

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.

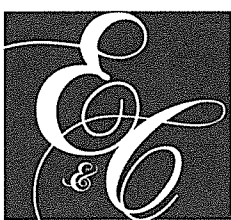
**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

DECEMBER 31, 2015 and 2014

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.

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EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

Board of Directors

Hillcrest Transitional Housing of Kansas, Inc.

We have audited the accompanying financial statements of Hillcrest Transitional Housing of Kansas Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets-modified cash basis as of December 31, 2015 and 2014, and the related statements of revenue, support and expenses-modified cash basis and functional expenses-modified cash basis 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 assets, liabilities, and net assets of Hillcrest Transitional Housing of Kansas Inc. as of December 31, 2015 and 2014, and its revenue, support and expenses and functional expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Kansas City, Missouri
August 2, 2016

Emerich & Company, P.C.

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31,

	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 306,989	\$ 339,659
Total Current Assets	306,989	339,659
Property, Plant and Equipment		
Land	36,500	36,500
Buildings and Improvements, including furniture and equipment	1,940,862	1,925,598
Vehicles	16,055	9,455
	1,993,417	1,971,553
Less Accumulated Depreciation	(287,921)	(226,114)
Total Property, Plant and Equipment	1,705,496	1,745,439
Total Assets	\$ 2,012,485	\$ 2,085,098
LIABILITIES AND NET ASSETS		
Current Liabilities	\$ -	\$ -
Net Assets		
Unrestricted	2,012,485	2,065,353
Temporarily restricted	-	19,745
Total Net Assets	2,012,485	2,085,098
Total Liabilities and Net Assets	\$ 2,012,485	\$ 2,085,098

See Notes to Financial Statements

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
STATEMENT OF REVENUE, SUPPORT AND EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions:			
Church	\$ 45,238	\$ -	\$ 45,238
Corporate	4,153	-	4,153
Individual	28,884	-	28,884
Service Organization	1,891	-	1,891
Grants received	509,993	-	509,993
Rent income	16,350	-	16,350
Special Events:			
Gala Event Receipts	87,654	-	87,654
Walk-a-thon Receipts	1,000	-	1,000
Bubble Soccer Income	6,656	-	6,656
Special Event Expenses	<u>(35,820)</u>	<u>-</u>	<u>(35,820)</u>
Total Special Events	<u>59,490</u>	<u>-</u>	<u>59,490</u>
Other Income	<u>4</u>	<u>-</u>	<u>4</u>
Total Revenue and Support	<u>666,003</u>	<u>-</u>	<u>666,003</u>
Net Assets Released From Restrictions			
Restrictions Satisfied by Payments	<u>19,745</u>	<u>(19,745)</u>	<u>-</u>
Total Revenues	<u>685,748</u>	<u>(19,745)</u>	<u>666,003</u>
EXPENSES			
Program services:			
Transitional Housing Ministry	629,039	-	629,039
Supporting services:			
Administrative and General	42,318	-	42,318
Fundraising	67,259	-	67,259
Total Expenses	<u>738,616</u>	<u>-</u>	<u>738,616</u>
INCREASE (DECREASE) IN NET ASSETS	(52,868)	(19,745)	(72,613)
NET ASSETS, BEGINNING OF YEAR	<u>2,065,353</u>	<u>19,745</u>	<u>2,085,098</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,012,485</u></u>	<u><u>\$ 23,993</u></u>	<u><u>\$ 2,012,485</u></u>

See Notes to Financial Statements

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
STATEMENT OF REVENUE, SUPPORT AND EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions:			
Church	\$ 32,315	\$ -	\$ 32,315
Corporate	17,440	-	17,440
Individual	28,556	-	28,556
Service Organization	19,000	-	19,000
Grants received	693,200	-	693,200
Special Events:			
Gala Event Receipts	31,009	-	31,009
Walk-a-thon Receipts	5,440	-	5,440
Special Event Expenses	<u>(18,536)</u>	<u>-</u>	<u>(18,536)</u>
Total Special Events	17,913	-	17,913
Rent Income	10,675		10,675
Other income	3	-	3
Total Revenue and Support	<u>819,102</u>	<u>-</u>	<u>819,102</u>
Net Assets Released From Restrictions			
Restrictions Satisfied by Payments	4,248	(4,248)	-
Total Revenues	<u>823,350</u>	<u>(4,248)</u>	<u>819,102</u>
EXPENSES			
Program services:			
Transitional Housing Ministry	680,688	-	680,688
Supporting services:			
Administrative and General	41,228	-	41,228
Fundraising	67,089	-	67,089
Total Expenses	<u>789,004</u>	<u>-</u>	<u>789,004</u>
INCREASE IN NET ASSETS	34,346	(4,248)	30,098
NET ASSETS, BEGINNING OF YEAR	<u>2,031,007</u>	<u>23,993</u>	<u>2,055,000</u>
NET ASSETS, END OF YEAR	<u>\$ 2,065,353</u>	<u>\$ 19,745</u>	<u>\$ 2,085,098</u>

