u>
Net cash used in operating activities	<u>(23,911)</u>	<u>(33,772)</u>
Cash flows from investing activities:		
Purchases of investments	(29,619)	(33,118)
Proceeds from sales of investments	<u>46,664</u>	<u>91,202</u>
Net cash provided by investing activities	<u>17,045</u>	<u>58,084</u>
Cash flows from financing activities:		
Contribution for endowment	<u>11,813</u>	<u>11,919</u>
Net cash provided by financing activities	<u>11,813</u>	<u>11,919</u>
Net increase in cash and cash equivalents	4,947	36,231
Cash and cash equivalents at beginning of year	<u>282,649</u>	<u>246,418</u>
Cash and cash equivalents at end of year	<u><u>\$ 287,596</u></u>	<u><u>\$ 282,649</u></u>

See accompanying notes.

ST. LUKES COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Luke's Community House (Episcopal), Inc. (the "Organization"), was founded in 1913 by the Daughters of the King, an order of the Episcopal Church. The Organization offers a diversity of services to the community, enabling people to maintain their lives in a more healthy and stable environment. The Organization concerns itself with the welfare and dignity of individuals and seeks to strengthen and support the family unit. The Organization is supported primarily through donor contributions and the United Way.

The following program services are offered by the Organization:

Preschool Childcare – St. Luke's offers a licensed preschool program with focus on kindergarten readiness, for children from 6 weeks of age through 5 years (pre-kindergarten).

Senior Services – The Organization provides free lunches Monday through Friday to low-income seniors, as well as sponsors social and recreational activities for West Nashville seniors.

Community – The Organization provides various services to the community, including food boxes, counseling services, tax return preparation and emergency financial assistance.

Volunteers – The Organization provides organization and coordination of the significant number of volunteers serving the various programs and services provided by the Organization.

Family Resource Center – Various other programs and services are provided to the community through the Family Resource Center based on various needs.

Basis of Presentation

The Organization presents its financial statements in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. Under these standards, 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. In addition, the Organization is required to present a statement of cash flows. Net assets of the Organization are presented as follows:

Unrestricted net assets:

Undesignated – net assets not subject to donor-imposed stipulations or designated by the Organization's board.

Designated – net assets designated by the Organization's board for particular purposes, presently designated by the board for endowment.

ST. LUKES COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that require that the assets be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Contributions

The Organization accounts for contributions in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. In accordance with these standards, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Under these standards, time or purpose restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Promises to Give

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 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. Allowances for uncollectible promises to give are based on management's estimates based on prior collection history.

ST. LUKES COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. Unrealized gains and losses, as well as appreciation or depreciation in market value, are reflected in the accompanying financial statements.

Fair Value Measurements

The Organization has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while 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 a different estimate of fair value at the reporting date. Accounting principles generally accepted in the United States of America have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following is a description of the valuation methodology used for asset measurement at fair value at December 31, 2015 and 2014:

Mutual Funds maintained as part of the Episcopal Endowment Corporation Common Trust Fund:
Valued at net asset value of amounts held by the Organization at year end.

ST. LUKES COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Beneficial interests in trust: Valued using information obtained from third party sources, including financial statements and other information from detailed listing of holdings from the trust. These valuations are typically performed annually, based on the present value of the estimated future distributions the Organization expects to receive over the term of the trust.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization's management 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 a different fair value measurement at the reporting date.

Beneficial Interests in Trust

Accounting standards require that the following instrument be recorded as a contribution and an asset at the present value of the Organization's ultimate interest:

Charitable Lead Trust

A donor has established and funded a trust designating the Organization as a beneficiary of specific distributions to be made over a specified period. Upon termination of the trust, the remainder of the trust assets is to be paid to a beneficiary designated by the donor.

Restricted Endowment Funds

The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. The Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the Organization's net asset classification of donor-restricted endowment funds, a description of the Organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the Organization's endowment investment policies, and additional disclosures not previously required.