See Notes to Financial Statements

HILLCREST TRANSITIONAL HOUSING OF KANSAS INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2015

	Program Service	Supporting Services		Total Expenses
	Transitional Housing Ministry	Administrative and General	Fund Raising	
Salaries and Payroll Taxes	\$ 223,003	\$ -	\$ 39,353	\$ 262,356
Contract Labor	3,533	-	-	3,533
Advocacy Expenses				
Allocated by Affiliate	78,000	32,500	19,500	130,000
Total Personnel Costs	304,536	32,500	58,853	395,889
Office Expense	-	6,323	-	6,323
Maintenance	35,811	-	-	35,811
Mileage	8,155	-	-	8,155
Staff Development	1,259	-	-	1,259
Dues and Subscriptions	5,810	-	-	5,810
Equipment	10,298	-	-	10,298
Insurance- Health	29,197	-	5,152	34,349
Insurance - Other	28,922	-	-	28,922
Telephone	2,658	-	-	2,658
Travel	1,934	-	-	1,934
Donor Communications	-	-	3,018	3,018
Utilities	88,486	-	-	88,486
Depreciation	61,807	-	-	61,807
Bank Charges	-	2,236	-	2,236
Resident Needs	38,302	-	-	38,302
Supplies	10,529	-	-	10,529
Miscellaneous	-	1,259	-	1,259
Retirement Benefits	1,335	-	236	1,571
Total Expenses	\$ 629,039	\$ 42,318	\$ 67,259	\$ 738,616

See Notes to Financial Statements

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2014

	Program Service	Supporting Services		Total Expenses
	Transitional Housing Ministry	Administrative and General	Fund Raising	
Salaries and Payroll Taxes	\$ 244,974	\$ -	\$ 43,231	\$ 288,205
Contract Labor	16,875	-	-	16,875
Advocacy Expenses				
Allocated by Affiliate	56,340	23,475	14,085	93,900
Total Personnel Costs	318,189	23,475	57,316	398,980
Office Expense	-	2,525	-	2,525
Maintenance	49,027	-	-	49,027
Travel Expense	18,285	-	-	18,285
Staff Development	2,526	-	-	2,526
Dues and Subscriptions	9,154	-	-	9,154
HMIS	973	-	-	973
Insurance- Health, Disability and Life	33,079	-	5,837	38,916
Insurance - Other	23,083	-	-	23,083
Telephone	4,288	-	-	4,288
Donor Communication	-	-	3,775	3,775
Utilities	103,596	-	-	103,596
Volunteers	430	-	-	430
Depreciation	56,055	-	-	56,055
Bank Charges	-	1,912	-	1,912
Resident Needs	22,696	-	-	22,696
Supplies and Equipment	34,150	11,384	-	45,534
Retirement	909	-	160	1,069
Garden Expense	4,248	-	-	4,248
Miscellaneous	-	1,932	-	1,932
Total Expenses	\$ 680,688	\$ 41,228	\$ 67,089	\$ 789,004

See Notes to Financial Statements

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 1: ORGANIZATION

Hillcrest Transitional Housing of Kansas, Inc. (Hillcrest) was incorporated in the state of Kansas in 2005. Hillcrest is a nonprofit transitional housing ministry providing a Christian environment for homeless families for the purpose of helping them become self supporting, self reliant contributors to society. It operates in Wyandotte and Johnson Counties in Kansas.

Hillcrest operates 28 apartments for homeless families, 11 apartments for homeless youth, and 6 group homes. A case manager provides ongoing personal attention to each resident family during and after their stay at Hillcrest. Each family participates in an educational program that includes training in financial management, homemaking, employment and community living skills. Hillcrest also offers programs for youth residents.

Hillcrest is one of three separate 501(c)(3) corporations engaged directly in the mission of providing housing for the homeless. These corporations are also referred to as affiliates. A fourth entity, Hillcrest Ministries of Mid America, provides program, administrative and fundraising services to the affiliates. All of the corporations have their own Board of Directors. Each Hillcrest Affiliate in good standing is authorized to provide one elected representative to the Board of Hillcrest Ministries of MidAmerica. At all times, a majority of the officers, directors, or trustees of Hillcrest Ministries of MidAmerica will be appointed or elected by the Hillcrest Ministries Affiliates. A Hillcrest Ministries Affiliate is considered to be a member in good standing and entitled to send an elected representative to the Hillcrest Ministries of MidAmerica meetings when the Affiliate has met their financial commitments to Hillcrest Ministries of MidAmerica and agrees to and adheres to a covenant incorporating the principles and policies of Hillcrest Ministries of MidAmerica.