ST. LUKES COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land, Buildings and Equipment

Land, buildings and equipment are stated in the accompanying statements of financial position at cost, or if contributed, at estimated fair market value at date of gift. Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. Depreciation is calculated using the straight-line basis with estimated useful lives ranging as follows:

Buildings and improvements	5 – 39 years
Equipment and furniture	3 – 10 years

Donated Services

Donated services are recognized if such services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by persons possessing those skills and would be purchased if not donated.

Amounts have not been reported in the financial statements for certain donated services because they do not meet the criteria for recognition. However, a substantial number of volunteers have donated approximately 5,300 and 7,800 volunteer hours to the Organization's programs during the years ended December 31, 2015 and 2014, respectively. Donated equipment, supplies, and other items are included in the accompanying financial statements at their estimated value.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is not considered a private foundation. Accordingly, no provision for income taxes has been made in the financial statements.

The Organization follows guidance concerning the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include years ended December 31, 2012 through December 31, 2015. The Organization had no uncertain tax positions at December 31, 2015 and 2014.

ST. LUKES COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates made by management.

Subsequent Events

The Organization evaluated subsequent events through May 17, 2016, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – INVESTMENTS

Investments (Level 1) consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
In Perpetuity Fund	\$ 624,446	\$ 669,407
Board designated fund	219,101	239,532
Magruder Family Endowment Fund	<u>181,278</u>	<u>180,735</u>
	<u><u>\$ 1,024,825</u></u>	<u><u>\$ 1,089,674</u></u>

Investment income is comprised of the following for the year ended December 31:

	<u>2015</u>	<u>2014</u>
Interest	\$ 17,909	\$ 18,294
Realized and unrealized (loss) gain	<u>(47,714)</u>	<u>18,569</u>
	<u><u>\$ (29,805)</u></u>	<u><u>\$ 36,863</u></u>

ST. LUKES COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized below at December 31:

	<u>2015</u>	<u>2014</u>
Receipts expected within one year	\$ 141,323	\$ 153,933
Less allowance for estimated uncollectible amounts	<u>(3,000)</u>	<u>(3,000)</u>
Contributions receivable, net	<u>\$ 138,323</u>	<u>\$ 150,933</u>

NOTE 4 – BENEFICIAL INTERESTS IN TRUST

A donor has established a trust held by a third party naming the Organization as a beneficiary of a charitable lead trust. Under terms of the split-interest agreement, the Organization is to receive 3% of the net fair market value of the trust principal for a period of ten years. Upon termination of the trust, the remaining trust assets are to be distributed to others. Based upon earnings at an estimated rate of 3% over the life of the trust and a 3.04% discount rate, the present value of future benefits expected to be received by the Organization totaled approximately \$81,000 at December 31, 2015 and 2014.

NOTE 5 – LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land	\$ 245,746	\$ 245,746
Buildings and improvements	4,657,021	4,657,021
Equipment and furniture	<u>481,298</u>	<u>481,298</u>
	5,384,065	5,384,065
Accumulated depreciation	<u>(2,196,102)</u>	<u>(2,056,049)</u>
	<u>\$ 3,187,963</u>	<u>\$ 3,328,016</u>

ST. LUKES COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Unconditional promises to give due in future periods	\$ 138,323	\$ 150,933
Strategic planning	30,477	-
Cultural enrichment	7,099	2,537
Preschool supplies	3,166	-
Community training	<u>-</u>	<u>6,467</u>
	<u><u>\$ 179,065</u></u>	<u><u>\$ 159,937</u></u>

NOTE 7 – ENDOWMENT

The Organization's endowment consists of donor restricted gifts as well as assets designated by the board which are held in investment accounts. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

Endowment Net Asset Composition by Type of Fund as of December 31, 2015:

	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	\$ -	\$ 238,404	\$ -	\$ -	\$ 238,404
Donor restricted endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>830,213</u>	<u>830,213</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ 238,404</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 830,213</u></u>	<u><u>\$ 1,068,617</u></u>

ST. LUKES COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 7 – ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2015:

	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 253,834	\$ -	\$ 874,632	\$ 1,128,466
Contributions	-	5,000	-	11,813	16,813
Investment return	-	(6,833)	-	(25,199)	(32,032)
Distributions, net	<u>-</u>	<u>(13,597)</u>	<u>-</u>	<u>(31,033)</u>	<u>(44,630)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 238,404</u>	<u>\$ -</u>	<u>\$ 830,213</u>	<u>\$ 1,068,617</u>

Endowment Net Asset Composition by Type of Fund as of December 31, 2014:

	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	\$ -	\$ 253,834	\$ -	\$ -	\$ 253,834
Donor restricted endowment funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>874,632</u>	<u>874,632</u>
Total	<u>\$ -</u>	<u>\$ 253,834</u>	<u>\$ -</u>	<u>\$ 874,632</u>	<u>\$ 1,128,466</u>

ST. LUKES COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 7 – ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Unrestricted Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 306,869	\$ -	\$ 861,247	\$ 1,168,116
Contributions	-	100	-	11,919	12,019
Investment return	-	9,873	-	25,872	35,745
Distributions, net	<u>-</u>	<u>(63,008)</u>	<u>-</u>	<u>(24,406)</u>	<u>(87,414)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 253,834</u>	<u>\$ -</u>	<u>\$ 874,632</u>	<u>\$ 1,128,466</u>

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. To the extent unrealized losses exceed original permanently restricted net assets plus gains earned in prior periods and earnings for which donor restrictions have not been met, such losses are recognized as losses in the unrestricted net asset class. Future increases in earnings of permanently restricted net assets will be first used to offset losses previously recognized in the unrestricted net asset class, and then increase permanently restricted.

ST. LUKES COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 7 – ENDOWMENT (Continued)

Endowment Investment Policy and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets to support the Organization and to enable it to more completely fulfill its mission by providing funds for (a) capital needs, (b) operating expenses, (c) programs and special projects and (d) such other purposes as specifically designated by donors. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as amounts designated by the board of directors to be held in perpetuity. Under this policy, as approved by the board of directors, the primary objective is to achieve a reasonable return on the assets, while limiting the risk exposure to ensure the preservation of capital. Investment funds are to be maintained as cash or as publicly traded securities.

Strategies Employed for Achieving Investment Objectives

To satisfy its long term objectives, the Organization relies on a strategy meant to preserve the corpus while providing a reasonable return on assets. The Organization has established a long-term investment goal of earning a minimum real rate of return equal to 5% per annum in excess of the rate of inflation, as measured by the greater of the Consumer Price Index or the GNP Deflator. This goal is measured over 5-10 year time periods.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization determines expendable funds on the basis of a total return principle. The funds available for distribution during any one year shall be determined at the beginning of such year and are limited to 4% of the average value of the corpus. The average value is determined by computing a three-year rolling average of the twelve end-of-quarter market values. Any expended funds from those available for distribution for a given year are accrued and continue to be considered available for distribution in subsequent years, unless otherwise designated by the action of the board of directors.

NOTE 8 – CONTRIBUTIONS – THRIFT SHOP AND ASSOCIATED ORGANIZATIONS

The Organization receives support from income generated by a local thrift shop. Such contributions totaled \$162,625 and \$162,600 for the years ended December 31, 2015 and 2014, respectively. The Organization's executive director serves as a board member of the thrift shop.

In addition, the Organization receives contributions from churches and other organizations associated with the Episcopal Church. Contributions from these organizations totaled \$189,492 and \$193,156 for the years ended December 31, 2015 and 2014, respectively.

ST. LUKES COMMUNITY HOUSE (EPISCOPAL), INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015 and 2014

NOTE 9 – BENEFIT PLAN

Effective February 2001, the Organization established a 401(k) Retirement Savings Plan. Under the plan, the Organization will match up to 6% of employees' contributions to the plan. Retirement plan contributions totaled \$25,335 and \$25,105 for the years ended December 31, 2015 and 2014, respectively.

NOTE 10 – CONCENTRATIONS

The Organization maintains its cash in bank accounts at regional financial institutions, which at times, may exceed the federally insured limits. The Organization has not experienced any losses in such accounts, therefore management believes it is not exposed to any significant credit risk related to cash and cash equivalents.