See Note 7 for additional information on the organizational structure.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the modified cash basis of accounting of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, certain revenues and support are recognized when received rather than when earned and certain expenses and purchases of assets are recognized when the cash is disbursed rather than when the obligation to make the expenditure is incurred.

Cash and Cash Equivalents

Hillcrest considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2015 and 2014, cash equivalents consisted of money market accounts.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by Hillcrest has been limited by donors to a specific time period or purpose. Permanently restricted net assets, if any, have been restricted by donors to be maintained by Hillcrest in perpetuity.

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with donor stipulations that limit their use are reported as temporarily restricted revenue and net assets. When a donor stipulated time restrictions 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. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Contributed Goods and Services

Hillcrest recognizes as contributions those donated services that create or enhance non-financial assets and those that require specialized skills, provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Unpaid volunteers have made significant contributions of their times to Hillcrest's program, administrative and fundraising efforts. The value of this time is not reflected in these statements since it does not meet the above criteria. However, because recognition of contributed services as revenue would also involve recognition of corresponding expenses, there would be no effect on net assets.

Hillcrest also receives significant goods for use in its programs. The value of these is not recorded in the financial statements, unless it is the donation of real property. These goods are used for the benefit of participants in the programs and would be recorded as revenue with a corresponding recording of expense, with no effect on net assets.

Property, Plant and Equipment

Property, plant and equipment is stated at cost and depreciated over the estimated useful lives of the assets using straight-line and accelerated methods of depreciation.

Useful lives are as follows:

Furniture and Equipment	5-10 years
Real Estate	39 years
Real Estate Improvements	39 years

Income Tax Status

The organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. In addition, the Organization has qualified for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Management has reviewed all sources of revenue and believes that none of the Organization's activities is subject to tax on unrelated income.

As a tax-exempt organization the Organization is required to file a Form 990, *Return for Organization Exempt from Income Tax*, each year with the Internal Revenue Service which assesses its continuing status as a tax-exempt organization.

**HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014**

NOTE 2 – SUMMARY OF SIGNICANT ACCOUNTING POLICIES- CONTINUED

Income Tax Status –Continued

Management believes the Organization's operations have been conducted in accordance with its tax-exempt status, that the Organization has adequately addressed all tax positions and that there are no unrecorded tax liabilities.

Functional Expenses

The Organization allocates its expenses on a functional basis between its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated based on management's estimate of usage.

Uses of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through August 2, 2016, which is the date the financial statements were available to be issued.

NOTE 3 – RELATED ENTITY-AFFILIATE TRANSACTIONS

Hillcrest had allocated Hillcrest of Mid-America \$130,000 in costs in 2015 and \$93,900 in costs in 2014. Hillcrest of Mid-America performs various programs, administrative and fundraising duties for all of the affiliates.

NOTE 4 – RETIREMENT PLAN

Hillcrest Ministries of Mid-America and all affiliates sponsor a 403b retirement plan. Employees must wait one year before enrolling in the plan with a company match. After one year of employment the company provides a 50% match up to 6% of the employee's salary. A total of \$1,571 was expended on retirement benefits in 2015 and \$1,069 in 2014.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2014, Hillcrest had \$19,745 donor designated for development of the garden. There were no temporarily restricted net assets at December 31, 2015.

HILLCREST TRANSITIONAL HOUSING OF KANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 6 – HOUSE LEASE

Hillcrest leases a duplex, with 2 apartments for the homeless from St. Luke's Lutheran Church in Kansas City, Kansas. The term is \$1 per unit, per year.

NOTE 7 – SUBSEQUENT EVENTS

In November 2015, the Board of Hillcrest Transitional Housing of Kansas voted to merge with Hillcrest Ministries of MidAmerica, subject to ratification of the final contracts. As of January 2016, one board of directors governed the two agencies, with the completed merger expected in 2016.

In April 2016, Hillcrest purchased a 4-plex for \$229,000 for the future development of additional transitional housing. Funding for the purchase was provided by Hillcrest Ministries of MidAmerica.

NOTE 8 – CONCENTRATIONS

For the years ended December 31, 2015 and 2014, the Organization received approximately 77% and 85%, respectively, from governmental agencies. Governmental funding is subject to change depending on the current administration and the budgetary restraints at the time.